

**RECOGNITION AND ENFORCEMENT OF FOREIGN INTELLECTUAL
PROPERTY JUDGMENTS:
ANALYSIS AND GUIDELINES FOR A NEW INTERNATIONAL
CONVENTION**

By

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ל ג ל,

”אשת חיל מי ימצא ורחק מפנינים מכרה ...

רבות בנות עשו חיל ואת עלית על כלנה.”

(משלי לא)

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Finally, my thoughts and feelings about my wife's contribution to this project are reflected [in Hebrew] in the previous page.

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PREFACE

“If human society were so organized that all aspects of life flowed within coextensive spheres the problems studied in this book could never arise. In primitive societies economic, political, and social activity was probably for all practical purposes so confined; the tribe, family, or village furnished the basic – and almost the exclusively relevant – unit for all aspects of human activity. Life was simple in that the motivations and the principles affecting human conduct had an essentially unitary source and were largely viewed from a single perspective. In the contemporary world, on the other hand, many groupings affect human activity; moreover, a single course of conduct may be viewed from various perspectives – for example, in economic, social, and political terms – for each of which a different community can be relevant. How then should our contemporary world handle problems in which the persons concerned with more than one community? What happens when a problem arises between or among individuals or groups in some measure owing their allegiance to, and living their lives in, different communities?”¹

Almost forty years later, I revisit some of the same questions raised by Von Mehren and Trautman.

When I first started this research project in December, 2000, there seemed to be a sense of euphoria in the air as to the prospects of reaching an agreement with respect to the creation of a new international convention on the recognition and enforcement of foreign judgments under the auspices of the Hague Conference on Private International Law. The negotiations were at their peak, and a new draft was offered as a basis for discussion. Today, three years later, this promising and ambitious project is far from conclusion. The initial proposal shrunk substantially to a very modest and narrow proposal for a convention on choice of court agreements.

¹ ARTHUR T. VON MEHREN & DONALD T. TRAUTMAN, *THE LAW OF MULTISTATE PROBLEMS* 3 (1965).

Unplanned, this was a real-time, live, micro-cosmos experiment regarding the dynamics involved in the solving of the problems associated with recognition and enforcement of foreign judgments. This experiment resulted in the resurfacing of the very same problems that had been occupying the private international law world for hundreds of years. As The Hague judgments project fades away, the same old questions that lead to its initiation over a decade ago once again reemerge. This failed attempt simply reiterated and emphasized that these problems still exist and never went away. This was not the first attempt to address this issue from an international perspective, and most likely not the last one.

More than three years later, I conclude that fundamental mistakes were made in the previous attempts to create an international treaty regulating this issue. In this dissertation, I try to address these mistakes in order to avoid repeating them in the future. The path that I have chosen is to look at the past, so that I can learn for the future.

The first chapter of my work serves as an introduction and reviews the various problems and questions that I intend to address in this essay. I look into the basic questions of the private international field of law and the changes we are facing as a result of the digital revolution we have been undergoing. I also consider the question, why recognition of foreign judgments is necessary, and discuss the underlying policies and doctrines used to justify the recognition and enforcement of foreign judgments. This work is specifically oriented towards intellectual property rights. The fact that these rights are territorial in nature is responsible for many of the problems we encounter. Therefore, the fifth part of the first chapter is dedicated to the territoriality issue, the extraterritorial adjudication of these rights, and the implications the territoriality issue has

on the recognition and enforcement problem. In order to better understand the problems that are the very essence of my research, I conclude this chapter by actually explaining the process for the recognition and enforcement of foreign judgments. I do that by using the United States legal system as a model. To complete the picture, I conducted an empirical research that attempts to look into the question whether American courts enforce foreign intellectual property judgments and in the cases that they do not, what were the reasons for not doing so.

When we talk about recognition and enforcement of foreign judgments, a question is often asked about the remedy sought by the plaintiff. There are very significant differences between the recognition and enforcement of money judgments and that of injunctions and other provisional measures with respect to intellectual property rights. The second chapter addresses this point. It seems that money judgments are much easier to enforce than injunctions or other equitable remedies, especially in light of the fact that some legal systems do not even recognize injunctions as a potential remedy, so they find it difficult to enforce an injunction rendered by a foreign court. Furthermore, there is a growing phenomenon, especially in Europe, of extraterritorial injunctions that has drawn substantial criticism from scholars. There are solutions to these problems and I will discuss them later on.

The greatest obstacle for the free flow and international recognition and enforcement of foreign judgments in the modern world is the major difference in substantive law between different countries. These differences have many faces, including differences in the characteristics of the rights, the remedies that are provided, and the elements of protection. This is the central point in the third chapter. Some have

argued that a potential solution to the problem discussed in this work is to harmonize substantive intellectual property law. In other words, some believe that if we eliminate the differences in substantive laws, there will be no reason for one court to refuse to recognize a foreign judgment because they both adhere to similar laws. In order to determine the merits of such an argument, I look into the harmonization process the world of intellectual property has been undergoing during the last one hundred and twenty years with respect to patents, copyrights and trademarks. I conclude that despite the very extensive efforts, there is still a long way to go until complete harmonization is achieved, and the prospects of this happening anytime soon are slim if not nonexistent. I then argue that even if complete harmonization is ever achieved, as unreasonable as this may sound, this would still not solve the underlying problem addressed in my work due to the elements of territoriality and independence.

After I conclude that harmonization is not a viable solution to the problem, I turn in the fourth chapter to the “old” potential solution of international regulation through the adoption of international conventions. Interestingly, there were quite a few attempts to regulate this issue and most of them have failed to achieve their goal. In this chapter, I look into most of the important regional and multinational attempts to create such an instrument, and try to find the reasons for their failure in order to avoid repeating similar mistakes in my proposal. The fascinating conclusion that I draw is that the main reason for the failure of these attempts is the fact that most of them were drafted as a “double” or “mixed” convention. In other words, they attempt to address not just the issue of recognition and enforcement of judgments, but also the issue of jurisdiction. The problem is that these countries are having great difficulties agreeing on the issue of jurisdiction

and therefore, the prospect of ever adopting an instrument based on these two models is not very good.

Even though the jurisdiction issue is not the center of my research, I believe it is important to understand what potential difficulties are created, including the various elements and changes that the Internet has introduced. This will be discussed in the fifth chapter.

The sixth chapter introduces my proposed guidelines for a solution to the problem. I propose to adopt an international convention that contains certain unique characteristics that, based on my previous conclusions, has better prospects of being adopted by the international community. My proposal is based on a simple convention model that promotes a “presumption of enforceability” rule with very broad exceptions such as public policy, due process of law, and jurisdiction. The convention does not deal directly with the issue of jurisdiction, but rather addresses this issue indirectly as an exception to the general rule. By creating the convention within the framework of the TRIPS Agreement,² it is expected to enjoy some of the elements that are only contained in this Agreement, including issues of due process, public policy, and international dispute settlement. In the long run, I also propose to complement the convention with an international court system that may be created especially for this purpose, or alternatively be based on one of the already existing systems. An international court system, however,

² Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Marakesh Agreement Establishing the World Trade Organization, Annex 1C, 33 I.L.M. 1197. (1994) (hereinafter “TRIPS Agreement”).

should not be part of the initial proposal since it may scare some of the potential participants, thus creating an artificial barrier to its adoption.

It should be noted that if my proposal is successfully adopted and implemented, in the long run, it could be broadened in scope to also apply to other fields of law. In other words, my proposal potentially has broader implications and if it is successful in bringing stability and creating confidence and trust among potential member countries, it could be applied to other subject matters and serve as the basis for a broader international solution. In other words, despite the fact that this dissertation only addresses intellectual property related judgments, it can be potentially broadened in the future to cover other judgments as well.

I. INTRODUCTION TO THE PRIVATE INTERNATIONAL LAW PROBLEM

1. The Questions Involved

The development of the private international field of law results from the fact that there are many situations where international elements are involved in the litigation of a dispute between adverse parties. These international elements are varied and almost unlimited. For example, if the defendant and the plaintiff are citizens of two different countries, an international element is involved. Similarly, a case where the two parties live in the same country, but the disputed event, such as the signing of the contract, or the tortious act took place in a different country also contains an international element. Most interesting to us is a situation where a final judgment is rendered in favor of the plaintiff in one country, but the defendant resides, lives or is domiciled in a different country, or has assets that are located in a different country. In such an event, the plaintiff is faced with the problem of having a favoring judgment granting her legal rights that she is unable to enforce in the rendering jurisdiction. This is true both with respect to money judgments and equitable remedies, such as injunctions or temporary restraining orders. The need to recognize and enforce a foreign judgment is not limited to situations where the plaintiff is requesting the court to do so. There are many situations where the defendant is the one to ask the foreign court to recognize a judgment rendered in another jurisdiction as a defense to allegations made by the plaintiff in the new proceedings. These can be situations where certain parts of the dispute have already been decided by a foreign court in favor of the defendant, and the plaintiff attempts to circumvent this decision by raising the issue again. We should note that any attempt to resolve the issues and problems that result from the need to recognize and enforce a foreign judgment

outside the rendering jurisdiction should be made very carefully, because any decision with respect to the international regulation of recognition and enforcement of foreign judgments has “a strong potential to chill certain activities and encourage others, because of fears of risks, or even certainties, about lawsuits.”³

Three principle questions are involved in the private international law debate. The first one is the question of jurisdiction; the second is the question of conflict of laws; and the third is the question of recognition and enforcement of the judgment. From a practical perspective these three questions are inherently connected, and should be introduced in this chronological order. They are all part of one single process of enforcing the substantive rights of the plaintiff over the defendant. This process is the same in nearly every legal system, but it may become more complicated when foreign or international elements are involved.⁴

In international litigation involving monetary compensation there is, however, one preliminary practical question that needs to be addressed, which sets the direction of the entire process. This is the question of where the defendant has assets.⁵ This is the first

³ Jonathan A. Franklin & Roberta J. Morris, *International Jurisdiction and Enforcement of Judgments in the Era of Global Networks: Irrelevance of, Goals for, and Comments on the Current Proposals*, 77 CHI.-KENT L. REV. 1213, 1217 (2002).

⁴ For general discussion *see*, JANE C. GINSBURG, THE PRIVATE INTERNATIONAL LAW OF COPYRIGHT IN AN ERA OF TECHNOLOGICAL CHANGE, 273 RECUEIL DES COURS OF THE HAGUE ACADEMY OF INTERNATIONAL LAW 239 (1998). *See also*, LEA BRILMAYER, CONFLICT OF LAWS: FOUNDATIONS AND FUTURE DIRECTIONS (Boston 1991).

⁵ *See* WILLIAM D. PARK & STEPHEN JH. CROMIE, INTERNATIONAL COMMERCIAL LITIGATION 459 (1990).

question that each plaintiff must answer before engaging in any litigation process. All of the other questions will be irrelevant if, at the end of the day, it turns out that no assets exist to satisfy the obtained judgment. This lies at the heart of the debate. There is really no point in engaging in a long, time consuming, and expensive litigation process if we cannot successfully enforce the final judgment against the defendant. Only if assets do exist and we can locate them, is there a point in starting the litigation; then, we move to address the three private international law questions. Furthermore, the answer to this preliminary question will set the course for the entire litigation process, as it provides guidance with respect to many other questions.

Many times a claim can be filed in more than one country or jurisdiction. Consider the following example. An American company and a German company sign an agreement in Germany with respect to the utilization of a German patent and the payment of royalties in the U.S. The American company is very active in both countries. The German company can file a claim against the American company in Germany where the agreement was signed and the patent is registered or in the U.S. where the utilization of the patent or the breach of agreement took place. There are different considerations that the German company must take into account when making the decision where to file the complaint. Litigating the case in Germany would probably be easier for the German company due to its familiarity with this legal system and would likely be less expensive. On the other hand, if the American company has no assets in Germany, even if it wins, the German company will be unable to collect the judgment and must look for other options such as enforcing the German judgment in the U.S. This is the kind of issue that bothers many companies and individuals that engage in international trade.

In the introduction to the second edition of his 1884 book Francis T. Piggott writes:

“The subject of Foreign Judgments forms the most practical if not the most important chapter in Private International Law; for it involves the consequence and practical application of the principles which that law expounds. It is the last chapter, in which the results arrived at in all the earlier chapters reappear. As a practical matter it is evident that principles of International law must be worth little unless universally recognized and acted on; if they are universally recognized, then when a decision is given in one country in which any of those principles are acted on there can be little hesitation in predicting the universal recognition of the decision itself. The importance and magnitude of the subject can only be gauged by the importance and variety of the question on which it touches: these questions extend over the whole range of law.”⁶

In this work, I concentrate on the third question of private international law, namely the recognition and enforcement of foreign judgments. I will address the first two questions of jurisdiction and conflict of laws only to the extent that it serves my research and conclusions.

2. The Implications of the Digital Era

The problem of the enforcement and recognition of foreign judgments is by no means a new one. It has been known for many years and may be traced back to the industrial revolution and to a smaller extent even before then.⁷ This is no surprise. As

⁶ FRANCIS T. PIGGOTT, *THE LAW AND PRACTICE OF THE COURTS OF THE UNITED KINGDOM RELATING TO FOREIGN JUDGMENTS AND PARTIES OUT OF THE JURISDICTION* (2nd ed., London 1884).

⁷ *See, e.g.*, the decision of the United States Supreme Court in the case of *Hilton et al v. Guyot et al.*, 159 U.S. 113, 16 S.Ct. 139 (1895).

long as borders are open and transfers of people and goods take place, controversies and disputes arise and there is a growing need to address them. One must wonder what created the renewed sudden interest in this issue. A frequent answer to this question is the growing usage of the Internet since the late 1980s.⁸ For many years, commercial transactions meant the simple exchange of physical property for currency, some kind of a commercial paper, cash or other merchandise. People met face to face, saw the merchandise they wished to buy, paid for it and took it with them after paying consideration. In this reality, the chances that something were to go wrong were slim and the attention paid to questions of jurisdiction, applicable law and enforcement of judgments were rarely addressed, simply because there was no need to address them. They simply relied on their short physical proximity to address these issues.⁹ This has changed significantly and is no longer necessarily true. The unique characteristics of the Internet and the information society in which we currently live make a substantial difference.¹⁰

As one author has recently put it:

“The Internet’s challenge to traditional concepts of jurisdiction and governance is multifaceted, but really boils down to two factors. First when you’re online, you’re both everywhere and nowhere at once. Ubiquity is perhaps the defining characteristics of this remarkable new “borderless” medium. There are no passports on the Internet; you travel

⁸ FRANKLIN & MORRIS, *supra* note 3, at 1218.

⁹ Yvonne Chau, *Protecting Intellectual property Rights in the International Marketplace: New International Boundaries*, 621 PLI/PAT 255, 259 (2000).

¹⁰ For more on the “Information Society,” *see generally*, JAMES BOYLE, SHAMANS, SOFTWARE, AND SPLEENS: LAW AND THE CONSTRUCTION OF THE INFORMATION SOCIETY (1996).

freely from one destination to another at the click of a button. And geography is a remarkably meaningless concept for Internet denizens. . . Second, no single entity or country owns or controls the Internet. Persons of this so-called 'network of networks' are owned by private companies, organizations, or even governments, but it is impossible to point to any specific 'owner' of the Net writ large."¹¹

This is not to say of course that international commerce did not exist until now. The volume of this commerce (especially e-commerce), however, was substantially less significant than what it is today.

New methods of communications such as the fax machine, e-mail, satellite phones and the Internet created a new reality in which information can be transferred from one point to another on the face of the earth within seconds and billion-dollar deals can be concluded without the parties ever meeting each other face to face. Even if the parties do need to personally meet before concluding the transaction, modern aviation makes it easy for them to cross a continent within hours for a very reasonable price and enjoy all the facilities and luxuries that a modern businessman enjoys.

The new technologies helped introduce new ways to conduct business. Online commerce was not heard of twenty years ago. For example, purchasing airline e-tickets from Travelocity.com, Orbitz.com, or Hotwire.com reduced the number of travel agents and has become a daily routine for millions of people around the globe. Similarly, buying books online from Amazon.com or making bids on eBay is nothing special these days and the volume of these activities is only expected to grow. In addition, the Internet has substantially revised the ways commerce is conducted in the wholesale market – the

¹¹ ADAM THIERER & CLYDE W. CREWS JR., WHO RULES THE NET? xv (2003).

ability to purchase raw materials, such as chemicals, in a faster and more efficient manner.

These differences in methods of communications have changed the way of conducting business only partly. In many other ways, we conduct business in the same manner as it had been done over one hundred years ago. People today frequently still have their lawyers exchange drafts of contracts and engage in the art of negotiation. What has mainly changed is the fact that everything now is much easier to accomplish. The periods of time are shorter, and most importantly, geographical and political borders are less of an issue due to the increasing use of digital, rather than physical, distribution of goods. Consequently, people today are exposed to more litigation outside their home country.¹²

These changes in the business environment have two significant consequences. First, the number of transactions that are conducted has increased in volume beyond imagination. The second is the fact that these transactions are not necessarily conducted within a certain country or territory, but rather expand to other countries as well, beyond political or geographical borders.

This phenomenon cannot be solely attributed to improvements in communications technology. One additional important contributing factor to this changing reality is the signing of international agreements such as the GATT¹³ and the creation of the World Trade Organization (“WTO”). These changes have made it easier for merchandise to cross oceans and continents by reducing artificial barriers for trade, such as customs and

¹² FRANKLIN & MORRIS, *supra* note 3, at 1219.

¹³ General Agreement on Tariffs and Trade, 33 I.L.M. 1154 (Sept. 1994).

tariffs, resulting in the free flow of merchandise between different countries. Another example is the signing of bilateral and multilateral treaties establishing free trade areas and exchanges of merchandise.¹⁴ The immediate result of these changes is the increase of potential markets and the establishment of competition. Theoretically, every industrial producer increases its number of potential customers to a great extent since it is no longer limited only to those located in the territory in which it operates.

These changes did not skip the world of intellectual property. Modern products contain numerous new inventions, which are patented and protected. The same goes for works that are copyrighted and transferred between consumers such as musical and video works, not to mention famous corporations such as the Coca-Cola Company and McDonald's that operate around the world using their famous trade-marks and trade-names. Many companies who own intellectual property rights have changed their business models and seek new opportunities in new markets hoping to increase their profitability. People around the world travel more and are thus exposed to developments that take place in other countries. They demand enjoying them when they return home and vice versa, they seek to enjoy the comforts of home while they are traveling.

The nature of business relations is that sometimes they result in business disputes that require the parties to engage in extensive litigation. Since intellectual property issues such as the ownership, registration, infringement, validity, and licensing of patents, trademarks and copyrights are an integral part of these disputes, they are also subject to litigation. Things get more complicated when the transactions, and as a result, the

¹⁴ *See, e.g.*, the North American Free Trade Agreement, signed Dec. 17, 1992, Can. – Mex. – U.S., 32 I.L.M. 289 (entered into force Jan 1, 1993) (hereinafter NAFTA).

litigation is not limited to the borders of one jurisdiction, but involve international elements. Cross-border transactions have the tendency to complicate things simply due to the fact that the judgment, for various reasons, cannot always be satisfied in the jurisdiction which rendered it, and the winning party must seek enforcement and recognition in other jurisdictions. I will have more to say about this issue when I discuss the unique characteristics of intellectual property rights.

Interestingly, one of the findings of the empirical research that I will discuss later in detail is that in light of these changes, the number of cases in which the issue of recognition and enforcement of foreign intellectual property judgments is discussed in the United States has grown overwhelmingly in the last twenty years, as reflected in Figure 1 below.

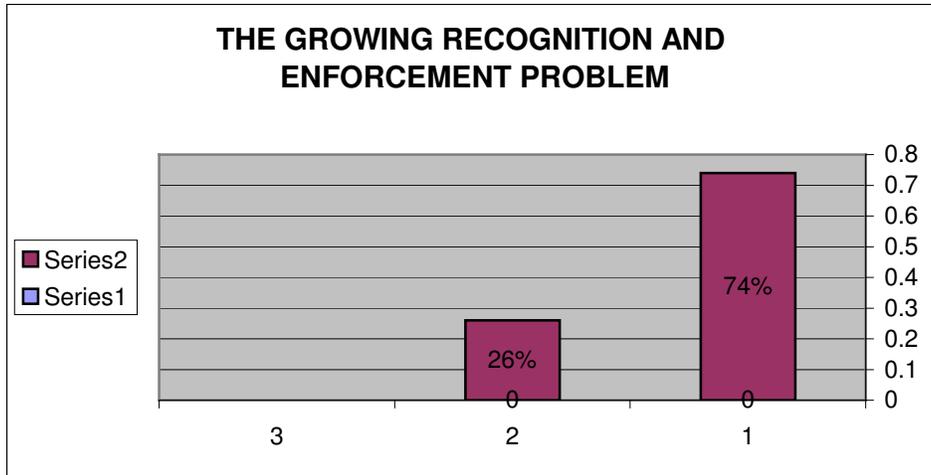


Figure 1

1 = Cases After 1985

2 = Cases Before 1985

3. The Underlying Policies

A question arises as to why it is so important to allow, or even require one country to recognize or enforce a judgment rendered in another country. Is it really a good thing to allow one country to intervene in the internal affairs of another country by extraterritorially applying its judgments? What are the benefits of such an approach? Interestingly, a very broad, unscientific review of the scholastic writing on the issue of recognition and enforcement of foreign judgments reveals that most of them do not even address this question. It appears that most of the writers simply assume that there are benefits involved in such recognition and enforcement. The general, nearly axiomatic assumption is that recognizing and enforcing foreign judgments is a good thing, with substantial advantages, and that only in rare situations should we refrain from doing so.

One may attempt to advance the opposing argument that the general norm should be that of self-government and democracy, and that the exception should be that of extraterritorial application of the foreign judgment. Arguably, the advantages of such an arrangement would be the advancement of security and trust among citizens that would know that any dispute would be governed by the laws of the country in which they live and interpreted by such country's legal institutions. In addition, commercial entities would allegedly be able to use contractual mechanisms to circumvent the problem by using arbitration and choice of law and court provisions, or by creating industry specific substantive standards.

One must take into consideration in advancing such an argument, however, that full security to one party in such a case necessarily means insecurity to the other. What would we do in a world where there is no general rule of extraterritorial application of

foreign judgments, and both parties insist that the laws of their country apply to the dispute, and that this should be the only forum in which the litigation can take place. It seems that this is a perfect recipe for a disaster, as the parties are in a collision course, and insistence on this point may endanger the possibility of closing the transaction.

From an economic perspective, the problem is that this may raise the price of the transaction for both parties. The uncertainty stemming from the fear that winning the legal proceedings may not guarantee the enforcement of the award comes with a price tag – in economic terms this translates into a higher transaction price. The suffering party would most likely be the end-consumer, who would have to absorb the growing cost. The other option is that the price of this uncertainty would be so high that the parties would not go forward with the transaction, and in an extreme situation cross-border/international commerce would be shut down.

In addition, the fact that commercial entities and sophisticated parties can contract around the problem by choosing arbitration or inserting choice of court and law provisions into their agreements can only solve the problem to a very limited extent. The introduction of the Internet has initiated a process in which the number of international transactions between private parties, or between private parties and commercial companies, is growing substantially. Thus, it is reasonable to predict that the relative part of these transactions in international commerce will only grow in the coming years, and as a result, these alternative solutions may become irrelevant.

To a great extent, the historical development of the private international law/conflict of laws body of law and the general rule of extraterritorial application of judgments was dictated by reality and necessity. There is some evidence for the existence

of the same problems and issues that are addressed here as far in the past as the Greek era in the fifth century B.C.¹⁵ Creation of new great empires, such as the Roman Empire and the development of international trade as a result, amplified this necessity of new solutions to the newly created problems. Similarly, “[b]y the 17th century, the leadership of conflicts literature moved to the Netherlands which by that time was one of the major trading nations in the world.”¹⁶

One must also ask the question, what is the theoretical basis for the recognition and enforcement of the foreign judgment? The answer to this question is extremely complex and cannot be answered based on a single theory. “The theories typically advanced to explain recognition practice contribute little to any real understanding of what should control.”¹⁷ It seems, however, that the main answer to this question is practicability.

“Perhaps the ultimate justification for some degree of recognition is that if in a highly complex and interrelated world each community exhausted every possibility of insisting on its parochial interests, injustice would result and the normal patterns of life would be disrupted. A full articulation of relevant policies would reflect the implications of varying attitudes toward the preclusive effects to be accorded domestic judgments; the significance of differing attitudes and techniques in the fields of choice of law and of jurisdiction to adjudicate in the international sense; and the degree to which a given community holds, for historical, political, and economic reasons, the

¹⁵ SYMEON SYMEONIDES ET. AL., CONFLICT OF LAWS: AMERICAN, COMPARATIVE, INTERNATIONAL 6 (ST. PAUL 1998).

¹⁶ *Id.* at 9.

¹⁷ Arthur T. von Mehren & Donald T. Trautman, *Recognition of Foreign Adjudication: A Survey and a Suggested Approach*, 81 HARV. L. REV. 1601, 1603 (1968).

conviction that a viable international order is desirable and obtainable.”¹⁸

To put it differently, we cannot satisfy the will of all the people, all the time.

In the modern world, the litigation process is more protracted and expensive. Both parties incur significant costs during this process, such as the hiring of attorneys, costs relating to the reimbursement of witnesses, travel expenses and mandatory court fees. In addition, legal proceedings in many countries last for a substantial length of time, from the filing date of the complaint until all appeal options are exhausted and enforcement of the judgment is allowed. As a result, refusal to recognize or enforce a foreign judgment may result in injustice to the original plaintiff, as she will not hurry to repeat her monetary and time investment required to re-litigate the case from the beginning in a new forum. This economic justification is frequently used in the U.S. Furthermore; refusal to recognize or enforce a foreign judgment creates an additional artificial barrier to the achievement of justice – one that was not introduced by the legal system rendering the judgment. This result may have a significant effect on the conducting of business and commerce. Assuming that the rendering court litigated the case in a decent and just manner, the refusal to enforce the foreign judgment means that the party in violation of the rights of another is the real winner, not because she is right or because of a legitimate reason, but rather because of a technicality or simply because she has more money. The consequence of such an approach is that paying your debt, or keeping your contractual obligations would not always be the right thing to do from an economic perspective. The effect that such a developing custom may have on international commerce and business relations between nationals and citizens of different countries could be very significant.

¹⁸ VON MEHREN & TRAUTMAN, *supra* note 1, at 834. *See also, id.* at 1603.

Money and time are not the only justifications for encouraging the enforcement of foreign judgments. Another consideration is the policy against forcing the plaintiff to make a decision on where to initiate the litigation based on the chances of future enforcement of the judgment. We want to reach a point where the plaintiff can choose the location of where to file the complaint while knowing that such location shall not affect her ability to enforce it. Conversely, we also want to avoid providing the plaintiff with an additional option to select a forum for further litigation, in case she is unsuccessful on the first time.¹⁹ If the plaintiff selected a certain forum to file her claim and she loses, we do not want to enable her to file an identical claim in a different forum, which does not recognize the defendant's request to recognize the original judgment rendered.

A third consideration is the interest in promoting stability, unity, predictability and uniformity in the global marketplace in the modern world, since globalization has created a reality where our lives are no longer confined to designated borders.²⁰ This consideration is gaining substantial significance as the world is becoming more united from an economic perspective, and e-commerce is occupying a larger volume of international commerce. As one court has put it:

“The primary reason for giving effect to the rulings of foreign tribunals is that such recognition factors international cooperation and encourages reciprocity. Thus, comity promotes predictability and stability in legal expectations, two critical components of successful international commercial enterprises. It also encourages the rule of law, which is especially important

¹⁹ *See Id.* at 835.

²⁰ *See Id.*

because as trade expands across international borders, the necessity for cooperation among nations increases as well.”²¹

A fourth consideration is the wish to protect a successful opponent from further harassment by its former unsuccessful opponent by utilizing evasive tactics.²²

The fifth consideration, and a very important one, is based on the notion that we should encourage litigation in the forum that is the most appropriate one to litigate the case because it is the most convenient one, or since it has the greatest stakes in the outcome of the litigation, or for any other reason that justifies this court rendering a judgment on the merits.²³

The weight given to each of these considerations may differ from one jurisdiction to another and from one set of cases to another. The globalization process the world has been undergoing during the last several decades has created a reality where international borders no longer play a substantial role. We must realize that international transactions today are similar in characteristics to local transactions fifty years ago, and the same

²¹ *General Elec. Co. v. Deutz Ag.*, 270 F.3d 144, 160 (3rd Cir. 2001), holding that interests of comity precluded an injunction barring the German guarantor from appealing an arbitration panel’s ruling on the issue of arbitrability sitting in London and within the jurisdiction of an English court. *See also*, *Linkco, Inc. v. Nichimen Corp.*, 164 F.Supp.2d 203, 214 (D.Mass. 2001), holding that the “central precept of comity teaches that, when possible, the decisions of foreign tribunals should be given effect in domestic courts, since recognition fosters international cooperation and encourages reciprocity, thereby promoting predictability and stability through satisfaction of mutual expectations.”

²² VON MEHREN & TRAUTMAN, *supra* note 1, at 833.

²³ *Id.*

policies, which guided us then with respect to enforcement of judgments rendered by other jurisdictions in the same country, should also guide us now.

Needless to say that for each of the reasons provided in support of the need for international recognition and enforcement of judgments, the other party against whom the judgment is enforced, would fiercely object.

4. The Basis for the Recognition and Enforcement of Foreign Judgments

Courts throughout the world troubled themselves for decades with the question: upon what principles are they allowed or obligated to enforce a judgment rendered by a foreign court? The two old and basic theories to address this issue originate in 19th century England. These are the theories of “Comity of Nations” and the doctrine of “Obligation.”

A. Comity of Nations Doctrine

As a general rule, laws have no effect or force beyond the political borders of the sovereignty from which their authority derives. For many years, it has been agreed that “comity” is the basis for allowing a judgment deriving from the sovereignty of one legal system to be enforced in other countries. The Comity of Nations Doctrine, in the words of Lord Blackburn, is based on the idea that it is an “admitted principle of the law of nations that a state is bound to enforce within its territories the judgment of a foreign tribunal.”²⁴ This British doctrine was adopted and is still in full effect in the U.S., as I will later explain.

²⁴ Godard v. Gray. L. R. 6 Q. B. 139. For an elaborate overview of the British cases, which served as authorities for the creation of this doctrine, see PIGGOTT, *supra* note 6, at 5.

This concept was developed mostly in the Netherlands by Ulrich Huber in the last quarter of the 17th century in an attempt to mediate between the needs of international commerce and territorial sovereignty.²⁵ Today, however, there are other reasons used to justify this practice, such as the saving of money and resources, as previously discussed.

B. Legal Obligation Doctrine

The doctrine of “Legal Obligation” rejects altogether the comity idea. It simply states that if a legal obligation is created by a foreign judgment, it must be enforced or obeyed everywhere. This means that unlike in other countries, in the British common law system enforcement and recognition of foreign judgments are not based on reciprocity or the existence of a treaty requiring the courts to enforce a foreign judgment. This doctrine was first introduced in 1845 in the British case of *Russell v. Smyth*, where the court held that “[t]he principle in this case is, that where a competent court has adjudicated a certain sum to be due, a legal obligation arises to pay that sum, and an action of debt to enforce the judgment may be maintained. It is in this way that the judgments of foreign and colonial courts may be supported and enforced.”²⁶

The difference between the two doctrines is significant. Under the Comity Doctrine, we enforce foreign judgments because we are engaged in a civilized world, and therefore, we are obligated to adopt public international rules that require respecting behavior and obligations created by fellow nations. On the other hand, if we follow the Obligation Theory, we enforce the foreign judgment simply because it created a private

²⁵ See Phillip L. McGarrigle, *The Role of Foreign Judgments in Patent Litigation: A Perspective and Strategic Overview*, 39 IDEA 107, 109 (1998).

²⁶ *Russell v. Smyth*, 9 M. & W. 810, as quoted in PIGGOTT, *supra* note 6, at 8.

obligation on the part of the losing party before the court, and such obligations should be honored. One ramification of the application of this theory is that everything that might negate the existence of the obligation, or excuses its performance can serve as a good defense against its enforcement.²⁷ A different distinction between the two theories is that the Comity Doctrine exists in the sphere of public international law whereas the Obligation Theory exists in the private international law one.

There are, of course, other theories that have been developed throughout the years to justify recognition and enforcement of foreign judgments, as I discussed with respect to the underlying theories.

Up to this point, I have explored the underlying policies and the bases for recognition and enforcement of foreign judgments. One may argue that in light of these different approaches taken by various jurisdictions and courts, before attempting to continue and solve the problems addressed in this dissertation, we must first prioritize them. There may be various views as to which of the underlying policies and doctrines previously discussed are the most important ones. One country, for example, may view the goal of saving money and resources as its justification for a need for a solution, whereas another country may view the need for predictability and certainty as the basis. The question, however, is whether it is really necessary to do so.

I argue that it is not. If we prioritize the five underlying policies previously mentioned and try to advance a solution that addresses one policy at the expense of other policies, those who view the other policies as the more important ones are going to be more reluctant to join such a solution, since it does not address the policies important to

²⁷ PIGGOTT, *supra* note 6, at 8.

them. Every solution will need to be comprehensive and broad enough to make it comfortable for as many jurisdictions as possible to participate. In other words, the question why they sit at the table is less important than the fact that they actually do. The success of every potential solution is directly linked to the question: how many jurisdictions participate? A solution involving two, three or four jurisdictions is not a real solution. We need to make sure that as many jurisdictions as possible join, and the only way to do that is to try and avoid preferring one policy to the other. Sitting at the table for the wrong reason (and none of the above is really a wrong reason) is better than not sitting at all.

5. The Unique Characteristics of Intellectual Property Rights

After discussing the general underlying policies and the prevailing doctrines, I now turn to the unique characteristics of intellectual property rights, which are the center of this dissertation.

A. Territoriality

For many years, intellectual property rights were considered to be territorial in nature.²⁸ Cornish mention four different characteristics of the territorial nature of intellectual property rights. These include the following: “(1) the effects of the intellectual property right in each country are determined by the law of that country; (2) the intellectual property right only affects activities in the territory for which it is granted; (3) the right may be asserted only by nationals of the country for which it is granted, and

²⁸ See Graeme B. Dinwoodie, *(National) Trademark Laws and the (Non-National) Domain Name System*, 21 U. PA. J. INT’L ECON. L. 495, 500 (2000).

others given similar status by law; (4) the right may be asserted or challenged only in the courts of the country for which it is granted.”²⁹

There is no such thing as uniform intellectual property law that binds all countries, and there is no such thing as an international patent, copyright or trademark.³⁰ Each country has its own intellectual property laws and these laws grant intellectual property rights that have an effect only within the political borders of the country that granted them. Thus, for example, if one has patent rights that are registered in one country, everyone else can use the very same patent outside the country of registration without receiving any permission from the right holder and without paying her any royalties, unless the right holder took the necessary steps to guarantee separate protection to these rights in other countries as well.

These are separate national systems that adhere to the same international norms (i.e. national treatment and minimum standards) as they are codified in the Berne Convention,³¹ the Paris Convention,³² and the TRIPS Agreement. Though all the

²⁹ CHRISTOPHER WADLOW, ENFORCEMENT OF INTELLECTUAL PROPERTY IN EUROPEAN AND INTERNATIONAL LAW 9 (London, 1998).

³⁰ For discussion of the term territoriality, *see generally* Jane C. Ginsburg, *The Cyberian Captivity of Copyright: Territoriality and authors' Rights in a Networked World*, 15 SANTA CLARA COMPUTER & HIGH TECH. L.J. 347 (1999).

³¹ Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as last revised at Paris, July 24, 1971, S. Treaty Doc. No. 99-27, 828 U.N.T.S. 221 (hereinafter Berne Convention).

³² Paris Convention for the Protection of Industrial Property, March 20, 1883, as last revised at Stockholm, July 14, 1967, 25 Stat. 1372, 828 U.N.T.S. 305 (hereinafter Paris Convention).

Members of TRIPS are required to adhere to the minimum standard rule in terms of protecting minimum subject matter and providing minimum rights, many see this as “a bundle of national, territorially defined, rights.”³³ Others, on the other hand, are arguing that the new public international instruments, by imposing many new substantive norms on Member states, are creating a de-facto international or multinational code.³⁴

Many see the national treatment principle found in international instruments, such as the TRIPS Agreement, as the basis for the view that intellectual property rights are indeed territorial. The fact that an author or inventor is always subject to the rules and laws of the country where protection to the work is sought indicates that the rights are limited to the territory which granted them, and once out of this territory, new protection should be sought based on the laws of the new territory. “It implies that it is for each contracting state to define the availability and effects of intellectual property rights within its territory – subject to whatever minimum standards may be set by the relevant convention – and to afford equal protection to its own nationals and the nationals of other contracting states.”³⁵

B. Extraterritorial Application of Intellectual Property Legislation

So far, I have concentrated on the basic scenario in which a court in one country is asked to recognize or enforce a foreign judgment rendered in another country, and the activities addressed by the rendering court having taken place within its own jurisdiction.

³³ Jane C. Ginsburg, *International Copyright: From a “Bundle” of National Copyright Laws to a Supranational Code*, 47 J. COPYRIGHT SOC’Y U.S.A. 265, 266 (2000).

³⁴ *Id.*

³⁵ WADLOW, *supra* note 29, at 12.

There may, however, be a twist to this scenario, which can complicate things significantly. What would happen if the enforcing court realizes that the rendering court asserted its jurisdiction and applied its laws extraterritorially and decided to regulate activities taking place in a different forum?

Consider the following example. A company has similar patents registered in three European countries. One of its competitors routinely violates the patents in all the countries where the patent is registered. The patent holder decides to consolidate all the claims against its competitor in one of the three countries asking the court to adjudicate the three claims against the defendant and issue an injunction that prohibits the violation and use of the patent in all three countries. In other words, the court is asked to issue an extraterritorial injunction with respect to at least two of the countries involved. The plaintiff then asks the court in one of the two other countries to enforce the foreign injunction. As I will later discuss, such an injunction may be enforced by the foreign court by utilizing a contempt of court mechanism, as done in the U.S. or other common law countries, or by using other mechanisms such as *astreintes* as done in France and other civil law countries.

The problems that arise from this example are clear. The enforcing court is asked to enforce a foreign judgment, rendered by a foreign court that addressed patent violations taking place within the enforcing court's territory. This is likely to raise substantial antagonism on the part of the enforcing court for intervention in occurrences that took place within its jurisdiction.

Let us stretch this example one step further for the sake of argument. Imagine that before filing the consolidated claim in the rendering court, the patent holder tried to get

an injunction in the enforcing court and failed. Only then, the patent holder filed a consolidated claim that granted the extraterritorial injunction that prohibited the patent infringement in the rendering jurisdiction, as well as the enforcing jurisdiction. Such a chain of events puts the patent holder in a better position if the patent infringement suit is brought in a foreign court than if it were brought in the country where the right is registered – an obviously unjust result. As imaginary as this example may sound, in today's world this is a reality.

In the last decade of the twentieth century, courts in the Netherlands started to express their willingness to issue extraterritorial injunctions against infringement of foreign patents in foreign countries. This means that the court will not only order a Dutch national to refrain from infringing a foreign patent in a foreign country, but also intervene in the sovereignty of foreign countries by issuing a cross-border injunction that prohibits, for example, a German national from violating a German registered patent in Germany exactly as described in the previous example.

The Dutch courts' decisions were rendered in a procedure by the name *kort geding*. These proceedings usually involve the request for a domestic or extraterritorial relief in the shape of a prohibitory injunction, as well as other relief such as mandatory injunctions and recall of infringing products.³⁶ It is the Dutch courts' view that the assertion of jurisdiction in foreign infringement cases may be based on the combination of Articles 2 and 6(1) of the Brussels Convention when a Pan-European right is involved, and also that extraterritorial preliminary injunctions are consistent with Article 16 of the

³⁶ For a detailed review of the *kort geding* proceedings and these Dutch decisions, see WADLOW, *supra* note 29, at 14-20.

Brussels Convention. In fact, these courts held that if they can assert jurisdiction over the foreign defendant under international instruments, it is their duty to grant an extraterritorial relief if the patent appeared to be valid and infringed.

This approach in my view is the first step down a very dangerous slippery slope. The result of this approach, if further developed, would be that if jurisdiction may be asserted by a foreign court, this court could potentially adjudicate any intellectual property infringement claim taking place in a foreign country, even if no connection exists between the rendering court and the country where the violation took place. Theoretically, under this approach the plaintiff may decide to file the claim in a foreign forum simply because it is more favorable, even though there is no real relation between the rendering court and the infringement at issue. Many may and are viewing this approach as a very crude interference with the sovereignty of foreign countries. It would be very hard to believe that foreign courts would be eager to recognize or enforce such a judgment involving intervention in their jurisdiction.

The question then is does this mean that there is a transition in the intellectual property field from territoriality to extraterritoriality? I would say that the answer is no. Even in light of the recent developments, the territorial nature of intellectual property laws has not changed. What has changed is only the extraterritorial adjudication of intellectual property rights. The fact that a court agrees to issue an injunction under the laws of another country, with effects in the other country, does not mean that the right is no longer territorial because the effect of the right is still limited to the territory where it is registered or granted. The infringement in the foreign country is tested under the laws of the foreign country by a local court, rather than by extraterritorial application of the

local laws to an infringement abroad. All that has changed is the fourth element, which addresses the identity of the court in which the rights are being challenged. In sum, “[t]here has been widespread confusion between the proposition that intellectual property laws are not extraterritorial, and quite the separate proposition that they are not justiciable in foreign courts.”³⁷

There is another angle to the extraterritoriality problem. There are cases where courts decide to assert their jurisdiction over activities taking place in other countries, but unlike in my prior example, they find a way to justify applying their own laws to the dispute. This problem is expected to be more crucial with globalization and the rapid increase in digital accessibility and communication. American courts, as I will show, are not always eager to assert their jurisdiction and apply their laws to violations of intellectual property rights that take place outside the borders of the United States. As a general rule, the U.S. has a strict territorial presumption that federal laws should not be interpreted to apply to conduct abroad absent a clear indication that Congress intended them to be applied that way. This is known as the “presumption against extraterritoriality.” However, in spite of this presumption there are still uncertainties as to when this presumption should apply. There are some differences between the extraterritoriality of patent and copyright laws, compared to that of trademark laws.

Under the American Patent Act³⁸ it seems that patent protection is limited to the United States Territory. Accordingly, “whoever without authority makes, uses or sells any patented invention, within the United States during the term of the patent therefore,

³⁷ *Id.* at 10.

³⁸ 35 U.S.C. §§ 1-376 (1994).

infringes the patent.”³⁹ The case law that preceded the enactment of this provision also supports the claim that American patent protection is territorial in scope.⁴⁰ As a result, an American inventor who seeks protection for his invention in foreign countries should probably seek protection, according to Congress’s intent and the language of the statute, by registering a patent in the countries where the invention is being used.⁴¹

However, there are two situations in which American courts agreed to spread their jurisdiction to the international arena, and made exceptions to the territoriality rule. The first case relates to “contributory infringement.” If conduct abroad induces or contributes to infringement that takes place within American territory, courts are more likely to agree to implement American patent laws.⁴² The second exception to the territorial rule occurs in cases where the infringing act took place in a U.S. territory, and the defendant made profits from the exploitation of the infringed invention in a different country. In other words, as long as the infringement of the American patent took place in the U.S., the damages awarded to the plaintiff can include profits that were made as a result of the infringement in other countries.⁴³ It should be remembered that in both these exceptions,

³⁹ 35 U.S.C. § 271(a).

⁴⁰ For an overview of case-law history, see Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 V. J. INT’L L. 505, 521-22 (1997).

⁴¹ See *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 92 S.Ct. 1700 (1972).

⁴² See *Spindelfabrik Suessen-Schurr v. Schubert & Salzer*, 903 F.2d 1568 (1990); *Honeywell, Inc. v. Metz Apparatewerke*, 509 F.2d 1137 (1975).

⁴³ See *Schneider (Europe) AG v. SciMed Life Sys.*, 39 U.S.P.Q.2d 1596 (1995).

the actual infringement took place in American territory. Without an infringing act within U.S. territory, there is no infringement of American Patent law.⁴⁴

British courts object to extraterritorial application of patent law and will not recognize a judgment based on such application. In a famous case a British court held:

“Now an English patent is a species of English property of the nature of a chose in action and peculiar in character. By English law it confers certain monopoly rights, exercisable in England, upon its proprietor. A person who has an enforceable right to a license under an English patent appears therefore to me to have at least some kind of proprietary interest which it is the duty of our courts to protect. And, certainly so far as the English patents are concerned, it seems to me with all deference to His Honour’s judgment, to be an assertion of an extraterritorial jurisdiction which we do not recognize, for the American courts to make orders which would destroy or qualify those statutory rights belonging to an English national who is not subject to the jurisdiction of the American courts.”⁴⁵

Unlike the Patent Act, the Copyright Act does not limit the scope of copyright protection only to American territory. However, American courts have held that copyright laws, in general, are limited to U.S. territory.⁴⁶ This attitude was reaffirmed in the case of *Subafilms, Ltd. v. MGM-Pathe Communications Co.*,⁴⁷ where the court held that the Copyright Act does not apply to activities that take place outside U.S. borders.⁴⁸ The court based its ruling on its interpretation of Congress’ intention that the Act would

⁴⁴ See Bradley, *supra* note 40, at 523.

⁴⁵ *British Nylon Spinners v. ICI*, (1952) 69 R.P.C. 288, CA.

⁴⁶ For review of relevant cases, see Bradley, *supra* note 40, at 524.

⁴⁷ 24 F.3d 1088 (1994).

⁴⁸ See also *Twin Books Corp. v. Walt Disney Co.*, 83 F.3d 1162, 1167 (1996); *Update Art, Inc. v. Modiin Publ. Ltd.*, 843 F.2d 67, 73 (2d Cir. 1988).

be territorial and not extraterritorial.⁴⁹ In this case, the court determined that the “authorization” of a defendant in the U.S. to distribute videocassettes of the film *Yellow Submarine* to offshore actors did not trigger the extraterritorial assertion of U.S. copyright law. The court held that “authorization” alone in the U.S. is insufficient to assert U.S. law. Many commentators criticized this approach.

Similar to the patent realm, in copyright as well we can find exceptions to the general territorial rule in the image of contributory infringement⁵⁰ and extraterritorial profits.⁵¹ Another exception to the general rule that was recognized by American courts relates to situations in which an infringement within U.S. territory permits an infringement abroad.⁵² However, like in patent law, all of those exceptions depend on the fact that the infringement took place in the United States.⁵³

Unlike the situation with respect to patents and copyrights, trademark law does not require an act of infringement inside U.S. territory.⁵⁴ The U.S. Supreme Court has already dealt with the question of the territoriality of the Lanham Act in the 1950’s, long before the Internet age, in the case of *Steele v. Bulova Watch Co.*⁵⁵ This case is a great

⁴⁹ See *Subafilms*, *supra* note 47, at 1096-1098.

⁵⁰ See *Cable/Home Communication Corp. v. Network Productions, Inc.*, 902 F.2d 829, 845-846 (11th Cir. 1990); *Metzke v. May Dept. Sores Co.*, 878 F.Supp. 756, 760-761 (W.D. Pa. 1995).

⁵¹ See *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2d Cir. 1939). *But see* *Los Angeles News Serv. V. Reuters Television Int’l, Ltd.*, 942 F. Supp. 1265, 1269 (C.D. Cal. 1996).

⁵² See *Bradley*, *supra* note 40, at 573.

⁵³ See *Id.* at 526.

⁵⁴ See *Id.*

⁵⁵ *Steele v. Bulova Watch Co.*, 344 U.S. 280, 73 S.Ct. 252 (1952).

example of how American courts decided to apply their own laws in an instance where there had been hardly any connection between the physical activities of the defendant and the U.S., and concluded that there had been trademark infringement. In this case, an American citizen assembled watches made of parts purchased in the U.S. and Switzerland, and sold them in Mexico, carrying the name Bulova. Bulova was a very famous trademark that was registered in the U.S. and used to sell watches in this country. The defendant was the owner of the same registered mark in Mexico. Though never sold in U.S. territory, a few of the watches were purchased in Mexico and then leaked into U.S. territory. Since the quality of the watches manufactured in Mexico was not as good as that of the watches sold in the U.S., the plaintiff complained that this would adversely affect the Bulova Watch Company's reputation in markets cultivated by advertising in the U.S. and abroad, and thus sought to enjoin the use of the Bulova mark on watches assembled in Mexico.

Much like in the modern examples of Internet use in the digital age, where a website located on an Internet server in one country infringes on a registered trademark in another, the *Bulova* Court had to decide “whether a United States District Court has jurisdiction to award relief to an American corporation against acts of trade-mark infringement and unfair competition consummated in a foreign country by a resident of the United States.”⁵⁶

The Supreme Court was fully aware of the problem in applying the Lanham Act to activities that took place outside U.S. borders. It concluded that American legislation could not be applied beyond the borders of the U.S. “unless a contrary legislative intent

⁵⁶ *Id.* at 281.

appears.”⁵⁷ Under the Lanham Act, commerce is defined as “all commerce which may be lawfully regulated by Congress.”⁵⁸ Article I, § 8 of the American Constitution includes “Commerce with foreign Nations” as part of the commerce that can be regulated by Congress, and most commentators seem to assume that this clause gives Congress a broad power to regulate extraterritorial activities.⁵⁹

It seems that the Court was worried about the international implications of a decision that would broaden the scope of the Lanham Act beyond U.S. territory. The American court took advantage of the fact that the defendant was an American citizen and said that the U.S. cannot be prevented from governing the conduct of its citizens outside its borders, as long as the rights of other nations and their nationals are not violated. The decision is not based on international law, but rather on the obligation of citizens to abide by the laws of their country. After giving the legal basis for its decision, the Court concluded that the Lanham Act applied to the mentioned facts and turned to the analysis of the Lanham Act.

Though the case was decided in 1952, prior to the 1988 Amendment to the Lanham Act, the requirement of use of the trademark in commerce in order to prevail in an infringement action was the same as today. The Court decided that trade practices which result in unlawful consequences in the U.S. will not be immune simply because they were initiated or consummated outside U.S. borders. “In such a case it is not

⁵⁷ *Id.* at 285.

⁵⁸ 15 U.S.C.A. § 1127.

⁵⁹ *See* Bradley, *supra* note 40, at 531-532.

material that the source of the forbidden effects upon commerce arises in one phase or another of that program.”⁶⁰

There are several ways in which we can interpret the *Bulova* decision. It is unclear whether it is limited to the facts of this specific case, or perhaps has broader implications. The Court does not deal with the question of whether there has been use of the trademark in the U.S. per se, as required by the Lanham Act, but rather opted for the easier solution, basing its opinion on the fact that the defendant was an American citizen, and thus has to abide by its laws. There are still many questions that remain open after the *Bulova* case. For example, it is unclear what would have been the result if the defendant had been a foreign citizen rather than an American; what would have been the result if the parts were not purchased in the U.S., or if no watches crossed the border to the U.S. In other words, it is unclear whether the Court thought that American trademark law is territorial in nature, as many consider intellectual property laws to be, or if the Court sought a more expansive interpretation of the Lanham Act, finding it extraterritorial in scope. If we adopt the territorial approach, we should read the decision as if it was saying that if we take all the factors in the case together, all the activities by the defendant resulted in use in commerce of the trademark in the U.S. (although hardly anything of substance took place there). Another approach supposes that the Lanham Act also governs cases where no actual use of the mark takes place in the U.S., as one might say in the situation of the use of a mark on an out-of-state Internet server.

Indeed, later decisions of American courts read the *Bulova* decision in a narrow way, limiting it to the specific facts of this case. In *Vanity Fair v. T. Eaton Co.*,⁶¹ the U.S.

⁶⁰ Steele, *supra* note 55, at 287.

Court of Appeals for the Second Circuit, concluded that a three factors test was relevant under *Bulova* for the determination of the extraterritoriality of the Lanham Act: (1) whether the defendant is a U.S. citizen, (2) whether the defendant's conduct had a substantial effect on U.S. commerce, and (3) whether there is a conflict with trademark rights established under foreign law.⁶² "[T]he absence of one of the above factors might well be determinative and . . . the absence of both is certainly fatal."⁶³ It should be noted; that the *Vanity Fair* Court held that infringement remedies under the Lanham Act would not be applied to acts committed by a foreign national in his home country under a presumably registered trademark in that country.⁶⁴ In the *Bulova* case, the Court managed

⁶¹ *Vanity Fair Mills Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956).

⁶² In *Vanity Fair*, the court concluded that since the defendant was not a U.S. citizen and there was a conflict with trademark rights established under foreign law, "the remedies provided by the Lanham Act . . . should not be given extraterritorial application . . ." *Id.* at 643. *See also* *Atlantic Richfield Company v. Arco Globus International*, 150 F.3d 189 (2nd Cir. 1998).

⁶³ *Vanity fair*, *supra* note 61, at 643. *See also* *Totalplan Corporation of America v. Colborne*, 14 F.3d 824, 831 (2nd Cir. 1994), where the court concluded that "the absence of two of the three *Bulova* factors in this case is fatal to an argument that the conduct is governed by the Lanham Act."

⁶⁴ *See also* *International Café, S.A.L. A Lebanon Corporation v. Hard Rock Café International (U.S.A.), Inc.*, 252 F.3d 1274 (11th Cir. 2001). In this case the U.S. Court of Appeals for the Eleventh Circuit held that in a claim by a foreign national against an American company the court cannot assert jurisdiction if the only connection to the U.S. was the receipt of royalties and commissions, and where ruling by the U.S. court on allegations of unfair competition might interfere with the rulings of a foreign court.

to avoid addressing this question because subsequent to the grant of certiorari by the U.S. Supreme Court, a Mexican court nullified the registration of the mark in Mexico.

In sum, it may be said that patent and copyright law do not apply to conduct abroad absent some act of infringement in the U.S., whereas such a requirement does not apply to trademark law.⁶⁵ Various commentators have criticized this erosion and abandonment of the presumption against extraterritoriality by American courts. Most notably, Professor Curtis Bradley argues that this presumption, though losing some of its power during the years, is still viable and “impliedly mandated by, the international law regime governing intellectual property rights.”⁶⁶ This regime is based on the two principles of national treatment and minimum standards, which arguably support a territorial approach to intellectual property. In addition, Bradley concludes that the presumption is supported by principles of separation of powers that have particular force in the area of intellectual property rights. It is argued that from an American inner perspective, the judicial branch has no authority to engage in decisions that may influence American foreign policies and relations with international institutions. Bradley also offers other options to reaching foreign conduct that affects activities or has consequences in the U.S., without incurring many of the above-mentioned problems associated with the extraterritorial application of U.S. law. This can be achieved by actions on the part of the political branch that should engage in activities with other governments and international institutions, by applying the contributory infringement doctrine, or by increasing the receptivity to claims based on foreign intellectual property law.

⁶⁵ Bradley, *supra* note 40, at 508.

⁶⁶ *Id.* At 510.

In light of the above, it is clear that the tendency of some courts to apply their own laws extraterritorially to activities taking place in other countries may have serious implications on the likelihood that such judgments be recognized and enforced abroad, and only complicate the pursuit for a solution to the problems addressed in this work.

6. The Practice of Recognition and Enforcement of Judgments

To be able to address better the problems associated with recognition and enforcement of foreign judgments, we must first take a look from a practical perspective at the way such foreign judgments are recognized and enforced in daily practice. I have chosen as a model the American legal system. The reason for selecting the U.S. as a model is because the U.S. is probably the most important player in the world of intellectual property, and it is hard to assume that any global solution can be reached without U.S. participation. Furthermore, it is interesting to learn whether from a practical perspective the U.S. recognizes and enforces foreign intellectual property judgments, and what are the reasons and criteria that are used by American courts in doing so.

A. The U.S. Model

When we talk about the recognition and enforcement of judgments in the U.S., we have to differentiate between recognition and enforcement between the Member States of the Union (e.g. enforcement in Florida of a judgment rendered in New York), and enforcement and recognition by an American court of a judgment that was rendered in a foreign country (e.g. Germany). The enforcement and recognition of judgments among the Member States of the Union is based on the Full Faith and Credit Clause of the

United States Constitution, which requires each State to give “Full Faith and Credit . . . to the . . . Judicial Proceedings of every other state.”⁶⁷

Since the Full Faith and Credit Clause of the Constitution is inapplicable to the enforcement of foreign-country judgments, it remains “a matter of state choice rather than federal compulsion.”⁶⁸ As a result, the question as to what criteria should be applied by the individual states in the enforcement of foreign judgments remains unanswered, and we can identify several differences in the roads taken by American courts.⁶⁹ The U.S. has no one national law concerning recognition and enforcement of foreign judgments, and is not a member of any international treaty dealing with this subject.⁷⁰ The development of the recognition and enforcement concept in the U.S. is very interesting and has gone through very significant changes.

1. The Hilton v. Guyot Decision

Some view the 1895 Supreme Court case of *Hilton v. Guyot* as the landmark decision with respect to recognition and enforcement of foreign judgments in the U.S., and even today, it is still widely quoted and referred to by courts throughout the country.⁷¹ In fact, most of the cases described in my following empirical research

⁶⁷ U.S. CONST. Art. IV, § 1.

⁶⁸ SYMEONIDES ET AL., *supra* note 15, AT 854.

⁶⁹ *See Id.*

⁷⁰ *See* Fritz Blumer, *Jurisdiction and Recognition in Transatlantic Patent Litigation*, 9 TEX. INTELL. PROP. L.J. 329, 380 (2001).

⁷¹ *See, e.g.,* Alesayi Beverage Corp. v. Canada Dry Corp., 947 F.Supp. 658 (S.D.N.Y. 1996), which described the *Hilton v. Guyot* case as “the seminal case in the area of enforcement of foreign judgments.”

mention this case as a source. This ruling, however, has been highly criticized and eroded during the years. In this case, the Court concluded that foreign judgments were entitled to recognition on the basis of comity. The court held:

“‘[c]omity,’ in the legal sense, is neither a matter of absolute obligation, on the one hand, nor of mere courtesy and good will, upon the other. But it is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws.”⁷²

Eventually, the Court in this case refused to recognize the foreign judgment based on the fact that a parallel French court would have refused to enforce a similar American judgment in a similar scenario. This is in fact a reciprocity requirement. Many scholars and judges reject the reciprocity requirement⁷³ and “to date most courts in the United States have rejected the requirement of reciprocity.”⁷⁴

In a later case, *Erie Railroad Co. v. Tompkins*,⁷⁵ the U.S. Supreme Court held that the Constitution obliges the federal courts to apply both the substantive laws and the conflict of laws rules of the State in which they sit in diversity cases. Since *Hilton v. Guyot* was also a diversity jurisdiction case, many federal courts believe this indicates

⁷² *Hilton v. Guyot*, *supra* note 7, at 163-164.

⁷³ *See, e.g.*, Andreas F. Lowenfeld, *Nationalizing International Law: Essay in Honor of Louis Henkin*, 36 COLUM. J. TRANSNAT’L L. 121, 128 (1997).

⁷⁴ SYMEONIDES ET AL., *supra* note 15, at 863

⁷⁵ 304 U.S. 64, 58 S.Ct. 817 (1938).

that the *Hilton* holding does not apply anymore,⁷⁶ and in the absence of a federal statute or treaty, recognition of foreign country judgments is a matter for state law.⁷⁷ State courts have also held that since *Hilton v. Guyot* enunciated a rule of federal common law, it is not binding on the States.⁷⁸

In many cases, proceedings for the recognition and enforcement of foreign judgments in the U.S. are brought in federal courts as diversity of citizenship cases. When these cases involve foreign intellectual property rights, they are not held to involve federal questions and therefore, based on the *Erie* doctrine they are governed by state law rather than federal law.⁷⁹ The answer is different, however, if American intellectual property rights are involved, as these are usually considered to be federally governed rights.

The Restatement (Third) of Foreign Relations Law (1987) (the “Restatement”) summarizes the legal roots of this concept. The official comment provides:

“Since *Erie v. Tompkins* . . . it has been accepted that in the absence of a federal statute or treaty or some other basis for federal jurisdiction, such as admiralty, recognition and enforcement of foreign country judgments is a matter of State law, and an action to enforce a foreign country judgment is not an action arising under the laws of the United States. Thus, State courts, and federal courts applying State law, recognize and enforce foreign country judgments without reference to federal rules. Ordinarily, a decision of a State court granting or denying recognition to

⁷⁶ Few of the States still adhere to the *Hilton v. Guyot* holding. See EUGENE F. SCOLES ET AL., CONFLICT OF LAWS, 1191 (3rd ed. 2000).

⁷⁷ See SYMEONIDES ET AL., *supra* note 15, at 863.

⁷⁸ See *id.* at 864.

⁷⁹ See Blumer, *supra* note 70, at 380-381.

a foreign judgments is not subject to review by the United States Supreme Court, unless the decision raises questions under the United States Constitution.”⁸⁰

2. The Issue Preclusion Doctrine and Intellectual Property

Not always an American court will agree to recognize a foreign judgment relating to American intellectual property rights. The reason for such refusal would be the lack of subject matter jurisdiction on the part of the rendering court, or because it contradicts U.S. public policy.⁸¹ There are certain situations in which an American court may give some effect to a foreign judgment with respect to intellectual property rights. This may be done through the application of the doctrine of “issue preclusion” or “collateral estoppel,” which may lead a court to decide not to re-litigate certain factual issues already fairly decided by a foreign court. This doctrine forecloses litigants from contesting matters that were actually litigated and decided in a previous action. For the doctrine to apply the issues raised in the earlier and later proceedings must be identical and must have actually been litigated and decided in the earlier proceeding. Furthermore, the party to be estopped must have had full and fair opportunity to litigate the issues in earlier proceeding, and the resolution of issues must have been necessary to support valid and final judgment on the merits in the earlier proceeding.⁸² “Issue preclusion is made available when it is sound to do so in light of the effects on the rate of error, the cost of

⁸⁰ Comment to § 481.

⁸¹ See Blumer, *supra* note 70, at 382.

⁸² See *TM Patents, L.P. v. International Business Machines Corp.*, 72 F.Supp.2d 370 (S.D.N.Y. 1999).

litigation, and other instrumental considerations. When there are good reasons to allow relitigation ... preclusion does not apply.”⁸³

U.S. courts have held that the doctrine applies to decisions of courts of foreign countries,⁸⁴ and also applies in the field of international intellectual property law. For example, in one case, a U.S. court deciding a trademark infringement case held that the thorough consideration and determination of certain related issues in West Germany courts required that the parties contesting the right to use U.S. trademarks be estopped from re-litigating the same issues before U.S. courts.⁸⁵ In *Pony Express Records, Inc. v. Springsteen*,⁸⁶ the U.S. District Court for the District of New Jersey held that the question of ownership of a certain copyrighted work had already been decided by an English court and therefore, this question could not be re-litigated in the U.S., based on the collateral estoppel doctrine. Interestingly, the court reached this decision despite the fact that the plaintiffs in the U.S. proceedings were not the defendants in the English case. The court explained that the plaintiffs knew about the English proceedings, and a license agreement gave them an opportunity to participate and control the suit, a right, which they neglected to exercise. This is undoubtedly an extreme use of this doctrine.

⁸³ *Jackson v. FIE Corp.*, 302 F.3d 515, 529 (C.A.5 (La), 2002).

⁸⁴ *Alfadda v. Fenn*, 966 F.Supp. 1317, 1325 (S.D.N.Y. 1997).

⁸⁵ *See Carl Zeiss Stiftung v. V. E. B. Carl Zeiss, Jena*, 293 F.Supp. 892, 908 (D.C.N.Y. 1968). In this case, the issues to be precluded involved the question of whether plaintiff, a West German private foundation that was created after Soviet Union's expropriation of all the assets of the original foundation located in East Germany, was a valid successor of the original foundation, which had been the owner of particular trademarks.

⁸⁶ 163 F.Supp.2d 465 (2001).

Similarly, in *Leo Feist, Inc. v. Debmar Pub. Co.*,⁸⁷ the District Court for the District of Pennsylvania recognized a British judgment, and held that the doctrine of collateral estoppel was applicable and that defendants were entitled to a summary judgment where an English court found as a matter of fact that there was neither conscious nor subconscious copying in a copyright infringement case. The District Court concluded that the English court, in making that finding, applied legal principles which, if different at all, were only very slightly different from those which would have been applied by an American court.

Another use of the issue preclusion doctrine was made in *Northlake Marketing & Supply, Inc. v. Glaverbel, S.A.*⁸⁸ In this case, the court recognized a finding of a Belgian court in litigation between the two parties that a certain British document was not to be viewed as “prior art” with respect to the patents at issue because it had not been previously printed or published. The court, therefore, precluded the alleged patent infringer's reference to the document as prior art for purpose of the argument that the patents were invalid. The court justified its ruling by holding that the proceedings in the Belgian court were fundamentally fair.

3. The Uniform Foreign Money-Judgments Recognition Act

Since 1962, thirty-three jurisdictions have adopted with slight variations the proposed Uniform Foreign Money-Judgments Recognition Act (hereinafter the “UFMJRA”), which was drafted by the National Conference of Commissioners on Uniform State Laws and adopted by the American Bar Association in 1964. The purpose

⁸⁷ 232 F.Supp. 623 (D.C.Pa. 1964).

⁸⁸ 958 F.Supp. 373 (N.D.Ill. 1997).

of this proposed Act was to restate the rules of recognition of judgments that have been recognized in the U.S., and to increase the likelihood that American judgments will be recognized in foreign countries. It does not provide a uniform enforcement procedure, but rather provides that a judgment entitled to recognition will be enforceable in the same manner as the judgment of a court of a sister state, which is entitled to full faith and credit under the U.S. Constitution.⁸⁹

The official Prefatory Note explains the reasons for the creation of this new proposed Act:

“In most states of the Union, the law on recognition of judgments from foreign countries is not codified. In a large number of civil law countries, grant of conclusive effect to money-judgments from foreign courts is made dependent upon reciprocity. Judgments rendered in the United States have in many instances been refused recognition abroad either because the foreign court was not satisfied that local judgments would be recognized in the American jurisdiction involved or because no certification of existence of reciprocity could be obtained from the foreign government in countries where existence of reciprocity must be certified to the courts by the government. Codification by a state of its rules on the recognition of money-judgments rendered in a foreign court will make it more likely that judgments rendered in the state will be recognized abroad.”⁹⁰

Some of the states that have adopted this Act added a requirement of reciprocity, though the proposed Act does not include one. The Act applies to judgments for the

⁸⁹ See Prefatory Note and Comments at

<http://www.law.upenn.edu/bll/ulc/fnact99/1920_69/ufmjra62.htm>.

⁹⁰ See *id.*

recovery of money. This Act recognizes a public policy exception to such recognition and enforcement.⁹¹

4. The Restatement

The Restatement provides that a final judgment of a foreign court that grants or denies the award of a sum of money, or determines interests in property, is conclusive between the parties and is entitled to recognition by courts in the U.S.⁹² Like most of its international counterparts, it also provides a list of grounds for refusal to recognize such judgments, which leaves the final decision to the discretion of the enforcing court. The list of mandatory grounds for refusal to recognize foreign judgments concentrates on procedural aspects such as due process of law, lack of impartial tribunals, and personal jurisdiction. It also provides for discretionary grounds for refusing to recognize foreign judgments, such as repugnance to the public policy of the U.S., lack of subject matter jurisdiction, and fraud. Interestingly, the reciprocity requirement is not a part of the Restatement or the Uniform Money Judgments Act.

Under U.S. law, American courts can either enforce judgments relating to intellectual property rights that were given in other countries or recognize such judgments as a basis for additional litigation concerning the dispute. The reasons for this approach are respect for other jurisdictions and avoidance of litigating the same case twice. The modern approach in the U.S. with regards to the enforcement of intellectual property judgments is that “the judgment of the foreign court having jurisdiction is, subject to the

⁹¹ UFMJRA § 4(b)(3).

⁹² RESTATEMENT § 481(1).

few exceptions . . . conclusive as to the rights of the plaintiff and obligations of the defendant.”⁹³

There are exceptions, however, to this general rule. American courts will not enforce judgments that were given by courts that had no jurisdiction over the defendant, or if they were obtained by fraud or related to revenue issues.⁹⁴ Another reason for refusing to enforce foreign judgments relating to intellectual property rights is if the judgment is repugnant to U.S. public policy.⁹⁵ For example, it is unlikely that an American court would agree to assert its jurisdiction over a foreign entity that has a branch in a U.S. territory, if it was asked to determine the rights of this entity to intellectual property registered in its home country.⁹⁶ A different reason for refusal of enforcement of foreign judgments is when a court renders a judgment in the absence of subject matter jurisdiction with regards to the dispute at issue.⁹⁷ Many legal systems consider a judgment that was given by a court that had no jurisdiction over the subject matter to be void, and thus it cannot be recognized or enforced.

The British “estoppel” theory serves as a ground for refusing to re-litigate foreign judgments. This is a de facto recognition of the previous foreign judgment. In these cases, the courts recognize the previous judgment because they refuse to re-litigate a matter that

⁹³ SCOLES ET AL., *supra* note 76, at 1188.

⁹⁴ See John R. Thomas, *Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement*, 27 LAW & POL’Y INT’L BUS. 277, 305 (1996).

⁹⁵ See also RESTATEMENT § 482.

⁹⁶ See *Vanity Fair Mills v. Eaton Co.*, *supra* note 61, at 645.

⁹⁷ RESTATEMENT § 482.

had already been resolved in the previous case. In doing so, the courts hint that re-litigation of the matter might end up with a more accurate result, but they refuse to do so because they want to avoid additional expenses, inconsistent results, and also seek to limit the number of cases they have to decide.⁹⁸ This doctrine supports primarily the first underlying policy, previously discussed, of avoiding unnecessary waste of resources (the economical policy). Under U.S. law, in order for the doctrine to apply, several conditions need to be met. First, the judgment had to be fully and fairly litigated; second, the judgment had to be actually determined; and third, it had to be necessary for the result⁹⁹.

5. Conclusions

In sum, there is lack of uniformity in the U.S. with respect to the recognition and enforcement of foreign judgments. This results in a situation in which one State may refuse to recognize or enforce a judgment, even though a different Member of the Union would have enforced it.¹⁰⁰ A few of the States still require reciprocity in order to enforce foreign judgments, while others base their rules on comity, yielding a lack of uniformity with regards to the enforcement of these judgments. However, there has recently been a change in the American approach, and recognition that enforcement of foreign judgments should be regulated by legislation. This should be done in order to avoid situations where (in foreign countries that base their laws on reciprocity), an American cannot enforce a U.S. judgment given in her favor only because the U.S. does not officially enforce or

⁹⁸ See Thomas, *supra* note 94, at 307.

⁹⁹ See, e.g., RESTATEMENT (SECOND) OF JUDGMENTS SECTION 27 (1986). See *id.*

¹⁰⁰ See INTERNATIONAL JURISDICTION AND JUDGMENTS PROJECT - REPORT, The American Law Institute (APRIL 14, 2000).

recognize judgments rendered in that country, but will still have to face enforcement of a judgment in the U.S. that was rendered against her in this different jurisdiction¹⁰¹

The absence of a federal statute dealing with this issue encouraged the American Law Institute (“ALI”) to engage in a new project in 1998 aimed at creating new federal legislation to regulate the issue. This project kept in mind the evolving Hague Draft, and resulted in the understanding that two parallel legislation proposals should be introduced. One assumed that an international treaty was to be created as a result of The Hague Draft negotiations, and therefore some implementing legislation would be needed. The second proposal assumed that these negotiations would fail, and thus tried to create a new statute that would apply and regulate recognition and enforcement of foreign judgments in the U.S., even in the absence of an international instrument. In light of the stalling in The Hague negotiations and their apparent failure, the ALI Council advised that the project should continue as if no international treaty would be signed, and assume that only the second proposal would survive. On March 29, 2002, the Council submitted its proposal for new legislation that will regulate this issue in the U.S. The proposal uses as its starting point the UFMJRA. However, the new proposal goes beyond the UFMJRA in the kind of judgments that it covers, as well as other subjects, such as issue and claim preclusion, *lis pendens*, injunctions, and provisional measure in aid of foreign proceedings.¹⁰² ALI believes that federal legislation would be preferable to a uniform act that would apply state rather than federal rules. In the ALI annual meeting in May 2003 in Chicago, the

¹⁰¹ See SCOLES ET. AL., *supra* note 76, at 1150-51.

¹⁰² INTERNATIONAL JURISDICTION AND JUDGMENTS PROJECT - DISCUSSION DRAFT 5, The American Law Institute (March 29, 2002).

tentative draft was discussed with respect to its content and as to whether it should continue to be presented as a proposed statute or maybe in some alternative format. However, neither a dispositive motion nor a proposal to Congress was made.¹⁰³

B. An Empirical Research

In order to determine whether American courts, in fact, recognize and enforce foreign judgments, I tried to gather all the judgments addressing this issue, and involving disputes with respect to intellectual property rights. These include federal and state courts. I accomplished this goal by running several computer databases searches. I limited my research to those judgments where the subject matter was one of the three major intellectual property rights, namely copyrights, patents and trademarks.

Since the number of cases that I managed to locate was quite limited and I wanted the research to be reliable, I included in my list those judgments that not only addressed the recognition and enforcement issue directly, but also those that did so in an indirect way. For example, in order to prevail in a copyright infringement case the plaintiff must first prove ownership of the relevant copyrights, which is an incidental question to the infringement issue. Therefore, if an American court had to decide the question of copyrights infringement, and during this process, it had to recognize a foreign judgment already holding that plaintiff has or does not have title to the copyrights in the relevant work as an incidental question, such a case would be included in my research.

It was clear that American courts, as a general rule, recognize and enforce foreign judgments of other “western countries” such as England, the E.U., Australia, Canada, and Israel, unless the court finds a good reason not to do so. Among the cases reviewed, over

¹⁰³ See ACTIONS TAKEN ON 2003 ANNUAL MEETING DRAFTS (2003), at <<http://www.ali.org>>.

78% concluded that the foreign judgment at issue should be recognized or enforced based on the Doctrine of Comity, as set forth in the Supreme Court's decision in the *Hilton v. Guyot* case, and the Restatement. See Figure 2 below. A more detailed review of the findings of the empirical research can be found in Appendix A.¹⁰⁴

¹⁰⁴ Interestingly, the initial general computer searches for cases where American courts addressed the issue of recognition and enforcement of judgments of courts of foreign countries, resulted in a list of over 1,500 cases. However, when the searches were limited to those cases where the subject matter was patents, copyrights, or trademarks disputes, the list was reduced substantially to include only 23 cases. There were, however, two additional cases in which U.S. courts refused to recognize a judgment rendered by a foreign court. The reason for the exclusion of these two cases was the fact that the U.S. courts found that the foreign judgments were irrelevant to the determination of the pending dispute, because they addressed different issues. In *Calzaturificio Rangoni S.p.A. v. U.S. Shoe Corp.*, 868 F.Supp. 1414 (S.D.N.Y. 1994), the court refused to recognize an Italian judgment saying that trademark rights were territorial and therefore, the Italian judgment had no effect in the U.S. The court explained that the Italian judgment, based on Italian law, had no effect on the evaluation of the rights to use the mark in the U.S., and that when trademark rights within the U.S. are being litigated in an American court, the decisions of foreign courts concerning the respective trademark rights of the parties are irrelevant and inadmissible. Similarly, in *Noone v. Banner Talent Associates, Inc.*, 398 F.Supp. 260 (1975), a singer brought an action under the Lanham Act and common law unfair competition, against other members of his former group, asking to enjoin them from using a certain name in the U.S. Before the filing of this suit, the defendants brought another suit in England asking the singer to stop using the same name in England. The court ignored the British action saying that it was irrelevant to the determination in this case, because determination of trademark rights within this country is not affected by the determination of rights in the mark in a foreign jurisdiction. It should be noted that

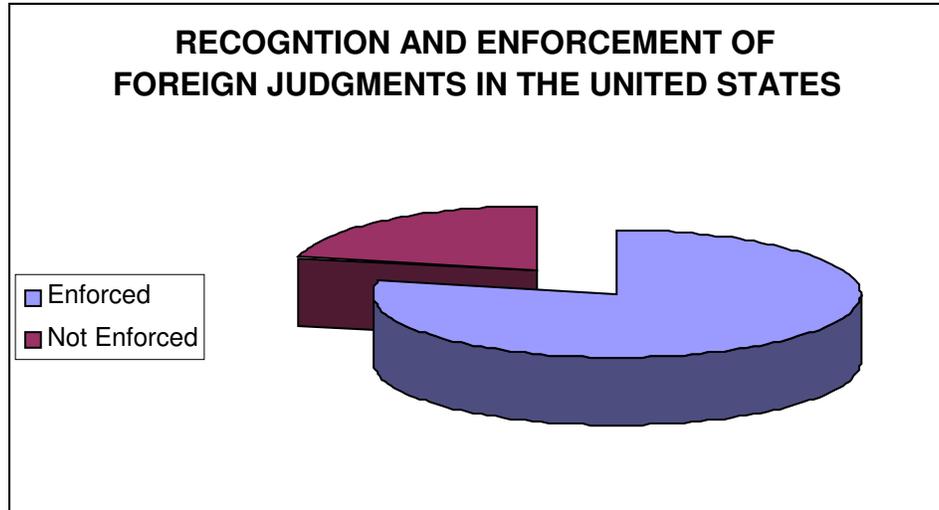


Figure 2

even if we include these two cases in the list of cases in Appendix A, despite the courts' holdings that they were irrelevant, the percentage of foreign judgments recognized in the U.S. is still 72%.

For example, in the 1879 case of *Lea v. Deakin*,¹⁰⁵ a trademark infringement claim was brought with respect to the famous Worcestershire sauce. A circuit judge held that a decree rendered by the Master of the Rolls in England and not appealed, refusing an injunction and dismissing a bill to restrain infringement of an alleged trademark, was a complete bar to a suit in the U.S. for the same purpose, by the same parties, against the agent of the defendant in the English case. In *Reading & Bates Const. Co. v. Baker Energy Resources Corp.*,¹⁰⁶ a Canadian patent holder filed an action in a Texas court seeking recognition of a Canadian judgment, awarding him damages for patent infringement, under the UFMJRA. The court concluded that there was no reason to refuse recognition of the Canadian judgment. It found no reason to believe that a Canadian court would automatically refuse to enforce a foreign country judgment on the sole basis that the damages were excessive compared to Canadian standards. It, therefore, held that the district court erred if it concluded as a matter of law that recognition of the Canadian judgment should be denied based on lack of reciprocity under the UFMJRA.

There were, however, cases where U.S. courts refused to recognize and enforce foreign judgments. As I will now show in the following discussion, the reasons for the refusal of American courts to recognize and enforce foreign judgments in the cases I analyzed vary significantly. It does seem to me, however, that in all of these cases, the courts were just in their reasoning, the decision had legitimate basis, and it was not arbitrary or capricious.

¹⁰⁵ 15 F.Cas. 95 (C.C.Ill. 1879).

¹⁰⁶ 976 S.W.2d 702 (Tex.App.-Houston [1 Dist.], 1998).

At least in one case, the court refused to recognize a decision rendered by a Dutch court based on the due process of law exception.¹⁰⁷ In this case, the plaintiff in the American proceedings was not part of the Dutch proceedings and was not given the opportunity to be heard. The Dutch court approved the sale of assets of a company in bankruptcy proceedings taking place in the Netherlands by the trustees. Some of the assets that were sold by the trustees based on this order were allegedly trade secrets protected by confidentiality clause in a licensing agreement, previously signed by the company. The defendant in the American proceedings in a claim for misappropriation of trade secrets argued that the Dutch order should be recognized as a defense based on comity and therefore, there was no liability for misappropriation. The 3rd Circuit rejected this argument based on two reasons. First, the Dutch order did not specifically cover the sale of the trade secrets. The court held that “judgment of foreign court was not entitled to conclusive effect via comity, when domestic litigation presented a different issue.” The second reason was that the licensor, namely the plaintiff in the American proceedings, had no notice of the Dutch proceedings and no opportunity to be heard and therefore, there had been a violation of due process of law and the order could not violate the plaintiff-licensor’s rights.

The idea of using due process of law as a basis for refusing to recognize and enforce foreign judgments is not new. In fact, nearly every attempt to create an

¹⁰⁷ Remington Rand Corporation-Delaware v. Business Systems Inc., 830 F.2d 1260 (1987).

international instrument addressing this issue contains a due process exception to the general rule of recognition and enforcement.¹⁰⁸

Another reason that American courts have been using to justify their refusal in certain cases to recognize and enforce foreign judgments is that of a resulting violation of constitutional rights. As well known, the American Constitution and the rights provided therein override all other obligations, including international undertakings of the U.S. government; therefore, American courts will always refuse to utilize the comity principle to recognize or enforce a foreign judgment if there is some violation of constitutional rights. In the U.S., international obligations are undertaken by the President and share the same status as federal legislation. Both, however, are overridden by the Constitution.¹⁰⁹ One should not forget, however, that from an international perspective, Constitutional rights cannot be utilized to override U.S. international obligations. When undertaking international obligations, the U.S. should deal with this problem and reconcile its law with international law.

One famous example of such refusal is that found in the recent *Yahoo* case.¹¹⁰ In this case, the U.S. District Court for the Northern District of California was asked to

¹⁰⁸ See, e.g., Article 5 of the 1971 Hague Convention *infra*, Article 27(2) of the Brussels Convention, and Article 28(1)(c) of the Proposed Hague Draft *infra*, discussing “fundamental principles of procedure”.

¹⁰⁹ The treaty power is granted to the President “by and with the advice and consent of the Senate, provided two-thirds of the Senators present concur.” U.S. CONST., Art. II, § 2, cl. 2. All treaties “which shall be made under the authority of the United States” are the “supreme law of the land” under Art. VI, Paragraph 2.

¹¹⁰ *Yahoo!, Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme*, 169 F.Supp.2d 1181 (2001).

enforce an order of a French court requiring California Internet Service Provider (“ISP”) to block access by French citizens to Nazi material displayed or offered for sale on a U.S. web site, including Nazi memorabilia sold in an auction. The court refused to do so and explained that allowing this would violate the First Amendment rights of the defendant and therefore, the judgment could not be recognized in the U.S., even though it may be legal under French law. The “speech” at issue in this case was Internet related and therefore, took place simultaneously in the U.S. and France. The court held that “[a]lthough France has the sovereign right to regulate what speech is permissible in France, this Court may not enforce a foreign order that violates the protections of the United States Constitution by chilling protected speech that occurs simultaneously within [U.S.] borders.”¹¹¹

The court’s result in the *Yahoo!* Case is very problematic, since the court literally exports the United State’s First Amendment in one of its most extreme applications to behavior that takes place outside U.S. borders (i.e. France). The U.S. court had no right to extraterritorially apply U.S. law. It is true that the French court had no right to regulate activity within the U.S. and in that respect the American court’s decision was correct; however it had the right to block access to the U.S. website from France.

The rationale in this case from the court’s perspective is quite clear. Even though based on comity, U.S. courts tend to recognize and enforce foreign judgments, there are

¹¹¹ *Id.* at 1192.

certain situations such as when the fundamental right of free speech under the First Amendment is involved that courts give priority to the latter over any other principle.¹¹²

The main reason for refusing to recognize or enforce foreign judgments is that involving disagreement as to the right of the rendering court to assert jurisdiction. If the rendering court had no right to assert jurisdiction, the judgment is invalid and is not entitled to recognition and enforcement. There seems to be almost a consensus as to the fact that for a judgment to be entitled to recognition or enforcement in a foreign country the rendering court must have had jurisdiction. This principle is reflected in most international instruments regulating this issue such as the Brussels Convention and the Lugano Convention. On the other hand, as I will later discuss thoroughly, no one seems to be able to agree on the question as to what should be the bases for the assertion of jurisdiction when intellectual property rights are involved. In fact, the main reason for the failure of The Hague judgments project negotiations is the inability of the negotiating parties to agree on bases for jurisdiction.

In the case of *Calzaturificio Rangoni S.p.A. v. U.S. Shoe Corp.*,¹¹³ plaintiff in a trademark infringement case requested that a previous judgment rendered by an Italian court be enforced in the U.S. based on the principle of comity. The dispute was over the right to use a certain mark in the distributing and selling of Italian shoes in the U.S. An

¹¹² This case is a perfect example of the chaos that the Internet world has created from a legal perspective and reflects on the very essence of this medium. What we see here is one action, taking place simultaneously in two different parts of the globe and is regulated by two completely different sets of rules in two different countries that provide a contradicting result.

¹¹³ *Supra* note 104.

Italian court held that the right of the American corporation (defendant) to use the mark in the U.S. was based on an agreement between the parties, and once the agreement was canceled, so were the rights to use the mark in the U.S. The District Court for the Southern District of New York held that trademark rights are territorial and therefore, the Italian judgment had no effect in the U.S. and could not regulate the ownership or the use of the mark in the U.S. In other words, the Italian court had no jurisdiction to hear the case. The New York court held that “[t]he Italian court’s adjudication of the AMALFI mark has no application in this action. The use of AMALFI in the United States is governed solely by the trademark laws and decisions of this country. The Italian Judgment, based on Italian law, has no effect on the evaluation of the rights to use AMALFI in the United States.”¹¹⁴ In addition, the court thought that granting comity to the Italian judgment would offend U.S. law because “it is well-settled law that ‘when trademark rights within the United States are being litigated in an American court, the decisions of foreign courts concerning the respective trademark rights of the parties are irrelevant and inadmissible.’”¹¹⁵

It is clear that the American court was very sensitive as to the intervention of a foreign court in the interpretation of substantive trademark rights that have their main effect within U.S. territory. The U.S. court was not worried about the part of the decision that the agreement was invalid, but rather concentrated on the part of the decision that addressed the validity and use of the right within the U.S.

¹¹⁴ *Id.* at 1418.

¹¹⁵ *Id.* at 1419.

In a somewhat similar case, a New York district court refused to recognize a British judgment addressing the issue of trademark infringement.¹¹⁶ In this case, a singer brought suit under the Lanham Act and the common law of unfair competition against other members of his former group, requesting that they be enjoined from using a certain name in the U.S. It turned out that before the filing of this suit in the U.S., the defendants filed a similar suit against plaintiff in England, asking him to stop using the same name in England. All defendants and plaintiff were British citizens. The U.S. court chose to ignore the British action saying that it was irrelevant to the determination in this case. The basis for this decision, the court explained, was that “[d]etermination of trademark rights within this country is not affected by the determination of rights in the mark in a foreign jurisdiction, especially since there is no registry, and each court is dealing with its own secondary meanings.”¹¹⁷ A careful reading of this case indicates that the court based its decision on the principle of territoriality, which means that intellectual property rights are territorial in nature and therefore, infringement of the right in one country does not necessarily mean infringement in another country.¹¹⁸ The common ground for the last two

¹¹⁶ See *Noone v. Banner Talent Associates, Inc.*, *supra* note 104.

¹¹⁷ *Id.* at 263.

¹¹⁸ In another interesting and rather amusing trademark infringement case, the District Court for the Western District of North Carolina refused to recognize a judgment rendered by the Supreme Court of the Dominion of Melchizedek. The basis for the court’s decision was that this country was not really a regular country in the sense that it was a country created on the Internet, that has no physical location other than a South Pacific island, and it was selling licenses to banks and other financial institutions while it had been the subject of numerous and on-going fraud

cases is the irrelevance of the decisions in the foreign courts to the resolution of the disputes and happenings taking place in the U.S.

Another reason for refusing to recognize or enforce foreign judgments stems from the relations that exist between foreign courts. It is widely recognized that the court first seized of jurisdiction should be allowed to continue hearing the case without interference by courts in other countries. A good example of the utilization of this principle can be found in the *Globalsantafe Corp. v. Globalsantafe.Com.*¹¹⁹ This was a trademark case in which the District Court for the Eastern District of Virginia refused to enforce a foreign judgment rendered by a Korean court. The Korean court issued an injunction ordering the registrant of a domain name to refrain from transferring the domain name to the plaintiff. The American court explained its refusal to recognize the foreign judgment and to extend comity based on the fact that the Korean injunction was rendered after an American court had already provided judgment on the very same dispute. The court explained that “[h]ere, acquiescence to the order of a foreign court is particularly inappropriate, since the foreign proceeding did not commence until the matter had been fully adjudicated [in the U.S.]. Moreover, the Korean proceeding was obviously begun with the intent of blocking the Judgment Order, which was already announced. Thus, in this case there is no basis for ceding jurisdiction to the Korean court, or granting deference to its order blocking the transfer of the domain name.”

investigations. *See* *Christian Science Bd. of Directors of First Church of Christ v. Robinson*, 115 F.Supp.2d 607 (W.D.N.C. 2000).

¹¹⁹ 2003 WL 261772 (2003).

One additional principle reflected in American courts' decisions, is that related to preliminary injunctions, which are rendered in a very early stage of the litigation to preserve the status quo.¹²⁰ This also is a well-recognized principle in private international law. In a 1993 case, the District Court for the Eastern District of Pennsylvania refused to recognize a preliminary injunction rendered by an Israeli court ordering the plaintiff to stop the publication of certain copyrighted works.¹²¹ The District Court for the Eastern District of Pennsylvania refused to recognize a preliminary injunction rendered by an Israeli court ordering the plaintiff to stop the publication of certain copyrighted works. The defendant tried to use the preliminary injunction to justify a motion to dismiss the case based on *forum non-conveniens*. The court explained that this was only a preliminary injunction, and therefore, could not prevent the American court from hearing the case. The court explained, that "it appears . . . that an executive order, a legislative act, or a final judicial decree is implicit in the concept of comity. In the case presently before [this court], it is . . . inaccurate for plaintiffs to describe the Israeli proceedings as still being in its incipient stages. Nevertheless, [the court] would also disagree with defendant that this court should extend comity to a preliminary order. Several cases decided by district courts have concluded that when related cases are before two different sovereigns, the appropriate procedure is to permit both jurisdictions to proceed, with any

¹²⁰ See, e.g., *Young v. Pittman*, 29 S.E.2d 551 (N.C. 1944), where the NC Supreme Court held that "one of the ends sought by the use of the ancillary remedy of injunction is to preserve the status quo and to protect the parties from irreparable injury pending the final determination of the action."

¹²¹ See *Biblical Archeology Soc. v. Qimron*, 1993 WL 39572 (1993).

decision of one becoming *res judicata* on the other, assuming the applicable criteria exists.”¹²²

These findings clearly indicate that American courts are very welcoming and have a strong tendency to recognize and enforce foreign judgments. Furthermore, the concept of recognition and enforcement in the U.S. is sometimes regulated by statute. For example, the U.S. Bankruptcy Code¹²³ provides for ancillary enforcement of foreign bankruptcies. These are cases where a foreign bankruptcy is pending in a foreign court concerning a certain debtor who has assets in this country. “[T]he foreign representative may file a petition under this section, which does not commence a full bankruptcy case, in order to administer assets located in this country, to prevent dismemberment by local creditors of assets located here, or for other appropriate relief.”¹²⁴

There are, however, cases when recognition is not allowed. The reasons for refusal to recognize and enforce foreign judgments can be roughly divided into two broad categories. The first category is differences in substantive laws between the U.S. and the rendering jurisdiction, and the second category is based on public policy issues (e.g. First Amendment - free speech argument) or because of due process problems (e.g. the losing party did not have his day in court). The basis for the recognition and enforcement in all the cases I reviewed was either the holding of the *Hilton v. Guyot* decision that I previously discussed, or the Restatement, which justifies such recognition and enforcement based on the principle of comity.

¹²² *Id.* at 3.

¹²³ 11 U.S.C.A. § 304.

¹²⁴ *See* Revision Notes and Legislative Reports of the Bankruptcy Code.

If indeed I am correct in my findings that most of the time American courts recognize and enforce foreign judgments when intellectual property rights are involved, it is entirely unclear why the U.S. government does not make more efforts to conclude and finalize an international treaty regulating this issue. The U.S. has great interest in finalizing such an instrument because it welcomes foreign-judgments recognition in its territory, whereas its own judgments are not necessarily provided similar treatment in foreign countries. In other words, the U.S. should promote the creation of an international solution to assure that other countries provide judgments rendered by its courts with the same treatment that it already provides foreign judgments, thus avoiding putting its own citizens and nationals at a business disadvantage.

II. THE AVAILABLE REMEDIES

We continuously talk about recognition and enforcement of judgments, but until now the term judgment has not been defined and it is not entirely clear what it means in the intellectual property context. Each judgment represent a different remedy whether in law (e.g. money judgment) or in equity (e.g. permanent injunction).

1. Money Judgments

Money judgments are probably the easiest ones to address. These are judgments in which the rendering court orders the defendant to pay the plaintiff a certain amount of money as compensation for previous wrongdoing or in restitution for unjust enrichment. In the intellectual property context this compensation may represent, for example, damages for the unauthorized use of copyrights in an infringement case, compensation for the unlawful use of a protected trademark, or royalties due to the plaintiff for using a patent without the permission of the patent holder. Other examples can be easily provided. In cases where money judgments are involved their enforcement should be relatively easy. The rendered judgment creates a legal obligation that should be enforced by the enforcing court. The litigation of the underlying case ends once the judgment is rendered. The enforcing court has no reason or mandate to look into the merits of the case, since it does not serve as an appellate court on the decision of the rendering court. The enforcing court cannot refuse to enforce the money judgment simply because it is under the belief that, if faced with a similar dispute, it would have reached a different result. The cause of action based on the judgment can be viewed as independent from the underlying cause of action that led to the litigation of the case, namely the copyright or trademark infringement.

Only in rare situations may the enforcing court refuse to execute a money judgment; the judgment usually must be enforced almost automatically. This is true not only with respect to intellectual property law, but with respect to other fields of law as well. The most important example of courts' refusal to enforce foreign money judgments is that involving punitive or excessive damages. For many years, courts around the world refused to enforce American punitive damages awards because they argued that it contradicted their public policies.¹²⁵ The underlying policies regarding torts in the U.S. are sometimes different from those in other parts of the world. Whereas the purpose of damages in Europe is to compensate the plaintiff for the damages suffered, the purpose of the American policy is also, in certain cases, to punish the tortfeasor.¹²⁶ These different approaches are also relevant for the analysis when intellectual property rights are involved. For example, the U.S. Patent Act allows a court to award damages in addition to compensatory damages in cases of patent infringement. These damages may increase the awarded damages to three times the award that would have been sufficient to compensate the plaintiff for the real damages suffered as a result of this infringement.¹²⁷ It is very unlikely that courts in other parts of the world will agree to recognize such

¹²⁵ During the 1970s, the U.S. engaged in negotiations with the U.K. to create a bilateral treaty to recognize and enforce foreign judgments. This treaty was never signed due to pressure applied by the British insurance industry, which feared the enforcement of punitive damages awards rendered in the U.S. against them, in the U.K. See Sean D. Murphy, *Negotiation of Convention on Jurisdiction and Enforcement of Judgments*, 95 AM. J. INT'L L. 418, 419 (2001).

¹²⁶ See Blumer, *supra* note 70, at 385.

¹²⁷ 35 U.S.C.A. § 284.

judgments. This is, however, an extreme example that does not necessarily reflect on the rest.

Also, monetary judgments have extremely limited influence on the public policies of the enforcing jurisdiction. All that it provides for is the payment of money. It does not interfere with free speech or similar underlying policies in the enforcing jurisdiction, which usually serve as the basis and justification for refusal to recognize and enforce foreign non-monetary judgments, such as injunctions.

In our context, the difference between money judgments and non-monetary judgments concentrates on the impact it has in the enforcing jurisdiction. As a general rule, it will not be unreasonable to argue and generalize that courts are reluctant to recognize and enforce foreign judgments when by doing so they expose their territory to substantial influence of foreign courts. To put it in a more simple way, courts often recognize the significance of cooperation with foreign jurisdictions for the sake of world order, as well as the well being of their own economies, but they are also very strict about not having others tell them what to do. To a great extent, they are correct in the sense that a legal system is like a harmony in which every rule and regulation serves as a note. When new notes are introduced into the composition, the harmony does not always sound melodious any more. A legal system consists of delicate checks and balances between the different rules, and normally interference with these rules is not welcome. When monetary judgments are at issue, the risk of foreign interference with this delicate balance is small and negligible. If the enforcing court orders one of its domiciliary or citizens who has assets in its territory to abide by a foreign judgment to pay monetary compensation, the risk to the legal system and its underlying policies is not big. It only has influence on

the parties involved. Obviously, this is more complicated when other remedies, such as equitable remedies are involved. In sum, it could be argued that as long as the foreign judgment does not interfere with the internal policies and business of the enforcing legal system, as is the case with monetary judgments, there is a very weak incentive for the recognizing and enforcing court to refrain from doing so. As a result, monetary judgments should be almost automatically abided by, subject to very limited exceptions.

2. Injunctions

A. Injunctions as an Equitable Remedy

Injunction is a remedy, which is sometimes provided by courts when other remedies at law are inapplicable. An injunction is aimed at protecting and preventing a threatened wrong or setting right an already inflicted injury. It orders the defendant to cease from doing something, which may cause the future injury, or order the defendant to initiate a certain activity. There are different kinds of injunctions and they can be classified in several ways. There is a mandatory injunction in which the defendant is ordered to perform a certain act, usually to correct a wrong that has already been done. More interesting to us is the negative injunction in which the defendant is ordered to stop doing a certain act in order to prevent future harm or wrongdoing. Another distinction can be drawn between interlocutory (temporary) and permanent injunctions. This distinction has significant impact on the recognition and enforcement question at issue. The purpose of the temporary injunction is to maintain the status quo between the parties until the dispute is finally solved. It does not solve the allocation of rights between the litigating parties. It simply prevents any permanent injury until final resolution of the dispute by the presiding court. A permanent injunction, on the other hand, is rendered at the end of trial

upon final determination of the dispute on the merits. This does not mean that the injunction can never be modified or vacated. Upon change of circumstances the order may be changed, vacated or replaced. A permanent injunction is usually in full force until the rendering court has vacated it, or until it has been set-aside in an appellate procedure.

B. Extraterritorial Injunctions

In many countries, injunctions are considered to be an equitable relief. They are usually utilized when remedies in law (e.g. monetary compensation) are not enough to return the injured party to its original position. Not every country provides injunctions as a remedy or relief, and even those countries that do provide it; many differ in its application. In the U.S., for example, there are several conditions that must first be met before a court can award equitable relief. First, there is no remedy at law. Inadequacy of remedy at law can happen in various situations, such as when the monetary damages cannot make the plaintiff whole due to the uniqueness of the subject matter of the litigation, when damages are speculative and uncertain, when the defendant is insolvent so that a judgment at law may not be collected, or in cases where the conduct of the defendant causes irreparable harm unable to be compensated by money.

Second, since the main purpose of the equitable order is to assure that the defendant does, or refrains from doing, a certain activity, a court is likely to refuse to award such a remedy in those cases where it is unable to assert personal jurisdiction over the defendant. For many years, this has been a key issue when it comes to equitable relief. However, as I will later show, in the intellectual property context, a certain level of erosion of this approach can be detected and there are certain cases in which courts will award equitable relieves based on “quasi in rem” jurisdiction.

Third, and most importantly, equitable relief must be practicable. This means that a court will not usually award equitable relief where it has no practical means to enforce its judgment. The court must be convinced that it has the power to compel the defendant to comply with the judgment. Many times, the only way the court can act is to hold the defendant in contempt. The punishment that may be inflicted on the party in contempt of court is a fine or imprisonment or both. Therefore, when the court cannot get a hold of the defendant, it is less likely to act. In addition, a court is more likely to act in cases where the court can determine by itself whether its instructions in the decree are indeed fulfilled.

For many years, equitable relief has been awarded only in cases where property rights of various kinds, such as intellectual property rights, were involved. This rule, however, changed dramatically and today courts may award such a remedy whenever there is a protectable interest. An equitable award is discretionary and there is no absolute right to be granted such an award. A judgment may contain both a remedy at law and equitable remedy, such as a money judgment compensating for past activities, as well as an equitable remedy such as an injunction for future behavior.

In most common law systems, the remedy for non-compliance with an injunction is contempt of court, which may even result in imprisonment, and is clearly penal in nature. This, however, may be different in other countries, which do not recognize the concept of contempt of court. In most of the European continental countries, the concept of contempt of court does not exist. They use other measures to enforce such judgments. For example, civil courts in France have been using the remedy of *astreintes* (periodic penalty payments) to enforce such judgments. These coercive measures are never intended to be penal, but rather to encourage the non-complying party to do so. Similarly,

the concept of *astreintes* is recognized in Luxemburg, the Netherlands, and Belgium. Austrian law does allow “coercive sanctions, both pecuniary and custodial, to be imposed in cases where a judgment lays down an obligation to act which is not enforceable by third parties and the performance of which is dependent on the will of the person liable (unvertretbare Handlung).”¹²⁸ In Germany, for example, courts have held that the purpose of these coercive sanctions is not to penalize the defendant, but rather to encourage him to comply with the judgment.¹²⁹

One may raise the question whether the absence of the contempt of court mechanism in some countries changes the analysis. I believe that the answer is negative. Whether the injunction is enforced by contempt of court, as used in common law systems, or if it is enforced by other non-penal mechanisms, such as the case in some Civil Law countries, as long as the goal of enforcing the judgment is accomplished, the way in which this result was achieved does not really matter. Injunctions are traditionally rendered in disputes involving intellectual property rights, including, patents, trademarks, copyrights, trade secrets etc. In that respect, these are usually negative injunctions, which try to prevent the defendant from utilizing and taking advantage of the rights belonging to the plaintiff. For example, a plaintiff may file a claim in court arguing that her patented technological invention is utilized in a device sold to the public by the defendant who has no license to use the patent and has not been paying royalties for this use. The court may issue an injunction ordering the defendant to stop selling to the public or distributing any

¹²⁸ Opinion of Mr. Advocate General Ruiz-Jarabo Colomer delivered on 28 September 1999.

Commission of the European Communities v Hellenic Republic, [2000] ECR I-5047.

¹²⁹ *See id.*

more of these devices. Similarly, one can ask a court to order the defendant to stop the distribution of a book containing copyrighted materials that were not authorized for such distribution by the defendant-writer. An example for an injunction in the trademark field can be when the defendant opens a restaurant and uses the trademarks of one of the major food chains, resulting in a likelihood of consumers' confusion as to the real identity of the restaurant and the food it serves.

Despite the increasing tendency by courts to award equitable relief, it is still less likely to award such relief when a duty to commit certain actions in other countries is involved, or when free speech is at issue. Things may become significantly more complicated when the injunctions may have effects outside the rendering court's jurisdiction. As previously mentioned, courts are not eager to provide injunctions ordering the defendant to do something affirmatively, or to refrain from doing something, when it has no control over whether the order is indeed followed and complied with by the defendant. As long as the rendering court has personal jurisdiction over the defendant and the latter can be found in the jurisdiction of this court, enforcement will be less of a problem since the rendering court can still utilize its enforcing mechanisms (e.g. contempt of court) to compel the defendant to follow its orders, even if the actual activities are taking place outside the rendering court's jurisdiction. In addition, a court may refuse to grant an injunction if it believes that it may cause a conflict with the laws of the second country.

One of the problems with respect to the enforcement of foreign injunctions is the fact that the contempt of court remedy is not always available. Unlike what many believe, U.S. courts do recognize and enforce foreign injunctions and do not limit themselves only

to money judgments. Such enforcement of foreign injunctions takes place based on comity, as long as the preliminary conditions for enforcement are met. In other words, as long as the defendant had an opportunity to be heard, the foreign court had original jurisdiction, and the foreign decree does not offend the public policy of U.S., the judgment shall be enforced. For example, in a recent case, a Florida District Court of Appeals determined that “the trial court erred in denying the Plaintiffs' Motion for Recognition and enforcement of English injunction because it is clear from the Record before [the court] that all of the foregoing elements for comity were satisfied.”¹³⁰ In another case, a court held that an injunction rendered by a Guatemala court is entitled to comity, where the parties had an opportunity to be heard, the rendering court had original jurisdiction, and the injunction does not offend the public policy of the State of Florida.¹³¹ This rule of enforcement of foreign injunctions applies to intellectual property rights as well. For example, in a 1995 case the District Court for the Southern District of New York held with respect to a copyright infringement claim brought by a British citizen against the British Broadcasting Corporation (BBC) and a wholly owned Delaware subsidiary, that “an injunction issued by an English court will be enforceable in the United States under the doctrine of comity, provided the English proceedings were orderly, fair and consistent with United States policy.”¹³²

¹³⁰ *Cochrane v. Nwandu*, 2003 WL 22339156 (Fla.App. 3 Dist., 2003).

¹³¹ *See Intrinsic Values Corp. v. Superintendencia De Administracion Tributaria*, 806 So.2d 616 (Fla.App. 3 Dist., 2002).

¹³² *Murray v. British Broadcasting Corp.*, 906 F.Supp. 858, 865 (S.D.N.Y. 1995).

Injunctions with respect to intellectual property rights are not a new thing and it can be expected that the frequency in which they are awarded in the international context will grow. This assumption is to a great extent supported by the fact that the TRIPS Agreement addresses this issue specifically.

The TRIPS Agreement provides in Article 44(1) the following:

“The judicial authorities shall have the authority to order a party to desist from an infringement, *inter alia* to prevent the entry into the channels of commerce in their jurisdiction of imported goods that involve the infringement of an intellectual property right, immediately after customs clearance of such goods. Members are not obliged to accord such authority in respect of protected subject matter acquired or ordered by a person prior to knowing or having reasonable grounds to know that dealing in such subject matter would entail the infringement of an intellectual property right.”

“[T]he injunctions which may be granted under Article 44 are grounded upon infringing conduct.”¹³³ The language of TRIPS makes it clear that it addresses only negative injunctions, namely “to desist from an infringement.” It is relatively limited in scope and defines infringement as the entering of imported goods that involve intellectual property rights into the channels of commerce. There is no obligation under Article 41 to provide such a remedy. Countries that do not regularly provide such remedies have no obligation to create such a remedy merely because of their TRIPS obligations.

Furthermore, it is clear from the language of the TRIPS Agreement that it specifically addresses injunctions that take effect in the jurisdiction of the rendering court and do not address extraterritorial injunctions in which the defendant is ordered to refrain

¹³³ MICHAEL BLAKENEY, TRADE RELATED ASPECTS OF INTELLECTUAL PROPERTY RIGHTS: A CONCISE GUIDE TO THE TRIPS AGREEMENT 128 (London 1996).

from doing something in another jurisdiction. A question arises, as to whether this arrangement in the TRIPS Agreement can also be read as prohibiting the issuance of extraterritorial injunctions. One may argue that by positively providing for the issuance of injunctions within the territory of the judicial authorities, it was the intention of the drafters of TRIPS to exclude the possibility of issuing extraterritorial injunctions. I believe that the answer to this question is negative. As previously elaborated and explained, this agreement does not intend to exhaust the means that protect intellectual property rights. It simply provides minimum standards for the protection of intellectual property rights, and the Member States can provide additional measures and remedies to accomplish this goal. There is nothing in TRIPS to indicate that the remedies it provides are exclusive. Article 44 should be read in a narrow way and interpreted to include only the specific scenario described therein, namely that of preventing goods that infringe intellectual property rights from entering the channels of commerce.

Recognizing and enforcing foreign injunctions is traditionally more complicated than recognizing and enforcing foreign money judgments. The previous analysis with respect to money judgments changes significantly when other remedies, such as injunctive relief or strict contractual enforcement, enter the picture. The common ground of all of these other remedies is that they have the potential to interfere with the underlying policies of the enforcing jurisdiction. They require the court to do something that it would not necessarily otherwise do. They require the recognizing or enforcing court to follow the instructions of the rendering court regarding activities that take place in the enforcing court's jurisdiction. Most judges do not like having others tell them what to do in their jurisdiction, and they like it even less when the one instructing them is a

court presiding in another country. This problem has become significantly more complicated with the introduction of the Internet. The Internet has enabled people to engage in activities in one country that may have a significant impact on people in other countries, without these other countries being able to control these activities or even prevent them from happening, or without the people conducting these activities even intending to have this impact in other countries. This is especially true with respect to copyright infringement or trademark violations.

Consider the following example: an American Jeans manufacturer is the only one in the world that has the trademark L.J.Jeans and she registers the mark in different countries. However, when she turns to ICANN and requests the permission to register the domain name <L.J.Jeans.com>, she realizes that this domain name has already been registered by an Italian entity that operates a pornographic website using this domain address. She fears that if customers would type the name <L.J.Jeans.com> into their computers, for example in searching for store locations, they would find themselves exposed to the porn site. They may be bothered by this association and might refrain from buying jeans carrying this logo. This may tarnish the U.S. trademark and result in trademark violation under U.S. law simply due to the fact that American consumers can access this website from the U.S. Assuming that the a U.S. court can assert jurisdiction, decides the case in favor of the American jeans manufacturer, and issues a permanent injunction against the operator of the porn website, a question arises as to the likelihood that such an injunction would be enforced in Italy, where the server is located. This scenario is complicated especially in cases where the laws of the enforcing country are more liberal and allow the operation of such websites.

When asked to enforce an injunction rendered in another country ordering the defendant to refrain from doing something that may have some impact in the rendering jurisdiction, the enforcing court may face the problem that by doing so, it will also force the defendant to refrain from doing things that it is entitled to do in the enforcing jurisdiction. In such a case, the enforcing court is faced with the dilemma of either following the orders of the injunction, thus limiting activities that are otherwise legitimate in the enforcing jurisdiction, or refraining from doing so, thus risking potential retaliation from the rendering jurisdiction in future cases.

This is the exact issue raised in the *Yahoo!* Case.¹³⁴ This case involved a claim filed against the Yahoo! Corporation which is the owner of the website yahoo.com. This is an American Internet website that can be accessed from France. The French court asserted jurisdiction and issued a preliminary injunction, ordering Yahoo! to take the necessary steps to prevent access in France to its auction site, which sells Nazi memorabilia or other items that support Nazism or deny the Holocaust. The basis for its decision was the fact that selling such items in France was prohibited under the law. This case drew so much attention because it involved an American corporation, which was required to refrain from selling such merchandise using servers that are located out of France. Yahoo! refused to declare that it agreed to comply with the judgment and recognition and enforcement process by a U.S. court was required. Yahoo! did decide, however, to remove the debated websites from its servers. This, however, was not the end of Yahoo!'s battle.

¹³⁴ *Supra* note 110.

Recently, a U.S. District Court in California held that such a judgment is unenforceable in the U.S.¹³⁵ Not surprising, the main reasoning of the U.S. court was the argument that recognizing or enforcing such judgment is a violation of the freedom of speech right under the First Amendment of the U.S. Constitution. The result reached by the American court is absurd and to a great extent outrageous, especially in light of the facts presented in this case. The American court in effect, decided to apply its First Amendment principle of free speech extraterritorially. If we look carefully at what the American court did in this case, we learn that it took an arrogant approach in which it told the French court what content the French citizens, who are directly subject to its jurisdiction, should have access to on the Internet. It should be noted that the order of the French court specifically indicated that its order is limited to the access to the Yahoo! website from France, and does not limit simultaneous access to this site from other parts of the world, including the U.S. In fact, it appears from the facts that the French court consulted an expert in the field of technology and concluded that this was technically possible.¹³⁶ This means that the Yahoo! Corporation could have limited the access to this website from France without limiting access from the U.S., so that access to the website to French citizens could be limited while still preserving the free speech in the U.S. The

¹³⁵ *See id.*

¹³⁶ *Id.* at 1185. “Yahoo! asked the French Court to reconsider the terms of the order, claiming that although it easily could post the required warning on Yahoo.fr, compliance with the order's requirements with respect to Yahoo.com was technologically impossible. The French Court sought expert opinion on the matter and on November 20, 2000 ‘reaffirmed’ its order of May 22.”

American court, however, did not take this road and assumed the role of the guardian angel of the French people, without invitation or permission.

Other courts in Italy and Australia followed the ruling of the French court in the *Yahoo!* Case, asserting jurisdiction despite the fact that they knew that any injunction they might issue was unlikely to be enforced abroad.¹³⁷ Most interesting is a Canadian case in which the Canadian Rights Tribunal ordered a former Canadian resident, who now lives in the U.S., to remove any anti-Semitic hate speech from a website located in the U.S.¹³⁸ The court's view is extremely interesting in the sense that even in the adjudication stage, it was already aware of the slim chances that such an order would be enforced in the U.S. The court, however, decided to go ahead despite this fact because it believed that such order even if not enforced, may have symbolic value and ultimately a larger preventive benefit that may only be achieved by public discussion of the issue.

In sum, we can see that there is a growing inclination by courts around the world to provide personal, extraterritorial injunctions. As one British court said:

“[T]here is no doubt that it is competent for the courts of a particular country, in a suit between persons who are either nationals or subjects of that country or otherwise subject to its jurisdiction, to make orders *in personam* against one such party - directing it, for example, to do something or to refrain from doing something in another country affecting the other party to the action.”¹³⁹

¹³⁷ See Paul S. Berman, *The Globalization of Jurisdiction*, 151 U. PA. L. REV. 311, 340-342 (2002).

¹³⁸ *Id.*

¹³⁹ *Penn v. Baltimore*, [1558-1774] All E.R. 99, LC. See also *British Nylon Spinners v. ICI*, *supra* note 45, at 25.

3. Provisional Measures

Things are different when provisional measures, such as preliminary injunctions, are involved. The reason is that they are issued before a debate as to the merits of the case has taken place, so there is not always economic justification to do so. These measures try to prevent the status quo from changing until a final decision of the dispute on the merits is reached.¹⁴⁰

The TRIPS Agreement not only addresses the issue of injunctions, but also provides in Article 50 for the availability of provisional measures. These provisional measures try to prevent “infringement of any intellectual property right” from occurring and to “preserve relevant evidence in regard to the alleged infringement.” Such provisions may be rendered *ex parte* if “irreparable harm”¹⁴¹ to the right holder is likely to result.

Providing provisional measures without previously conducting a thorough investigation puts the defendant at great risk, which may result in significant damage. To minimize such risk, TRIPS allows the relevant judicial authorities to require the right holder, before granting such an order, to provide “any reasonably available evidence” to satisfy the rendering court that the applicant is indeed the right holder and that its right is already being infringed, or that the infringement is imminent. In addition, before rendering such an order, the court may require the applicant to provide security, such as a bond, to protect the defendant against whom the order is granted from damages it might

¹⁴⁰ See Blakeney, *supra* note 133, at 128.

¹⁴¹ Article 50(2) of the TRIPS Agreement.

suffer and to prevent abuse.¹⁴² The due process rights of the defendant are also upheld by requiring that the affected parties be provided with notice as to the measures implemented, which provides for a process of review of the decision where the defendant has a right to be heard, as well as a means to request that the measure be “modified, revoked or confirmed.”¹⁴³ The defendant also has the right to request the cancellation and revocation of such measures if proceedings leading to an actual decision on the merits of the case are not initiated within the longer of 20 working days or thirty-one calendar days.¹⁴⁴ If the provisional measures are eventually revoked because of any act or omission to act by the applicant or because there has been no infringement or threat of infringement of such right, the rendering court may order the applicant to compensate the defendant for the damages suffered.¹⁴⁵

¹⁴² Article 50(3) of the TRIPS Agreement.

¹⁴³ Article 50(4) of the TRIPS Agreement.

¹⁴⁴ Article 50(5) of the TRIPS Agreement.

¹⁴⁵ Article 50(7) of the TRIPS Agreement.

III. HARMONIZING INTELLECTUAL PROPERTY LAW AS A POSSIBLE SOLUTION

It is now time to look into the possible solutions to the recognition and enforcement problem. As indicated before, part of the reason for the refusal of many courts to recognize and enforce foreign judgments stems from differences in substantive intellectual property laws. In this chapter, I will try to determine whether harmonizing substantive intellectual property law can serve to eliminate the currently existing barriers for recognition and enforcement of foreign judgments and, by doing so, provide for the free flow of judgments between countries.

1. The Differences in Substantive Law Problem

Recognition and enforcement of judgments from an international perspective usually requires us to address two related but extremely different sets of issues. On one side, we have technical and procedural issues that we have to follow and comply with in order to have the foreign judgment eligible for recognition and enforcement in the enforcing jurisdiction.¹⁴⁶ On the other side, there is a complete set of problems that we need to address that result from the differences in substantive law between the rendering jurisdiction and the enforcing jurisdiction.

¹⁴⁶ Procedural requirements for recognition and enforcement of foreign judgments may vary from one country to the other. They may be based on developing common law, as is the situation in the U.S., or they can be based on statutes aimed at providing rules for that purpose, as is the case in many civil law countries. Such procedural requirements may include, for example, proof of the authenticity of the judgment and translation of the judgment to the official language of the enforcing jurisdiction.

Surprisingly, as I will later show, for many years all of the efforts to establish an international mechanism for the recognition and enforcement of foreign judgments concentrated on the procedural aspects of the problem rather than the substantive differences in the law. All previous attempts tried to create sets of rules that, if followed, would make such recognition and enforcement of foreign judgments possible. There are numerous examples that can be provided. All previous attempts to regulate this problem mainly deal with issues of jurisdiction and the right of the rendering court to provide such a judgment. They do not address differences in substantive law. Differences in substantive law have different characteristics and elements and therefore, require different solutions.

A. Differences in the Characteristics of the Rights Granted

For the most part, different countries recognize the same basic types of intellectual property rights. Intellectual property rights such as patents, trademarks and copyrights are provided by most legal systems, even though the basic conditions for the granting of such rights may differ. This is especially true with respect to those countries that are Members of the TRIPS Agreement, which makes it mandatory for Member countries to provide such basic rights.¹⁴⁷ There are, however, certain types of intellectual property rights that are recognized under the laws of one country, but not under the laws of others. Maybe, the most commonly known example of this phenomenon is moral rights. Moral rights are provided for in Article 6bis of the Berne Convention. These rights

¹⁴⁷ Article 9 of the TRIPS Agreement provides copyright protection, Article 15 provides trademark protection, and Article 27 provides patent protection.

include two significant elements - the right of attribution¹⁴⁸ and the right of integrity,¹⁴⁹ which are separate from the author's economic rights in his work. Not every country recognizes such moral rights. For example, the U.S. has refused to recognize moral rights for many years. Due to these differences in perspective, the TRIPS Agreement specifically excludes moral rights from its scope.¹⁵⁰ This fact creates a reality that may have serious implications on the ability to recognize and enforce foreign judgments. For example, how should an American court react when asked to enforce a French judgment that prohibits an American citizen from violating the moral rights of a French citizen in a picture or a statue? Can the American court be expected to grant a foreign citizen rights that the American legal system refused to grant even to its own citizens for decades?

B. Differences in Remedies Provided

Another problem that arises in our context is the fact that the remedies granted for infringement of intellectual property rights may differ from one country to the other. The best example in that respect, previously discussed at length, is the injunction. Injunction is an equitable remedy widely recognized in the Anglo-American common law legal systems such as England and the U.S. It allows courts, under certain conditions that may vary, to order the defendant to desist from doing certain things or force the defendant to do other things. For example, a court may order a defendant to refrain from using a disputed trademark in newspaper advertisements or to remove certain software from an

¹⁴⁸ “[T]he right to claim authorship of the work.”

¹⁴⁹ “[O]bject to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which will be prejudicial to his honor or reputation.”

¹⁵⁰ *See* Article 9 of the TRIPS Agreement.

Internet website, which enables others to engage in the free downloading of copyrighted works. What should a court do when asked to enforce an injunction against one of the citizens in the forum, if such remedy does not exist in this specific legal system?

C. Differences in Interpreting Elements of Protection

As previously mentioned, many countries recognize various intellectual property rights such as patents, copyrights and trademarks under international agreements. Even though these basic rights share the same name and many times try to address the same issue or protect the same subject matter, there are many differences between them. These international agreements require the participants to grant such rights in their legal systems, but address only the minimum standards to be provided. These countries must, at a minimum, provide the standards required by the agreement, but they may provide more extensive protection.¹⁵¹ The fact that different countries share the same minimum standards but may decide, at will, to provide more extensive protection has significant effects in the recognition and enforcement of judgments context.

Consider the following example. A court in country X is asked to enforce a judgment rendered in country Y. The judgment provides for the payment of royalties resulting from the utilization of a patent registered in country X. When the court in country X reviews the foreign judgment, it realizes that one of the issues the country Y court looked into was whether the patent was valid under the laws of country X and compatible with its non-obviousness requirement for the grant of a patent. Both countries have a non-obviousness requirement, but it is interpreted differently in each country. Should the court in country X enforce the foreign judgment rendered in country Y, if it

¹⁵¹ See, e.g., Article 1 of the TRIPS Agreement.

concludes that it would have reached a different decision than the one reached by the country Y court, if asked to decide the case?

D. Differences in Enforcement Mechanisms

One of the most fundamental differences between the American legal system and other systems is the great reliance of the former on “private attorney generals.”

“[T]he private attorney general is someone who sues ‘to vindicate the public interest’ by representing collectively those who individually could not afford the costs of litigation; and, as every law student knows, our society places extensive reliance upon such private attorneys general to enforce the federal antitrust and securities laws, to challenge corporate self-dealing in derivative actions, and to protect a host of other statutory policies.”¹⁵²

Private attorney generals use private enforcement to advance the public interest in an efficient manner that is responsive to market forces.¹⁵³ Similarly, private parties, holding rights created and protected by law, have also long protected intellectual property rights from piracy.¹⁵⁴ This substantial difference in attitude between legal systems results from various reasons, such as the complexity of the legislation structure, and the

¹⁵² John C. Coffee, Jr., *Rescuing the Private Attorney General: Why the Model of the Lawyer as Bounty Hunter is Not Working?*, 42 MD. L. REV. 215 (1983). Some scholars may view Coffee’s definition as too narrow due to these occasions in which those who serve as private attorney generals represent clients who can afford to litigate, and seek punitive damages, attorneys’ fees or treble damages to deter future misconduct.

¹⁵³ Michael L. Rustad, *Smoke Signals from Private Attorneys General in Mega Social Policy Cases*, 51 DEPAUL L. REV. 511, 516 (2001).

¹⁵⁴ Milo Mason & Paul Smyth, *Toward Fully Understood Compliance: Knowing Enforcement Mechanism*, 8-SPG NAT. RESOURCES & ENV’T 3 (1994).

incompetence of certain administrative agencies to regulate and more importantly enforce those areas of the law over which they are in charge. The public sometimes views them as instruments of the very enterprises that they were created to regulate. Such profound differences can affect not only the way intellectual property is administered and enforced, but also how it is written within the framework of international intellectual property law.

One may argue that the need to use private attorney generals with respect to intellectual property rights is not as substantial as with other fields of law, such as antitrust or environmental law, because intellectual property rights are private property rights, and therefore, fewer public policies are involved. This argument is only partly correct, and since the introduction of the Internet has been substantially limited. It is almost an “axiom” that governments and public organizations are incompetent in regulating the Internet and copyright infringement therein. Assuming that we want to advance the essence of intellectual property protection on the Internet,¹⁵⁵ maybe the only way to do so is by using private attorney generals like in the famous Napster litigation,¹⁵⁶

¹⁵⁵ This assumption in itself is extremely controversial, as there is a growing movement for the protection of the public domain, which would like to see much of the information distributed on the Internet free for the public’s use. *See generally* James Boyle, *The Second Enclosure Movement and the Construction of the Public Domain*, 66 LAW & CONTEMP. PROBS. 33 (2003) (“[t]he idea that we must inevitably strengthen rights as copying costs decline doesn’t hold water. And given the known static and dynamic costs of monopolies, and the constitutional injunction to encourage the progress of science and the useful arts, the burden of proof should be on those requesting new rights to prove their necessity.”).

¹⁵⁶ *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (C.A. 9th Cir. 2001).

where the record companies took it upon themselves to fight the war against music file sharing on the Internet.

2. The Theoretical Potential Solution

Some believe that the real question underlying the issue of recognition and enforcement of foreign judgments is that dealing with the differences in substantive law rather than those issues involving procedure. The reason for this assumption is simple. As long as “major” differences in substantive laws exist, the chances that a court in one country would agree to recognize or enforce a judgment of a foreign country, even if all procedural requirements are met, are not high. It is argued, that as a result of the differences in substantive law, the enforcing court will always find a way to refrain from recognizing or enforcing the foreign judgment. The enforcing court would presumably be less eager to enforce a foreign judgment knowing that it would have reached a different result if faced with a similar dispute. I use the term “major” only to indicate that complete identity between the renderings and enforcing legal systems is not required and in no way should even be expected. No legal system is identical to the other, and each emphasizes those different aspects that it views as the most important. There must be, however, a great deal of resemblance between the legal systems under this theory. Arguably, if we can overcome the differences in substantive law, the issues of procedure can be easily solved.

Theoretically, if the rendering forum and the enforcing forum share the same laws and principles, the recognition and enforcement of foreign judgments should be significantly easier than what our current experiences indicate. Since the result reached by the rendering court in its analysis should be similar to that of the enforcing court, if

faced with a similar dispute because they both apply similar laws, there is really no reason for the enforcing court to refuse doing so. In other words, “recognition of an adjudication that applies the same regulating rule as would be applied by the recognizing community involves fewer difficulties than recognition of an adjudication in which another regulating rule has been applied.”¹⁵⁷ This means that the plaintiff does not gain any substantive advantages by deciding to file the claim in a certain forum, as the two forums apply the same rule to solve a similar dispute.¹⁵⁸

The underlying argument made by many scholars in that respect is that many of the problems that arise when trying to enforce a foreign judgment involving intellectual property rights shall be eliminated once the gaps in substantive laws are bridged.¹⁵⁹ Paul Berman argued that “[o]ne obvious response to the challenges of globalization and online communication is to seek increased international harmonization of legal regimes. After all, if a universal substantive law were applied around the world, many of the concerns about borders, conflicting law, and impermissible extraterritorial regulation would disappear.”¹⁶⁰

What the proponents of this argument are trying to do is to solve private international law problems by utilizing public international law mechanisms to harmonize

¹⁵⁷ VON MEHREN & TRAUTMAN, *supra* note 1, at 836.

¹⁵⁸ It should be recognized, however, that even if substantive differences do not exist between the different forums, one might still prefer to file the claim in one forum over the other because this forum offers some procedural advantages, such as less crowded courts and differences in litigation costs and expenses.

¹⁵⁹ See, e.g., McGarrigle, *supra* note 25, at 137.

¹⁶⁰ Berman, *supra* note 137, at 392.

substantive intellectual property law. They base this attempt on the notion that “[t]reatment by public international law has the capacity to reduce the importance of private international law,”¹⁶¹ because courts are more reluctant to interfere with agreements and activities that are being addressed by governments, and also because by reaching an understanding and agreement on the applicable standards of protection, it can be expected that the number of disputes shall be reduced.¹⁶²

The logic behind this argument is based on the assumption that if there are no substantive differences between the legal system of the rendering court and that in which the enforcing court sits, there is no reason for the enforcing court to refuse or refrain from enforcing the underlying judgment. It would be much easier for the enforcing court to do so if it knows that it would have rendered a similar judgment while faced with the same set of facts. In addition, the rendering court will be less hesitant to apply foreign laws in intellectual property infringement cases, if it has a reason to believe that the laws are substantially harmonized.¹⁶³

Furthermore, one may argue that we can gain the same benefits even if we do not have a single worldwide intellectual property regime that governs all countries, as many might have wished for as a utopian solution for many years, but rather, have only a set of independent territorial rights that are all substantially similar.

¹⁶¹ Graeme B. Dinwoodie, *International Intellectual Property Litigation: A Vehicle for Resurgent Comparativist Thought?*, 49 AM. J. COMP. L. 429, 435 (2001).

¹⁶² *See id.*

¹⁶³ *See* Blumer, *supra* note 70, at 398.

3. Harmonization of Intellectual Property – An Overview

Imagine the following perfect world:

“A unified international legal system with trans - or nonnational courts and a single set of substantive and procedural laws and rules would have a high degree of uniformity and predictability. Everyone would know what to expect because all the world's legal disputes would be tested by the same rule set. Borders would lose their importance and national character would become irrelevant.”¹⁶⁴

Is this really a perfect world? It is not that certain. A harmonized world where everyone shares the same ideas, and citizens have no say on issues of governance is far from perfect and has never succeeded in the past. Self-determination, democracy and self-governance are things most people have aspired for throughout history, and it is hard to believe that they will easily give them up. Independence and self-government, political or otherwise, is the result of the fact that people like to determine themselves in other ways than others do. They want to determine themselves differently because they want to advance other principles and other thoughts, and because they do not share the same cultural, historical, economical and political heritage. Independence of thoughts and self-government can probably be achieved only through local government, which is in direct contradiction to the idea of harmonization.

Can we solve the recognition and enforcement problem by trying to eliminate and bridge gaps of substantive intellectual property law?

In order to answer these questions we must first look into the attempts that were made to harmonize substantive intellectual property law throughout the years, and

¹⁶⁴ Franklin & Morris, *supra* note 3, at 1242.

analyze whether these attempts changed the way judgments in this field are recognized and enforced today.

Ever since the 1880s, intellectual property law has been undergoing heavy regulation in the public international sphere. Hardly any other field of law has so many international treaties and other instruments regulating it. This is an attempt on the part of different countries to assure international protection to their inventors, producers, and authors outside their political borders. Most of these international treaties and agreements have some kind of enforcement mechanisms that can be utilized to enforce the standards set forth therein against any breaching country. These attempts, as I will discuss below, advance in several directions. These include efforts to harmonize territorial intellectual property laws, creation of international power to grant intellectual property rights, and creation of systems aiming to uniform jurisdiction and choice of law rules.¹⁶⁵

A. Patents

Harmonization of patent laws finds its roots in the late nineteenth century, in the adoption of the Paris Convention. This was the first global effort to address the protection of industrial property from an international perspective by creating a Union for the protection of patents, trademarks, service marks, designs and other industrial property.

This convention introduced two new terms that, as of that day, serve as cornerstones for the development of the modern system and organization of international intellectual property, namely “national treatment” and the “right of priority”.

Article 2(1) of the Paris Convention establishes the idea of national treatment by providing:

¹⁶⁵ MARTHA P. SENDER, *CROSS-BORDER ENFORCEMENT OF PATENT RIGHTS 2* (Oxford 2002).

“Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the letter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with.”

This means that each Member of the Union has to grant to all nationals of the Members in the Union the same rights that they give to their own nationals. This provision aims at creating a system under which every Member country shall protect intellectual property rights without discrimination against foreign nationals.

Another feature contained in the Paris Convention, which aims at harmonizing international industrial property law, is the “right of priority” provided for in Article 4. Some consider this to be the most fundamental right in the Paris Convention.¹⁶⁶ This right provides a right holder with a grace period of one year in which she can apply for the same patent in another Member state using the day of application in the first country as the day of application in the second country as well. This means that it would be enough to file for a patent or mark in one country in the Union in order to enjoy the same day in other Member states during that year. This feature enables the right holder to utilize the protection in the original country of application, during the grace period, for the purpose of examining the economic benefits of the patent, and designing the patenting strategy

¹⁶⁶ See MARTIN J. ADELMAN, ET AL., PATENT LAW: CASES AND MATERIALS ON PATENT LAW 815 (1998).

before engaging in the expensive process of seeking similar patent protection in other countries¹⁶⁷.

The Paris Convention was only the first step in the harmonization process of industrial property. Even though it provided nationals of Member states with the right of priority and national treatment, it did not solve the problem of the need to apply for a separate patent in each of the countries where protection is sought. Application for a patent is an extremely expensive process, which can result in a significant waste of resources. The Patent Cooperation Treaty¹⁶⁸ (“PCT”) tried to solve the above problem by creating a mechanism that enables an applicant to file for a patent one time, in one of few designated patent offices, but still enjoy protection in several countries, according to what she requested in the application. The declared purpose of this treaty was to “constitute a Union for cooperation in the filing, searching, and examination, of applications for the protection of inventions, and for rendering special technical services.”¹⁶⁹

This treaty, however, only simplifies the application process. It does not simplify the granting process, which is conducted separately in each patent office. Therefore, one can file for a patent in several countries using one application, but the application will be reviewed separately in the patent office of each of these countries, and upon approval will be granted a separate patent in each of these countries. In addition, this treaty does not

¹⁶⁷ SENDER, *supra* note 165, 2.

¹⁶⁸ Patent Cooperation Treaty Done at Washington on June 19, 1970, amended on October 2, 1979, and modified on February 3, 1984. Reprinted in PAUL GOLDSTEIN INTERNATIONAL LEGAL MATERIALS ON INTELLECTUAL PROPERTY 267 (2000).

¹⁶⁹ Article 1 of the PCT.

harmonize the rules under which the application is being reviewed in each Member state, and most importantly, the requirements of patentability. As a result, the PCT, which contains some substantive provisions regarding the international phase of an application for an international patent, does not prevent its members from applying their own substantive patent law provisions during the national phase of the international patent application, or when they examine national applications for patents.

The real first attempt to create a system in which not only a uniform application for patents process is created, but also a uniform review and granting process is established, was made in the Convention on the Grant of European Patents¹⁷⁰ (“EPC”). This EPC provides for a centralized filing of patent applications in the European Patent Office, and review and grant of a European Patent at the end of the process. This means that if one desires to have a similar patent registered in more than one of the European Members of the Convention, only one central application needs to be filed in the European Patent Office. The staff in the office then reviews the application, reviews whether the subject matter is patentable under the provisions of the Convention and grants the patent. It should be emphasized that the name “European Patent” is somewhat misleading because what the applicant receives is not a single European patent, but rather separate but similar national independent patents in each of the requested countries.¹⁷¹

¹⁷⁰ Convention on the Grant of European Patents of 5 October 1973, 1065 U.N.T.S. 199, as amended (European Patent Convention).

¹⁷¹ See Article 2 of the EPC, which provides that a European Patent “shall, in each of the contracting States for which it is granted, have the effect of and subject to the same conditions as a national patent granted by that State, unless otherwise provided in this Convention.”

National laws in each of the Member states govern questions regarding infringement of the patent. “In other words the European Patent Convention provides for a unitary procedure for patent application, patent granting and post-grant patent opposition and, to a large extent, refers to the national law of the Contracting State for patent infringement matters.”¹⁷²

A significant implication of this Convention is the fact that it changes the substantive requirements for the granting of a European Patent in comparison to the requirements in national laws. The Convention provides that “European Patents shall be granted for any inventions which are susceptible of industrial application, which are new and which involve an inventive step.”¹⁷³ In other words, the Convention requires the proof of four elements: invention, novelty, inventive step or non-obviousness, and industrial applicability. These requirements are different, to some extent, from the requirements for patentability in each of the separate individual systems. The German patent system, for example, also requires the proof of “technical progress.” The result is that one can register a patent in Germany through the pipeline of the EPC that she may not have been able to register if applied for the patent directly in Germany, because it contains no technical progress.¹⁷⁴

¹⁷² SENDER, *supra* note 165, at 7.

¹⁷³ Article 52 (1) of the EPC.

¹⁷⁴ See Karl B. Friedrich, *The European Patent System*. Reprinted in part in FRDERICK ABBOTT ET AL., *THE INTERNATIONAL INTELLECTUAL PROPERTY SYSTEM: COMMENTARY AND MATERIALS*, Part 1, 734 (1999).

The most important attempt to harmonize patent law is the TRIPS Agreement. This agreement was adopted in 1994 as part of the creation of the World Trade Organization (WTO).¹⁷⁵

“As is now widely known, the TRIPS component of the WTO Agreement represented a revolution in international intellectual property law. Although it built on the Paris and Berne conventions of 1883 and 1886, respectively, TRIPS went well beyond the original anti-copying objectives of the drafters. It imposed a comprehensive set of relatively high international minimum standards governing copyrighted literary and artistic works (including computer programs), rights related to copyright law (including sound recordings), patents, trademarks, geographical indications of origin, trade secrets, industrial designs, integrated circuit designs and even (indirectly) unfair competition. It does not cover competition law, as such, although it touches on related issues, especially licensing agreements.”¹⁷⁶

TRIPS extended the minimum standards referred to in the Berne Convention and the Paris Convention to other nations that became part of the WTO and were not previously Members of these instruments. This means that “Members are not obliged to implement in their laws, more extensive protection than is required by the TRIPS Agreement.”¹⁷⁷ Members, however, remain free to implement the provisions of TRIPS in their own legal systems as they see fit. Unlike the Berne Convention and the Paris Convention, TRIPS provides us with new mechanisms for the enforcement of patents and copyrights. Though there is still much left for national consideration, the new international standards and rules narrowed the place for national policy.

¹⁷⁵ For drafting history of the TRIPS Agreement *see* BLAKENEY, *supra* note 133, at 3-25.

¹⁷⁶ J.H. Reichman, *The TRIPS Agreement Comes of Age: Conflict or Cooperation with the Developing Countries?*, 32 CASE W. RES. J. INT’L L. 441 (2000).

¹⁷⁷ BLAKENEY, *supra* note 133, at 39.

The Patent Law Treaty¹⁷⁸ (“PLT”) adopted at Geneva on June 1, 2000 was drafted under the auspices of WIPO. This treaty concentrates mainly on harmonizing procedures relating to regional and national patent applications, and maintenance of patents. This includes obtaining a filing date, representation of applicants, electronic filing, and extension of time limits.

“The PLT is designed to streamline and harmonize formal requirements set by national or regional Patent Offices for the filing of national or regional patent applications, the maintenance of patents and certain additional requirements related to patents or patent applications, as for example communications, representation or recordation of changes concerning patents and patent applications. Its provisions refer as much as possible to the provisions of the Patent Cooperation Treaty (PCT) and its Regulations in order to keep the Treaty as simple as possible and to avoid creating different international standards regarding patent formalities with respect to national and to international applications. The harmonization of procedures under national laws is expected to result in easier access to worldwide patent protection and cost reduction for applicants in those procedures. It should also reduce the administrative costs of Patent Offices of both industrialized and developing countries, the benefit of which could be passed on to applicants in the form of lower fees.”¹⁷⁹

During the year 2001, Member States of WIPO started negotiating the possibility of harmonizing substantive patent law. The goal was to create a basis for a more predictable and cost-effective patent system.¹⁸⁰ The first draft of the Substantive Patent

¹⁷⁸ Copy of the PLT is available at <<http://www.wipo.int/clea/docs/en/wo/wo038en.htm>>.

¹⁷⁹ WIPO review of the PCT at <http://www.wipo.org/about-ip/en/index.html?wipo_content_frame=/about-ip/en/patents.html>.

¹⁸⁰ See also Michael N. Meller, *Principles of Patentability and Some Other Basics for a Global Patent System*, 83 J. PAT. & TRADEMARK OFFICE SOT’Y 359 (2001).

Law Treaty (SPLT), discusses several of the main issues involved in the grant of a patent such as, the definition of prior art, the novelty requirement, inventive step, otherwise known as non-obviousness, industrial applicability (utility), sufficiency of disclosure, and the structure of interpretation of claims. The current differences between the various regimes resulted in a situation where one country will grant a patent to a certain invention, while another country with a different patent regime will not grant a patent for the exact same invention. Furthermore, the lack of harmonization is leading to a waste of money and other resources, since the application for a patent needs to be duplicated.

This WIPO initiative is aimed at creating a more predictable, cost-effective and uniform patent system.¹⁸¹ It adds to the already existing international instruments aimed at doing so, such as the PLT and the PCT, which contain some substantive provisions regarding the international phase of an application for an international patent, and do not prevent its members from applying their own substantive patent law provisions during the national phase of the international patent application, or when they examine national applications for patents.

As of now, the Members agreed upon several issues. First, it was agreed to create a seamless interface between the already existing PLT and PCT and the new substantive treaty with respect to the filing, researching, examining and granting of a patent. The idea is to integrate the provisions of the new SPLT with other international instruments. Therefore, the contracting parties of the new treaty will have to comply with the formality requirements of the PLT. Second, the contracting parties will have to comply with the

¹⁸¹ See also Michael N. Meller, *Commentary on the Future Including the Need and possibility of a Global Patent*, 9 FED. CIRCUIT B.J. 605 (2000).

provisions of the PCT with respect to claims, descriptions, drawings and abstracts of the applications. This treaty is aimed at creating an international mechanism that will enable people to file patent applications that will grant them patent protection in several countries. This mechanism will generate significant cost savings for patent offices around the world. The most recent draft of this proposed treaty was introduced by WIPO on March 3, 2003.¹⁸²

B. Copyrights

Professor Ginsburg describes “international copyright law” as “a giant squid, whose many national law tentacles emanate from but depend on a large common body of international norms.”¹⁸³

The Berne Convention was the first major international instrument that attempted to harmonize the issue of the protection of literary and artistic works. It was the U.S. decision to join the Berne Union that made it the cornerstone agreement in the field of the protection of international copyright.¹⁸⁴ This Convention advances the idea of “national treatment,” which requires each of the Member States to grant to works originating in other Member states the same copyright protection it provides to its own nationals.¹⁸⁵ Furthermore, the Berne Convention establishes the concept of minimum standards, which

¹⁸² Draft Substantive Patent Law Treaty prepared by the International Bureau available at <http://www.wipo.org/about-ip/en/index.html?wipo_content_frame=/about-ip/en/studies/index.html>.

¹⁸³ Jane C. Ginsburg, *supra* note 33, at 289.

¹⁸⁴ INTELLECTUAL PROPERTY & INTERNATIONAL TRADE: A GUIDE TO THE URUGUAY ROUND TRIPS AGREEMENT (Chapter 4 - Copyright and Related Rights) 22 (1996).

¹⁸⁵ *See* Article 5 of the Berne Convention.

require the Member States to provide minimum levels of protection. This was the actual step that forced and triggered many countries to engage in the process of harmonizing their copyright protection laws.

The Berne Convention protects literary and artistic works, including “production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression.”¹⁸⁶ The Convention provides a list of works that are protected such as books, pamphlets, dramatic works, cinematographic works, paintings, and architecture. The extent of protection under the Berne Convention includes the right of translation, adaptation, public performance, public recitation, broadcasting and the film rights for the work. The protection rendered under the Berne Convention is automatic with respect to works originating in the Member States and no formalities are required as a prerequisite. Protection under the Convention is granted for the life of the author plus fifty years, even though Members may elect to provide for longer periods of protection.¹⁸⁷ Anonymous are protected for fifty years from the date of publication and works of applied art and photographs are protected for at least twenty-five years.

Based on the territoriality concept, the Berne Convention provides its protection based on the country of origin of the work, which is generally the country of first publication. If a work is first published in one of the Member States, it is entitled to protection in all other Member States. If the work is simultaneously published in a Member State and a non-Member State, the date of publication in the Member State is the

¹⁸⁶ See Article 2 of the Berne Convention.

¹⁸⁷ See Article 7 of the Berne Convention.

date of first publication, and if the author is a national of a Member State the work is granted protection even if the work is first published outside the Berne Union.¹⁸⁸

The Universal Copyright Convention¹⁸⁹ was created after the conclusion of World War II. It aimed at enabling the U.S. to participate in a multinational convention for the protection of copyrights other than the Berne Convention. It protects literary, scientific and artistic works,¹⁹⁰ but does not include photographic works, sound recordings and works of applied art. The Universal Copyright Convention also adheres to the doctrine of national treatment,¹⁹¹ but provides a shorter list of minimum standards than the one provided for by the Berne Convention by which the Member countries should comply. The Convention requires the Members to provide a minimum term of protection of twenty-five years from the death of the author or the first publication or registration of the right.¹⁹² It protects the economic interests of the author, including the rights of reproduction, public performance and broadcasting.¹⁹³ Since the U.S. is a member of the Convention it does not protect moral rights. It provides protection to works created by nationals of the countries that are Members of this convention, and works that are published in the Member States without consideration of the nationality of the author.¹⁹⁴

¹⁸⁸ See Article 3 of the Berne Convention.

¹⁸⁹ Universal Copyright Convention (Paris Text, July 24, 1971) 25 U.S.T. 1341.

¹⁹⁰ See Article I of the Universal Copyright Convention.

¹⁹¹ See Article II of the Universal Copyright Convention.

¹⁹² See Article IV of the Universal Copyright Convention.

¹⁹³ See Article IVbis of the Universal Copyright Convention.

¹⁹⁴ See Article II of the Universal Copyright Convention.

In order to eliminate the possibility that Members of the Universal Copyright Convention, who are also Members of the Berne Convention, might decide to halt their membership in the Berne Union since it provides for more extensive copyright protection and more responsibilities on its Members, it was forbidden that these countries do so. Therefore, a country that is a Member of the Universal Copyright Convention as well as the Berne Convention, must comply with the requirements of the Berne Convention in its relations with other Berne Members who are also Members of the Universal Copyright Convention.¹⁹⁵

The International Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations¹⁹⁶ (the “Rome Convention”) recognizes international performance rights in sound recordings under a neighboring right regime. It provides rights to performers, producers, and broadcasting organizations.¹⁹⁷ The U.S. decided not to join this Convention for several reasons. First, this Convention has not been updated, and second, it lacks the ability to keep up with changes in modern technology. Rights granted under this Convention are limited to reproduction, public performance, and broadcasting.¹⁹⁸ In addition, it was argued that the U.S. cannot be

¹⁹⁵ Appendix Declaration Relating to Article XVII of the Universal Copyright Convention.

¹⁹⁶ International Convention for the Protection of Performers, Producers of Phonograms, and Broadcasting Organizations (Rome, October 26, 1961) 496 U.N.T.S. 44.

¹⁹⁷ Article 2 of the Rome Convention.

¹⁹⁸ Article 7 of the Rome Convention.

expected to revise its copyright law to meet the minimum standards of this Convention, and thus it is unlikely that it will join it in the future.¹⁹⁹

The Convention for the Protection of Producers and Phonograms against Unauthorized Duplication of Phonograms²⁰⁰ (“Geneva Phonograms Convention”) protects the producers of phonograms against the duplication of their works that were distributed to the public.²⁰¹ Since this is quite similar to U.S. copyright law, there was no objection on its part to join the Convention. However, this Convention does not grant performance or performers’ rights. It leaves the decision of whether to grant these rights to the discretion of each of the Member States.²⁰² It should be remembered that American citizens are not granted any performance rights in sound recordings outside the borders of the U.S. since, as mentioned above, the U.S. is not a member of the treaties that do provide such protection.

The most important effort to harmonize copyright law was made in the drafting of the TRIPS Agreement. The TRIPS accord, which was adopted as part of the creation of the World Trade Organization (WTO), extended the minimum standards referred to in the Berne Convention to other nations that became part of the WTO and were not previously Members of the Berne Convention. TRIPS adheres to the principle of national treatment

¹⁹⁹ Stephen Summer, *Music on the Internet: Can the Present Laws and Treaties Protect Music Copyright in Cyberspace?*, 8-SUMM CURRENTS: INT’L TRADE L.J. 31, 38 (1999).

²⁰⁰ Convention for the Protection of Producers and Phonograms Against Unauthorized Duplication of Phonograms of October 29, 1971. Reprinted in PAUL GOLDSTEIN INTERNATIONAL LEGAL MATERIALS ON INTELLECTUAL PROPERTY 211 (2000).

²⁰¹ Article 2 of the Geneva Phonograms Convention.

²⁰² Article 7 of the Geneva Phonograms Convention.

previously described and requires all its Members to comply with the provisions of the Berne Convention, other than the protection of moral rights.²⁰³ There are two major additions to the copyright part of TRIPS that had not previously appeared in the Berne Convention. These are the protection of computer programs, whether in source or object code, as literary works,²⁰⁴ and the protection of the selection and arrangements of data or other materials in compilation. The TRIPS Agreement also introduces the notion of rental rights (prevention of renting to others) for computer programs, sound recordings and, under certain circumstances, cinematographic works.²⁰⁵

The TRIPS Agreement changes the period of protection under the Berne Convention rendered for copyrighted works.²⁰⁶ A significant addition that TRIPS brings with it is the protection through copyrights or neighboring rights given to performers against unauthorized broadcast or unauthorized broadcast fixation of their live performances, as well as protection to producers of sound recordings against unauthorized reproduction.²⁰⁷ Finally, it provides broadcasters or owners of copyrights in

²⁰³ Article 9 of the TRIPS Agreement specifically excludes from its scope Article 6bis of the Berne Convention, which regulates the issue of moral rights. The real reason for the exclusion of moral rights from the scope of the Agreement was pressure put by the U.S. to avoid any possibility of strengthening these rights. *See* DANIEL GERVAIS, *THE TRIPS AGREEMENT: DRAFTING HISTORY AND ANALYSIS* 72 (London 1998).

²⁰⁴ *See* Article 10 of the TRIPS Agreement.

²⁰⁵ *See* Articles 11 and 14 (4) of the TRIPS Agreement.

²⁰⁶ Article 12 of the TRIPS Agreement.

²⁰⁷ *See* Article 14 (1) of the TRIPS Agreement.

broadcasts with protection against unauthorized fixation, reproduction and rebroadcast of the protected work.²⁰⁸

This approach has been further reiterated by the new WIPO Copyright Treaty (“WCT”),²⁰⁹ which has banned the circumvention of technological protection measures, and the tampering with copyright management information.²¹⁰ This treaty was constructed as a protocol to the Berne Convention.²¹¹ The WCT has several purposes. First, it recognizes the protection of computer programs “whatever may be the mode or form of their expression.”²¹² Second, it recognizes broad public distribution rights for copyright owners, and the right to control any copying of the works in digital form.²¹³ Third, it acknowledges the exclusive right of the copyright owners to control the public communication of their works including the Internet.²¹⁴ Fourth, it makes it illegal to interfere with the integrity of “rights management information”.²¹⁵ Most importantly, it requires member countries to provide “adequate legal protection and effective legal remedies against the circumvention of effective technological measures”²¹⁶ introduced to

²⁰⁸ See Article 14 (2) of the TRIPS Agreement.

²⁰⁹ The WIPO Copyright Treaty, Geneva, December 20, 1996, 36 I.L.M. (1997).

²¹⁰ See Article 12 of the WCT.

²¹¹ See Article 1 of the WCT.

²¹² Article 5 of the WCT.

²¹³ See Article 6 of the WCT.

²¹⁴ See Article 8 of the WCT.

²¹⁵ Carolyn Anderpont, *Digital Millennium Copyright Act: Copyright Protections for the Digital Age*, 9 DEPAUL-LCA J. ART & ENT. L. 397, 401-402 (1999).

²¹⁶ Article 11 of the WCT.

protect copyright holders from infringements of their work. In addition, the WCT allows its Members to continue to apply and even add new limitations and exceptions (e.g. fair use) to the exclusive rights of the copyright holders.²¹⁷

C. Trademarks

International trademark regulation finds its origins in the Paris Convention. It requires the Member States to provide nationals of other Member states with the same level of trademark protection as they provide to their own nationals, based on the concept of “national treatment.”²¹⁸ Furthermore, nationals of non-Member States that are domiciled or have real, effective industrial or commercial establishments in one of the Member States are entitled to the same treatment as nationals of the Member states.²¹⁹ The substantive standards that the Paris Convention provides with respect to trademarks are fewer than those provided for patents. The Paris Convention requires its Members to provide a registration system for trademarks, and requires its Member States to register marks duly registered in other Member States where the applicant is a national, domiciliary or maintains a business establishment. There are limited exceptions to this general rule in cases where the newly registered mark infringes pre-existing trademarks, when non-distinctive marks are involved, and in cases where the marks are immoral or deceptive to the public.²²⁰

²¹⁷ See Article 10 of the WCT.

²¹⁸ See Article 2 of the Paris Convention.

²¹⁹ See Article 3 of the Paris Convention.

²²⁰ See Article 6quinquies (B) of the Paris Convention.

The Paris Convention regulates the issue of the filing dates in the various countries. Once a mark is registered in one of the Member countries, the owner of the mark receives a priority as to this mark for a period of six months.²²¹ This is otherwise known as a “right of priority.” If the owner of the mark files additional applications in other Member States within this six months period, he enjoys the same application date of the original application. This would be extremely useful in those countries, which adopted the “first to file” system, since it provides the applicant with an advantage over domestic applicants who applied for a similar mark during the period between the original filing date in the foreign country and the later local application by the same applicant in the second country.

As is the case with patents and copyrights, the TRIPS Agreement also regulates international law regarding trademarks. TRIPS requires all WTO Members to provide registration for service marks and trademarks, publish the registered marks, and provide an option for opponents to object to such registration.²²² Infringement of trademarks under TRIPS is based on international “likelihood of confusion” standard, and a presumption of infringement is established if a mark is identical to another mark and used with identical goods or services.²²³ It also provides remedies that should be provided in intellectual property rights infringements, including trademarks. With respect to the international registration of marks, the leading and most important elements are those of the Madrid System (“Madrid System”). There are two treaties that govern the Madrid

²²¹ See Article 4 (C) of the Paris Convention.

²²² See Article 15 of the TRIPS Agreement.

²²³ See Article 16 of the TRIPS Agreement.

System: The Madrid Agreement Concerning the International Registration of Marks of April 14, 1891²²⁴ and the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks of June 28, 1989.²²⁵ The Madrid System creates a mechanism where persons or entities that are domiciled or are nationals of one of the participating countries can enjoy trademark protection in several countries of the Madrid Union by filing a single application. Under the Madrid System, the applicant files for trademark protection in one trademark office (“Office of Origin”) and then enjoys similar protection in other countries. After the Office of Origin presents an application for international registration to the International Bureau and the mark is in compliance with the applicable requirements, the mark is recorded and published in the WIPO Gazette of International Marks.²²⁶

The advantages of the Madrid System are significant and obvious.

“After registering the mark, or filing an application for registration, with the Office of origin, he has only to file one application and pay fees to one office and in one language, instead of filing separately in the trademark Offices of the various Contracting Parties in different languages, and paying a separate fee in each Office. Similar advantages exist when the registration has to be renewed or modified. . . International registration is also to the advantage of trademark Offices. For example, they do not need to examine for compliance with formal requirements,

²²⁴ 23 U.S.T. 1353.

²²⁵ Reprinted in PAUL GOLDSTEIN, INTERNATIONAL LEGAL MATERIALS ON INTELLECTUAL PROPERTY 438 (2000).

²²⁶ See Section 2.07 of the GUIDE TO THE INTERNATIONAL REGISTRATION OF MARKS UNDER THE MADRID AGREEMENT AND THE MADRID PROTOCOL, available at <<http://www.wipo.org/madrid/en/index.html>>.

or classify the goods or services, or publish the marks. Moreover, part of the fees collected by the International Bureau is transferred to the Contracting Parties in which protection is sought. Furthermore, if the International Registration Service closes its biennial accounts with a profit, the proceeds are divided among the Contracting Parties.”²²⁷

The U.S never adopted the two instruments establishing the Madrid System. However, a major shift in that direction has taken place in the year 2002 when President George W. Bush signed the implementing legislation to do so; as of November 2003, U.S. corporations are authorized to file an international application and receive simultaneous protection of their marks in over 55 States.²²⁸

4. Conclusions

The above overview of the harmonization of international intellectual property law provides us with some indication as to the different tendencies that characterize this process. It is clear that the harmonization process has developed in different directions. The different conventions attempt to determine the minimum standards for protection, which require their Members to provide similar minimum levels of protection within their political borders. These minimum standards not only define the specific rights granted to the holder of the intellectual property right (e.g. rental rights), but also extend the scope of protection by adding new subject matter (e.g. computer programs). Member states are free to provide even more rights than required by these conventions, but in many cases need to provide nationals of other Member States with similar protection based on the

²²⁷ *Id.* Sections 2.11-2.12.

²²⁸ For more information *see* the International Trademark Association website at <<http://www.inta.org/madrid/2003roster.shtml>>.

concept of national treatment. In short, the system tries to provide everyone with the same minimum rights and welcomes the granting of even better protection. In that respect it is interesting to see that the system, to a great extent, tries to adjust itself to new technological developments as they arise and tries to answer newly arising questions. For example, the WIPO Copyright Treaty attempts to solve problems that result from the creation of new technologies that circumvent methods for the protection of copyrighted works.

The current international system does not solely address the issue of substantive intellectual property protection. Rather, most instruments regulate the registration of intellectual property rights, such as patents and trademarks, in an attempt to enable one to file an application for intellectual property rights in one territory, but still enjoy protection in multiple jurisdictions, or even being able to file one application that would provide the owner of the right with protection all around the world.

As I previously mentioned, there are some who argue that by harmonizing substantive intellectual property laws we may be able to solve the problem of recognition and enforcement of intellectual property judgments. They argue that under such a system there shall be no substantive differences between the rights granted under the various legal regimes and therefore, there shall be no justification for different results. In other words, in such a system the enforcing court would have no objection to the recognition and enforcement of the foreign judgments because the enforcing court would have reached the same result as that provided by the rendering court if asked to decide the case because they both apply the same standards. This theory, as tempting as it may sound, is incorrect for several reasons.

It is a fact that most of the relevant international treaties regulating this issue go a long way to harmonizing intellectual property laws, and this process is expected to continue. These instruments, however, only provide for minimum standards and there is no indication of this changing any time soon. This means that each of the participating countries is obligated to provide minimum protection as provided in the treaty, but is free to provide additional or stronger protection. Therefore, even though all Member countries presumably provide similar protection, significant differences in this protection still remain.²²⁹ “These agreements impose minimum standards, not uniform law and, therefore, do not prevent conflicting outcomes.”²³⁰ As a result, there may be situations where a judgment that is rendered in one country, which recognizes very broad protection, may not be enforced in another country, which provides narrower protection, despite the fact that the latter is still in compliance with the minimum standards of the relevant agreement.

Furthermore, some of these instruments leave different areas to the discretion of the participating countries and allow them to implement their own cultural, economical and social priorities and philosophies.²³¹ These differences are sometimes so inherent in the legal system at issue, that they can be traced back hundreds of years. For example, the American legal system contains elements and features that simply do not exist in other

²²⁹ See Dinwoodie, *supra* note 161, at 435.

²³⁰ Rochelle C. Dreyfuss, *An Alert to the Intellectual Property Bar: The Hague Judgments Convention*, 2001 U. ILL. L. REV. 421, 423 (2001).

²³¹ Dinwoodie, *supra* note 161, at 436.

legal systems such as discovery,²³² depositions,²³³ allowing jury trial in civil cases,²³⁴ punitive damages²³⁵ and contempt of court.²³⁶ Similarly, as previously discussed, the U.S. utilizes “private attorney generals” to enforce public policies that the governing administrative agencies fail to enforce for various reasons.²³⁷ These substantial differences in the administration of the law can, to a great extent, be explained by these background and historical differences. Some of these features were simply created because a need arose to resolve certain problems that were detected in these legal systems. For example, one can explain some of the above features contained in the American legal system by referring to the growing need to rely on private parties to enforce rights under public law, when the public agencies initially intended to take this role neglect to do so.²³⁸

²³² See Federal Rules of Civil Procedure, Rule 26.

²³³ See Federal Rules of Civil Procedure, Rule 27.

²³⁴ U.S. CONST. amend. VII: “In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.” About the right for jury trial in the U.S., see generally Paul D. Carrington, *The Civil Jury and American Democracy*, 13 DUKE J. COMP. & INT’L L. 79 (2003).

²³⁵ See, e.g., N.C. G.S. § 1D-15.

²³⁶ See, e.g., 28 U.S.C.A. § 1784.

²³⁷ See Rustad, *supra* note 153, at 511.

²³⁸ See William H. Wagener, *Modeling the Effect of One-Way Fee Shifting on Discovery Abuse in Private Antitrust Litigation*, 78 N.Y.U. L. REV. 1887 (2003).

Despite the extensive attempts to harmonize intellectual property law, there are still many issues that are left open and have not been harmonized yet: the system still has a long way to go. For example, we still do not have a system for the registration and granting of an international patent similar to the one available in Europe for the grant of a European Patent under the EPT. It would not be unreasonable to predict that there is still a long way to go until we will manage to completely harmonize intellectual property law. The harmonization process has been continuing for over a hundred years and will probably continue for many years to come. As a result, the prospects that complete harmonization will be achieved in the near future is very unlikely, so that the basis for this theory disappears.

I further argue that even if the differences between the various legal systems shall be significantly reduced in many respects, or even completely disappear at one point, thanks to harmonization, the problem will not be entirely solved due to the concept of territoriality. The territoriality character of intellectual property rights is broader than only limiting the effects of the right to the geographical territory or borders of the country in which the right is granted or registered. Rather, it also includes the “principle of independence.” This means that parallel rights (i.e. similar rights granted in different territories and protecting the same subject matter), exist separately in these territories. Therefore, changes (both in the language of the statute and in case law interpreting the statute) in one territory have no influence in other territories.²³⁹ In other words, even if we assume, unreasonably as this may sound, that two legal systems follow the substantive rules of the TRIPS Agreement and create two legal systems that are completely identical

²³⁹ See SENDER, *supra* note 165, at 21-22.

verbatim, this still does not mean that the courts in these two countries will reach the same result when facing a similar dispute. Judges and courts in each of these countries will introduce into their analysis the underlying policies and ideals of their respective legal systems and reach a conclusion, which best supports these principles.

Christopher Wadlow best described this problem.

“There is a central core to the principle of territoriality which is that each sovereign state sets its own laws within its own territory. Territoriality may therefore be consistent with a state attaching legal consequences to acts taking place abroad, if they have sufficiently serious effects at home, as is already accepted in the closely related field of competition law. Conversely, territoriality in the narrow sense need not be inconsistent with foreign courts enforcing intellectual property rights existing in other states, to the extent that specific conventions or international usage allow them to assert jurisdiction. When the dust has settled, it will probably be realized that territoriality and the multinational enforcement of intellectual property rights in one set of proceedings are perfectly compatible with one another in principle. What makes the two incompatible in practice – apart from major differences in civil procedure and remedies – is the comparative law of intellectual property, under which laws which look very similar in theory may be very different in application.”²⁴⁰

To better explain this point, consider the following example. Two countries recognize the “fair use” exception to copyrights. The laws of both countries about this issue are identical. Both countries use the language of Section 107 of the U.S. Copyright Act²⁴¹ to address this issue. The courts of both countries are requested to declare that the photocopying and dissemination of booklets, which contain excerpts from different copyrighted works for educational purposes, result in copyright infringement. Both courts

²⁴⁰ WADLOW, *supra* note 29, at 11.

²⁴¹ 17 U.S.C.A. § 107.

analyze the case under the four listed factors mentioned in their laws. They check the purpose and character of the use, the amount and substantiality of the portion used in relation to the copyrighted work as a whole, the effect of the use upon the potential market for or value of the work, and the nature of the copyrighted work. Theoretically both courts are expected to reach the same conclusion since they are faced with identical facts and follow the exact same laws. Nevertheless, it would not be surprising if each of these courts reaches a different conclusion and the reason is simple. For instance, one court may view copying of 20% of a work for educational purposes as infringing the copyrights, while a different court in a country that puts more emphasis on education may view copying of even 40% as fair use. The role of courts, when a statute regulating the subject matter at issue is in existence, is not to create new laws but rather to interpret them. The process of interpretation involves a great deal of discretion, which affects the final result. Interpreting a statute involves utilizing different tools that may reflect the underlying policies and ideas of the relevant legal system. This is the exact point that I am trying to make. Harmonization of substantive laws will only provide partial solution to these problems, as long as courts still have discretion in interpreting these laws, and there is no indication that anyone will be willing to give up this discretion at the near or even distant future.

Consider another example: in all countries, circumvention of technological measures, which prevent copyrighted works from being copied, is prohibited. However, in some countries courts recognize the rights of engineers to use reverse engineering or de-compilations to make computer software interoperable with each other, while courts in other countries do not recognize such an exception and it is even illegal in these

countries. The same goes for trademark or patent law. For example, a European court might face a demand to enforce a U.S. business method, even though such a patent will not be recognized in the country where this court sits.²⁴² The fact that the laws of both countries are identical does not prevent courts in one country from viewing, by way of interpretation, business methods as patentable subject matter.

This is the reality of the legal world, and the sooner we recognize the fact that the harmonization process will take a long time, and even if accomplished, will not really solve all the problems, the better.

²⁴² For discussion of business methods as patentable subject matter, *see* Rochelle C. Dreyfuss, *Are Business Method Patents Bad for Business?*, 16 SANTA CLARA COMPUTER & HIGH TECH. L.J. 263 (2000).

IV. THE RISE AND FALL OF THE INTERNATIONAL CONVENTION IDEA – OVERVIEW AND ANALYSIS

In the previous chapter, I concluded that the idea of harmonization of intellectual property rights could not be used as a potential solution to the underlying problem addressed in this work with respect to the recognition and enforcement of foreign intellectual property judgments. Harmonization of procedures and substantive rights can reduce some of the tension among jurisdictions, and in certain situations even partly solve the problem, but it cannot be used as a full comprehensive answer.

An alternative solution may be found in the sphere of public international law. This means that we can try to create an international treaty or convention signed by governments and countries that would provide a set of rules that would regulate the ways in which a judgment rendered in one country can be recognized and enforced in another country. There were several attempts in the past to create such an instrument. These instruments attempted to provide a set of rules that would assist the Member countries in regulating the issue, but they all failed. It seems that the problem was not with respect to the general understanding that such an instrument is needed. History has proven that many countries believe this to be the only possible solution. I contend rather, that the problem is with respect to the content and substance of the instrument.

The absence of such a convention makes things more complicated. In such a case, the enforcing court is most likely to apply “the internal rules of the court in which enforcement is sought.”²⁴³ When asked to enforce a foreign judgment, the enforcing court will always ask whether the court rendering the judgment was entitled to assert

²⁴³ PARK & CROMIE, *supra* note 5, at 459.

jurisdiction under the rules of a relevant international convention, or under the internal rules of the enforcing court if no convention is applicable.²⁴⁴ There are very few cases, which I will later discuss, in which the enforcing court has no right to examine whether the rendering court indeed had jurisdiction to hear the dispute at issue. This is called “direct jurisdiction,” because it is for the rendering court to decide whether it is entitled to assert jurisdiction and hear the case under the rules of the applicable convention, and the enforcing court has no right to consider whether the rendering court could indeed do so.

In pursuing a viable solution to the recognition and enforcement problem, one must first examine what were the reasons for the failure of the previous attempts to regulate this issue. This exercise will provide an opportunity to circumvent certain problems and difficulties in the past, and look for alternative solutions to these problems so that we do not repeat previous mistakes. This is what I attempt to do in this chapter.

1. Private International Law – Historical Development

It is mainly due to the industrial revolution and cross-border trade that recognition and enforcement of judgments has become such an important issue in international law.²⁴⁵ Several attempts were made through the course of history to create such an instrument, but all of them were unsuccessful for reasons that I will now review and explain. Efforts to create one international instrument that regulates the recognition and enforcement of foreign judgments are relatively new and can be linked mainly to the

²⁴⁴ *Id.*

²⁴⁵ *See* JEAN-GABRIEL CASTEL, PRIVATE INTERNATIONAL LAW 257 (Toronto 1960) discussing the development of trade between Canada and the U.S. since the beginning of the 20th century.

second part of the Twentieth century. There are, however, several bilateral and multilateral conventions that address this issue and were relatively successful.

A. The Brussels Convention

The Treaty Establishing the European Community signed in Rome on March 25, 1957 (the “Treaty of Rome”), included in Article 220²⁴⁶ a requirement that Member states of the European Community engage in further negotiations “. . . with a view to securing for the benefit of their nationals . . . the simplification of formalities governing the reciprocal recognition and enforcement of judgments of courts or tribunals and of arbitration awards.”²⁴⁶ The purpose of such an arrangement was to enable the players in the European Community to take full advantage of the opportunities that exist as a result of such economical cooperation, by providing them with legal protection upon which they can rely should they decide to engage in economic activities.²⁴⁷ It intended to encourage “free movement of judgments within the European Community, in the same way that there is to be free movement of labour, services, goods, etc.”²⁴⁸ Until that point in time, enforcement and recognition of foreign judgments were usually based on conventional rules, which allowed the enforcing court to investigate the assertion of jurisdiction by the rendering court. The system allowed the enforcing court to verify that the rendering court was entitled to assert jurisdiction according to the enforcing court’s own rules of jurisdiction, and address other questions such as whether the judgment was

²⁴⁶ 298 U.N.T.S. 11. Article 220 of the Treaty of Rome.

²⁴⁷ Olivia Struyven, *Exorbitant Jurisdiction in the Brussels Convention*, available at <<http://www.law.kuleuven.ac.be/jura/35n4/struyven.htm>> 5.

²⁴⁸ PARK & CROMIE, *supra* note 5, at 3.

obtained by fraud, whether there was fair trial, and whether the defendant received due notice of the proceedings.²⁴⁹ The fact that the rendering court had to make sure that it could hear the case not only under its rules of jurisdiction, but also under any potential enforcing courts' rules of jurisdiction in order for the latter to agree to enforce or recognize such a judgment, created a significant barrier.

In 1960, a committee of experts was set by the Member states to try and find a solution to the problem. The committee's work product became to be known as the European Community's Brussels Convention on Jurisdiction and the Recognition of Judgments in Civil and Commercial Matters of Sept. 27, 1968 (the "Brussels Convention"),²⁵⁰ which came into force on February 1, 1973 upon the ratification by six Member states.²⁵¹

The Brussels Convention created an organized system for the recognition and enforcement of judgments in civil and commercial matters,²⁵² including intellectual property rights, in certain parts of the European continent. It was drafted as a "double convention," regulating "the jurisdiction which the courts of Contracting States are

²⁴⁹ *Id.* at 4.

²⁵⁰ 1968 O.J. (L 299) 32, reprinted in 28 I.L.M. 229 (1969) (as amended by the Convention on Accession of Denmark, Ireland, and the United Kingdom, reprinted in 18 I.L.M. 21 (1979)).

²⁵¹ For general discussion of conflict of laws in Europe, see generally, Domink Lasok & Peter Stone, *Conflict of Laws – European Economic Community Countries* (1987), and Reimann Mathias, *Conflict of Laws in Western Europe: A Guide through the Jungle* (1995).

²⁵² *See* Article 1 of the Brussels Convention. The Convention does not apply to status or legal capacity of natural persons, rights in property arising out of a matrimonial relationship, wills and succession, bankruptcy proceedings, social security and arbitration.

permitted to exercise as well as the conditions upon which such judgments are to be recognized.”²⁵³ This simply means that the Convention provides an agreed upon set of bases for the assertion jurisdiction. The rendering court in any of the Member States has to verify that it can assert jurisdiction according to the rules set forth in the convention, rather than according to its own internal rules, before rendering a judgment. If the judgment is later introduced to a different court in another Member State for the purpose of recognition or enforcement, the court addressed will do so without engaging in the investigation of whether the rendering court indeed had jurisdiction.²⁵⁴ The greatest novelty in the structure of the - then new - Brussels Convention was the fact that it provided the Member States with a relatively detailed set of jurisdictional rules according to which a court in a Member State may assert jurisdiction over a defendant domiciled in another Member State, and in what situations it should decline to do so.

Under the provisions of the Brussels Convention, a person who is domiciled in a contracting State may be sued in the courts of another contracting State only under the provisions and conditions set forth in the Brussels Convention, and no other basis of jurisdiction can be asserted against him. Therefore, if the defendant is not domiciled in one of the Convention’s contracting countries, the national local rules of jurisdiction can apply, and the provisions of the Brussels Convention do not bind the courts.²⁵⁵ The courts

²⁵³ See HAGUE CONFERENCE ON PRIVATE INTERNATIONAL LAW, REPORT OF THE SPECIAL COMMISSION, PETER NYGH & FAUSTO POCAR (Preliminary Document 11) 5, available at <<http://www.hcch.net/e/workprog/jdgm.html>>.

²⁵⁴ There are only a few exceptions to this rule under the Brussels Convention.

²⁵⁵ See Brussels Convention, Article 4.

of the contracting States are forbidden from applying rules of “exorbitant jurisdiction,”²⁵⁶ which until that point was enough to ground jurisdiction against a foreign defendant.

When analyzing a specific set of facts under the provisions of the Brussels Convention, the basic question is whether the rendering court can assert jurisdiction under the strict rules set forth therein. The basic rule of jurisdiction is that a person domiciled in a Contracting State must always be sued in the courts of that State.²⁵⁷ This means that the test is the domicile rather than the nationality of the defendant. This basic rule is supplemented by specific grounds of jurisdiction, such as those for contracts²⁵⁸ or torts.²⁵⁹ In addition, the jurisdiction may be limited in certain situations by exclusive rules of jurisdiction, such as those for land.²⁶⁰

²⁵⁶ “[j]urisdiction is exorbitant when the court seized does not possess a sufficient connection with the parties to the case, the circumstances of the case, the cause or subject of the action, or fails to take account of the principle of the proper administration of justice. An exorbitant form of jurisdiction is one which solely intended to promote political interests, without taking into consideration the interests of the parties to the dispute.” *See* Struyven, *supra* note 247, at 1.

²⁵⁷ *See* Article 2 of the Brussels Convention, which provides that “[p]ersons domiciled in a Contracting State shall, whatever their nationality, be sued in the courts of that State.”

²⁵⁸ Article 5(1) of the Brussels Convention provides that in matters relating to a contract one can be sued in the courts for the place of performance of the obligation in question.

²⁵⁹ Article 5(3) of the Brussels Convention provides that in matters relating to tort one may be sued in the courts for the place where the harmful event occurred.

²⁶⁰ *See* Article 16(1) of the Brussels Convention.

The meaning of the term “judgment” under the provisions of the Brussels Convention is any judgment of a court or tribunal, including costs awarded.²⁶¹ This term includes interim and provisional orders, even in cases when the court has no jurisdiction over the main proceedings. There are several exceptions to this general rule, such as interlocutory orders rendered *ex parte* and intended to be enforced without notice to the defendant.²⁶² Another exception is interlocutory orders, which do not regulate legal relations, but rather regulate the further conduct of proceedings.²⁶³ Since the Brussels Convention is clearly intended to address only civil and commercial matters, other judgments such as those for the recovery of taxes, or penalties are outside the scope of this convention.

The Brussels Convention addresses both the question of recognition of a foreign judgment, and the question of enforcement. No special proceedings are needed for the recognition of a judgment rendered in another contracting State, and this is done automatically.²⁶⁴ The Brussels Convention does not permit a court to refuse the recognition of a judgment rendered by a court in a different country simply because it thinks that the judgment is wrong.²⁶⁵ Furthermore, there are only a few situations in

²⁶¹ “For the purposes of this Convention, ‘judgment’ means any judgment given by a court or tribunal of a Contracting State, whatever the judgment may be called, including a decree, order, decision or writ of execution, as well as the determination of costs or expenses by an officer of the court.” Article 25 of the Brussels Convention.

²⁶² See PARK & CROMIE, *supra* note 5, at 461, and Footnote 4 therein.

²⁶³ See *id.*

²⁶⁴ See Article 26 of the Brussels Convention.

²⁶⁵ See Article 29 of the Brussels Convention.

which a court must not assert jurisdiction based on the general domicile rule. These situations include cases involving insurance, consumer and exclusive jurisdiction cases.²⁶⁶ Under the provisions of the Brussels Convention, recognition should be refused in those cases in which the defendant neglected to appear in the rendering court and set forth her defense due to insufficient service on time to enable the defendant to do so.²⁶⁷ This is a relatively unique arrangement in this Convention because it allows the enforcing court to substitute its own judgment with that of the rendering court with respect to the question of whether the defendant could indeed properly and timely assert her defense.²⁶⁸

Like in almost any international instrument involving recognition and enforcement of foreign judgments, the Brussels Convention provides for a public policy exception to the general rule.²⁶⁹ This exception is usually invoked in unique situations such as when the judgment had been obtained by fraud and cannot be set aside by appealing to the rendering court.²⁷⁰ Another exception to the rule is directed at incompatible judgments. This means that the recognizing court need not recognize or enforce a foreign judgment if the judgment in question is irreconcilable with a judgment previously rendered by that court,²⁷¹ or with a judgment rendered by a court in a non-Contracting State, which involved the same parties and cause of action and fulfilled the

²⁶⁶ See Articles 7-12A, 13-15 and 16 of the Brussels Convention.

²⁶⁷ See Article 27(2) of the Brussels Convention.

²⁶⁸ See Article 20 of the Brussels Convention. For further discussion of this exception see PARK & CROMIE, *supra* note 243, at 463.

²⁶⁹ See Article 27(1) of the Brussels Convention.

²⁷⁰ See PARK & CROMIE, *supra* note 5, at 462.

²⁷¹ See Article 27(3) of the Brussels Convention.

necessary conditions to be recognized in the recognizing State.²⁷² With respect to appeals, the recognizing court may stay recognition or enforcement if an appeal process was initiated in the rendering State.²⁷³ This exception refers only to ordinary appeals, which are those that are part of the ordinary course of action in the rendering state.

For a foreign judgment to be enforced under the rules of the Brussels Convention, the winning party must turn to the enforcing court and ask for an order of enforcement.²⁷⁴ Once an order is rendered and no appeal process has been initiated, the foreign judgment will be enforced under the enforcement mechanism of the enforcing country. Refusal to enforce such a judgment can only take place under the exceptions to the general recognition and enforcement rule set forth above, namely lack of jurisdiction in insurance, consumer, and exclusive jurisdiction cases, and public policy, lack of due service, incompatible prior judgments, and appeals.

The Brussels Convention was the first major international instrument to also address the issue of recognition and enforcement of judgments relating to intellectual

²⁷² See Article 27(5) of the Brussels Convention.

²⁷³ See Article 30 of the Brussels Convention.

²⁷⁴ The Brussels Convention provides requirements that need to be followed before the judgment can be enforced. The enforcing party must provide the enforcing court with an authenticated copy of the judgment and some evidence that the judgment is enforceable in the rendering state. In case of a default judgment, an affidavit of service of the originating party must be provided. There is no need to notify the debtor of the application for enforcement, and the decision should be given promptly. As soon as the order of enforcement is rendered it must be served on the debtor, and the latter has one month to appeal the decision. No enforcement measures other than protective ones can be taken during that period, and until the appeal process is concluded.

property rights. One has to remember that this convention was drafted prior to the introduction of the Internet and the digital revolution. It was drafted in 1968 in times when the concept of intellectual property rights was more closely related to traditional patents, copyrights and trademarks that rarely had any impact or value outside the geographic borders of the country which granted them, than it had to do with the transmission of electronic, non-fixed files transferred by a click of a button to every computer on the face of the earth. At the time the Brussels Convention was drafted, international infringement of intellectual property rights was nearly impossible to accomplish and therefore, was not a major problem as it is today. Since the rights were territorial and their scope limited to the geographic borders of the country, which granted them, the prospects of their infringement in foreign countries was hardly an issue. Furthermore, even if foreign infringement did take place, the economic impact was significantly less than it is today due to the very local characteristics of the markets at that time. The significant development of international trade and commerce, the opening of borders for transition of goods and the development of digital infrastructure changed this reality. I dare say that the reality then was different than what it is today, and as a result, so should be the law.

As mentioned before, the Brussels Convention is a “double convention” which provides a set of bases for the assertion of jurisdiction. If the rendering court asserted jurisdiction based on one of the provided bases, then the judgment should be almost automatically enforced in every Member country, subject to certain exceptions. It addresses certain intellectual property rights such as patents, trademarks, designs, or other similar rights required to be deposited or registered. In that respect, it provides that “the

courts of the Contracting State in which the deposit or registration has been applied for, has taken place or is under the terms of an international convention deemed to have taken place”²⁷⁵ shall have exclusive jurisdiction, regardless of domicile. A closer look at this provision reveals some interesting things about its scope. This provision is limited to patents, trademarks, designs or other similar rights. The Common ground for these rights is the fact that they traditionally need to be registered or deposited in order to be effective.²⁷⁶ The drafters of the convention, on the other hand, did not specifically address copyrights and all other rights that need no deposit or registration. Furthermore, even with respect to patents and trademarks, Article 16 is limited to certain kinds of disputes, namely proceedings concerned with their registration or validity. This language leaves out of the scope of Article 16 all disputes concerning infringement of the rights. In other words, if the dispute concerns infringement of a patent, for example, and the plaintiff is awarded a favoring judgment, even under the relatively advanced provisions of Article 16 of the Brussels Convention no assistance can be found, and in order to enforce or recognize the foreign judgment, the right holder must seek other solutions in the general rules of the Convention.

Can we conclude, in light of the above, that only matters of validity or registration are addressed in the Brussels Convention? Is there no way available under the Brussels Convention to enforce judgments involving intellectual property infringement?

Professor Ulmer tried to answer this question:

²⁷⁵ Brussels Convention, Article 16(4).

²⁷⁶ There are exceptions to this general rule, such as the acquisition of trademarks by using the mark in commerce.

“[A]n action for infringement of copyright or of an industrial property right may, therefore, be instituted both in the contracting state in which the defendant is domiciled and in the contracting state in which the damage or injury has occurred. The fact that Articles 2 and 5(3) of the Convention are applicable also to actions based on industrial property rights (and correspondingly on copyright) may be conclusively deduced from the fact that in Article 16 exclusive jurisdiction is provided only for actions concerning the validity or registration of industrial property rights, whereas in other respects the general rules as to jurisdiction are to suffice.”²⁷⁷

One may argue that this approach is wrong and that only the courts in the country of registration should adjudicate questions of infringement of intellectual property rights, because by accepting such jurisdiction it would necessitate a judgment on the validity of the foreign intellectual property right. Such a decision is more appropriate for the courts of the protecting country to render. Indeed, that was the approach taken by American courts for many years.²⁷⁸

Article 24 of the Brussels Convention provides the following:

“Application may be made to the courts of a Contracting State for such provisional, including protective, measures as may be available under the law of that State, even if, under this Convention, the courts of another Contracting State have jurisdiction as to the substance of the matter.”

²⁷⁷ EUGEN ULMER, *INTELLECTUAL PROPERTY RIGHTS AND THE CONFLICT OF LAWS: A STUDY CARRIED OUT FOR THE COMMISSION OF THE EUROPEAN COMMUNITIES, DIRECTORATE-GENERAL FOR INTERNATIONAL MARKET AND THE CONFLICT OF LAWS* 16 (1978).

²⁷⁸ See *Ortman v. Stanway Corp.*, 371 F.2d 154 (N.D. Ill. 1967); *Vanity Fair v. T. Eutin*, *supra* note 61.

There are two ways to address the question of the relationship between the two Articles. The first one supports the notion that Article 16 is the only one that addresses matters of intellectual property. The second one supports the theory that Article 24 compliments Article 16 in the sense that it allows courts, under certain circumstances, to provide injunctions with respect to the infringement of intellectual property rights and not only with respect to issues of validity or registration. Needless to say, the latter approach is much broader than the former, and provides courts with the discretion to address a broader variety of issues than if only Article 16 was relevant.

Dutch courts are granting Pan-European injunctions using *kort geding* proceedings. These injunctions are based on Article 24, which allows the rendering court to provide such a judgment even if it has no jurisdiction under the Convention to litigate the underlying substance of the matter. Under this interpretation, a court may issue an injunction even if it previously concluded that it has no jurisdiction to litigate the case because it appears to be a claim regarding patent infringement, which involves the validity of the underlying patent.

British courts had taken a similar path. They have concluded that in the appropriate circumstances they will also render an extraterritorial judgment relating to intellectual property rights, even if they have no jurisdiction to adjudicate the underlying subject matter. In the famous case of *Coin Controls v. Suzo International*, the Judge concluded:

“I am aware that interlocutory injunctions effective abroad have been granted in patent matters by the *kort geding* procedure in Holland. Such powers arise out of Article 24 of the Convention which is of very wide scope and apparently is not limited by the provisions of Article 16. It therefore has no direct bearing on the issues I have to raise.

Further, in view of the fact that I decide in any event not to grant interlocutory relief, the questions of whether or not this court has the jurisdiction to grant such relief in respect of infringements abroad and, if so, the considerations which would have to be taken into account in deciding whether to do so and the conditions it might feel obliged to impose on a plaintiff granted any such relief do not arise for consideration in this case.”²⁷⁹

The British Court’s interpretation as to the relation between Article 16 and Article 24 of the Brussels Convention is not, with all due respect, necessarily the correct one. There are several ways in which this approach, where the two provisions have similar importance and relevance and do not limit each other, can be contradicted.

Under general rules of interpretation, one can argue that Article 16 is *lex specialis* whereas Article 24 is *lex generalis* and therefore, only Article 16 should be applied for intellectual property rights. Article 16 provides an exclusive jurisdiction for the adjudication of certain intellectual property rights. It specifically mentions and addresses these rights and therefore, it can be argued that it is the drafter’s specific intention that only these rights and such disputes be adjudicated under this Article and any attempt to interpret these Articles differently will contradict this intention.

This approach is also supported by Article 19 of the Brussels Convention, which provides that “[w]here a court of a Contracting State is seised of a claim which is principally concerned with a matter over which the courts of another Contracting State have exclusive jurisdiction by virtue of Article 16, it shall declare of its own motion that it has no jurisdiction.”

This Article limits the jurisdiction of the court first seized only to those cases in which exclusive jurisdiction can be established under Article 16, which includes, among

²⁷⁹ [1997] F.S.R. 660, 679.

other things intellectual property rights. As a result one can argue that if a court is requested to adjudicate a claim that involves the issue of the validity or registration of intellectual property right, it should independently declare that it has no jurisdiction. This means that if there are Member states that can assert jurisdiction under Article 16, every other court should decline jurisdiction. In light of the above, it is argued that Article 16 is the only one in the Brussels Convention that addresses intellectual property rights, and thus, jurisdiction of the courts under the Convention should be limited to what is provided under this Article.

Those supporting this approach have also suggested that Article 24 “does not confer international jurisdiction at all; it merely permits national courts to continue to exercise their pre-existing jurisdiction under national law in certain limited circumstances where it is expedient for them to do so in derogation from the world rules of the Convention.”²⁸⁰

On the other hand, the opposite approach is also possible. This approach supports the idea that Article 16 and Article 24 complement each other, and thus, Article 24 can also be used where intellectual property rights are at issue. I believe the latter to be the better and more logical approach for the following reasons.

First, Article 24 does not deal with specific kinds of issues. It is a general provision that does not limit itself to certain kind of rights. Its language is broad and applies to all rights, including intellectual property rights. It is like a huge cloud floating over all bases of jurisdiction and triggered every time its application is needed. Article 16 provides a great variety of exclusive bases of jurisdiction addressing different problems

²⁸⁰ WADLOW, *supra* note 29, at 143.

such as intellectual property, validity of a constitution, nullity or dissolution of companies or other legal associations. Article 24 is merely a “supporting” article that is relevant to each of those bases of jurisdiction; it leans on Article 16 and has no life of its own.

Second, Article 19 does not contradict this interpretation because, as previously discussed, the bases for jurisdiction under Article 16 are extremely limited and therefore, Article 19 has effect only in those very limited cases. The purpose of Article 19 is to indicate that since the matters addressed under Article 16 are issues of public policy, they cannot be overruled by the agreement of the parties.²⁸¹

Furthermore, it can be argued that Article 24 does not attempt to assert jurisdiction in cases where other Member states can assert jurisdiction under Article 16, but rather solely addresses cases in which provisional and protective measures are needed. This, however, contradicts the ruling of the European Court of Justice, which held with respect to Article 24 that “in relation to matters covered by the Convention, no legal basis is to be found therein for drawing a distinction between provisional and definitive measures.”²⁸²

The relationship between Article 16 and Article 24 is not provided for in the Convention and therefore, we can expect a continuing debate in the future.

B. The Lugano Convention

Since the Brussels Convention was only open to the Member States of the European Union, other European countries such as Members of the European Free Trade

²⁸¹ PETER BYRNE, *THE EUROPEAN UNION AND LUGANO CONVENTIONS ON JURISDICTION AND ENFORCEMENT OF JUDGMENTS* 94 (1994).

²⁸² *Jacques de Cavel v. Louise de Cavel*, [1979] ECR 1055.

Association (EFTA – Austria, Finland, Iceland, Norway, Sweden and Switzerland) could not use the jurisdiction and enforcement system created by the Brussels Convention, although they have a relatively free access to European markets. The wish to increase the number of Member states that could use these rules led to the creation of the Lugano Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters (hereinafter the “Lugano Convention”)²⁸³ of September 16, 1988, signed by the Members of EFTA and the European Union. The Lugano Convention is in fact a parallel convention to the Brussels Convention, and it contains substantially the same rules of jurisdiction and recognition as the Brussels Convention. It refers to persons that are domiciled in EFTA Member states.²⁸⁴ If differences in the texts of the two conventions do exist, they are usually intended to reflect interpretations of the Brussels Convention provided by the European Court of Justice in the twenty years that elapsed between the signing of the two instruments.²⁸⁵

There are two main differences between the Brussels Convention and the Lugano Convention that should be noted. First, enforcement of a judgment rendered against a domiciliary of an EFTA state may be refused if the rendering court did not have jurisdiction under the terms of the Lugano Convention.²⁸⁶ Second, the enforcing court

²⁸³ O.J. (L 319) 1, reprinted in 28 I.L.M. 620 (1989).

²⁸⁴ Both the Brussels Convention and the Lugano Convention are “double conventions,” which means that both the jurisdiction issue, according to which the courts of the contracting states act, as well as the conditions for recognition of the judgments issued, are regulated.

²⁸⁵ See PARK & CROMIE, *supra* note 5, at 5.

²⁸⁶ See Article 54b(3) of the Lugano Convention.

may refuse to do so if the rendering court assumed jurisdiction in accordance with another convention, the enforcing court is not a Member of that convention, or the defendant is domiciled in that state.²⁸⁷

C. The Brussels Regulation

Despite the relative success of the Brussels and Lugano Conventions, Members of the E.U. have agreed on new rules for deciding jurisdiction and recognition and enforcement of foreign judgments in civil and commercial matters in the Brussels Regulation²⁸⁸ (“Brussels Regulation”). The new Brussels Regulation determines the international jurisdiction of courts in the E.U. countries that adopted it and introduces a new and more expeditious procedure for recognizing and enforcing foreign judgments. The purpose of the Brussels Regulation was to replace parts of the 1968 Brussels Convention. The EFTA countries (Iceland, Liechtenstein, Norway, Switzerland and Poland) are still part of the Lugano Convention. Because it has opted out of the Brussels Regulation, Denmark will continue to follow the rules of the Brussels Convention in its relationship with the E.U. Countries.²⁸⁹

Adoption of the Brussels Regulation does not affect rules governing jurisdiction and the recognition of judgments contained in specific Community instruments.²⁹⁰ It

²⁸⁷ See Article 57(4) of the Lugano Convention.

²⁸⁸ Council Regulation (EC) No 44/2001 of 22 December 2000 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters [Official Journal L 12, 16.01.2001]).

²⁸⁹ See recitals 21 and 22 of the Brussels Regulation.

²⁹⁰ See recital 24 of the Brussels Regulation.

specifically excludes “revenue, customs or administrative matters” and does not apply to the status or legal capacity of natural persons (including wills and succession), bankruptcy proceedings, social security and arbitration.²⁹¹ The Brussels Regulation does apply, however, in all other civil and commercial matters whatever the nature of the court or tribunal, including intellectual property.²⁹² Jurisdiction under the rules of the Brussels Regulation is determined according to the country in which the defendant is domiciled. Nationality of the defendant is not a consideration.²⁹³ Domicile is determined based on the laws of the courts of the country first seized. If legal firms or other artificial entities are involved, domicile is determined based on the country where they have their statutory seat, central administration or principal place of business. The general rule under the Brussels Regulation is that persons should be sued in the courts of the Member States in which they are domiciled. There are several provisions within the Regulation that provide for Special Jurisdiction. When contracts are involved, the jurisdiction will be that of the country of performance. The place of performance in the case of the sale of goods shall be determined based on the place where the goods “were delivered or should have been delivered,” and in cases of the provision of services, the place where “the services were provided or should have been provided.”²⁹⁴ In torts cases, the courts of the country where the harmful event occurred or may occur are the ones to assert jurisdiction.²⁹⁵

²⁹¹ *See* Article 1 of the Brussels Regulation.

²⁹² *See id.*

²⁹³ *See* Article 2 of the Brussels Regulation.

²⁹⁴ *See* Article 5(1)(b) of the Brussels Regulation.

²⁹⁵ *See* Article 5(3) of the Brussels Regulation.

The Brussels Regulation also addresses the issue of contractual agreements with respect to jurisdiction. In cases where the parties to the contract agreed on a certain jurisdiction to settle any dispute that may arise with respect to this specific relationship, the courts of that jurisdiction shall have exclusive jurisdiction unless the parties agreed otherwise.²⁹⁶ Such agreement must be in writing, but writing may be defined as “[a]ny communication by electronic means which provides a durable record of the agreement.”²⁹⁷ This groundbreaking definition is very significant in the sense that it allows for electronic commerce to take place and it makes it easier for electronic contracts (click-wrap) to exist.

D. The 1971 Hague Convention

Until 1971, most attempts to draft a treaty for recognition and enforcement of foreign judgments were regional. Despite various proposals, all attempts to create an international treaty had failed.²⁹⁸ In 1962, the work on a new multilateral convention on the recognition and enforcement of judgments was on the way under the auspices of the Hague Conference on Private International Law. In 1971, the work was completed and

²⁹⁶ See Article 23 of the Brussels Regulation.

²⁹⁷ See Article 23(2) of the Brussels Regulation.

²⁹⁸ For more information about attempts made during the first part of the 20th century to create such an international treaty by the Hague Conference on Private International Law, see INTERNATIONAL JURISDICTION AND FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS, REPORT DRAWN BY CATHERINE KESSEDIAN, FOR THE ATTENTION OF THE SPECIAL COMMISSION OF JUNE 1997 ON THE QUESTION OF JURISDICTION, AND RECOGNITION AND ENFORCEMENT OF FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS (Preliminary Document Number 7 of April 1997) 7, available at <ftp://ftp.hcch.net/doc/jdgm_pd7.doc>.

the Hague Convention of 1 February 1971 on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters (the “1971 Hague Convention”) was introduced. The 1971 Hague Convention never became effective because only three countries have ratified it.²⁹⁹ The reasons for the reluctance of the various countries to join the 1971 Hague Convention as members are extremely important to our discussion.

The 1971 Hague Convention was drafted and structured in a very complicated manner. For countries to achieve mutual recognition and enforcement of foreign judgments joining the 1971 Hague Convention was not enough. Rather, in addition to joining the Convention, each two countries had to negotiate among themselves a supplemental agreement - a requirement that did nothing but complicate things.³⁰⁰ One of the incentives for creating such an instrument is to avoid the complexity of bilateral negotiations. By requiring the member countries to enter into a separate agreement, we simply make it harder for them to agree, and thus complicate things. This “method of bilateralisation” is considered one of the major obstacles for countries to join the 1971 Hague Convention.³⁰¹

Another reason that arguably affected the will of countries to join the 1971 Hague Convention was the signing of the Brussels Convention. Many of the countries that participated in the negotiations of the 1971 Hague Convention were European countries who were also Members of the Brussels Convention and later the Lugano Convention.

²⁹⁹ Netherlands, Cyprus and Portugal.

³⁰⁰ See Articles 21-23 of the 1971 Hague Convention.

³⁰¹ See KESSEDIAN, *supra* note 298, at 8.

Joining these two more favorable Conventions eliminated from their perspective, to a great extent, the need for such an international instrument.

Some believe, however, that as convincing as these reasons may seem, the real reason for the failure of the 1971 Hague Convention to accomplish its goals is the fact that it failed to address the issue of jurisdiction. It was the European countries who objected to the idea that the convention “could not deal with provisions regulating the jurisdiction of each State, and that they had no authority to negotiate on restrictions of the bases of internal jurisdiction.”³⁰² Catherine Kessedjian compares the relative success of the Brussels and Lugano Conventions and the failure of the 1971 Hague Convention, and she explains that these two conventions regulate first and foremost the issue of jurisdiction and only later the issue of recognition and enforcement. These two Conventions “primarily regulate the direct jurisdiction of courts in the subjects with which they deal, treating this as a vital preliminary to the effects which arise from the resulting judgments; these effects, it has to be conceded, are merely the natural extension of such jurisdiction. It is because the court which rules on the merits of the case possesses jurisdiction (usually by virtue of the Convention, failing some error on the part of the court seized), that its judgment will, except in limited exceptional cases, take effect on the territory of all the other States Parties.”³⁰³

Another important reason for the failure of previous attempts to address this issue stems from the very nature of the idea of recognition and enforcement of foreign

³⁰² Struyven, *supra* note 247. See also Friedrich K. Juenger, *A Hague Judgments Convention?* 24 BROOK. J. INT’L. L. 111, 112 (1998).

³⁰³ KESSEDJIAN, *supra* note 298, at 9.

judgments. The court addressed is expected to recognize or enforce a judgment provided by a judge in a foreign country who belongs to a different legal system. Not all legal systems are treated equally and there is a lot of criticism and mutual suspicion. Most countries simply disfavored the idea of an automatic recognition rule that would require them to give up their right to review decisions of an unknown foreign judge before they were obligated to enforce it.³⁰⁴ The relative mild tension and lack of suspicion among the European countries can be used as a possible explanation to the relative success of the Lugano and the Brussels Conventions.

E. The Hague Draft Negotiations

The United States is not a Member of the Brussels and Lugano Conventions. This fact raised concerns in the American government that U.S. citizens could be sued in E.U. countries and exposed to national jurisdiction in these countries. The American government was not ready to have foreign judgments recognized in the U.S., while American judgments are not recognized and enforced abroad, thus resulting in disadvantage to Americans.³⁰⁵ As a result, the U.S. State Department initiated in 1992 the negotiations of a new international instrument resulting in the Hague Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters (“Preliminary Hague Draft”)³⁰⁶ under the auspices of the Hague Conference on Private

³⁰⁴ Martine Stuckelberg *Lis Pendens and Forum Non Conveniens at the Hague Conference* 26 BROOK. J. INT'L. L. 949, 952 (2001).

³⁰⁵ See Murphy, *supra* note 125, at 419.

³⁰⁶ The last version of the Hague Draft can be found in the SUMMARY OF THE OUTCOME OF THE DISCUSSION IN COMMISSION II OF THE FIRST PART OF THE DIPLOMATIC CONFERENCE 6-20 JUNE

International Law.³⁰⁷ On 19 October 1996, the member states of the Eighteenth session of the Hague Conference, reached a decision “to include in the Agenda of the Nineteenth Session the question of jurisdiction, and recognition and enforcement of foreign judgments in civil and commercial matters.”³⁰⁸ In October 1999, the Special Commission adopted the Preliminary Hague Draft, which was to serve as the basis for an international convention regulating recognition and enforcement of foreign judgments in commercial matters.³⁰⁹ At the invitation of the Canadian Government, and in accordance with the decision of the Special Commission of 30 October, 1999, the Hague Conference on Private International Law organized a meeting of experts from around the world that was

2001 INTERIM TEXT PREPARED BY THE PERMANENT BUREAU AND THE CO-REPORTERS, available at <[Http://www.hcch.net/e/workprog/jdgm.html](http://www.hcch.net/e/workprog/jdgm.html)>. The previous version is available at PRELIMINARY DRAFT CONVENTION ON JURISDICTION AND FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS, ADOPTED BY THE SPECIAL COMMISSION ON 30 OCTOBER 1999, amended version (new numbering of articles) at <[Http://www.hcch.net/e/conventions/draft36e.html](http://www.hcch.net/e/conventions/draft36e.html)>. In this work all the references are to the last version of the Preliminary Hague Draft and the explanatory footnotes.

³⁰⁷ For more elaboration on the history of the Preliminary Hague Draft, see Ronald A. Brand, *Intellectual Property, Electronic Commerce and the Preliminary Draft Hague Jurisdiction and Judgments Convention*, 62 U. PITT. L. REV. 581 (2001).

³⁰⁸ In fact it was the Seventeenth Session that requested the Secretary General to convene a Special Commission to study the problems raised by the preparation of a new convention for the recognition and enforcement of judgments in civil and commercial matters, in order to replace the 1971 convention that was not very successful. See NYGH & POCAR, *supra* note 253, at 25.

³⁰⁹ Blumer, *supra* note 70, at 3885.

held in Ottawa from February 28 to March 1, 2000 “to examine the issues raised by electronic commerce in relation to the international jurisdiction of the courts.”³¹⁰ In the first part of the Diplomatic Conference that took place on 6-20 June 2001, a new version of the Preliminary Hague Draft was proposed, which I will now review.³¹¹

Historically, when the work on the Preliminary Hague Draft started in 1992, the purpose was to create an international instrument that would address disputes involving traditional services, and physical goods. Only in a later stage were the problems accompanying the introduction of the Internet, intellectual property and information, first taken into consideration. It was mainly based on the model set forth in the Brussels and Lugano Conventions that preceded it. However, there were also a few fundamental differences. First, as I will later more thoroughly discuss, the Preliminary Hague Draft was not exactly a “double Convention”, because it also allowed the assertion of jurisdiction under national law, even with regards to Contracting States. Second, the Preliminary Hague Draft did not establish a hierarchy with regards to the different types of jurisdiction, unlike the Brussels and Lugano Conventions, which adopted a fundamental jurisdiction based on the domicile of the defendant, and all other bases of jurisdictions are an exception to the general rule.³¹²

The Preliminary Hague Draft mentions three different kinds of jurisdiction, but substantively deals with only two of them. In general, it sets in Articles 3-16 a list of

³¹⁰ Catherine Kessedjian, ELECTRONIC COMMERCE AND INTERNATIONAL JURISDICTION: SUMMARY OF DISCUSSIONS, 3 (2000) available at <<http://www.hcch.net/e/workprog/jdgm.html>>.

³¹¹ Permanent Bureau, *supra* note 306.

³¹² NYGH & POCAR, *supra* note 253, at 28.

bases for the assertion of jurisdiction. Resulting judgments can be recognized and enforced in other Contracting States, subject to exceptions of due process of law, public policy and the need to avoid inconsistent judgments.³¹³ Article 18 gives a list of “prohibited grounds of jurisdiction,” which are not covered under the Preliminary Hague Draft, such as the nationality of the plaintiff, the nationality of the defendant, the domicile, habitual or temporary residence, or presence of the plaintiff in the state. In case a judgment is based on one of these prohibited bases for jurisdiction, the judgment is unrecognizable and unenforceable in other Contracting States. Article 17, however, allows the application of “jurisdiction based on national law,” subject to some conditions and provided that the above-mentioned Article 18 does not prohibit it.

As mentioned above, the Preliminary Hague Draft is based on a model that requires the enforcing court to recognize or enforce a judgment³¹⁴ that was rendered in another Contracting State, if the judgment was based on one of the grounds of jurisdiction

³¹³ See, e.g., habitual residence of the defendant (Article 3), jurisdiction set in an agreement (Article 4), appearance by the defendant in court without contesting jurisdiction (Article 5), Jurisdiction relating to contracts (Articles 6, 7 and 8), jurisdiction relating to torts (Article 10), jurisdiction relating to trusts (Article 11), jurisdiction relating to patents and trade marks (Article 12).

³¹⁴ Article 23 of the Preliminary Hague Draft defines judgment as “any decision given by a court, whatever it may be called, including a decree or order, as well as the determination of costs or expenses by an officer of the court, provided that it relates to the decision which may be recognized or enforced under the Convention”, or “decisions ordering provisional or protective measures in accordance with Article 13, paragraph 1” which deal with the right of a court that has jurisdiction to determine the merits of the case to order protective or provisional measures.

provided in the document itself. Section 25(1) of the Preliminary Hague Draft provides that “[a] judgment based on a ground of jurisdiction provided for in Articles 3 to 13, or which is consistent with any such ground, shall be recognized or enforced under this chapter.” The Preliminary Hague Draft provides us with a broad basis for enforcement of judgments. In fact, it all comes down to one single question: whether the rendering court had the right to assert jurisdiction under the bases for jurisdiction provided therein. The party seeking recognition or enforcement of the foreign judgment carries the burden of proving that the rendering court had jurisdiction under the bases provided for in the Preliminary Hague Draft. Thus, the breadth and number of situations in which the enforcing court could agree to act depends almost entirely on the interpretation of the bases of jurisdiction in each field of law. In other words, if we would like to enforce a judgment that was rendered in one Contracting State’s court with regards to violation of copyrights or infringement of a patent, we would first have to prove that the rendering court had jurisdiction to render this judgment “based on a ground of jurisdiction provided for in Articles 3 to 13”³¹⁵ of the Preliminary Hague Draft. We should keep in mind, however, that the scope of the enforcement is limited to the bases provided for in the Preliminary Draft. As a result, one would not be able to enforce a judgment that was rendered in the court of one Contracting State in the court of another State, even if the rendering court had legitimate jurisdiction over the case under both domestic and

³¹⁵ Article 25(1) of the Preliminary Hague Draft.

international law, unless it was also recognized as a basis of jurisdiction under the Preliminary Hague Draft, subject to certain exceptions.³¹⁶

During the negotiations period, a fierce debate developed as to the benefit of including intellectual property rights within the scope of the Preliminary Hague Draft.³¹⁷ The intangibility of the subject matter, the territoriality of the law and the cultural context of its application create various problems that should be addressed. Several commentators³¹⁸ even suggested that intellectual property rights should be excluded from the convention like other subjects such as wills and succession, status and legal capacity of natural people, and admiralty and maritime matters.³¹⁹ “There is currently reason to be concerned that it may not be promulgated at all, or that if it is promulgated, that it will be reduced in scope and cover only select areas of litigation, likely not to include intellectual property.”³²⁰ Others have suggested that the need for such an international convention is

³¹⁶ See also the last part of Article 24 and Article 17 of the Preliminary Hague Draft, which acknowledge in certain situations the application of rules of jurisdiction under national law by contracting states.

³¹⁷ See explanatory footnote 80 of the Preliminary Hague Draft.

³¹⁸ James Love, *[Random Bits] Hague Treaty: IPR Issues and January 30-31 WIPO Meeting*, available at <[Http://lists.essntial.org/pipermail/ramdom-bits/2000-September/000362.html](http://lists.essntial.org/pipermail/ramdom-bits/2000-September/000362.html)>.

³¹⁹ Section 2 of the Preliminary Hague Draft lists the subjects that are not within the scope of the Convention.

³²⁰ Professors Dreyfuss and Ginsburg have suggested that should the intellectual property rights issue be excluded from the final draft of the Hague Convention, we could instead adopt a unique convention under the auspices of WIPO or the WTO that would deal with the recognition and enforcement of judgments enforcing these rights. Such a convention would be more suitable to

shrinking as a result of the fact that players in the digital world manage, or are forced to find ways to do without litigation to address civil wrongs.³²¹ Indeed, in the discussions of the Special Commission that met at Hague from March 3 to 13, 1998 to discuss the different aspects of The Preliminary Hague Draft, the intellectual property subject was not even specifically discussed.³²²

The last version of Article 12(4) of the Preliminary Hague Draft provides:

“In proceedings in which the relief sought is a judgment on the grant, registration, validity, abandonment, revocation or infringement of a patent or a mark, the courts of the Contracting State of grant or registration shall have exclusive jurisdiction.”

Article 12(5) provides:

“In proceedings in which the relief sought is a judgment on the validity, abandonment, or infringement of an unregistered mark [or design], the courts of the Contracting State in which rights in the mark [or design] arose shall have exclusive jurisdiction.”

Clearly, the approach reflected in this language is extremely broad and territorial, and gives the country granting the right, or where the right is registered, the exclusive address all the delicate problems that are unique to intellectual property rights, and better defend the interests of the creative community. *See* ROCHELLE C. DREYFUSS & JANE C. GINSBURG, DRAFT CONVENTION ON JURISDICTION AND RECOGNITION OF JUDGMENTS IN INTELLECTUAL PROPERTY MATTERS, (October 10, 2001), available at <http://www.kentlaw.edu/depts/ipp/intl-courts/docs/treaty10_10.pdf>.

³²¹ Franklin & Morris, *supra* note 3, at 1221-1222.

³²² Catherine Kessedjian, SYNTHESIS OF THE WORK OF THE SPECIAL COMMISSION OF MARCH 1998 ON INTERNATIONAL JURISDICTION AND THE EFFECTS OF FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS, available at <<http://www.hcch.net/e/workprog/jdgm.html>>.

right to control not only the act of registration, revocation and abandonment of the right, but also the opportunity to control its infringement. By using this language, almost any dispute with regards to patents, trademarks or other related rights would be under the exclusive jurisdiction of the court in the country where the right was granted or registered, or in the case of an unregistered mark – the country where the right arose. The rationale and basis for this broad rule is quite obvious. The registration and acknowledgement of intellectual property rights is a very complicated process. In fact even within the registration country itself not every lawyer or judge can be involved in legal proceedings that relate to intellectual property rights, and the people that practice this field of law are required to develop special expertise in this field. In many countries, due to the difficulty and uniqueness of the field of intellectual property law, decisions and proceedings regarding intellectual property rights are taking place not in regular civil courts, but rather in special courts, or agencies, which hold the required knowledge and expertise to solve the difficult problems.³²³ The substantive law and the registration process with regards to intellectual property rights can be very different from one country to the other.³²⁴ As a result the most convenient and appropriate forum to handle this kind of litigation would be the country where the right was registered or granted. In this forum, the judges are more familiar with the relevant law, and have the best interpretation tools to reach a just solution to the controversy. They are more familiar with relevant

³²³ E.g., the Patents and Trademarks Registrar in Israel, and the Patents and Trademark Office, or the Court of Appeals for the Federal Circuit in the U.S.

³²⁴ E.g., the French legal system recognizes moral rights for authors (“*droit moral*”) while the American system does not.

legislation and case law, and the whole litigation process should be shorter and less expensive.

For example, assume that B registers a patent in her home country (e.g. France) and several months later registers the very same patent in a different country (e.g. England) using the earlier date of application in France, based on the right of priority.³²⁵ Then, in between the date of filing in France and in England, A files for the exactly identical patent in England. A brings a law suit in a court in England against B, arguing that the patent that B registered in France a few months before is invalid, and that A should be the one able to register the same patent in England without enabling B to use the right of priority. In the described situation, the English court would have to rule on the validity of a patent that was registered in another country (France). There is a good chance that the judge would be unable to read the relevant law and case law that are pertinent to this situation. In fact, France has a civil law legal system, which he knows little about, since he was educated in the British and American common law systems. He would not be able to read the relevant documents and would need an interpreter. Adjudicating and reaching an informed decision under these conditions would be very difficult. The court would probably need to use experts that would testify on behalf of the parties on the legal situation in France and be totally dependent on them – an undesirable result. Although this is not a unique problem to intellectual property, it is more

³²⁵ Under the right of priority discussed in Article 4 of the Paris Convention, if B has a legitimate patent in France he could register the same patent in England using the original filing date in France and will have a priority right over A, although A filed for the patent in England before B managed to do so there.

complicated in the intellectual property context because of the more complicated subject matter. This would also take a considerable amount of time, and require the parties to unnecessarily waste money on interpreters and expert witnesses, thus lowering the chances of arriving at a just solution in a reasonable amount of time and cost. Thus, in my view, giving exclusive jurisdiction over patents and trademarks to the court where the registration or deposit took place might be a good solution to the jurisdiction problem in this case.

The Brussels Convention separated the question of registration and validity of the rights from the question of infringement. According to the Convention's drafters' view, the grant of intellectual property rights is "an exercise of sovereignty and, therefore, a decision as to the validity of the right should only be determined by the courts of the state which granted the right."³²⁶ When drafting the Preliminary Hague Draft, there was no controversy among the experts with regards to the inclusion of exclusive jurisdiction for proceedings relating to the "validity" of the intellectual property rights. However, the inclusion of such exclusive jurisdiction with regards to the "infringement" of these rights was not as clear. Several scholars suggested that there should be no difference between the decision on the registration and validity of the right, and the decision on the infringement and enforcement of the right.³²⁷ They argued that the court in the country where the intellectual property rights were registered should exclusively decide both

³²⁶ William Aldous, *The Brussels Convention: A New Convention Impinging on Disputes on Jurisdiction Including Those Relating To Intellectual Property Litigation*, 9 FED. CIRCUIT B.J. 523, 524 (2000).

³²⁷ *See id.*

questions. They suggested that since a patent is a right to prevent others from using the invention, the fact that the right cannot be enforced is just as important as the fact that the right is not properly registered. In both situations, the holder of the claimed patent right would be unable to enjoy the privileges that are attached to a patent right (i.e. preventing others from using the invention). Thus, if the granting of the patent is considered to be a sovereign act, why shouldn't the enforcement of the patent considered similarly?

The Dutch Court of Appeals has adopted this latter approach.³²⁸ It argued that infringement and nullity of a patent are closely linked to each other since it is impossible to infringe on a patent that is null and void and thus does not exist. For example, a court that is asked to decide the merits of an infringement claim will most likely have to stay the proceedings until another court in a different jurisdiction reaches a decision on the nullity of the patent claim that was brought by another party, unless it is absolutely clear from the beginning that the nullity claim in the other court is baseless. As a result, it has been suggested that “the separate hearing and settlement of the infringement issue and nullity issue by two different national courts is far from ideal. It would be desirable for the infringement and nullity issues to be decided by the same court.”³²⁹ After all, this is, to a great extent, the same question. The Preliminary Hague Draft, however, took a different path. It added a second alternative in Article 12(5)A, which acknowledges that with respect to infringement of patents, trademarks, designs or other similar rights, the country of registration or grant does not have exclusive jurisdiction, and other bases for

³²⁸ *Expandable Grafts v. Boston Scientific BV*, [1999] FSR 352, 361.

³²⁹ *Id.*

jurisdiction may apply.³³⁰ In other words they preferred the approach under which the questions of validity and infringement are separated, and there is no exclusive jurisdiction to the court of the state where the right is registered.

From the explanation notes to the last version of the Preliminary Hague Draft, it remains unclear whether it was to eventually apply to copyrights. There were several proposals regarding the inclusion of copyrights, and the last version excluded copyrights from Article 12. There was still, however, a proposal to give exclusive jurisdiction, in proceedings concerning the infringement of copyrights, to the courts of the State “under whose laws the copyright or the neighboring right is claimed to be infringed.”³³¹ Excluding copyrights from the scope of Article 12 of the Convention does not mean that one cannot recognize or enforce judgments relating to copyrights. One can still do so if the suit is brought in accordance with the rules of jurisdiction provided in Article 10 of the Preliminary Hague Draft relating to torts.

By excluding copyrights from Article 12 of the Preliminary Hague Draft, the drafters selected the easy solution of ignoring the problem rather than dealing with it. In fact, at the beginning of the third millennium, copyrights infringement is becoming one of the most important problems that the intellectual property world is facing. The Internet created a reality where the dissemination of information and the copying and distribution of copyrighted works is done without anyone being able to control it. One cannot ignore

³³⁰ “In relation to proceedings which have as their object the infringement of patents, trademarks, designs or other similar rights, the courts of the Contracting State referred to in the preceding paragraph [or in the provisions of Articles [3-16]] have jurisdiction.”

³³¹ Explanatory footnote 87 of the Preliminary Hague Draft.

the fact that millions of copyrighted works such as pictures, movies and music – many of which still under copyright protection – are being transferred daily among Internet “surfers” all around the world without the right-holders’ permission, thus resulting in copyright infringement. In order to maintain the balance between the need to encourage creativity by securing property rights to inventors and creators on one hand, and the will to enrich the public domain and the society and culture in which we live in by limiting the scope of protection on the other, we have to maintain a system where a right-holder can turn to a court and get a judgment protecting her rights, and then enable her to enforce it in another country. Thus, it would be extremely unwise to simply ignore the problem of enforcement of judgments relating to copyrighted works at this point.

F. The 2004 Hague Draft

In June 2001, the Hague Conference met to discuss the future of the above Judgments Project. The delegations confirmed their dedication to the project in principle, but decided that at this point the Diplomatic Session could not be held before the end of 2002. It was clear from the continuing negotiations at that point that an understanding of the jurisdiction issue could not be expected in the near future. The U.S. delegation was one of the fiercest opponents to the proposed Preliminary Hague Draft, and its representative said that “[t]he US could not become a Party to a convention structured along the lines of the preliminary draft Convention. In particular, the US could not accept (*in personam*) jurisdiction in infringement on IP rights cases over a defendant who had no relation with the jurisdiction.”³³² Very importantly, representatives of the U.S. delegation

³³² REPORT OF THE EXPERTS MEETING ON THE INTELLECTUAL PROPERTY ASPECTS OF THE FUTURE CONVENTION ON JURISDICTION AND FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS

said that they prefer “to focus on those elements of the [Preliminary Hague Draft] that are achievable now and forgo those other elements until the time is right to address them.”³³³

Since the attempt to create an international instrument regulating the recognition and enforcement of foreign judgments under the auspices of the Hague Conference has failed due to the inability to agree on the issue of bases for the assertion of jurisdiction, the participants have decided to narrow the scope of the negotiations. They believed that by addressing specific problems with a narrower scope, there are better chances that they may actually agree on some issues, so that an international instrument may finally become possible.

To try and address this lack of agreement problem, the Hague Permanent Bureau has set up a new Informal Working Group in an attempt to prepare a new instrument on this issue that would be submitted to the Special Commission for discussion.³³⁴ The

GENEVA, 1 February 2001, drawn up by the Permanent Bureau 3, available at <<ftp://ftp.hcch.net/doc/jdgmpr13.doc>>.

³³³ William New, *E-Commerce: U.S. May Face Opposition on Narrow Jurisdictional Treaty*, NATIONAL JOURNAL'S TECHNOLOGY DAILY (April 17, 2002) available at <<http://www.cptech.org/ecom/jurisdiction/techapr102.html>>. Most other countries including Australia, Canada, the E.U. and Japan took a different approach and preferred a more comprehensive solution along the lines of the Preliminary Hague Draft.

³³⁴ PRELIMINARY RESULT OF THE WORK OF THE INFORMAL WORKING GROUP ON THE JUDGMENTS PROJECT, FOR THE ATTENTION OF THE SPECIAL COMMISSION OF APRIL 2003 ON GENERAL AFFAIRS AND POLICY OF THE CONFERENCE (Preliminary Document No 8 of March 2003 (corrected)), available at <ftp://ftp.hcch.net/doc/genaff_pd08e.pdf 3>.

parties have agreed that further, more limited scale negotiations should take place.³³⁵ The purpose was to present a text “with a sufficient prospect of reaching agreement.”³³⁶ As a result, the Informal Working Group eventually decided to begin work on choice of court agreements for commercial transactions. The Informal Working Group proposed a new draft for an international instrument, which is significantly narrower in scope than that initially expected, and solely concentrates on “agreements on the choice of court concluded in civil or commercial matters.”³³⁷ In March 2004 Masato Dogauchi and Trevor C. Hartley introduced a new Draft Report at Hague.³³⁸

³³⁵ SOME REFLECTIONS ON THE PRESENT STATE NEGOTIATIONS ON THE JUDGMENTS PROJECT IN THE CONTEXT OF THE FUTURE WORK PROGRAMME OF THE CONFERENCE, submitted by the Permanent Bureau (Preliminary Document 16) 4, available at <ftp://ftp.hcch.net/doc/gen_pd16e.doc>.

³³⁶ REPORT ON THE SECOND MEETING OF THE INFORMAL WORKING GROUP ON THE JUDGMENTS PROJECT – January 6-9, 2003 prepared by Andrea Schulz, First Secretary 4, available at <ftp://ftp.hcch.net/doc/jdgm_pd21e.pdf>.

³³⁷ See Document 8, *supra* note 334.

³³⁸ Masato Dogauchi and Trevor C. Hartley Preliminary Draft Convention on Exclusive Choice of Court Agreements - Draft Report, (Preliminary Document 25) at <http://www.hcch.net/doc/jdgm_pd25e.pdf>. “In this Convention, ‘exclusive choice of court agreement’ means an agreement concluded by two or more parties that meets the requirements of paragraph 3 and designates, for the purpose of deciding disputes which have arisen or may arise in connection with a particular legal relationship, the courts of one State or one specific court to the exclusion of the jurisdiction of any other courts.” Article 2(1) of the 2004 Hague Draft.

This new attempt is based on the belief that “such enhanced cooperation requires a secure international legal regime that ensures the effectiveness of exclusive choice of court agreements by parties to commercial transactions and that governs the recognition and enforcement of judgments resulting from proceedings based on such agreements ...”³³⁹ The new proposed convention is extremely limited in scope. Even with respect to choice of court agreements, it is limited and does not include agreements “between a natural person acting primarily for personal, family or household purposes (the consumer) and another party acting for the purposes of its trade or profession, or between consumers.”³⁴⁰ In other words, the proposed convention excludes business to consumers (B2C) and consumer to consumer (C2C) agreements. Most importantly, the proposed convention also does not apply to “the validity of patents, trademarks, protected industrial designs, and layout-designs of integrated circuits.”³⁴¹

The mechanism under which the proposed 2004 Hague Draft operates is quite simple. A judgment rendered by a court in a Member country that had been mutually selected by the parties as the exclusive jurisdiction to adjudicate their disputes in a choice of court

³³⁹ Preamble to the 2004 Hague Draft.

³⁴⁰ Article 1(2)(a) of the 2004 Hague Draft.

³⁴¹ Article 1(3)(k) of the 2004 Hague Draft. The 2004 Hague Draft also contains a proposal in Article 1(3)(l) to exclude “[the validity of other intellectual property rights the validity of which depends on, or arises from, their registration, except copyright] or in Article 1(3)(m) “the validity of entries in public registers.”

agreement is almost always recognized and enforced.³⁴² However, there are several types of issues that are excluded from the scope of this proposal. These include, among others, family law, bankruptcy disputes and the validity of patents and trademarks.³⁴³ It is important to note that under the current version of the 2004 Hague Draft, only exclusive choice-of-court agreements are included.³⁴⁴ Some courts interpreted such provisions to mean that a judgment shall be recognized even though rendered by a court other than that selected by the parties as the nonexclusive jurisdiction. Courts of Member States must decline jurisdiction if the parties to the agreement selected a different country as an exclusive jurisdiction for the litigation of disputes, unless “the parties are habitually resident [only] in the State of the court seised, and the relationship of the parties and all other elements relevant to the dispute, other than the agreement, are connected with that State.”³⁴⁵

The 2004 Hague Draft sets forth the conditions under which a choice of court agreement shall be valid.³⁴⁶ The court addressed has no right to review the merits of the case.³⁴⁷ Like in most similar instruments previously proposed, here as well, a list of exceptions to the general enforcement rule is provided. In these situations, the court

³⁴² Article 7(1) of the 2004 Hague Draft.

³⁴³ Article 1(3) of the 2004 Hague Draft.

³⁴⁴ “A choice of court agreement which designates the courts of one State or one specific court shall be deemed to be exclusive unless the parties have expressly provided otherwise. Article 2(2) of the 2004 Hague Draft.

³⁴⁵ Article 5(f) of the 2004 Hague Draft.

³⁴⁶ *See* Article 7 of the 2004 Hague Draft.

³⁴⁷ *See* Article 7(2) of the 2004 Hague Draft.

addressed has the right to refuse to recognize or enforce the foreign judgment rendered by the chosen court. These exceptions include situations where the choice of court agreement was “null and void,” a party lacked the capacity to enter into the agreement, situations when the defendant had no time or was not notified in a sufficient manner to be able to adequately assert a defense, when judgment was rendered using procedural fraud, when the judgment resulted from proceedings incompatible with fundamental principles of procedure of the State addressed, and when recognition or enforcement would be manifestly incompatible with the public policy of the State addressed.³⁴⁸

This attempt may be viewed as a good start, but also contains many flaws. First, the scope of the proposed instrument is very narrow and therefore, it does not really solve many of the problems associated with the recognition and enforcement of foreign judgments. In fact, it only addresses a small fraction of the problems. Since B2C and C2C agreements are excluded, the proposal addresses mostly agreements that are signed between businesses (B2B). These are usually sophisticated parties who engage in extensive negotiations, many times with assistance of attorneys who can find ways to protect the interests of their clients such as guarantees and letters of credits. These agreements are only a small fraction of the number of contracts signed worldwide. There are many agreements signed between businesses and consumers and between consumers among themselves. This gap is expected to grow in the future when on-line trade develops and the number of agreements signed through the Internet grows.

Second, the application of this convention to intellectual property rights is very limited. At first, it was decided that copyrights shall be included within the scope of the

³⁴⁸ See Article 7(1) of the 2004 Hague Draft.

proposed instrument, but patents, trademarks (both registered and unregistered) and other registered industrial property rights shall be excluded from its scope. Later on, there has been a shift in this approach, and a call was made to include other forms of intellectual property rights as well. The idea of including intellectual property rights within the scope of the 2004 Hague Draft was based on the fact that this issue usually arises with respect to license agreements between commercially sophisticated parties who tend to know the risks involved and take them into consideration. Therefore, such choice of court provisions should be abided by, just as arbitration clauses are enforced.³⁴⁹ There seems to be an agreement that the issue of validity of intellectual property rights is out of the proposal's scope. The issue of validity is unique in the sense that every decision has implications on the registration authorities in the country that originally registered the right. If a trademark or a patent were registered in one country after thorough investigation by the relevant authorities, and they concluded that the applicant was entitled to such rights, it is very difficult for this country to recognize and enforce a foreign judgment rendered by another country that may decide that the right that had been registered in the enforcing country is invalid. This may be viewed as major interference with the authority and sovereignty of the country of registration. Furthermore, many believe that the courts of the country of registration are the most suitable to address the issue of the validity of the registered right, as they are the ones with the most expertise. Indeed, the negotiating parties agreed that "it could be made clear that any judgment rendered on the basis of a choice of court clause would not have any effect on registration

³⁴⁹ See Schulz, *supra* note 336, at 12.

authorities or, in the case of an unregistered trademark, on the validity of the mark as such.”³⁵⁰

There is, however, a proposal to include a provision within the proposed Draft that will allow courts to adjudicate even cases involving the validity of patents and trademarks if they arise “merely as an incidental question.”³⁵¹ Such resulting judgment shall, however, be limited in scope and effect only to the parties involved (*in personam* rather than *in rem*). There are those who fear that the fact that judgments addressing the issue of the validity of a patent or trademark are limited in application to the parties themselves still does not solve these problems, because there is a concern that such a judgment shall be viewed as “collateral estoppel.” On the other hand, this concern is not necessarily well grounded, as there are many situations, such as arbitration, where validity issues are raised as an incidental question, but are not viewed as collateral estoppel later on.

Third, even if the scope of the proposed convention is limited to B2B agreements, there are still some problems that may arise as a result of the existence of the Internet. For example, when click-wrap agreements are involved or when the agreement contains prohibition on deep linking to other websites, there is always a fear that by agreeing to enforce an agreement that a certain jurisdiction shall adjudicate disputes between the parties, we provide the stronger party with an unjustified advantage. The stronger party can dictate a forum where certain acts are prohibited, and thus achieve certain advantages

³⁵⁰ *Id.*

³⁵¹ Article 1(4) of the 2004 Hague Draft.

in violation of certain basic principles, such as the fair use doctrine or an American First Amendment, free speech, type of argument.

As a general rule, agreements regarding choice of court are a good thing that needs to be encouraged. The principle of freedom of contracts is inherent in most modern legal systems and helps the parties to best reflect their mutual interests in the transaction. These agreements, like those involving arbitration, are very popular in business transactions, and are widely enforced and recognized by courts.³⁵² Their most significant advantage is the fact that they reduce misunderstandings and uncertainties, by enabling the parties at the negotiations stage to determine the identity of the court that shall have the right to litigate any disputes that may arise in the future. At this early stage of the parties' relations when there is mutual good faith attempt to bridge existing gaps, it is easier to agree on this difficult question than at a later stage when they are fighting and potentially trying to harm each other's interests. Furthermore, such agreements may save the parties in the future significant resources that would have been spent in order to determine the appropriate jurisdiction to hear the dispute. In the absence of such an agreement, there is a tendency by defendants to drag out the issue of jurisdiction for long periods of time by filing different motions to move the litigation to a more favorable

³⁵² One should note that with respect to arbitration clauses, there is a growing body of law in the U.S. that restrains the use of arbitration clauses under certain circumstances, and views them as "unconscionable." In that respect, adhesion contracts are especially suspicious. Professor Paul D. Carrington even took this analysis one step further and suggested that attorneys that draft such unconscionable provisions might find themselves committing a tort. *See* Paul D. Carrington, *Unconscionable Lawyers*, 19 Ga. St. U. L. Rev. 361 (2002).

forum, thus hoping to exhaust the plaintiff and make him give up. For example, the defendant may argue that other forums are more appropriate to hear the case based on the forum *non-conveniens* or *lis alibi pendens* doctrines. An agreement regarding the issue of jurisdiction eliminates this problem in advance and may save these precious resources.

This is especially true in negotiations and agreements between businesses. Consider, for example, a situation when two major players in the computers industry such as Microsoft (software) and IBM (hardware) negotiate a license agreement or a joint venture to create a product where hardware is supplied by IBM and software by Microsoft. In this case, the parties are likely to be represented by expert lawyers and business people who are capable of calculating the risks involved in the transaction, and take into consideration the pros and cons involved in determining the identity of the court to address any possible dispute in relation to such a transaction. If they manage to agree on a certain forum, it is very unlikely that they argue in the future that they were not aware of the consequences of such an agreement, or that they were forced to do so. Therefore, when such sophisticated parties are involved there is no real reason to refuse enforcement of this agreement. This is not different in any way from the long agreed upon principle of abiding by arbitration clauses and agreements. Our example is very similar to that involving arbitration, where the parties mutually agree on the forum that shall solve their disputes. The fact that one is an official institution and one is an arbitration panel should not change this general idea.

Things get more complicated when the two parties are not sharing the same qualities and sophistication. This may be viewed as differences in market power. Consider an example, in which Microsoft licenses one of its software products to a

private party to be used in his home personal computer. The private party is not the one to draft the license agreement, nor can she negotiate this agreement. She has two options: sign the agreement prepared by Microsoft “as is,” including the choice of court provision it contains, or she can refuse to do so. If she refuses to do so, her option is to buy an alternative product, assuming that one exists, or she can try and do without the software. Needless to say that even if she chooses to purchase an alternative product from one of Microsoft’s competitors, she would most likely face the very same problem, as similar choice of court provisions are likely to be part of the competitor’s agreement as well. Assume that the licensee lives in Germany, and the license agreement says that any dispute between the parties with respect to the license agreement shall be litigated in a court in the State of New York. It is quite clear that the licensee will never bother to go through the trouble of suing Microsoft or any other licensor in New York. She will not be able to afford it and this would simply be too complicated to pursue. Do we really want such a reality in which parties cannot enforce their legal rights because they do not have enough bargaining power? One program can be sold to millions around the world. Each of these individuals lacks the incentive to try and enforce its rights under the contract, but if we add up the damages and the financial stakes involved, the amounts may be overwhelming.

To a certain extent this is similar to class action suits, when each individual by himself lacks the required incentive to stand up for his own rights. In the U.S., Rule 23 of the Federal Rules of Civil Procedure allows one or more members of a class to sue as representative parties on behalf of all other members of such class, if the class is so numerous that joining of all members is impracticable, or if there are questions of law or

fact common to the class, or if the claims or defenses of the representative parties are typical of the claims or defenses of the class, and if the representative parties will fairly and adequately protect the interests of the class.³⁵³ This problem of differences in bargaining power has been amplified since Internet commerce started to develop. Many on-line agreements for the provision of products or services are signed without the purchasing party being able to negotiate anything. The buyer has the alternative to buy the product or service or refrain from doing so. The class action is not a magic solution to this problem for several reasons. It may solve some of the problems in countries that do provide a class action mechanism, but the majority of countries do not even offer such a mechanism as a possible solution under their statutes. Even in those few countries that do provide a class action solution, many times, the chances of actually going forward with such a procedure all the way to the end and winning the case are very low. Furthermore, in the digital era and the Internet, many times the potential plaintiffs or members of the group come from different countries, which raises a completely different set of issues as to the jurisdiction of the court, which I will address later in more detail. In a class action situation, most of the time the plaintiffs and defendants are nationals of the same country, whereas on the Internet, we may have a situation where the defendant is organized in one country and the plaintiffs live in ten different other countries. This problem may make the class action mechanism irrelevant.

Many believe these agreements to be contracts of adhesion, and therefore, they were excluded from the 2004 Hague Draft. One must note that even if the buyer is a sophisticated party such as a big international company, this reality does not change since

³⁵³ See Federal Rules of Civil Procedure, Rule 23(b)(3).

in many cases, an alternative solution cannot be found and the company has no option but to purchase the product and sign the agreement.

G. The Dreyfuss – Ginsburg Proposal

In a forum in Geneva that took place in January 30 and 31, 2001 Professor Dreyfuss and Professor Ginsburg introduced a new draft convention that tries to simplify some of the problems that were raised and introduced in this work with regards to the recognition and enforcement of judgments in intellectual property matters (the “Dreyfuss-Ginsburg Proposal”). They suggested that the creation of a special instrument that would specifically deal with intellectual property rights, rather than a more general solution, is very important because it would increase efficiency in solving intellectual property disputes by consolidating all the actions under the jurisdiction of one court and enable us to take into account the unique aspects and characteristics of intellectual property rights derived from their intangibility.

This proposal is mainly based on the Preliminary Hague Draft, discussed above. Similar to the Preliminary Hague Draft, this proposal is also based on the principle that recognition and enforcement of the judgment depends on the question of whether the rendering court had an approved basis of jurisdiction over the litigants.³⁵⁴ The changes in this proposal result from the need to adjust the Preliminary Hague Draft to the special needs and uniqueness of the creative community.

In general, the Dreyfuss-Ginsburg Proposal would be only open to countries that have joined the WTO and would cover the same scope of rights covered by the TRIPS Agreement. There is one possible exception to this general rule. It concerns patent

³⁵⁴ Dreyfuss & Ginsburg, *supra* note 320, at 3.

litigation. The reason for this exception is that patents are presumably more territorial in nature than other intellectual property rights, and other than software and business methods, most of the other patent infringements are unlikely to take place in cyberspace. Because of the expertise required in this field and the low incidence of simultaneous multinational infringements, it is most likely that the benefit would not cover the costs involved.

In my view, this approach, which excludes patent litigation from the proposed convention, is somewhat problematic. Patent litigation is among the most important issues in the modern intellectual property world. The birth of the Internet and the intense development of new technologies in computers, optics and biotech are the flag of the high-tech revolution of the 1990s and the beginning of the 21st century. In fact, it is not even clear that if it was not for this subject (e.g. protection through patents of business methods and software) that scholars would have taken the time to study this subject and try to find a solution by reaching an international understanding about the recognition and enforcement of judgments relating to intellectual property rights. It would not be unreasonable to predict that in the next few years, controversies with regards to patents are going to be a main part of intellectual property litigation. Especially because of the growth in Internet usage and the globalization of economic markets, one will have to deal with litigation that has international consequences. I think that the exclusion of this very important subject from such convention would be unreasonable and might make the whole convention less significant.³⁵⁵ Ignoring the problem will not make it go away.

³⁵⁵ Few scholars suggested that giving exclusive jurisdiction over patent litigation to the country where the patent was registered, as suggested in the Preliminary Hague Draft, is wrong since it

One may justifiably argue that even if patent litigation is eventually excluded from the scope of an international convention on the recognition and enforcement of foreign judgments, at the minimum, such an instrument must allow an American-like “issue preclusion” mechanism to be included in determining factual issues with respect to patents.³⁵⁶ In other words, even if the enforcing court is not obligated to recognize and enforce the legal findings of the foreign court, it can still make use of the factual findings of such foreign court, thus saving both parties substantial time, money and other resources that would have been utilized to re-litigate these factual findings. This, however, depends upon the conclusion that the foreign court follows basic notions of due process of law, as reflected in international law, in making its factual findings. Adopting the issue preclusion doctrine as applied in the U.S. and other common law countries can be of great assistance to us, even if we eventually fail to achieve an understanding as to the requirements for an international convention on recognition and enforcement of foreign judgments. We can utilize it to take a factual determination of a foreign court and apply it to a current dispute, even if the legal issues are contested, thus saving money,

would “prevent the development of methods for consolidating worldwide patent actions.” Dreyfuss & Ginsburg, *supra* note 320, at 8. However, in my view, this is not a sufficient reason and we can still reach the consolidation goal by litigating all the cases in the country of registration, which would be a more reasonable solution, as discussed above.

³⁵⁶ “Issue preclusion prevents parties from relitigating facts and issues that were fully litigated in a prior suit. ‘issue preclusion applies when the fact or issue (1) was actually and directly litigated in the prior action, (2) was passed upon and determined by a court of competent jurisdiction, and (3) when the party against whom collateral estoppel is asserted was a party in privity with a party to the prior action.’” State v. Roberts, 2003 WL 22417247, (Ohio App. 6 Dist., 2003).

time and other valuable resources. For example, in *In-Tech Marketing Inc. v. Hasbro, Inc.*,³⁵⁷ the Federal District Court for the District of New Jersey decided to grant issue preclusion to a decision rendered by a Dutch court holding that a patent assignment agreement had been dissolved due to failure to pay royalties. Since this was a claim for tortious interference with contractual relations, and one of the elements of such a claim is the existence of an agreement, the U.S. court used the Dutch Court's factual finding that no agreement was in effect to reject the claim.

With regards to the issue of jurisdiction, the Dreyfuss-Ginsburg Proposal supports a much broader set of fora with "adjudicatory authority over the parties,"³⁵⁸ than the Brussels Convention and the Preliminary Hague Draft. This means that in every set of facts more than one court can assert jurisdiction over the parties. The idea behind the adoption of a wide range of possible jurisdictions is the concept of "commitment to consolidation." The basis for this proposal is the assumption that courts throughout the world would cooperate with each other and with the parties in order to find the best place to litigate the entire dispute, allowing a relatively large number of potential jurisdictions. It is therefore argued, that this approach will give everyone greater flexibility in resolving intellectual property disputes.

Once again I have to disagree. In my view, the assumption that courts and parties would cooperate in order to find the most convenient forum is somewhat naive. The

³⁵⁷ 719 F.Supp. 312 (D.N.J., 1989).

³⁵⁸ Dreyfuss & Ginsburg, *supra* note 320, at 3.

“*forum non-conveniens*” rule is well known in private international law.³⁵⁹ However, in many cases, and for various reasons, courts in different countries ignore this rule. They do not do it directly because they do not want to be perceived as violators of international law, but they do it indirectly by means of interpretation and by distinguishing between different cases and factual circumstances. Many times courts are weighing various considerations that do not necessarily directly relate to the dispute. Naturally, courts have the tendency to try and assist their subjects within their legal borders, and many times plaintiffs are forum shopping for the forum that will best protect their interests. This is something that we should try to avoid. Furthermore, it is hard to believe that a plaintiff who selected a specific forum for its own convenience would cooperate, as in the above-mentioned assumption, with the court that tries to send him to another, less favorable, court.³⁶⁰

Like the Preliminary Hague Draft, the Dreyfuss–Ginsburg Proposal is also structured as a “mixed” convention. It lists bases for the assertion of jurisdiction, and if a court having a legitimate jurisdiction renders a judgment, the courts of all Member States should enforce it. It also lists bases of jurisdiction that are prohibited in cases that involve parties that are foreign habitual residents of Member States, and it leaves the Member

³⁵⁹ See generally, Brenda Tiffany Dieck, *Reevaluating the Forum Non Conveniens Doctrine in Multiterritorial Copyright Infringement Cases*, 74 WASH. L. REV.127 (1999).

³⁶⁰ Dreyfuss and Ginsburg acknowledge the forum shopping problem, but since they think that with respect to intellectual property matters, disputes cannot, in any event, be controlled through personal jurisdiction rules, they decide to refrain from solving it (“intangible rights and infringements can be reified in too many locations to make personal jurisdiction an effective limit on potential fora.”) Dreyfuss & Ginsburg, *supra* note 320, at 4.

States with discretion as to the conditions that would apply in the enforcement of judgments predicated on other bases of jurisdiction.

As mentioned, it gives a relatively long list of bases of jurisdiction that can be utilized by the courts. Article 3 gives general jurisdiction to the courts of the country where the defendant is habitually residing.³⁶¹ The Dreyfuss-Ginsburg Proposal also acknowledges the growing tendency among parties to reach an agreement that a certain court or an arbitration body will have jurisdiction over disputes arising between them, and gives these agreements full validity.³⁶² This is the same idea later advanced in the 2004 Hague Draft previously discussed.

Special consideration was given in the Dreyfuss-Ginsburg Proposal to actions relating to the infringement of intellectual property rights. As we recall, the question of jurisdiction in infringement actions was very controversial in the drafting of the Preliminary Hague Draft. The Proposal allows a plaintiff to bring an action for infringement in the courts of the State where the defendant substantially acted (including preparatory acts) in furtherance of the alleged infringement, the State to which the alleged infringement was intentionally directed, or any State in which the infringement foreseeably occurred.³⁶³ A closer look at this suggestion for jurisdiction in infringement

³⁶¹ Article 3 (2) of the Dreyfuss-Ginsburg Proposal provides that “[f]or the purposes of the Convention, an entity or person other than a natural person shall be considered to be habitually resident in the State - a. where it has its statutory seat, b. under whose law it was incorporated or formed, c. where it has its central administration, or d. where it has its principal place of business.”

³⁶² See Article 4 of the Dreyfuss-Ginsburg Proposal.

³⁶³ See Article 6 of the Dreyfuss-Ginsburg Proposal.

cases reveals that almost every country that is somehow related to the infringement can claim jurisdiction. In my view, this solution is far from being perfect. This is especially true with respect to intellectual property. Most intellectual property rights (i.e. copyrights, patents and trademarks) are territorial in nature. This means that they are protected only within the borders of the country that granted them. For example, if one registers the trademark “Jeansie” for the manufacturing of jeans pants in Israel, it does not mean that another person cannot register the same mark for jeans pants in Germany without violating the Israeli trademark. As a result, there is no point in giving jurisdiction to litigate an infringement claim to a jurisdiction that has nothing to do with the infringement, simply because the defendant happened to make all the preparatory acts in this jurisdiction’s territory. The court of this country will be asked to protect intellectual property rights under the laws of a foreign country, and to interpret laws that the judges know nothing about and in which they have no vested interest.

With respect to claims for enforcement of agreements pertaining to intellectual property rights, they can be brought “in any country whose rights are covered by the Agreement.” If more than one country’s rights are covered by the agreement, the action can be brought “in the country with the most significant relationship to the contract.”³⁶⁴

What exactly the term “most significant relationship” means is unclear.

According to the remedies section of the Dreyfuss-Ginsburg Proposal, monetary and injunctive relieves (including permanent and preliminary injunctions) rendered by a competent court (that has jurisdiction over the case) must be recognized by the addressed courts of a Member State. However, there are a few exceptions to this rule. Punitive and

³⁶⁴ Article 7 of the Dreyfuss-Ginsburg Proposal.

exemplary damages are recognized only if the addressed court also recognizes them, while compensatory awards must always be enforced.³⁶⁵ On the other hand, the addressed court is entitled to refrain from enforcing an injunction in cases of health and safety hazards, or if fundamental cultural policies are at stake, but only if a damages remedy would be an effective alternative. In addition, courts other than the one where the suit is pending are also entitled to render a preliminary injunction, which is limited to the relevant court's territory.³⁶⁶

One of the most important issues that are dealt with in the Dreyfuss-Ginsburg Proposal is the consolidation issue.³⁶⁷ It is argued that the consolidation of disputes involving intellectual property rights can contribute to the development of sound intellectual property law and avoid confusion and misunderstandings. The idea that lies in

³⁶⁵ Punitive damages may be less of a problem than what many people think when it comes to intellectual property rights. The idea behind punitive damages is, to a great extent, "that imposing a detriment on defendants promotes efficiency by deterring loss-creating conduct." Dorsey D. Ellis, Jr., *Fairness and Efficiency in the Law of Punitive Damages*, 56 SOUTHERN CAL. L. REV. 1, 11 (1982). One may argue that since intellectual property rights are private rights, there is no significant public policy to deter abuse, and therefore compensatory damages may be sufficient. In other words, a convention limited to intellectual property judgments can simply avoid requiring courts to recognize and enforce foreign punitive damages judgments in intellectual property cases, without this creating a major obstacle.

³⁶⁶ *Id.* at 5.

³⁶⁷ Ginsburg and Dreyfuss view the issue of consolidation as a very important element of international litigation. *See* Dreyfuss, *supra* note 230, at 424, Dreyfuss & Ginsburg, *supra* note 320, at 1.

the basis of this notion is that “greater consolidation has benefits for both sides because it preserves litigation resources and reduces opportunities for harassment.”³⁶⁸ I absolutely agree with Professors Ginsburg and Dreyfuss that consolidation is extremely important in the modern world and that it will benefit all the parties involved. It will save expenses, time, and will assist in reaching consistent results. However, I am not certain that this justifies extending the bases for jurisdiction in such a way that will result in uncertainties and forum shopping, as mentioned before. I think that an approach that will give exclusive jurisdiction to the country that granted the right, or where the right is registered, will be a better solution to the problem, because these courts are much more equipped to cope with the difficulties of interpreting the relevant laws. Furthermore, providing a broad list of bases of jurisdiction may potentially lead to difficult results. For example, we can find ourselves in situations where two parties that are in a dispute file parallel complaints in two different jurisdictions. Both courts can legitimately decide the case under the proposed convention and neither agrees to waive jurisdiction based on the *lis pendens* doctrine. The result is two contradicting judgments rendered in two different countries that legitimately asserted jurisdiction over the dispute. What would a court in a third country now do when faced with these two judgments and asked to enforce them?

2. The Reason for the Failure of Previous Attempts

There are several explanations that can be provided for the continuing failure to accomplish the goal of creating an international convention for the recognition and enforcement of foreign judgments. One such explanation can be the mistrust and suspicion that exists between the various countries and legal systems. Some countries and

³⁶⁸ *Id.* at 6.

legal systems, for various reasons, view themselves as superior to others. This can be the result of not sharing the same ideas as to general concepts of justice, because of differences in public policies, or simply because they have different due process of law provisions. The problem with this somewhat psychological explanation is that for various reasons, it is not something that one can come and say out loud. One country cannot simply declare that the legal system of another country is so mistrusted that its judgments cannot be recognized and enforced. For example, it is much easier for an American court to enforce a judgment rendered by a British court, than it would be for such a court to enforce a judgment rendered by a religious court in Pakistan or Afghanistan. Therefore, the fear of taking a broad international obligation to enforce judgments rendered by all foreign courts is a major obstacle to the adoption of such an instrument.

A closer look at the previous attempts to create an international instrument for the recognition and enforcement of foreign judgments may provide us with more explanations as to the reasons for this lack of success. The common ground for all these instruments is the fact that they, to a certain extent, tried to mix the issues of recognition and enforcement with the issue of jurisdiction. All these attempts were based on the notion of automatic enforcement of foreign judgments by the court addressed, subject to very limited exceptions, if the rendering court had legitimate jurisdiction based on a list of pre-approved bases of jurisdiction provided for in the same international instrument. Even the recent attempt in the Preliminary Hague Draft to create a mixed convention model based instrument failed, as many believe, due to the use of the Brussels

Convention as a model.³⁶⁹ These proposals all required the potential members to agree on bases for the assertion of jurisdiction.

Theoretically, this fact should not necessarily create a problem if the member countries can actually agree among themselves on the jurisdiction question. However, a question has to be asked as to why the various players in their efforts to create such an international instrument neglect to reach an understanding as to the required bases of jurisdiction. The most significant explanation is that the potential participating countries have different political, economical and cultural objectives that pull them in different directions and prevent them from reaching a common ground.³⁷⁰ Each country tries to follow its own agenda and pursue its own interests that do not necessarily comply with the interests of other potential members.

There are significant differences in interests among various countries with respect to the protection of intellectual property rights.³⁷¹ This reality is not a new one and has been recognized and addressed long ago. During the negotiations of the TRIPS Agreement, disagreements arose between different groups of countries that shared contradicting interests and views regarding the protection of intellectual property rights. Developed countries such as the U.S., Japan and Members of the European Union obviously supported a more protectionist approach, as they are the main producers of

³⁶⁹ See Arthur T. Von Mehren, *Drafting a Convention on International Jurisdiction and the Effects of Foreign Judgments Acceptable World-Wide: Can the Hague Conference Project Succeed?* 49 AM. J. COMP. L. 191, 196-197 (2001).

³⁷⁰ See *id.* at 200.

³⁷¹ Franklin & Morris, *supra* note 3, at 1244.

intellectual property rights, especially with respect to patents. A significant part of these economies is based on the creation, utilization, and export of inventions protected by intellectual property rights. Therefore, it is not surprising that these countries took a strong protectionist approach on this issue. Their greatest fear was the possibility that many of the inventions protected in their territories, which involve significant monetary and technological investments, would be copied, duplicated, and sold in other countries where less emphasis is put on protection measures, thus resulting in significant monetary losses. In addition, they fear that such unauthorized and uncompensated utilization of the inventions will reduce the incentive to engage in new development in the long run, since no benefits would result from these inventions if they are easily copied and widely distributed. On the other side, stood the least developed countries. They have very limited technological resources and hardly engage in research and development. These are mostly poor countries with failing economies that are unable to engage in the development of new technologies and innovation due to lack of resources on one hand, and are in great need for new technologies and developments introduced in more developed countries on the other. The direct result of this reality is the provision of very limited protection to intellectual property rights in these territories. In between stood the developing countries who do engage in the development of technology, but would benefit from weaker levels of intellectual property protection.

One of the best examples to describe this inherent conflict between developed and least developed countries is in the field of pharmaceuticals. For example, the Acquired Immune Deficiency Syndrome (“AIDS”) is the leading cause of death in Sub-Saharan

Africa countries.³⁷² Unlike what many think or believe, the AIDS disease is a treatable one, and doesn't necessarily mean an immediate death. For example, in the U.S. the use of newly developed drugs managed to quadruple the median survival time from one to four years.³⁷³ The drugs available today do not cure the infected person, but rather prolong and improve the quality of her life. There are quite a few drugs that treat AIDS today, that when taken together in what is known as a "cocktail" enable doctors to treat the disease. The only problem with this optimistic picture is the fact that these drugs are extremely expensive. In fact, the cost of treatment using these drugs is in the range of 10,000 – 15,000 dollars annually per patient.³⁷⁴ Most of these drugs are the subject matter of patents. This means that the pharmaceutical companies have a monopoly, for a limited time, over the sale of these drugs, and control the prices at which these drugs are sold in the free market. The official explanation given by the pharmaceutical companies for this high cost is that selling these drugs in Africa for lower prices than in developed countries will eliminate the companies' ability to finance any future research and development.³⁷⁵ On the other hand, we simply cannot ignore the poor victims of the AIDS epidemic that are in great need of these currently very expensive and unaffordable drugs, and facing death if we cannot furnish them with a reasonable and already existing solution. In other

³⁷² See James T. Gathii, *Constructing Intellectual Property Rights and Competition Policy Consistently with Facilitating Access to Affordable AIDS Drugs to Low-End Consumers*, 53 FLA. L. REV. 727, 733 (2001). For example, in 1999 Botswana had an infection rate of 35.8 %, Swaziland 25.25 %, Zimbabwe 25.06 %, and South Africa 19.94 %.

³⁷³ See *id.*

³⁷⁴ See *id.* at 734.

³⁷⁵ See *id.* at 736.

words, “the exclusivity of patent protection, especially in the pharmaceutical industry, ought to be seen in the context of balancing the interests of the industry in recovering its investments on the one hand, and the interests of consumers, and especially low-end consumers suffering from life threatening illnesses, on the other.”³⁷⁶ It is clear that the interests of the least developed countries of providing cheap drugs to treat AIDS is the opposite of that of the developed countries who prefer protecting profits from the sale of these drugs through patent protection.

As I mentioned above, the differences in interests between various countries were also a major obstacle in the negotiations of the TRIPS Agreement. The TRIPS Agreement provides several arrangements to satisfy the needs of the developing and least developed countries, while still attempting to protect the rights and interests of the developed countries. For example, the least developed countries were granted a grace period of 10 years to be able to adjust their legal systems and laws to the requirements of minimum standards set forth in the TRIPS Agreement.³⁷⁷ Similarly, Article 65(2) and (4) allows the developing countries a grace period, under certain conditions, of four and five years respectively to make the necessary accommodations. Another solution under TRIPS was the option governments were awarded to grant compulsory licenses to use and manufacture foreign patents in certain and unique situations.³⁷⁸

³⁷⁶ *See id* at 764.

³⁷⁷ *See* Article 6 of the TRIPS Agreement. This broad exception does not include compliance with Articles 3, 4 and 5, which address the issues of National Treatment and Most-Favored-Nation Treatment.

³⁷⁸ *See* Article 31 of the TRIPS Agreement.

The same problem of contradicting interests in the protection of intellectual property rights arises with respect to the recognition and enforcement of foreign judgments. The reason is simple. Courts are reluctant to recognize or enforce foreign judgments if they contradict the enforcing country's interests. They can always try to find a way or a reason to justify avoiding doing so. One may argue that by doing so, these countries risk the possibility that their own judgments will not be recognized or enforced in foreign countries, which is something that they probably would like to avoid. In other words, they rely on the idea of reciprocity to solve this problem, which is based on the belief that the fear that their own judgments will not be enforced or recognized abroad will deter them from not enforcing foreign judgments at home. There is one major problem with this assumption, which links to the differences in interest problem mentioned above, and causes this whole argument to collapse. Those countries that may refuse to recognize or enforce foreign judgments are usually the same countries that have less advanced intellectual property capabilities and provide lower levels of protection (i.e. developing countries). To simplify the argument, this means that these countries are not afraid that foreign courts as a penalty or retaliation shall not enforce the judgments that their courts render, which protect local technologies, because they do not always have such technologies to protect. From an economic perspective, the gain that they may make as a result of not enforcing foreign judgments protecting advanced foreign technologies is far greater than the loss that they may suffer if their judgments are not enforced abroad in retaliation for their refusal to enforce foreign judgments.

The pattern of the TRIPS negotiations is repeated here. The fact that different countries have contradicting interests and each of them has its own private agenda leads

to the inevitable conclusion that it will be very difficult to reach a common ground of understanding that would make it possible for different countries to agree on an instrument that would govern recognizing and enforcing foreign judgments. Some countries are simply more eager to have their judgments recognized and enforced abroad than others. From a practical perspective, it seems that if a country is determined to allow intellectual property infringement within its borders because it serves its interests, no one and nothing will be able to hold it back from doing so. The conclusion, therefore, is that in order to be able to create such an instrument, a way needs to be found to overcome these differences in interests, a process that has already started in the drafting of the TRIPS Agreement.

The only instrument that did not try to mix the issue of enforcement with the issue of jurisdiction was the 1971 Hague Convention, which was also the only one to ever reach the advanced stage of ratification. Even though this instrument ultimately failed, we can be encouraged by its relative success mainly because there were other reasons that can explain this failure, such as its complex structure that required Member countries to negotiate bilateral instruments in addition to their signing of the convention, as more thoroughly discussed before.

To a certain extent, the differences in interest problem may ironically be the very reason for the relative success of the Brussels and Lugano Conventions, which relate to participants who, at least in recent years, pursue a similar agenda and interests.

Despite the extensive negotiations, which took place in previous years to reach a common agreement regarding bases of jurisdiction for issues involving intellectual property rights, no such understanding has ever been reached, and it is hard to believe

that it may be reached in the near future. The interests and the gaps involved are simply too wide. As one U.S. government official has put it: “The group is finding it difficult to draft rules even in a limited number of areas,”³⁷⁹ not to mention a more comprehensive instrument. Therefore, the solution should be probably looked for in another direction. This means that we will need to find a way to somehow circumvent the jurisdiction problem to avoid antagonism on the part of potential members of such an international instrument.

³⁷⁹ William New, *E-Commerce: International Negotiators Divided On Online Contract Disputes* NATIONAL JOURNAL TECHNOLOGY DAILY (March 10, 2003), available at <<http://lists.essential.org/pipermail/ecommerce/2003q1/000965.html>>

V. JURISDICTION

1. The Importance of the Jurisdiction Question

The question of jurisdiction is not the focus of this work. However, in writing on the question of recognition and enforcement of foreign judgments, one cannot completely ignore this issue since, as I have concluded in the previous chapter, the lack of agreement on this issue is the most significant reason and factor in explaining why we currently do not have, and probably will not have in the near future, an international instrument regulating the recognition and enforcement of foreign judgments.

One commentator described the importance of the jurisdiction issue as follows:

“A claimant wants to be able to take action speedily, in a court close to him and whose rules are familiar to him, in order to protect the rights which he enjoys or thinks he ought to enjoy. As for the defendant, he does not want to have to defend the suit in a court far away from the centre of his personal or economic interests, and he wants the court dealing with the case to uphold his right to adversarial proceedings which respect to the fullest the right of defence. In our view, therefore, the issue is much more one of direct jurisdiction than of the recognition and enforcement of judgments.”³⁸⁰

The question of whether the rendering court has the right to assert jurisdiction in a specific case is considered by many to be the most fundamental factor in determining whether to recognize or enforce a foreign judgment, or whether to refrain from doing so. The negotiations of the Preliminary Hague Draft during the last ten years have proven that an agreement on this issue will eliminate many of the obstacles involved in the creation of such a convention, but that such an agreement is very hard to reach.

³⁸⁰ See Hague Document 7, *supra* note 298, at 8.

The writing of scholars on the issue of the appropriate bases for jurisdiction with respect to the adjudication of various disputes regarding intellectual property rights is extensive. In fact, the writing on the jurisdiction issue supersedes to a great extent the writing on the recognition and enforcement issue. The disagreements among scholars in this field are significant. There are different approaches and schools of thought and the controversies are only enhanced by the introduction of new technologies, such as the Internet, that add new problems to the already existing ones.

In light of the importance of this debate and its direct influence on the current inability to establish a worldwide system for the recognition and enforcement of foreign judgments relating to intellectual property rights, I will now shortly address the jurisdiction issue in this chapter. My purpose in doing so is not to fully analyze the issues relating to the jurisdiction question, as this is not the goal of my research and it is beyond its scope. Rather, I will attempt to provide the reader with a general understanding of the problems and obstacles that this issue presents, as a possible explanation for the failure of all recent attempts to solve the recognition and enforcement problem.

In the Anglo-American legal systems the decision by the enforcing court of whether to recognize or enforce a foreign judgment turns, to a great extent, on the question whether the rendering court had jurisdiction to adjudicate the case from an international perspective.³⁸¹ Put differently, “if a community asserts jurisdiction, it must – if it wants its judgment enforced – convince others of the justice of its ruling and the legitimacy of its assertion of community dominion.”³⁸² Many times, when recognition or

³⁸¹ VON MEHREN & TRAUTMAN, *supra* note 1, at 836.

³⁸² Berman, *supra* note 137, at 324.

enforcement of a foreign judgment is sought, some connection between the losing defendant and the rendering court can be detected, upon which the rendering court decides that it has jurisdiction over the matter and the parties. This relationship can have different forms such as the conducting of business in the rendering forum, a contractual provision providing the rendering court with the authority to hear the case, or some impact that affects the rendering forum. This connection between the defendant and the rendering forum can be regarded as the defendant availing herself to the jurisdiction of the rendering court, and therefore she should be estopped from arguing that the judgment is unenforceable.

If one decides to pursue the enforcement of a judgment rendered in her favor in a foreign jurisdiction, or when a suit is filed for relief based on the ruling of a foreign court, she is faced with the problem that the court addressed is under no obligation to abide by the foreign jurisdiction's ruling, and instead, is free to examine the merits of the case and refrain from acting on the foreign judgment.³⁸³

If a monetary judgment is involved, for example, the court, which rendered the judgment, will never be able to enforce its own judgment if the defendant has no assets within the territory over which the rendering court has jurisdiction. In other words, the rendering court cannot order the seizure and selling of assets located outside its jurisdiction for the purpose of satisfying its judgment. Similarly, if an equitable relief such as an injunction is involved, the rendering court is unable to order the enforcing authorities within its jurisdiction, (e.g. the sheriff in the U.S. or the execution authority in

³⁸³ Hilton v. Guyot, *supra* note 7.

other countries) to enforce the judgment if the assets, instruments or occurrences involved in this case are outside the jurisdiction.

The winning party has three options then. She can either decide to give up and waive her rights, or re-file the lawsuit in a different forum, which is the unlikely solution because of the costs and waste of resources involved. She can also try to enforce the judgment in a different forum where the chances of being able to receive what she was hoping to gain are higher. The latter solution, namely requesting one court to recognize or enforce a judgment rendered by another court, is not easily implemented, and creates numerous problems. Some of these problems are shared by all kinds of judgments and some are more unique to certain fields of law.

There are many considerations that the enforcing court must take into account before engaging in the recognition or enforcement of a foreign judgment. It is not done automatically. These include, the extent to which decisions are published and available to the public in this legal system, as well as the extent to which the rendering court has traditions of fairness and objectivity, and problems regarding the fairness and objectivity of the specific adjudication.³⁸⁴

2. **The Term Jurisdiction**

The first step in every analysis is to determine the competent jurisdiction in which the claim should be brought. The plaintiff is likely to attempt to bring the suit in the jurisdiction in which as many of the intellectual property claims that she can bring may be consolidated, thus saving expenses and other resources, and maybe allow her to enjoy the “home court advantage.” For example, if she has protected rights in four different

³⁸⁴ VON MEHREN & TRAUTMAN, *supra* note 1, at 833.

countries, and these rights were infringed by the same person or entity in all these countries, she would most likely decide to bring the complaint in the forum that will enable her to consolidate all or many of the claims, preferably her home country, or a country with reputation of having protectionist views.

There is no worldwide set of standards for the assertion of jurisdiction by courts. Each country has its own laws regulating this issue and those may vary from one legal system to the other. However, there are some common grounds and similarities between the various legal systems in that respect. Many legal systems will generally assert jurisdiction if one of the involved parties (plaintiff or defendant) are domiciled or are nationals of this country and in cases where some kind of harm is caused in or impacting this territory. This means that there has to be some kind of connection between the parties or the relevant cause of action and the country where the claim is filed for its courts to assert jurisdiction. Many times, even a few connecting factors are enough for courts to assert such jurisdiction, if they feel that the interests of their country are at stake. This also means that in many given situations, more than one court can assert jurisdiction over the case. The solutions that are provided in international law to address those situations where more than one court can assert jurisdiction are based on the doctrines of *lis alibi pendens* and *forum non-conveniens*, which means that the court addressed rejects jurisdiction in cases where another court have already asserted its own jurisdiction, or where the addressed court holds that another court is a more appropriate jurisdiction to adjudicate the case.

Consider the following example given by Professor Eugene Ulmer nearly thirty years ago. A French traveling theatre company goes on a tour in Belgium. It is

performing a work, which is subject to copyright protection in Belgium, but is not subject to copyright protection in France. Clearly a suit can be brought against the French entity in Belgium, but can a claim be brought in France for violation of Belgian copyrights in Belgium?³⁸⁵

The term jurisdiction when used with respect to intellectual property rights is very broad. It can include jurisdiction to adjudicate infringement of the rights; it can include adjudication of claims regarding the registration of the rights³⁸⁶ or their validity or cancellation;³⁸⁷ it can include jurisdiction to adjudicate the misuse of a license granted to use the intellectual property rights and similar claims. In practice, from an international perspective, the most interesting question is that with respect to the jurisdiction to adjudicate infringement of intellectual property rights,³⁸⁸ mainly because this is the most controversial issue.

As previously explained, due to the territorial characteristics of intellectual property rights, it is well accepted that the protection of the rights is limited to the geographical borders of the country that granted the right. For example, a U.S. patent can provide protection against unauthorized exploitation of the patent committed in the U.S.,

³⁸⁵ EUGEN ULMER, *supra* note 277, at 15.

³⁸⁶ *See, e.g.*, Article 16(3) of the Brussels Convention.

³⁸⁷ *See, e.g.*, Article 22(4) of the Brussels Regulation, which provides that “in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of a Community instrument or an international convention deemed to have taken place” shall have exclusive jurisdiction.

³⁸⁸ *See, e.g.*, Article 6 of the Dreyfuss-Ginsburg Proposal.

but does not protect against the unauthorized use of this patent in France.³⁸⁹ The question, however, is whether a suit for infringement of an intellectual property right within the borders of one country can only be brought in the courts of the country where this right is protected and therefore infringed, or can it also be brought in other countries as well?

One may wonder why anyone would be interested in bringing a suit for the infringement of an intellectual property right in a jurisdiction other than that in which the right is infringed. The reasons are diverse and many explanations can be provided. For example, if the relief prayed for in the complaint involves monetary damages, and the defendant is known to have many assets in countries other than that where the right is infringed, it would not be unreasonable to file the suit in the country where the assets are located and ask its courts to assert jurisdiction. Another example is when the defendant resides in a country other than that in which the right is protected, and the plaintiff would like to have an injunction ordered against the defendant in the country in which he resides or domiciled, so that if the order is not complied with he could hold the defendant in contempt of court.

It is interesting to learn that this problem does not only arise as a result of the development of the Internet and other advanced methods of communications and transportation, but has been here long before this era. However, the Internet has contributed significantly to the resurfacing of some of these issues.

³⁸⁹ 35 U.S.C. § 271 provides that “[e]xcept as otherwise provided, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.”

3. Jurisdiction in Cyberspace

The Internet has changed in many ways the reality in which we live. Its structure and architecture as a borderless instrument changed in many respects the way we think, act, and conduct business. Assertion of jurisdiction in the online world is extremely difficult. The main reason for this is the fact that all legal systems are based on the general assumption of the existence of borders (i.e. territoriality), whereas such borders do not exist in the online world. In the digital world, works can be posted on a server located in one country and be viewed simultaneously in every other country in the world.³⁹⁰ For example, an unprotected symbol in one country may be posted on the Internet and viewed from countries where such symbol is protected as a trademark, thus resulting in an unintentional infringement of the trademark in these other countries. This borderless reality required the online world to make significant adjustments that are still in progress and are far from being achieved. There are numerous law review articles and proposals that were published about this issue, but it still seems that the number of articles equals the number of proposals to solving this issue, and a comprehensive possible solution is not in near sight.³⁹¹

³⁹⁰ Berman, *supra* note 137, at 346.

³⁹¹ See, e.g., Graeme W. Austin, *Social Policy, Choices and Choice of Law for Copyright Infringement in Cyberspace*, 79 OR. L.REV. 575 (2000); Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Infringement Litigation*, 23 COLUM.-VLA J.L. & ARTS 1 (1999); Jennifer M. Driscoll, *It's A Small World After All: Conflict of Laws and Copyright Infringement on the Information Superhighway*, 20 U. PA. J. INT'L ECON. L. 939 (1999), Paul E. Geller, *Mastering Conflicts of Laws in Intellectual Property Litigation*, 18 NO. 4 INTELL. PROP. L. NEWSL. 7 (2000); Paul E. Geller, *Conflicts of Laws In Cyberspace: Rethinking*

Currently, there are two main schools of thought in the academic debate regarding the assertion of jurisdiction in the Internet context, for the purpose of creating an international instrument that will enable international recognition and enforcement of foreign judgments relating to intellectual property rights. The first approach is the “country of origin”, and the second is the “country of destination.” The former approach allows the exercise of jurisdiction in the countries in which the source of the transmission originated (i.e. where the server is located). The latter allows the exercise of jurisdiction in the countries in which the services, goods, and information are received. There are many significant problems that these two approaches raise in their application, such as the “race to the bottom” or the “forum shopping”³⁹² problems in the “country of origin” approach, and the multiple jurisdictions and the consolidation problems resulting from the “country of destination” approach.

There are several possibilities to assert jurisdiction with respect to intellectual property rights infringements in cyberspace. The first option is to assert jurisdiction based on the defendant’s domicile. In the U.S., for example, though copyright law is federal, the courts look to the laws of the forum in which they sit in order to assert jurisdiction. Generally, the defendant can be sued in his domicile or place of business regardless of the

International Copyright in a Digitally Networked World, 20 COLUM.-VLA J.L. & ARTS 571 (1996); Kathleen Patchel, *Choice of Law and Software Licenses: A Framework for Discussion*, 26 BROOK. J. INT’L. L. 117 (2000).

³⁹² Many fear that people may select a jurisdiction simply by locating the server which they use in a specific forum that is the most favorable to them. Since not all forums render the same protection to intellectual property rights, there is a fear that infringers of such rights will simply operate from more “flexible” forums thus engaging in forum shopping.

fact that the claim arose somewhere else. By asserting general jurisdiction, the courts can hear claims regarding the distribution of copyrighted works outside the borders of the U.S. Another possibility is to assert jurisdiction based on the place of origin of the harm. The place of occurrence of the harm can be either understood as the place where the harm was generated, or where the harm impacted. If we select the place where the harm was generated (i.e. where the communication originated), there still remains a problem in cyberspace to localize the place it originated. The location of the server in the U.S. would be a proper solution.³⁹³

A different approach to the assertion of jurisdiction in cyberspace is by using the long arm statute. In this case, the basis for the assertion of jurisdiction is the place of impact of the harm. In this case, even if none of the operations leading to the impact in the U.S. actually took place within its borders, the American court would still assert jurisdiction. In that respect, one of the questions that have been raised is, whether the availability of the infringed material in the U.S. is sufficient to assert jurisdiction. The answer to this question depends on constitutional limitations on judicial competence. In order to assert jurisdiction over a defendant, she has to have “certain minimum contacts with [the forum] such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice.’”³⁹⁴ This was interpreted to require “some act by which the defendant purposefully avails itself of the privilege of conducting activities

³⁹³ Jane C. Ginsburg, *Copyright Without Borders? Choice of Forum and Choice of Law for Copyright Infringement in Cyberspace*, 15 *CARDOZO ARTS & ENT. L.J.* 153, 157-58 (1997).

³⁹⁴ *International Shoe v. Washington*, 326 U.S. 310, 316 (1945).

within the forum State, thus invoking the benefits and protections of its laws.”³⁹⁵ The minimum contacts test used by the American courts is very flexible in the sense that it leaves the presiding court significant discretion and latitude. This flexibility, however, is also its greatest disadvantage since the inquiry under the test is very fact specific and it makes it very difficult for the parties to determine in advance what would be significant contacts that are enough to expose them to adjudication in a certain fact pattern.³⁹⁶

The question then, is when does a defendant avail herself of the privilege of conducting activities within the forum? If it can be proved that she targeted the American market, the answer is simple – she availed herself. The answer is more complicated when the defendant was not targeting the U.S., but simply put the work on the Internet (similar to putting the work in the stream of commerce). It seems that in this case, such an act will not suffice. Others, however, may claim that by doing so she knew of the possibility that it would reach the U.S., and therefore, the court should have jurisdiction.

We should also note that with respect to the assertion of jurisdiction, courts in the U.S. have made a distinction between cases in which the defendant is a “buyer” and cases in which the defendant is a “seller.” Sellers are usually more extensively regulated than buyers do, even though this is a generalization and not a perfect distinction. The U.S. Supreme Court has held in the past that “purchases and related trips, standing alone, are not a sufficient basis for a State's assertion of jurisdiction.”³⁹⁷

³⁹⁵ Jane C. Ginsburg, *supra* note 393, at 158.

³⁹⁶ Berman, *supra* note 137, at 331.

³⁹⁷ *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 104 S.Ct. 1868, 1874 (U.S., 1984). In this case, the Supreme Court of the United States held that the relations of a Colombian corporation (a

Assuming that sufficient minimal contacts with the U.S. do exist in order to assert jurisdiction, a question arises as to the scope of the claims that can be litigated in the U.S. court. The answer to this question seems to be that the defendant is usually required to defend against those claims that can be localized in the U.S., and not claims regarding illegal distribution of the copyrighted works elsewhere.³⁹⁸ The main problem with this approach is that if only long arm jurisdiction can be asserted, the plaintiff will have to litigate all the claims that cannot be localized in the U.S., elsewhere and will be unable to consolidate them. Professor Ginsburg introduced a possible solution to this problem. She offered to apply a “single publication rule,” similar to the one known in cases of libel and defamation. Under this approach, an American court with personal jurisdiction over a defendant can provide damages not only for Internet downloads taking place within the U.S., but also downloads taking place elsewhere.³⁹⁹

defendant in a wrongful death action) with the State of Texas, which consisted of one trip to Texas by its chief executive officer for purpose of negotiating a transportation services contract, acceptance of checks drawn on a Texas bank, and purchases of helicopters and equipment from a Texas manufacturer were not enough contacts to satisfy the requirements of the due process clause of the Fourteenth Amendment. See also, *Rosenberg Bros. & Co. v. Curtis Brown Co.*, 43 S.Ct. 170 (U.S. 1923), holding that business visits, “even if occurring at regular intervals, would not warrant the inference that the corporation was present within the jurisdiction of the state.”

³⁹⁸ Ginsburg, *supra* note 393, at 165.

³⁹⁹ *Id.* at 167.

VI. THE BASIC CHARACTERISTICS OF A POSSIBLE SOLUTION

Until now my writing has concentrated on the problems that arise when trying to create an international instrument for the recognition and enforcement of foreign judgments relating to intellectual property rights, the attempts to create such an instrument, and the reasons for their failure. Since even the few regional arrangements that tried to address this issue, such as the Brussels and the Lugano Conventions, succeeded in regulating this issue to a very limited extent, one must wonder why.

The common ground to all these instruments, as I previously concluded, is the fact that they all, to some extent, tried to mix the issues of enforcement and recognition with the issue of jurisdiction. All of these attempts were based on the notion of automatic enforcement, subject to very limited exceptions, that is, if the rendering court had legitimate jurisdiction based on a list of approved bases of jurisdiction provided for in the same international instrument. In other words, these were all “double convention” oriented instruments. Even the recent Preliminary Hague Draft attempt to create a mixed convention failed, as many believe, due to the use of the Brussels double convention as a model.⁴⁰⁰ This attempt ignored the cultural and background differences between the negotiating parties, and some view that as the reason for this unsuccessful attempt to create an international instrument that regulates the issue. In fact, the Preliminary Hague Draft was essentially drafted as a double convention and only four days before the closing of its fourth session, the Special Commission accepted the format of a mixed

⁴⁰⁰ See Von Mehrem, *supra* note 369, at 196.

convention.⁴⁰¹ “The Special Commission in its work premised a higher degree of consensus among the Hague Conference Members than existed and ignored the full implication of the fundamental differences in the economic, political, and institutional situation that made the Brussels and Lugano Conventions workable, and the global setting of a Hague Convention.”⁴⁰²

In sum, the debate in the world today among scholars is not about the recognition and enforcement question, but rather on the bases of jurisdiction issue. Scholars do not object to recognition or enforcement of foreign judgments, but rather cannot agree on the bases of jurisdiction upon which these judgments should be rendered and then recognized and enforced.

I will now look into the possible solutions to the problem and propose what I view as the most reasonable and only practical solution available in today’s international climate.

1. The Bilateral Treaty Solution

As I discussed in previous chapters, the idea of a single multinational instrument regulating the recognition and enforcement of foreign judgments seems by many to be too ambitious. The possibility of many countries agreeing on all of the different issues that the creation of such an instrument involves, such as the bases for the assertion of jurisdiction by the rendering court, at this point, seems remote. As a result other solutions need to be sought.

⁴⁰¹ *See id.* at 199.

⁴⁰² *Id.* at 200.

One such possible solution may be to create a set of bilateral treaties between different countries that regulate and set the standards for the mutual recognition and enforcement of foreign judgments. The idea of utilizing bilateral treaties to achieve certain goals is not new in international law and has been tried before. For example, during the years 1913 and 1914 William Jennings Bryan who was three times presidential candidate and served as U.S. Secretary of State under President Wilson initiated a noble project that aimed at minimizing the possibility of war in the world. He sponsored the signing of bilateral agreements with 30 different nations in which the participating countries undertook it upon themselves to submit international conflicts and disputes to adjudicating panels in an attempt to solve these disputes before setting on the course of war. Some of these treaties provided for a cooling-off period of one year before taking any additional measures. The problem with this solution was that when real disputes arose and real crisis developed these treaties were not followed and thus, proved to be useless.⁴⁰³

This idea has some advantages as well as some disadvantages. Negotiating a single international instrument has proven to be extremely complicated. As I previously discussed, each participating country has its own agenda and each country has different interests at stake. Therefore, negotiating a single international instrument is significantly more complicated than negotiating a bilateral treaty, as the participants need only adhere to the wills and interests of two parties. Furthermore, negotiating a bilateral treaty rather than an international or multilateral treaty narrows the scope of controversy and the

⁴⁰³ See Foreign Policy under Wilson, Bryan and Arbitration, The Cooling off Treaties of 1913-1914, available at <<http://www.u-s-history.com/pages/h1062.html>>.

number of disputed points. Since each country involved in international negotiations tries to promote the inclusion of its own interests in the final draft, it is harder to bridge the gaps between more than two participants and consider all of these interests. Even if an attempt to bridge the gap between two countries is successful, there is always a possibility that a third party may disagree with them. Furthermore, in bilateral negotiations there is a better opportunity to address specific issues and gaps, and in certain situations, even an opportunity to solve the problems by making certain adjustments in the substantive laws of the negotiating parties. This is more complicated to do in multilateral negotiations. With respect to the using of bilateral treaties to resolve international law problems, it should be noted that intellectual property protection started with bilateral treaties, which developed the principle of national treatment, to replace the concept of material reciprocity.

The bilateral instrument solution, however, is far from being a perfect one as well, even though it is true that it would be significantly easier to reach a bilateral agreement than an international treaty. Consider the following example: two hypothetical developed countries share the same ideas with respect to the fair use doctrine in copyright law. These two countries can fairly easily reach an understanding with respect to the mutual recognition and enforcement of judgments involving copyright disputes. The question that one may ask is what exactly did we manage to accomplish with this instrument, and did we really solve the problem? I argue that if indeed the two countries in my example share the same basic ideas with respect to copyright laws and both are developed countries, which follow basic concepts of due process of law, they will recognize and enforce each other's foreign judgments with respect to copyrights even without the

existence of a bilateral treaty between them. They do not need a treaty to do what they already have been doing. And indeed, the way American courts recognize and enforce foreign judgments is the best proof of this point.⁴⁰⁴ The creation of a bilateral treaty in the above case would definitely not resolve the problems that I try to address in this work – recognition of judgments of countries that share different views regarding intellectual property protection.

Another point that we need to address is that if history had taught us anything, it is that even negotiations between two countries that presumably share the same ideas and values, are not always likely to succeed because even the most similar countries have some differences that under certain circumstances may be impossible to bridge. The best example is that involving the U.S. and British negotiations to create a bilateral treaty for the recognition of judgments. After the United Kingdom joined the European Community and the Brussels Convention, the U.S. and the United Kingdom engaged in extensive negotiations to create a bilateral treaty that would allow mutual recognition and enforcement of judgments. The purpose, at least from the American perspective, was to have at least American judgments protected in one major European country, thus eliminating some of the disadvantage that U.S. businesses were expected to suffer due to the adoption of the Brussels Convention. “[T]hese negotiations came to naught even though the United Kingdom and the United States share a common legal heritage and the British have traditionally been most liberal in recognizing foreign country judgments, because British insurance and manufacturing interests were leery of excessive American

⁴⁰⁴ See discussion of the empirical research in chapter I.

jury verdicts and punitive damages awards, as well as judgments in antitrust cases.”⁴⁰⁵

This attempt indicates that even if two countries share the same interests, there are still going to be some gaps that may prevent them from reaching an understanding on sensitive issues, such as the recognition and enforcement of foreign judgments.

Similarly, if two countries that share different ideas with respect to substantive intellectual property law also have different ideas about due process of law and adhere to different public policies, the prospects of reaching an understanding on the recognition and enforcement issue are significantly lower. In such a situation, the problem of gaps in substantive views does not disappear merely because there are only two participants rather than twenty or a hundred. The substantive gap still exists and closing the gap will not necessarily become easier. The most significant value of a bilateral treaty then would be in the negotiations stage, because the two participating countries need to address the requirements and interests of only one more country other than themselves; whereas in multilateral negotiations, solving a single problem that exist in the negotiations with one party does not necessarily solve the problems that these two countries may have with a third country.

2. The Proposed Multinational Solution

After reviewing and analyzing the different problems that are related to the recognition and enforcement of foreign intellectual property judgments and their uniqueness, it is now time to address these problems and complement them with a proposed solution.

⁴⁰⁵ Juenger, *supra* note 302, at 112.

Creating a single international instrument to regulate the issue of recognition and enforcement of foreign judgments with respect to intellectual property rights is not an easy task and requires the participating countries to compromise on some of the issues about which they have very strong feelings. It would require the participants to be attentive to the needs of others, knowing that others would be attentive to theirs. This will not be easy because as one commentator has put it “[b]etter the devil we know – and have learned to live with – than the devil we know not.”⁴⁰⁶

My proposal for the creation of an international instrument regulating recognition and enforcement of foreign judgments is less ambitious in many respects from all recent attempts to create such an instrument. However, this may be the very reason why it has a better chance of gaining approval and support from many countries.

In a nutshell, what I propose to do is adopt a simple convention that only regulates the issue of recognition and enforcement of intellectual property judgments and refrains from addressing the issue of jurisdiction. The jurisdiction issue shall be addressed as one of the listed exceptions to the general enforcement rule, as I will later show. The proposed convention shall be open for signing to Members of the TRIPS Agreement and shall be created within the TRIPS framework, thus taking advantage of certain of the unique characteristics of this agreement and the mechanisms that it already contains.

The convention shall be based on a “presumption of enforceability.” This would be a rebuttable legal presumption that would hold any foreign judgment recognizable and enforceable, unless there was any legitimate reason under the agreed upon exceptions not to do so. This presumption shifts the burden of proof and burden of persuasion to the

⁴⁰⁶ Von Mehrem, *supra* note 369, at 201.

party against whom the judgment is being recognized or enforced, to prove that one of the agreed-upon exceptions should be applied in a specific case. The rationale behind my proposal is mostly economical. Some call this “judicial economy.”⁴⁰⁷ We should recognize and enforce foreign judgments whenever it is economical to do so. In light of the huge expenses involved in litigating intellectual property disputes, it is almost always economical to recognize and enforce a judgment unless there is an acceptable non-economical reason to refrain from doing so. As previously discussed, other possible rationales are fairness and justice.

In order to enable as many countries as possible to join the convention without fearing that their interests may be hurt, these exceptions should be drafted very broadly so that they can be utilized more freely. It is likely that countries would object less to joining the convention if they know that if there is a real need, they can back off and avoid recognition and enforcement of the foreign judgment based on an exception to the general rule. One of these exceptions is lack of jurisdiction on the part of the rendering court. In order to avoid the lack of agreement previously discussed with respect to the jurisdiction issue and the complications it involves, it must appear as an exception to the presumption of enforceability, rather than as a prerequisite for recognition and enforcement, as has been done until now. This exception is extremely important with respect to intellectual property matters and allows the court addressed to refuse enforcement if it has a legitimate reason to determine that the rendering court should not have heard the specific case due to lack of jurisdiction. Another exception to the general rule should be that of due process of law. Articles 40 and 41 of the TRIPS Agreement should guide what

⁴⁰⁷ Franklin & Morris, *supra* note 3, at 1217.

exactly constitutes due process of law. In addition, there must be a broad public policy exception that must be drafted along the lines of the TRIPS Agreement. I will later discuss these exceptions more thoroughly.

Even though this proposal does not solve all the problems raised throughout the years with respect to the recognition and enforcement issue, it does provide an excellent starting point and framework for the establishment and building of trust, confidence and reliance between the potential member countries. At the very least, it creates a binding international obligation on the part of the participating countries to recognize and enforce foreign judgments. These countries can utilize the proposed exceptions to the presumption in order to refrain from doing so, but they shall still be limited to the four corners of these exceptions and would have to provide a good explanation to their fellow countries, as well as expose themselves to limited levels of retaliation, if they decide to ignore the foreign judgment.

There are two additional issues that my proposal addresses. The first is the problem that results from situations in which the rendering court provides the plaintiff with a remedy that is unknown or unavailable in the enforcing legal jurisdiction. For example, a court provides the plaintiff with an injunction and the plaintiff is unable to enforce it in another country because injunctions are not recognized as a remedy in this country. In such a case, I propose to use a method of “enforcement in proximity.” This means that the enforcing court must substitute the remedy provided by the rendering court with the closest remedy available in his jurisdiction, thus attempting to minimize the negative effects on the plaintiff. In other words, it must substitute the provided

remedy with another remedy that shall, as closely as possible, achieve the goal intended by the rendering court.

In the long run, my proposal also calls for the creation of an international court system that shall enable a private party to contest the refusal of one court to enforce a judgment rendered by a court in another country. Such a court system shall be expected to do the same line of work that is currently done by the European Court of Justice with respect to the Brussels Convention. However, at this stage, it is pre-mature to make this newly created court system a part of the overall solution since it would create an unnecessary artificial barrier to the adoption of such convention.

Potentially, if my proposal is adopted and proven to be successful in resolving the problems associated with recognition and enforcement of foreign intellectual property judgments, it could be broadened to cover other subject matters as well, thus creating a novel, more general solution to the problem, which currently does not exist. Put differently, it could serve as “the pilot” for a broader in scope convention, which is not solely related to intellectual property rights, and achieve what all past attempts previously discussed have failed to achieve.

The central pillar of my proposal for a new international convention is the realization that the solution to the recognition and enforcement problem should be developed gradually over time. By proposing a rebuttable presumption of enforceability and broad exceptions I attempt to create “soft law” that would be fairly easy for potential participants to get used to at this point. Over time, as confidence and trust are built, we would be able to narrow these exceptions and close potential loopholes. What we are doing now is simply planting the seeds for the future. This is a gradual process that

should not be taken lightly; an international and moral obligation to recognize and enforce foreign intellectual property judgments should not be taken for granted, as it is far more than what we have in place today.

Gradual development of international law is not a new paradigm with respect to intellectual property rights. Professor Jerome Reichmen has proposed the following two analogies with respect to the development of international intellectual property law over time that may serve to convince most skeptics that my proposal has great potential to solve the recognition and enforcement problem:

When the Paris Convention was adopted in 1883 it addressed the protection of trademarks to a very limited extent. The original Article 6 of the Paris Convention simply provided that every trademark duly filed in the country of origin had to be accepted for filing and protected in its original form in other countries of the Paris Union. Paragraph 4 of the Final Protocol provided that the above provision was an exception to the rule, which concerned solely the form of the mark and national laws governing the filings of trademarks. In other words, “the general rule of the Convention was the application of national laws regarding all trademarks registrations in the countries concerned.”⁴⁰⁸ Parts of the original Article 6 were later included in the new Article 6quinquies.⁴⁰⁹ This was an example of soft law that left substantial discretion to national laws of the countries where registration of the mark was sought. Over the 120 years that have passed since the first Act of the Paris Convention, this very broad discretion has narrowed substantially and the

⁴⁰⁸ G.H.C. BODENHAUSEN, GUIDE TO THE APPLICATION OF THE PARIS CONVENTION FOR THE PROTECTION OF INDUSTRIAL PROPERTY 87 (1968).

⁴⁰⁹ *Id.* at 107.

very soft law gradually but consistently disappeared. The Members of the Paris Union have grown accustomed to the idea of the protection of trademarks, have cooperated with each other over a long period of time, and most importantly built trust and confidence. As a result, the Members of the Paris Union agreed to the adoption of Article 6quinquies, which narrowed substantially the discretion of national courts. This revolutionary standard provides that “[e]very trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union,” subject to certain exceptions. This provision is revolutionary in the sense that it means that Members of the Union must honor trademarks registered in other Member countries “as-is.”

Article 6quinquies overrides both national treatment as well as the rule of independence of trademarks. It is literally a minimum standard, and in fact, the registrant may claim better treatment in the country where the new registration is sought than its own nationals get.

In addition, one should not forget that there is no definition of the term trademarks in the Paris convention but only the negative drafting in 6quinquies defines them. Later on in the early 1990s when the TRIPS Agreement was adopted, Article 15 defined marks for the first time rather broadly, including service marks.

There is a great difference between the state of trademarks protection in 1883 and what we have today. We started with a very soft rule that left the participating countries with substantial discretion and ended up with a narrower and stronger rule of trademark protection today. The supernorm 6quinquies set out ostensibly soft law, the ground for denial of registration, which gradually hardened and negatively defined a harmonized

trademark regime, capped by TRIPS article 15.1, in 1994. Interestingly, when the Paris Convention was adopted in 1883, “the only ground for refusal or invalidation of the registration of trademarks covered by the Article under consideration was contained in the rule (then paragraph 4 of Article 6) that filing may be refused if the object for which it is requested is considered contrary to morality or public order.”⁴¹⁰ The 1911 Washington Conference substantially extended and broadened these grounds and they were further developed at The Hague (1925), London (1934) and Lisbon (1958).

Another, perhaps more interesting example is that involving the protection of unfair competition under international law. In 1883, when the Paris Convention was adopted, unfair competition was not even within the scope the protected subject matter.

Professor Bodenhausen describes the evolution of Article 10bis:

“[t]he Additional Act, adopted by the Revision Conference of Brussels in 1900, introduced the latter principle [national treatment] with respect to unfair competition in a newly inserted Article 10*bis*. The Revision Conference of Washington in 1911 went a step further, in introducing into the said Article the obligation for all Member States to assure to nationals of the Union effective protection against unfair competition. This obligation was strengthened, and a definition and examples of acts of unfair competition were introduced in the Article by the Revision Conference of the Hague in 1925. The Revision Conference of London in 1934 improved these provisions, and the Revision Conference of Lisbon in 1958 added a further example of acts of unfair competition.”⁴¹¹

The adoption of the definition and minimum standards in subsection 3 forced the Members of the Paris Union to finally take positive actions to protect unfair competition in their national laws. It was American scholars' realization that the U.S. was not in

⁴¹⁰ *Id.* at 114.

⁴¹¹ *Id.* at 142-43.

compliance with its international obligations under the Paris Convention, which resulted in the adoption of the original version of section 43(a) of the Lanham Act.

The last development in that respect was the extension of the unfair competition protection in Article 10bis of the Paris Convention to also cover trade secrets in Article 39 of the TRIPS Agreement.

3. Basic Assumption - Bases of Jurisdiction will Not Work

When talking about a new convention regulating the recognition and enforcement of foreign judgments in intellectual property matters, we must first discuss the question of how such a convention should be structured. Each of the possible structures has certain advantages and disadvantages. Answering this question is not easy and instigates a fierce debate. It appears that this preliminary decision is the most fundamental element for the success of every new instrument regulating this field. Before proceeding to the analysis stage of each of the possible solutions, I will first shortly define them.

The first possible solution is one that involves a simple convention.

“A simple convention deals only with the recognition and enforcement of foreign judgments and is therefore not concerned with matters of direct jurisdiction. In other words, it does not respond to the question as to when courts have jurisdiction in proceedings instituted for the first time. If a simple convention contains rules on jurisdiction, they are only rules on indirect jurisdiction. These are rules which, only *a posteriori*, at the stage of the recognition and enforcement of the judgment, serve to verify the jurisdiction of the court of origin in order to ascertain whether its decision may or may not be recognized or enforced in the State addressed.”⁴¹²

⁴¹² Catherine Kessedjian, SYNTHESIS OF THE WORK OF THE SPECIAL COMMISSION OF JUNE 1997 ON INTERNATIONAL JURISDICTION AND EFFECTS OF FOREIGN JUDGMENTS IN CIVIL AND COMMERCIAL MATTERS (Hague Conference on Private International Law, Preliminary Document

The best example for the use of this model in an international instrument is the 1971 Hague Convention.

The second possible structure is the double convention.

“A double convention deals with both the question of direct jurisdiction and the recognition and enforcement of foreign judgments. It thus responds to the question as to which court has jurisdiction to entertain proceedings and to that as to the effect of the judgment thus delivered.”⁴¹³

The double convention model traditionally includes an exhaustive list of grounds of jurisdiction. This means that the rendering court has no discretion as to the assertion of jurisdiction based on grounds of jurisdiction not provided for in the convention. In other words, if the rendering court asserts jurisdiction based on a basis of jurisdiction that is not provided for in the convention, it takes the risk that other Member states will refuse to recognize or enforce the judgment merely because they are under no international obligation to do so. The Brussels and Lugano Conventions are examples of conventions based on this model.

The third structure that is available and sometimes viewed as a sub-chapter of the double convention model is the mixed convention. A mixed convention “specifies the authorized grounds of jurisdiction, the prohibited ones and in which all the other grounds,

No 8 of November 1997) Footnote1, at 1. *See also* CONSULTATION PAPER ON THE DRAFT HAGUE CONVENTION ON INTERNATIONAL JURISDICTION AND RECOGNITION AND ENFORCEMENT OF JUDGMENTS IN CIVIL OR COMMERCIAL MATTERS, International Law Division, Department of Justice Hong Kong 4 (1999), available at <<http://www.info.gov.hk/justice/new/depart/doc/4499.doc>>.

⁴¹³ *id.* at 1.

i.e. those falling neither within the category of authorized grounds nor within that of the prohibited grounds, are left as a matter for national law to decide freely.”⁴¹⁴ The most important element in the mixed convention model is that the rendering court may assert bases of jurisdiction other than the mandatory ones provided for in the convention, which leaves him a greater amount of discretion. In other words, “[w]ith a mixed convention . . . States must always make the authorized grounds of jurisdiction available to the litigants, but they may retain other grounds of jurisdiction.”⁴¹⁵

When asked to recognize or enforce a foreign judgment based on a mixed convention, the enforcing court has some discretion based on the basis of jurisdiction utilized by the rendering court. If the rendering court asserted jurisdiction based on one of the mandatory bases provided for in the convention, recognition and enforcement would be nearly automatic, subject to certain limitations.⁴¹⁶ If the rendering court asserted jurisdiction based on one of the prohibited bases provided for in the convention and therefore is not in compliance with its provisions, every court in other Member countries must refuse enforcement of the judgment. With respect to those bases of jurisdiction that are not covered or addressed in the convention, which means that they are neither allowed nor prohibited under the convention, the enforcing court may decide for itself whether to go ahead and enforce the judgment or simply refuse to do so. This means that the enforcing court is not prohibited nor compelled to do so.

⁴¹⁴ *Id.* See also Blumer, *supra* note 70, at 387.

⁴¹⁵ Kessedjian, *id* at 1.

⁴¹⁶ *E.g.*, public policy exception.

To a certain extent, the mixed convention model is much more similar to a simple convention than to a double convention due to the fact that it enables the rendering court to provide, and the enforcing court to recognize and enforce judgments that are not limited to the bases of jurisdiction provided for in the convention itself. Rather, it can implement some independent discretion. The Preliminary Hague Draft is an example of the using of the mixed convention model.

As I previously concluded, there are very slim chances that in the near future an international agreement may be reached as to the bases of jurisdiction that should be provided to litigate intellectual property disputes involving international elements. The “double convention” model as previously described does not seem to be working. All previous attempts failed because the representatives of the participating countries could not reach an understanding on the appropriate bases of jurisdiction that should be adopted. As I previously mentioned, the two main reasons for this inability to reach an understanding on these issues is the different interests that each of these participating countries has, and the mistrust between the different countries in each other’s courts and judges. These differences are substantially based on cultural and most importantly economic differences. In this environment, the prospects that such an agreement will ever be reached do not appear to be very encouraging.

For this reality to change, many things that currently seem extremely unlikely to take place must occur. The cultural and economical gaps between very rich countries that support strong protection of intellectual property, such as the U.S., and poorer and less fortunate countries that have less of an interest in the protection of intellectual property rights, yet still joined the TRIPS Agreement simply because they had to do so in order to

join the WTO and be Members of GATT, seem impossible to bridge at this point in time. Nothing in the near future can be expected to change this reality. It is enough to look at the circumstances surrounding the Preliminary Hague Draft negotiations to prove this point. For ten years, the participants have been trying to agree on a list of bases for the assertion of jurisdiction with no apparent success. From the extensive writing on the issue of jurisdiction, it is clear that the number of different views matches the number of writers on the topic. In fact, the recent developments in that respect, where the idea of a broad, mixed convention has been abandoned and replaced with a very limited convention on choice of court agreements, is the best proof that no real progress has been made and that we have returned back to square one where we started over ten years ago. This was a real life experiment on the dynamics surrounding the drafting of an international convention on this topic with results that are by far more accurate than anything we could have achieved in any other way.

History has proven that the double convention structure is likely to succeed only in situations where the participating countries share the same views and political, cultural and economical interests. The need to agree on a close list of bases for the assertion of jurisdiction, which is the very basis for the success of such an international instrument, requires the participating countries to have substantial confidence in each other, something that can be usually found in regional agreements, and is lacking in the broader international forum. There is a very simple psychological explanation to this phenomenon. It is much easier to trust and expose yourself to something or someone you know than to the unknown. It is not surprising then that the Brussels and Lugano Conventions were a relative success. They are both regional instruments that were

negotiated among countries that share very similar cultural, political, historical and most importantly economical background. The fact that some of these countries were long time historical enemies does not change this conclusion. At the point of time in which the European countries negotiated these instruments, they shared a joined view of a united Europe and their political and economic interests were extremely close to each other. In other words, they had a real incentive and interest in the successful implementation of these new Conventions. This means that even if they did not necessarily agree on everything, they sometimes agreed to swallow the bitter pill for the sake of later enjoying the benefits of belonging to this Union of countries. It is clear that the history that these countries share is one of the key factors that made it easier for them to agree. The economic gain that they were expected to generate from joining the union compensated them for the concessions they had to make and the fear and risks involved. To some extent, the relative success of these two instruments is similar to the success of the sister states recognition and enforcement system in the U.S., which is based on “full faith and credit.” Both examples are based on the larger commitment that these Members have towards one another.

It is therefore not surprising that during the Preliminary Hague Draft negotiations the proponents of a double convention were the European countries.⁴¹⁷ Only in a later stage, a few days before the official publication of the first draft of this convention was it decided to revise it and turn it into a mixed convention. The reason for this sudden change was the fear that an instrument structured as a double convention would never be signed because of the limited discretion available to the participating countries whether or

⁴¹⁷ Department of Justice Hong Kong, *supra* note 412, at 5.

not to assert jurisdiction. Independent countries do not like the idea of a possible interference with their sovereignty and require that they have the option to decide for themselves how to react in each given situation. The hope was that the mixed convention structure would make it easier for them to accept the limitations on their discretion by providing them with some more latitude than in a double convention. It was the American delegation, which pressured the delegates to agree to a mixed convention structure arguing that for constitutional reasons it could not participate in a double convention.⁴¹⁸

In a perfect world, where everyone shares the same interests and follows the same agenda, the double convention model would have been the ultimate solution, because it provides security and an element of predictability that are so important in the business world. The only problem is that we do not live in a perfect world and there are many conflicting interests, which make it very difficult for different countries to reach a mutual understanding as to the way judgments should be internationally recognized and enforced. There is a great difficulty inhibiting the international community from reaching an understanding as to the list of bases of jurisdictions that can serve as the basis for an international convention structured as a double convention.

In light of the above, I do not see any prospects in continuing to explore the option of a “double convention” based instrument to solve this problem. It is not the lack of understanding among law professors and scholars that prevent us from reaching this goal. It is the political agenda and conflicting interests that the participants pursue, as well as their conflicting economical and cultural backgrounds that are the main obstacle to reaching such an agreement. It is my view that following the path previously taken by

⁴¹⁸ *Id.*

others to regulate the issue of recognition and enforcement of foreign judgments in intellectual property disputes is the wrong path to take and any such attempt is doomed to follow in the footsteps of its predecessors and result in a failure.

A different model is required to address this issue – one that would manage to circumvent or eliminate the lack of agreement on the issue of jurisdiction lying in the basis of the continuing failure of the “double convention” model. Therefore, my proposed solution attempts to assist the international community in its efforts to reach an understanding as to the way foreign intellectual property judgments should be recognized and enforced despite the differences in opinions, agendas and interests, and without having to unnecessarily step into the minefield of the jurisdiction issue. Needless to say that this, or every other proposal, will fail to achieve its goals, if sincere attempt by the participating countries to resolve the differences is not made. After all, it is mainly about politics and personal agendas, and if the participating countries decide not to cooperate due to their own personal reasons, nothing can force them to go all the way. We can provide these countries with the solution, but we cannot enforce them to adopt and implement it.

4. A Simple Convention Model as a Possible Solution

An alternative solution to the recognition and enforcement problem can be the creation of an instrument based on the simple convention model, which only regulates the recognition and enforcement issues and avoids doing so with respect to the jurisdiction issue. In today's world, where technology is fast developing and there is no need for one to be present at a certain place to conduct business, many fear that people will take advantage of this reality in what some call a “race to the bottom” and others view as

“forum shopping.” For example, one may choose to locate a server in certain countries knowing that these countries have more flexible intellectual property laws that may allow her to minimize exposure to copyright or trademark infringements. Similarly, she can locate a server in a country that does not recognize the concept of moral rights and then engage in certain infringing activities with the knowledge that this website is accessed from a country like France which does recognize such rights. The server owner may choose the court of this country as the forum to adjudicate her claim for a declaratory judgment that she is entitled to engage in such activity, which is not forbidden, as we recall, in this forum.

One of the most important elements in entering into an international business transaction is predictability and the ability to know and be certain where the litigation would take place in cases of disputes between the business parties. Knowing which court will assert jurisdiction in cases of disputes will make it easier for the participating parties to calculate the risks involved in entering into the transaction. This is why it is so popular in practice today to ensure that the parties are clear as to which court will litigate any dispute between them by using forum selection provisions. The importance of the element of predictability in business transactions is not to be underestimated.

I argue that even though the solution of a simple convention is maybe less attractive than that of a double or mixed convention because it lacks the element of predictability, it is still a good solution, at least in the short run, especially in light of the fact that the chances of reaching an agreement based on these two models are slim if not non-existent. To put it differently, it is better to have something than to have nothing. A default solution is better than not having a solution. A simple convention will leave the

jurisdiction problems to the discretion of the participants and would make it easier for them to join the proposed international instrument. They will not feel as if anyone interferes with their sovereignty and will feel more comfortable taking the risk of entering into this adventure. It seems that the possibility of reaching an understanding and agreement on a simple model based convention is much more real than the other non-available options.

Most importantly, this proposed convention creates an international obligation to recognize and enforce foreign intellectual property judgments. The international commitment undertaken by the potential participants in the proposed treaty also includes a moral obligation and a duty of transparency that could fall under the TRIPS Agreement.

In order to support my theory I looked for examples of currently existing instruments that were drafted as a simple convention and are successfully working. One such instrument is the Inter-American Convention on Extraterritorial Validity of Foreign Judgments and Arbitral Awards signed in Montevideo on May 8, 1979⁴¹⁹ (the “Montevideo Convention”). The Convention was ratified and is now in force in nine countries.⁴²⁰

This Convention is very short and is literally very simple. The purpose of the Montevideo Convention is to ensure the extraterritorial validity of judgments and arbitral awards in the Member countries.⁴²¹ The Montevideo Convention applies substantially “to

⁴¹⁹ Copy of the Montevideo Convention is available at <http://www.ftaa-alca.org/busfac/comarb/intl_conv/caicmo01e.asp#fjaat>.

⁴²⁰ Argentina, Brazil, Columbia, Ecuador, Mexico, Paraguay, Peru, Uruguay, and Venezuela.

⁴²¹ See Preamble to the Montevideo Convention.

judgments and arbitral awards rendered in civil, commercial or labor proceedings in one of the States Parties”⁴²² subject to certain reservations they can make. The instrument contains a set of conditions that if met, the judgment has extraterritorial effect in all the Member countries. The conditions for enforcement set forth by the Montevideo Convention are very basic and include: fulfillment of all formal requirements so that the judgment be deemed authentic in the rendering jurisdiction, adequate translation of the relevant documents, assurance that the parties had an opportunity to present their arguments and defense, the judgment must have the effect of *res judicata* in the rendering country, and no basis exists for a public policy exception in the country of enforcement.⁴²³

Most interesting to us is the fact that the Montevideo Convention does not regulate the issue of jurisdiction. The only reference in the Montevideo Convention to the issue of jurisdiction can be found in Article 2, which requires the enforcing court as a condition for enforcement of the foreign judgment to verify that the rendering judge or tribunal were competent “in the international sphere” to provide the judgment “in accordance with the law of the State in which the judgment . . . is to take effect.” The debate surrounding the potential bases for the assertion of jurisdiction as it appeared in The Hague Preliminary Draft negotiations, the Brussels and Lugano Conventions or even in the Dreyfuss-Ginsburg Proposal is absent in this case. It is simply avoided. If a

⁴²² Article 1 of the Montevideo Convention.

⁴²³ See Article 2 of the Montevideo Convention.

judgment cannot be executed for some reason or the other in its entirety, the judge may agree, at the request of an interested party to partial execution.⁴²⁴

The avoidance of dealing with the issue of jurisdiction is especially interesting in light of the fact that some of the Member countries of the Montevideo Convention have unstable political situations, and their judicial systems have suspicious reputations with respect to corruption. In light of this fact, it would have been expected that there be more emphasis on the issue of jurisdiction, and that the parties be more careful about it, as this would limit the discretion of the rendering court with respect to whether it is authorized to hear a specific case or not, thus avoiding any opportunities for corruption. In fact, that was not the case when the Montevideo Convention first came into force and it is for the enforcing court to determine the jurisdiction issue with respect to the rendering court.

A very interesting development took place in 1984 that may provide us with an indication about the superiority of the simple convention model. In that year there was an attempt to complement the Montevideo Convention with a new convention that attempted to regulate the issue of indirect jurisdiction. This was the Inter- American Convention on Jurisdiction in the International Sphere for the Extraterritorial Validity of Foreign Judgments⁴²⁵ signed at La Paz, Bolivia on May 24, 1984 (the “La Paz Convention”). The purpose of the La Paz Convention was to complement the Montevideo Convention and provide a set of bases of jurisdiction that, if complied with, satisfied the jurisdiction

⁴²⁴ See Article 4 of the Montevideo Convention.

⁴²⁵ Copy of the La Paz Convention is available at <<http://www.oas.org/juridico/english/sigs/b-50.html>>.

requirement under Article 2(d) of the Montevideo Convention previously discussed.⁴²⁶ The La Paz Convention was signed by many countries, but was ratified only by Mexico and therefore, never came into force. In other words, once these countries tried to replace the simple convention model with a double convention model that also regulated the issue of jurisdiction, the whole structure collapsed.

Interestingly, the idea of not addressing the issues of jurisdiction should theoretically be relatively easy to accept for the U.S., which is expected to take an important role in any future negotiations of such an international recognition and enforcement convention. In fact, the UFMJRA, like a simple convention, does not provide bases for the assertion of jurisdiction of the rendering court as a prerequisite to the enforcement of foreign judgments. All it provides in Section 4 is that a judgment shall not be conclusive and thus available for recognition in the U.S. if the rendering court did not have personal jurisdiction over the defendant, or if it did not have subject matter jurisdiction. In other words, like in a simple convention model, U.S. courts adopting this model act do not have to address the issues of jurisdiction as a prerequisite for enforcement, or limit themselves to a given set of bases of jurisdiction, very much like in my proposal.

The advantages of a simple convention are seen in yet another example that avoids regulating issues of jurisdiction. I am referring to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards signed in New York on June

⁴²⁶ See Preamble to the La Paz Convention.

10, 1958⁴²⁷ (the “New York Convention”). The New York Convention is extremely important to this research for one very important reason. It managed to create a very useful and widely recognized system for the international recognition and enforcement of foreign arbitral awards based on a model that concentrates on the recognition and enforcement part, and ignores issues of jurisdiction. This convention resembles to a great extent, with respect to arbitral awards, the simple convention model that I am discussing, and apparently is very successful. The fact that the New York Convention has been adopted and ratified by over 120 countries and has been successfully followed for forty five years is an indication of the potential success of a simple convention attempting to regulate recognition and enforcement of foreign judgments.

Under the New York Convention each contracting state must “recognize arbitral awards as binding and enforce them in accordance with the rules of procedure of the territory when the award is relied upon.”⁴²⁸ All the parties need in order for the New York Convention to apply, is an arbitral award and an arbitration agreement.⁴²⁹ The arbitration agreement requirement should be viewed as the most important element of the New York Convention, as it provides the basis and source for the authority of the arbitrator or the arbitration panel to hear the case on the merits and provide the award. In other words, it provides the basis for the assertion of jurisdiction by the arbitrator or panel. The basis for international commercial arbitration as reflected in Article 2 of the New York Convention

⁴²⁷ Copy of the New York Convention is available at
<http://www.hartwell.demon.co.uk/nyc_text.htm>.

⁴²⁸ Article III of the New York Convention.

⁴²⁹ Article IV of the New York Convention.

is the presumption that contracts made in international commerce between businesspeople have designated a neutral forum for the resolution of their disputes. This presumption is important to the understanding of the difference between an arbitration, where the defendant had agreed in advance to the adjudication of the dispute in front of an arbitration panel, and an international judgment, where the plaintiff sometimes drags the defendant into litigation in a forum she did not agree to. By analogy, this is similar in many ways to the preliminary requirement in a simple convention model that the rendering court have jurisdiction over the parties and the dispute. It seems that once Member countries realized that this instrument does not threaten their sovereignty, the way to a full acceptance of this mechanism was short.⁴³⁰ One must raise the question, why would one country object to the recognition and enforcement of a foreign judgment if it already recognizes similar judgments rendered by an arbitration panel that is not even subject to the same legal constraints and appellate review that a judge is subject to? As one commentator has put it “[i]t is ironic that decisions that are less formal and subject to less review are entitled to transnational recognition, whereas judgments rendered in court systems are not.”⁴³¹

One may try and argue that the great success of the New York Convention is no indication of the potential success of a simple model based convention because here the parties voluntarily submit to a neutral third party arbitrator. I disagree with this argument. It is absolutely true that in a perfect world, a third party arbitrator is expected to be very neutral and the arbitration voluntary. This, however, is far from being true in today’s

⁴³⁰ Kessedjian, *supra* note 298, at 9.

⁴³¹ McGarrigle, *supra* note 25, at 137.

world where arbitration has long been neither voluntary nor neutral. In the modern world, almost everywhere you go and every time you purchase something, whether it is a credit card, insurance policy, or a car, you find yourself forced to sign an arbitration clause contained in the purchase or service agreement. You cannot, of course, negotiate out of this clause because the seller or the service provider will refuse to enter into the transaction without this clause. Because this is the custom in many industries and markets, you cannot simply get the product or service from someone else since everyone in the industry require the same very clause.⁴³² As to the neutrality argument, arbitrations today are to a great extent conducted by institutions that were specifically created for that purpose, such as the American Arbitration Association. These institutions have great financial interests in the arbitration as they have to attract more business. Sometimes one company, such as a bank, utilizes one such institute to conduct hundreds of procedures each year and the customer has really no choice, but to participate. These companies are repeat players and it is not so apparent that they do not have the “home court advantage” in these disputes. Therefore, it is not clear that such an arbitrator is more neutral and objective than an independent foreign court. Since we tend to enforce such arbitral awards, there is no justification to avoid enforcing foreign judgments in a simple model based convention.

It is true that there is a growing body of law in the U.S. today that restrains the use of mandatory arbitration clauses that are “unconscionable”, as previously discussed.

⁴³² See Jane Spencer, *Signing Away Your Right to Sue - In Significant Legal Shift, Doctors, Gyms, Cable Services Start to Require Arbitration*, THE WALL STREET JOURNAL, October 1, 2003, J. D1, 2003 WL-WSJ 3981265.

However, arbitral awards are still widely enforced in the U.S. Furthermore, this fact does not change the analysis since when foreign judgments are involved, courts may utilize the public policy exception to refuse recognition of the foreign judgment.

Before adopting an instrument based on the simple convention model, we must ask what do we really accomplish by doing so? Do we really solve the jurisdiction problem by ignoring it? One of the main arguments in opposition of the simple convention idea is that it really does not solve anything, because the jurisdiction problem does not go away. In other words, the fact that we refrain from including agreed upon bases of jurisdiction in the convention does not mean that the enforcing court can avoid looking into whether the rendering court could have rendered the judgment. The enforcing court will still need to address this issue before recognizing or enforcing the foreign judgment, but it will not have a convention to use as a guide.

It should be noted that when the negotiations of the Preliminary Hague Draft started in 1992, the idea of creating a simple convention was immediately turned down. Opponents of this proposal suggested that such an instrument “would not be an improvement on the current situation and practice”⁴³³ (i.e. no convention at all). They argued that in the current legal situation each country could decide for itself whether it should assert jurisdiction and whether it should recognize or enforce a foreign judgment. Therefore, if we do not agree on the bases for the assertion of jurisdiction we do not really do anything new because each country can continue to do whatever it had done

⁴³³ EUROPA – JUSTICE AND HOME AFFAIRS – RECORD OF PROCEEDINGS, PUBLIC HEARINGS ON THE HAGUE CONFERENCE (Brussels, 24 October 2001) available at <http://europa.eu.int/comm/justice_home/unit/civil/audition10_01/compterendu_en.htm>.

before. This alleged justification for avoiding a simple convention solution is far from being accurate. Even though such a convention will not provide a list of agreed upon bases for the assertion of jurisdiction, it will change dramatically the current international regime. It will add a major international obligation and a moral commitment on the part of all of the participating countries to recognize and enforce foreign judgments, something that does not exist under the current regime and should not be underestimated. This is a major improvement to what we have today. Sovereign countries must abide by their commitments under international law. Most countries recognize international law or at least pretend to make significant efforts to comply with their international obligations. They do so out of respect for other countries and in an attempt to maintain some kind of global order. Even though the mechanisms that the international community can utilize in order to force its members to fulfill their international obligations are extremely limited, these obligations have tremendous power merely by their very existence. Countries are very careful to comply with their international obligations. Not many countries can afford themselves to ignore other countries, and history has proven that even the stronger countries are careful not to violate their international undertakings, preferring the way of diplomacy. No country would like to be viewed as an outsider by the international community. It is true that the chances that the international community will attack a country that refused to enforce another country's judgment with nuclear weapons are slim, but there are other civilian and commercial methods of retaliation, such as trade sanctions, that the international community can take in order to force non-complying Members to live up to their international obligations.

In sum, a worldwide simple convention that regulates the issue of recognition and enforcement of foreign judgments will make a great contribution. It will create a set of mutual international undertakings on the part of all of the participating countries with whom they will have to comply. At the same time, it will be significantly easier for the different countries to agree to enter into such a convention, as previously discussed, because the issue of jurisdiction will not be within the scope of this convention and they will still have great latitude and discretion. At least for now, this seems to be the only practical solution.

5. Presumption of Enforceability

The basis for the idea of a simple convention is that a judgment is always recognized or enforced unless there is a good reason not to do so. My proposal includes a rebuttable legal presumption that every foreign judgment is entitled to recognition and enforcement. I will refer to this as a “presumption of enforceability.” Under this rule, the court addressed will always automatically recognize and enforce the foreign judgment when asked to do so. Like other legal presumptions, the party against whom the judgment is recognized or enforced carries the burden of proving and convincing the court that there is a legitimate reason for which it should refrain from doing so. In other words, the party objecting to the recognition of the foreign judgment has to overcome the presumption.

The TRIPS Agreement establishes the minimum standards tool, which provides us with a wide enough basis that justifies the recognition and enforcement of foreign judgments and the existence of a presumption of enforceability. The minimum standards requirement is broad enough to put all of the Member countries of the TRIPS Agreement

on a similar platform that will guarantee that to a certain and sufficient extent, the laws of all Member countries are substantially similar to those of their own and thus, will make it easier for them to enforce the judgment even though the laws of the rendering and the enforcing forums are not identical. One must keep in mind that the basic assumption is that identity is not required for recognition or enforcement of judgments. In fact, if identity is required, the international rules guarding the enforcement process are substantially less needed as previously discussed. These rules exist to address specifically those situations where substantive differences do exist, in order to promote social and legal causes such as reciprocity, cooperation and to save economic resources.

Interestingly, the idea of such a presumption of enforceability may already be found in other legal systems. For example, the recognition and enforcement of judgments system in Germany established in Section 328 of the Code of Civil Procedure (Zivilprozessordnung, ZPO) provides a negative list of grounds for refusal of such recognition. In other words, it assumes the recognition of such judgments as a general rule.⁴³⁴ Recognition will not take place for certain reasons such as lack of jurisdiction, fault in service of process, obvious incompatibility with German legal principles, and the absence of any guarantee of reciprocity.⁴³⁵

After the proposed convention is adopted, it can be expected that case law interpreting the convention will emerge thus creating additional jurisprudence. The new rules created by case law with respect to the reasons why not to enforce judgments can later be inserted as rules or standards into the convention through negotiations.

⁴³⁴ See Blumer, *supra* note 70, at 383.

⁴³⁵ See *id.*, at 384.

For the presumption to arise, the party addressing the court or seeking recognition or enforcement of the foreign judgment must only prove that the judgment is genuine. For that to happen, she must carry the burden of providing a true, correct, and authenticated copy of the judgment at issue. This is a very simple rule that may be easily complied with. The purpose of the rule is to make it as easy as possible for people to have favoring judgments recognized and enforced in foreign countries. Once this requirement has been complied with and the presumption established the opposing party must satisfy the burden of proving that there is a legitimate reason for the court addressed to refuse the recognition or enforcement of the judgment. As I will later discuss, there are several reasons why a foreign judgment should not be enforced. These reasons include, among others, neglect to follow due process of law and violation of the addressed jurisdiction's public policies.

Once the presumption of enforceability is established there are only two ways in which it can be overruled. The person against whom the foreign judgment is being recognized or enforced, namely the defendant in the recognition and enforcement procedure, initiates the former, while the court addressed initiates the latter. The reasons for refusal to recognize and enforce the foreign judgment in both of these situations are inherently different. The defendant may overcome the presumption of enforceability by arguing and providing evidence that there were certain problems during the litigation of the case in the foreign court that justify such a refusal, because otherwise justice would be impaired. The best example for such a refusal is if the rendering court had not followed "due process of law." This may include situations where the defendant did not

have her day in court and was not provided with the opportunity to be heard or provide evidence. This is not a closed list and other examples can be provided.

The addressed court may also refuse to recognize and enforce the judgment by its own initiative. However, the court's discretion is limited to those situations in which the underlying public policies in the enforcing jurisdiction would be violated or contradicted if the judgment is recognized or enforced. This discretion, however, should be extremely limited and utilized only in rare situations, because otherwise it would interfere with the delicate balance between the rendering country and the enforcing country, thus avoiding any potential excuses for retaliation. One should note that the purpose of the solution is to create a standard, which can later evolve through interpretation and additions, as occurred in the past with regard to the unfair competition-Lanham Act, section 43, example.

One may ask what is the legal basis and source for the creation of a presumption of enforceability. After all, this term does not appear in the relevant literature. The answer I believe can be drawn from Article 41 of the TRIPS Agreement. It is my argument that the obligation to recognize and enforce foreign intellectual property judgments is not a new one. In fact, all of the TRIPS Members have already taken such an obligation when they signed the TRIPS Agreement in 1994. After all, "the principal motive forces for including intellectual property rights as a subject matter of the Uruguay Round of the GATT was the perception that the existing international intellectual property regime lacked effective enforcement."⁴³⁶ There is no logic in arguing that these efforts intended to be limited to the provision of intellectual property rights within the territories of the Member States. After all, this is an international instrument that addresses relations

⁴³⁶ Blakeney , *supra* note 133, at 43.

between countries and promotes the desire “to reduce distortions and impediments to international trade, and taking into account the need to promote effective and adequate protection of intellectual property rights, and to ensure that measures and procedures to enforce intellectual property rights do not themselves become barriers to legitimate trade.”⁴³⁷ The need for an international instrument that regulates this issue is more procedural than substantive. Certainly the drafters of the TRIPS Agreement did not intend to provide the Member States with means to grant and protect intellectual property rights that cannot eventually be effective and enforced. Article 41 specifically requires the TRIPS Members to ensure in their national laws that they can effectively take actions against any acts of infringement of intellectual property covered under the scope of the agreement.⁴³⁸ These include expeditious and other remedies to prevent and deter from future infringement. In no way does the TRIPS Agreement limit itself to actions or judgments within the territory of each country. The language of Article 41 is very broad and seems to include acts of infringement of intellectual property rights, which have some effect in other Member countries, even though they originate in the enforcing country. In other words, an international obligation to recognize and enforce foreign

⁴³⁷ Preamble to the TRIPS Agreement.

⁴³⁸ Article 41 of the TRIPS Agreement provides: “Members shall ensure that enforcement procedures as specified in this Part are available under their law so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements. These procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”

judgments with respect to intellectual property rights is already in place and a new one does not need to be established. All we need is the procedural measures to implement it.

A major question that we must pay attention to is whether these exceptions to the presumption of enforceability should be drafted in a broad or narrow manner. The purpose of this exercise is clear. A narrow definition shall allow the presumption to hold up in more cases than if it were the other way around, thus making it more difficult to overcome the presumption and vice versa.

The answer to this question depends in many ways on what exactly we want to achieve by adopting such a presumption, and what are the underlying policies we believe are suitable. As I previously discussed thoroughly, there are many reasons for the growing need for an international instrument regulating the issue of recognition and enforcement of foreign judgments. Arguably, if our goal is to adopt such an instrument, the best way would be to draft very narrow exceptions and limitations to the presumption, thus enabling as many judgments as possible to be recognized and enforced, and only in extreme situations refusal to do so would be justified.

However, adopting such an approach may prove to be extremely dangerous and make such an attempt futile. There is great fear among countries to enter into an international obligation that would force them to recognize and enforce foreign judgments. This fear sometimes results from the unknown. Each country has its own laws and legal traditions, and would oppose any attempt to coerce it to comply with rulings of foreign courts. This fear is very hard to overcome and it is probably another major reason for the failure of previous attempts to achieve this goal. These parties are aware of the advantages that such an instrument may provide their citizens, namely protection of their

rights in foreign countries who are also members of the convention, but are paralyzed by the possibility that other courts would interfere with their jurisdiction. Therefore, at the end of the day, when they look at the equilibrium of “pros and cons” of joining such an instrument, they prefer losing the advantages and avoiding the disadvantages. The solution, therefore, would be to enable member countries to avoid recognition and enforcement by drafting very broad exceptions to the general presumption of enforceability. Such a solution would make it easier for many countries to join the instrument despite their fears, because the existence of broad exceptions may serve as a relaxation pill, since they know that despite the fact that they undertook such an international obligation, they may still avoid doing so without violating their international obligation by simply utilizing the broad exceptions. After many countries join and sign the instrument and the system functions smoothly for several years, the trust among the participating countries is expected to grow. We can then try to gradually narrow these exceptions to enable the recognition and enforcement of even more judgments. By then, we can hope that the routine daily functioning of the system proposed will produce precedents, and general and more widely accepted rules, that would make it easier for the system to function more smoothly. This process will probably take many years and no one should expect a miracle solution. Building trust among sovereign nations, especially when interference with their jurisdiction is involved, is a lengthy process. What I am proposing is simply to plant the seeds for the future.

6. Any Solution must be Part of the Framework of the TRIPS Agreement

There are several arguments to support the idea that an instrument which is limited in scope to intellectual property rights and drafted within the framework of the

TRIPS Agreement is more likely to succeed, be adopted, and implemented, than a more general instrument, such as the one resulting from the Hague negotiations. The first to propose this idea were Professors Dreyfuss and Ginsburg. It seems that the advantages and benefits that a narrower instrument limited to intellectual property rights may produce exist both in the negotiations stage and in the implementation stage. First and foremost, a limited instrument will enable the negotiating parties to concentrate on the issues that are unique to intellectual property and thus save time and resources. This will also enable the parties to concentrate on substantive issues that are unique to intellectual property rights and their intangibility.⁴³⁹ For example, a major question with respect to the enforcement of foreign judgments is that involving public policy. As I will later discuss, almost any major instrument addressing the issue of recognition and enforcement of foreign judgments contains a public policy exception. What exactly constitutes public policy for that purpose is not entirely clear. Therefore, if the instrument is more limited in scope to include only intellectual property rights, more time and resources can be spent to address and define this term.

A second reason to prefer an intellectual property limited instrument is that such an approach will create synergies that may not be otherwise gained. Those countries that are currently Members of the TRIPS Agreement have already undertaken upon themselves to protect intellectual property rights. Thus, it may be expected that these countries will have less objection to the concept of the need for protection of intellectual property rights abroad. Furthermore, by doing so, we can take advantage, during the negotiation period, of the WIPO infrastructure and institutions.

⁴³⁹ See Dreyfuss-Ginsburg Proposal, *supra* note 320, at 1.

An intellectual property only instrument will also enable the international community to take advantage of certain features that can already be found within the TRIPS Agreement. For example, parties will be able to take advantage of the already existing requirements for due process of law that appear in Articles 41 and 42 of TRIPS, thus eliminating certain points of controversy.

From an enforcement and implementation perspective, if a country is not fulfilling its obligations under the agreement we can utilize the dispute resolution mechanism under TRIPS to make this country conform to its international obligations.⁴⁴⁰ This would also provide the participating parties with a certain degree of flexibility in making adjustments to the convention as reality changes.

7. Procedural Requirements

Before a judgment can be recognized or enforced by a foreign court, certain procedural pre-conditions should be followed. The purpose of these conditions is to convince the addressed court that the judgment at issue is indeed what it pertains to be, and that there are no other proceedings in the country where the judgment was rendered that can affect the enforcement proceedings. These procedural requirements are very common in such instruments.

A. Proof of Authenticity of the Judgment

The first requirement is that the party seeking recognition or applying for enforcement of the judgment furnish the addressed court with a complete and

⁴⁴⁰ *See id.*, at 2.

authenticated copy of the decision.⁴⁴¹ The purpose of this requirement is to assure the authenticity of the document setting forth the judgment in order to avoid any misunderstandings and avoid a situation where the addressed court accidentally enforces a fake judgment.

Things get more complicated when the decision now being recognized or enforced was rendered by default, namely without the appearance of the defendant in court and without the latter being able to present a defense. Many countries allow in their civil procedure rules the rendering of a default judgment against a defendant if no appearance is made. The rendering of such judgment is usually conditioned upon proving that the defendant knew or should have known about the ongoing proceedings. Such knowledge is traditionally accomplished by proving that service of process was duly made on the defendant. For example, the Court of Appeals for the D.C. Circuit enforced a default judgment rendered by an Israeli court even though the service of process was made in Hebrew rather than English, a language, which the defendant does not read.⁴⁴² The court explained that there was personal service of process by the plaintiff's attorney that was legal under Israeli rules of civil procedure and "[i]t would be insulting were [the court] to require that the Israeli legal machinery adapt itself by translating the official language of that country, Hebrew, into any defendant's language."⁴⁴³ The court made it clear that "[i]t is not alleged that the Israeli court lacked competent jurisdiction, nor is the

⁴⁴¹ See, e.g., Article 13 of the 1971 Hague Convention, Article 26(1) of the Dreyfuss – Ginsburg Proposal, Article 29 of the Proposed Hague Draft, and Article 46 of the Brussels Convention.

⁴⁴² See *Tahan v. Hodgson*, 662 F.2d 862 (1981).

⁴⁴³ *Id.* 865.

general integrity of the Israeli judicial system questioned, nor is it alleged that the judgment rendered in this case was fraudulent.”⁴⁴⁴

Therefore, in order to avoid any misunderstandings most international instruments addressing this issue requires that “in the case of a judgment given in default, the original or a certified true copy of the document which establishes that the party in default was served with the document instituting the proceedings or with an equivalent document”⁴⁴⁵ must be produced to the court by the party requesting enforcement.

B. Translation of the Judgment

The addressed court is also entitled to request the party asking recognition of the foreign judgment to provide the court with a translation of all the relevant documents.⁴⁴⁶ Such translation will allow the addressed court to judge for itself what the rendering court intended in its decision and avoid subjective interpretation of the judgment by the requesting party. Unfortunately, some courts’ decisions are not always absolutely clear and therefore, the enforcing authority needs to engage in its own interpretation process. As a result, the translation must be accompanied by an affidavit subject to the rules of evidence of the rendering country indicating that the translation is reliable or by a certificate provided by a diplomatic or consular agent. This requirement, however, should

⁴⁴⁴ *Id* 864.

⁴⁴⁵ Article 46(2) of the Brussels Convention. *See also* Article 13(2) of the 1971 Hague Convention, Article 26(1)(b) of the Dreyfuss – Ginsburg Proposal, and Article 29 of the Proposed Hague Draft.

⁴⁴⁶ *See* Article 48 of the Brussels Convention and Article 13(4) of the 1971 Hague Convention.

not be mandatory and courts may rely on their own ability to read the judgment and the order of the rendering court without the need to rely on a third party's translation.

C. Res Judicata

Another relevant requirement is proving to the enforcing court that the judgment has the effect of “*res judicata*” in the rendering forum and is now enforceable in that state. One of the fundamental requirements in many legal systems for the recognition and enforcement of foreign judgments is *res judicata*. The concept of *res judicata* originated in Roman law, but its appearance in English law has Germanic roots. *Res judicata* means that the judgment must be final and conclusive before it can be recognized.⁴⁴⁷ It merges the “plaintiff’s cause of action in the judgment – that is, he may not re-litigate the same claim – and the bar which the successful defendant may interpose against a second action on the same claim.”⁴⁴⁸ In general, the effect of such a judgment is that the parties are prevented from raising the same issue between themselves in any other proceedings. A non-final decision such as preliminary equitable decisions (i.e. preliminary injunctions) does not have the effect of *res judicata*.

Generally, there are two bases to support the doctrine of *res judicata*. The first is the interest of the public at large that the dispute between the parties shall end. The second refers to “a principle of justice and fairness that no one ought to be troubled twice

⁴⁴⁷ *Res judicata* and *autorite de chose jugee* have the same meaning in common law and civil legal systems. See Nygh & Pocar, *supra* note 253, at 96.

⁴⁴⁸ Scoles et al., *supra* note 76, at 1141.

for the same claim.”⁴⁴⁹ There is a conflict, however, between common law and civil law concerning the exact point in time in which judgments become *res judicata*. At common law a judgment is considered to be *res judicata* as soon as the rendering court in ordinary proceedings can no longer reconsider the issue.⁴⁵⁰ In other words, a judgment may be recognized on “the condition that the subject-matter has been raised and controverted before the earlier tribunal and cannot be re-opened in the same court by further proceedings,”⁴⁵¹ although it can still be appealed or reviewed by a higher court. Israel, however, although being a common law based country, considers a judgment to be *res judicata* only after it can no longer be appealed to a higher court in the technical meaning of the word. It does not matter that it might be later revised or canceled in a special proceeding by the court rendering the judgment.⁴⁵² The civil law system, on the other hand, requires that the judgment no longer be subject to any ordinary⁴⁵³ forms of review

⁴⁴⁹ PETER BARNETT, *RES JUDICATA, ESTOPPEL, AND FOREIGN JUDGMENTS: THE PRECLUSIVE EFFECTS OF FOREIGN JUDGMENTS IN PRIVATE INTERNATIONAL LAW* 4 (2001).

⁴⁵⁰ “Ordinary proceedings” do not include the setting aside of the judgment by the same court that rendered the judgment in special and extreme circumstances, such as “extrinsic fraud” or “denial of natural justice.” See Nygh & Pocar, *supra* note 253, footnote 159.

⁴⁵¹ Barnett, *supra* note 449, at 49.

⁴⁵² See Section 3 (2) of The Enforcement of Judgments Law, 1958. See also Carlo Novilli *Rovinteria v. Moshe Katan*, *Takdin Elion* 2000 (3), 1407.

⁴⁵³ The meaning of “ordinary” depends on the law of the country that rendered the judgment. It can mean an appeal to the next level of intermediate court, or it can mean an appeal to the country’s highest court. See Nygh & Pocar, *supra* note 253, footnote 161.

or appeal.⁴⁵⁴ For example, in Germany the decision is considered to be *res judicata* only after it is considered “*formelle rechtskraft*,” which means that it can no longer be “impugned through ordinary methods of review.” In France the judgment is considered to be “*autorite de chos jugee*” as soon as it is pronounced, but it is suspended as soon as review proceedings are initiated. Only when the decision can no longer be impugned it is considered to be “*res judicata*” (“*force de la chose jugee*”).⁴⁵⁵

This is also true in the intellectual property context. Consider an example in which a German court recognizes the fact that a company is the owner of a very famous trademark and awards the plaintiff with monetary relief, and afterwards the winner asks an American court to enforce the judgment against the same defendant. The American court will have to reject the enforcement request as long as the judgment can still be appealed in Germany, although it could have enforced a similar judgment that was given in the U.S. This way the American court can prevent the German judgment from gaining more influence and power outside the German borders than in Germany itself.

This distinction, for example, has great significance with regards to stay of proceedings as a result of a “*lis alibi pendens*”⁴⁵⁶ claim. Thus, the Preliminary Hague Draft, in order to avoid interpretation conflicts between different countries, left the determination of when a judgment becomes *res judicata* to the laws of the country giving the judgment.

⁴⁵⁴ See Nygh & Pocar, *supra* note 253, at 97.

⁴⁵⁵ *Id.*

⁴⁵⁶ See *infra* for definition of the term “*lis alibi pendens*”.

A very significant element of the *res judicata* doctrine is the similarity of the parties. As a general rule, attempts to rely upon the preclusive effects of a foreign judgment in subsequent proceedings are limited to the same parties or privies that were members of the original litigation in the rendering court. If the parties are not identical, the judgment has no effect. The logic behind this rule goes to the basic notions of almost every legal system, which prohibit the taking of legal rights without due process of law. If the one against whom the judgment is being enforced was not involved in the hearings in the rendering court, and was not given the opportunity to be heard and to raise any claims, defenses or arguments, the judgment cannot be enforced against her.⁴⁵⁷

In England, the common law Doctrine of Privity provides that “the only persons who can take advantage of the preclusive effects of a judgment, or be bound by it, are the parties or privies to the proceedings from whence the judgment derived.”⁴⁵⁸ As a result, the parties in both proceedings need to be identical, or at least privies of those involved in the initial proceedings. It is the one seeking the enforcement of the foreign judgment that carries the burden of establishing that the parties engaged in the enforcement proceeding are those that were engaged in the original proceedings or in privity with them.

The term parties usually refer to the parties that are named on the records as the parties to the original litigation in the rendering court. However, there are numerous examples in which privies may also enforce a foreign judgment rendered in proceeding of which they were not a part. In that respect, the privies are entitled to have the foreign judgment enforced in their favor if they claim for “a title or right under, through, or on

⁴⁵⁷ Barnett, *supra* note 449, at 62.

⁴⁵⁸ *Id.*

behalf of, a party bound.”⁴⁵⁹ The basis for the privity between the parties may be that of blood, title or interest. Privies in blood usually refer to ancestors and heirs, while privies in title usually refer to those who upon the death or insolvency of the person succeed to her rights or liabilities. Privies of interest are those who have some kind of interest in the previous litigation or its subject matter, whether legal or beneficial.⁴⁶⁰ If we take this notion one step further, we can argue not only that the parties in both proceedings should be the same, but that they should also represent and protect the same ideas and stands which they protected in the first proceedings “for a party who litigates in a different capacity or in different rights is in law a separate person.”⁴⁶¹ This idea goes all the way back to the Roman law idea of *res judicata*.

When dealing with intellectual property rights, the question of the parties involved seems to be sufficiently regulated. Intellectual property rights are first and foremost property rights. As such, they are well defined and are easily transferable. This means that there may be differences between different regimes with respect to the substantive determination of the right and the requirements for its establishment, but as soon as the right is granted, it can be transferred fairly easily by sale or by inheritance. Under international instruments such as the TRIPS Agreement, the major intellectual property rights such as copyrights, patents and trademarks survive the death of the owner of the right. For instance, patent rights under TRIPS are protected for a period of twenty years from the filing date without limiting their existence to the survival of the patent

⁴⁵⁹ *Id.* at 68.

⁴⁶⁰ *Id.* at 69.

⁴⁶¹ *Id.* At 65.

holder.⁴⁶² Similarly, copyrights under the Berne Convention as incorporated by Article 9(1) of TRIPS are protected until fifty years after the death of the author⁴⁶³ and trademarks are protected indefinitely upon seven years repeating renewals of the right.⁴⁶⁴ These provisions indicate that intellectual property rights survive the death of the author or inventor. Therefore, any person who receives the intellectual property rights upon the death or bankruptcy of the original inventor or author is deemed a party to any legal proceedings in which the latter had been involved, and is bound by any decision granting rights or creating obligations with respect to these rights.

Furthermore, at least when monetary judgments are involved, the grant of a judgment creates in and of itself a new obligation, which can be argued to be separate and independent from the original intellectual property right, which was the subject matter of the original litigation. This obligation has nothing to do with the intellectual property right and therefore, can be easily transferred, even if it is enforced by someone that had nothing to do with the original litigation and received the right by way of inheritance, or even by sale under certain circumstances.

There are significant differences between judgments *in rem* and judgments *in personam* with respect to the enjoyment of the effects of *res judicata*. Naturally, the effect that a judgment *in rem* has is significantly broader than the effect that a judgment *in personam* has, due to the fact that the latter is limited to the parties involved in a certain dispute, rather than the whole world as in the former situation.

⁴⁶² See Article 33 of the TRIPS Agreement.

⁴⁶³ See Article 7 of the Berne Convention.

⁴⁶⁴ See TRIPS Agreement Article 18.

Intellectual property rights in that sense are quite unique because they mix elements of both worlds. As a general rule, when one is granted a patent right and the right is registered in the local patent office in the territory, the right is *in rem*. The right is not valid, however, against the whole world due to its territorial nature, but it is a good right against anyone in the territory in which it is in effect. In other words, the *in rem* characteristics of the right are limited to the territory in which it is registered, or the territory in which it was granted if no registration exists.

Traditionally, a foreign judgment addressing the status of an object is usually considered to have an *in rem* effect. If the litigation involves the question of the validity of the intellectual property right, the judgment will have broad effect against the whole world. This may have a fundamental impact on the ability of someone who objects to the enforcement of a foreign judgment to raise the issue of the validity of the underlying intellectual property right, even if he had not been a member to the proceedings in which the validity of the intellectual property right was decided.

A judgment however, that is granted against one who infringed the right within the protected territory, has the characteristics of an *in personam* judgment. The reason is that the judgment aims at stopping or compensating a specific infringement by a certain person or entity of an *in rem* right. The direct result is that theoretically, if the whole world would interfere with the patent right of the holder, she would be required to obtain *in personam* judgments against each and every one of the individuals in the world based on her *in rem* right. From an international perspective, this makes it very difficult for one to protect fully these rights.

Most interestingly, the Brussels and Lugano Conventions do not include a *res judicata* clause that makes it a preliminary condition to the recognition and enforcement of foreign judgments. However, before a judgment can be recognized under the Preliminary Hague Draft it must first have the effect of *res judicata*. Article 25 (2) provides that “[i]n order to be recognized, a judgment referred to in paragraph 1 must have the effect of *res judicata* in the State of origin.” This language has several purposes. First, it excludes from the scope of the proposed draft all preliminary and non-final judgments and orders, such as preliminary injunctions. Secondly, it solves the debate regarding the applicable law to determine the *res judicata* question by providing that it is to be solved by the laws of the country where the judgment was rendered. However, since this term does not necessarily have the same meaning in every legal system, different alternatives have been proposed.⁴⁶⁵

It is important to clarify that the enforcing court is not entitled to make any additional procedural requirements. The reason is that we must try to avoid any attempts to circumvent the recognition and enforcement of foreign judgments mechanism by creating unnecessary procedural obstacles. If we let every court come up with additional requirements before recognition and enforcement are allowed, we simply empty the whole instrument from content, as the addressed court would be able to establish additional demands before actual enforcement takes place.

⁴⁶⁵ The second alternative in Article 25 of the Proposed Hague Draft provides: “A judgment referred to in paragraph 1 shall be recognized from the time, and for as long as, it produces its effects in the State of origin.”

8. Exceptions to the General Enforcement Rule

One of the most important goals of my proposal for an international convention for the recognition and enforcement of foreign intellectual property judgments is to make it attractive enough so that as many countries as possible would choose to become members of the convention. The more countries that join, the more effective and useful the convention is. In the previous chapters, I have indicated that many countries fear that by joining such an instrument they surrender elements of their sovereignty and independence and therefore, they have chosen in the past to avoid becoming parties to such proposals. In order to overcome this fear, I propose, as part of my simple convention solution, to provide very broad exceptions to the general presumption of enforceability. By doing so, we can try and convince such hesitating countries that they can be comfortable joining the convention because if a need arises, they can find refuge by utilizing one of the broad exceptions to refuse the recognition or enforcement of the specific judgment. These broad exceptions provide a safe harbor that can eliminate, in the eyes of the hesitating countries, some of the risk involved in joining the convention. Thus, they can comfortably undertake the international obligation involved and at the same time protect their sovereignty and independence by using these broad exceptions.

A. The Due Process Argument

One of the most significant arguments that is made against the recognition and enforcement of foreign judgments, especially by American scholars, is the one involving “due process” of law. The due process requirement is among the most fundamental pillars of the American legal system and an integral part of its Constitution. They argue that courts in many countries around the world are not following even the basic requirements

and notions of due process of law and therefore, the judgments they provide are not worthy of being recognized and enforced. In other words, they argue that it would be unjustified and contrary to their basic beliefs and what these legal systems represent, to recognize or enforce a judgment, which was obtained without complying with fundamental requirements of due process. The idea behind these arguments is that we cannot put the defendant at a disadvantage simply because the litigation took place in another forum.

I argue that this reason for refusing to recognize or enforce foreign judgments is not as convincing with respect to intellectual property judgments as it is with respect to other judgments. The reason for this argument is found in certain provisions contained in the TRIPS Agreement. As previously mentioned, intellectual property law has been undergoing a significant process of harmonization during the last hundred and twenty years. The TRIPS Agreement is a very unique attempt to create an international instrument that regulates many aspects of one legal field. The TRIPS harmonization process is not limited to substantive intellectual property law, but also addresses the way these rights are administered. Two elements in the TRIPS agreement are important to establish my argument. First, in order to be a Member of GATT and the WTO every country must also sign the TRIPS Agreement. The result is that many countries have signed this agreement and have to abide by its provisions even if they are not very comfortable doing so, in order to advance other commercial interests that they may have on their agenda.⁴⁶⁶ As a result, many countries that do not necessarily have a strong

⁴⁶⁶ “[T]he TRIPS Agreement was concluded as part of a Uruguay Round bargain which included the granting of concessions to developing countries in the field of agriculture and textiles, and the

interest in protecting intellectual property rights do so in order to be able to enjoy other benefits they receive by remaining Members of GATT and the WTO. The second element of the argument is that countries that do not comply with the provisions of the TRIPS Agreement may be sanctioned for their behavior under its provisions. In other words, “[t]rade sanctions may be collectively authorized to assure compliance by WTO Members with TRIPS obligations.”⁴⁶⁷

Interestingly, the TRIPS Agreement itself satisfies some of the basic requirements of due process of law and these requirements are inherent in, and an integral part of, this agreement. In fact, Part III of the TRIPS Agreement is dedicated to assure the enforcement of intellectual property rights. The inclusion of the enforcement section in the TRIPS Agreement is considered by many to be one of the most significant achievements of the TRIPS negotiations.⁴⁶⁸ As a result, if the TRIPS Agreement satisfies basic notions of due process of law, and since every member to my proposed convention must also be a Member of the TRIPS Agreement, the justification for the due process exception to the general enforcement rule is significantly reduced because the different countries have already undertaken the obligation to provide it.

It is interesting to compare the requirements set forth in the landmark decision of *Hilton v. Guyot* with respect to the recognition and enforcement of foreign judgments,

incorporation of transition periods in favor of developing countries in the TRIPS Agreement and other parts of the WTO Agreement text.” FREDERICK ABBOTT ET AL., *THE INTERNATIONAL INTELLECTUAL PROPERTY SYSTEM: COMMENTARY AND MATERIALS*, 339 (1999).

⁴⁶⁷ *Id.* at 359.

⁴⁶⁸ *See* Gervais, *supra* note 203, at 197.

with the general obligations that the Members of TRIPS undertook regarding the enforcement of intellectual property rights. If indeed I were correct in my argument that basic elements of due process of law, in its American form, already appear in the TRIPS Agreement, recognition and enforcement of foreign intellectual property judgments would be much easier because the rendering court is already required to provide these minimum standards of due process.

The case of *Hilton v. Guyot* sets the basic standard in the U.S. for recognition and enforcement of foreign judgments and is instructive as to the basic requirements of due process of law. The U.S. Supreme Court held:

“In view of all the authorities upon the subject, and of the trend of judicial opinion in this country and in England, following the lead of Kent and Story, we are satisfied that where there has been opportunity for a full and fair trial abroad before a court of competent jurisdiction, conducting the trial upon regular proceedings, after due citation or voluntary appearance of the defendant, and under a system of jurisprudence likely to secure an impartial administration of justice between the citizens of its own country and those of other countries, and there is nothing to show either prejudice in the court, or in the system of laws under which it was sitting, or fraud in procuring the judgment, or any other special reason why the comity of this nation should not allow it full effect, the merits of the case should not, in an action brought in this country upon the judgment, be tried afresh, as on a new trial or an appeal, upon the mere assertion of the party that the judgment was erroneous in law or in fact. The defendants, therefore, cannot be permitted, upon that general ground, to contest the validity or the effect of the judgment sued on.”⁴⁶⁹

Similarly, the Restatement provides that “[a] court in the United States may not recognize a judgment of the court of a foreign state if the judgment was rendered under a judicial system that does not provide impartial tribunals or procedures compatible with

⁴⁶⁹ *Hilton v. Guyot*, *supra* note 7, at 202-203.

due process of law.”⁴⁷⁰ The Restatement, however, does not exactly define what due process of law means in this context, and this is left for the interpretations of the various courts. The Restatement’s Official Comment does make a reference to the passage from the U.S. Supreme Court decision in *Hilton v. Guyot* quoted above, as a potential source for such interpretation. In addition, “[e]vidence that the judiciary was dominated by the political branches of government or by an opposing litigant, or that a party was unable to obtain counsel, to secure documents or attendance of witnesses, or to have access to appeal or review, would support a conclusion that the legal system was one whose judgments are not entitled to recognition.”⁴⁷¹

Article 41(1) of TRIPS sets the general principles for the enforcement of intellectual property rights. It provides the following:

“Members shall ensure that enforcement procedures as specified in this Part are available under their national laws so as to permit effective action against any act of infringement of intellectual property rights covered by this Agreement, including expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements.”

This Article does not limit itself to remedies after the infringement had taken place, but rather also addresses the issue of prevention of intellectual property infringements, including expeditious remedies to prevent infringement.⁴⁷²

⁴⁷⁰ Restatement, *supra* note 92, § 482.

⁴⁷¹ Restatement, § 482, Official Comment.

⁴⁷² The availability of measures to prevent future infringements was a major concern of some for the Southeast Asian countries that did not have preventive injunctions in their legal systems. *See* Daniel Gervais, *supra* note 203, at 197.

Following is a comparison between the requirements for due process of law under the Restatement and the *Hilton v. Guyot* case (in bold) and the requirements of the TRIPS Agreement.

Opportunity for a full and fair trial abroad: The TRIPS Agreement requires that “[p]rocedures concerning the enforcement of intellectual property rights shall be fair and equitable.”⁴⁷³ This requirement provides that the proceedings may not be unreasonably complicated or costly, or entail unreasonable time limits or unwarranted delays. The purpose of this Article is to ensure that when enforcement of intellectual property rights is involved, especially cases involving non-nationals as the main plaintiff, the procedures should not be more complicated than the customary procedures in the relevant country.⁴⁷⁴ The parties must have an opportunity to be heard and provide evidence to support their position, and the final judgment must be based on this evidence.⁴⁷⁵ Furthermore, the requirement for “fair and equitable procedures” includes the availability of civil judicial procedures.⁴⁷⁶ The merits of the case shall preferably be in writing and reasoned and should be available at least to the parties without undue delay.

Trial before a court of competent jurisdiction: Review under the TRIPS Agreement must be conducted by a “judicial authority of final administrative decisions

⁴⁷³ Article 41(2) of the TRIPS Agreement. This Article aims at assuring that procedures concerning the enforcement of intellectual property rights be fair and equitable and “[t]hey shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.”

⁴⁷⁴ See Gervais, *supra* note 203, at 198.

⁴⁷⁵ See Article 41(3) of the TRIPS Agreement.

⁴⁷⁶ See Article 42 of the TRIPS Agreement.

and, subject to jurisdictional provisions in national laws concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case.”⁴⁷⁷

Trial conducted upon regular proceedings: There is no obligation on the Members of the TRIPS Agreement to “put in place a judicial system for the enforcement of intellectual property rights distinct from that for the enforcement of laws in general.”⁴⁷⁸ In other words, intellectual property litigation under TRIPS is the same as is litigation of other issues, and it involves the regular legal proceedings provided by the laws of the relevant state.

Trial after due citation or voluntary appearance of the defendant: The TRIPS Agreement goes into great detail to assure the parties the opportunity to appear before the relevant court and present their case. Defendants have a right to receive “written notice which is timely and contains sufficient detail, including the basis of the claims,”⁴⁷⁹ parties have the right to an independent counsel, and most importantly, these “procedures shall not impose overly burdensome requirements concerning mandatory personal appearances.”⁴⁸⁰ It is a prerequisite for the validity of these proceedings that the parties be offered an opportunity to be heard.⁴⁸¹

Trial under a system of jurisprudence likely to secure an impartial administration of justice between the citizens of its own country and those of other

⁴⁷⁷ Article 41(4) of the TRIPS Agreement.

⁴⁷⁸ Article 41(5) of the TRIPS Agreement.

⁴⁷⁹ Article 42 of the TRIPS Agreement.

⁴⁸⁰ Article 42 of the TRIPS Agreement.

⁴⁸¹ See Article 41(3) of the TRIPS Agreement.

countries: This requirement is very easy to establish under TRIPS as it reflects the same idea as the National Treatment provision of this agreement, which is considered by many to be one of its cornerstones. It requires that “[e]ach Member shall accord to the nationals of other Members treatment no less favorable than it accords to its own nationals with regard to the protection of intellectual property,”⁴⁸² subject to certain substantive exceptions. There is nothing in the TRIPS Agreement to support an argument that this requirement only applies to the substantive provisions of TRIPS and not to its procedural parts. Therefore, it can be inferred that in conducting civil legal proceedings regarding the protection of intellectual property rights, the rendering court is obligated to treat foreign nationals in the same manner that it treats its own.

From this review, it is apparent that the drafters of the TRIPS Agreement went a long way to ensure that the notion of due process of law, similar to the way it is understood in the U.S., is followed and adopted by Members of the TRIPS Agreement, at least with respect to intellectual property rights. It should be noted that if this basic requirement is not followed by one of the Members of TRIPS, it risks that this issue be raised under the Dispute Settlement provisions of TRIPS by one of the other Members. This, of course, may result in the sanctioning of the violating Member, something that most countries would probably like to avoid.

I argue that since international intellectual property law, as codified in the TRIPS Agreement, requires most countries to provide due process of law in disputes concerning such subject matter, the likelihood that due process of law will not be provided is significantly lower than in other fields of law where such international obligation does

⁴⁸² Article 3 of the TRIPS Agreement.

not exist. It seems that Member countries have more to lose if sanctioned because they do not comply with these requirements than what they can gain from this. Therefore, the argument of many scholars that judgments rendered in other countries should not be recognized or enforced simply because they do not comply with basic notions of due process of law, is of substantially less influence in the intellectual property context.

One must remember that TRIPS is an agreement between countries and therefore, allegedly has no direct influence on private people. However, the fact that the rendering jurisdiction may be sanctioned under international law does not help the private person who suffered from this lack of compliance with international obligations and undertakings. Therefore, we still need the convention to include a due process of law exception so that a judge in the enforcing jurisdiction can protect the rights of the defendant without having to wait for the wheels of international law to roll. In other words, we need such an exception in the new convention, but it is expected that there will not be much of a need to use it in light of the due process obligations provided in the TRIPS Agreement.

By way of analogy, we can also turn again to the New York Convention with respect to arbitral awards. It also addresses this issue and provides that “[r]ecognition and enforcement of the award may be refused, at the request of the party against whom it is invoked, only if that party furnishes to the competent authority where the recognition and enforcement is sought, proof that: . . . the arbitral procedure was not in accordance with the agreement of the parties, or, failing such agreement, was not in accordance with the law of the country where the arbitration took place.”⁴⁸³ This Section of the New York

⁴⁸³ Article V(1)(d) of the New York Convention.

Convention allows the enforcing court to refrain from doing so if it is unsatisfied with the procedures governing the arbitration. It should be noted, however, that the scope of review of the enforcing court is clearly limited to the compliance with the laws and procedures of the country where the arbitration took place rather than that of the enforcing country. As a result, the enforcing court cannot refrain from enforcing the arbitral award simply because the procedural thresholds in the rendering country are lower than those of the enforcing country. One may even attempt to take this argument one step further and say that the potential members of any future convention on recognition and enforcement of foreign judgments should not use differences in due process of law and procedural law as an excuse against becoming members of such a convention, as they have already agreed to comply with these procedures in the past when they first accepted the provisions of the New York Convention. If the laws of the rendering court were good enough to govern arbitrations then, why should this be any different?

B. Fraud

Another basic ground for refusal by courts to recognize or enforce foreign judgments is that resulting from “fraud” by the winning party in obtaining the judgment. Long ago it was established in England and the U.S.⁴⁸⁴ that a judgment obtained by fraud may be denied recognition and enforcement in the second addressed forum.⁴⁸⁵ One major

⁴⁸⁴ In *Hilton v. Guyot*, *supra* note 7, it was held that a court can refuse to enforce a judgment if it was procured by fraud.

⁴⁸⁵ In the U.S., there is a difference between intrinsic fraud and extrinsic fraud. Intrinsic fraud relates to the actual proceedings that took place in the rendering court, such as forged documents

question that remains unanswered is the exact meaning of the term “fraud” in this context.

There are few obvious situations in which this exception might be applied and we can learn about them by analogy from other fields of law where a similar exception has been implemented. For example, under Article 4 of the Paris Convention, participating countries are expected to recognize the right of priority with regards to patents. Thus, if one managed to apply for a patent in country A, he could use the same filing date in order to register the same patent in another Contracting State - B, although someone else tried to register a similar patent in State B in the period between the two filing dates. Assume a situation where defendant tries to register a patent in country B and realizes after a while that based on the right of priority, plaintiff registered the same patent using an earlier date of registration in country A. The two parties become involved in legal litigation in country B over the right for the patent, and the plaintiff wins. In order to succeed in his suit in country B, plaintiff introduces a forged certificate of registration, according to which he registered the same patent in country A, a few days before his opponent registered his patent in country B, thus trying to take advantage of the right of priority and win the patent in country B as well. Based on this decision, the court also awards the plaintiff compensatory damages for patent infringement within its jurisdiction for the use the defendant had made of the patent before it was determined that the plaintiff is entitled to the patent based on the right of priority. Defendant is a resident of country C and all of

that were presented and perjury. Extrinsic fraud, on the other hand, deals with the rendering court’s jurisdiction and not with the actual proceedings (*e.g.*, lack of opportunity to present the case due to false misrepresentations). *SCOLES ET AL., supra* note 76, at 1169.

his assets are located within this territory. If a court in country C would be asked to enforce a judgment relating to the above-mentioned patent in favor of the plaintiff, it may refuse to do so because the judgment was obtained by fraud and the plaintiff that claimed the patent never had a legitimate right to receive it.

There are at least four types of possible frauds that can be differentiated: 1) fraud as to the jurisdiction of the court of origin, 2) fraud in relation to the applicable law, 3) fraud concerning prior notification of the defendant in the original proceeding, and 4) fraud committed in the submission of evidence to the court of origin.⁴⁸⁶ My example is based on the last type of fraud, but many examples can be provided for the other kinds as well.

These are all examples of fraud relating to the conducting of the original proceedings. Needless to say, no court needs to recognize and enforce a foreign judgment if the objecting party can provide evidence that the other party had bribed the judge rendering the judgment. After all, it is justice that we seek and this is the ultimate goal.

It is interesting to note that Section 482 of the Restatement, previously mentioned, also provides for an exception of fraud. The comment to this section, however, makes a distinction between “intrinsic” fraud⁴⁸⁷ and “extrinsic” fraud.⁴⁸⁸ It is argued that intrinsic fraud should not normally defeat recognition of the judgment of the foreign court, because these are allegedly things that could be addressed by the rendering court. The

⁴⁸⁶ Kessedjian, *supra* note 322, at 23.

⁴⁸⁷ *E.g.*, “that the judgment was based on perjured testimony or falsified documents.”

⁴⁸⁸ *E.g.*, “fraudulent action by the prevailing party that deprived the losing party of adequate opportunity to present its case to the court.” Comment to § 482.

purpose of the intrinsic fraud rule was to prevent reconsideration of disputed evidence by the enforcing court. It has been proposed by the Restatement that “[i]f the judgment could be set aside in the rendering state, the court in the United States where enforcement is sought should stay the action for enforcement in order to give the judgment debtor a reasonable opportunity to petition the rendering court to set the judgment aside, subject, in appropriate cases, to the giving of security.”⁴⁸⁹ This, however, was not the approach taken by the drafters of the Restatement (Second) of Judgments, which refused to make such a distinction.⁴⁹⁰

It is my opinion that the approach taken by the Restatement (Second) of Judgments ignoring the distinction between intrinsic and extrinsic fraud is the preferable one and any future international convention containing a fraud exception, should be interpreted broadly to contain both kinds of fraud. If justice is what we have in mind, there is no room for such a distinction. After all, it is usually the winning party who engaged in the suspicious activities that resulted in the fraud, and there is no justification to reward such party by requiring the other party to go into additional expenses and initiate additional proceedings in the rendering forum to set the judgment aside. It is true that the enforcing court is not and should not be sitting as an appellate court on the decisions of the rendering court, but this is not the issue in this case because when it comes to intrinsic fraud, the rendering court was not aware of the circumstances involving the fraud at the time the judgment was rendered, so we are not actually second-guessing its decision on this point. Furthermore, one must not forget that not always can

⁴⁸⁹ Restatement, *supra* note 92, Comment to § 482.

⁴⁹⁰ Restatement (Second) of Judgments §§ 68, 70.

the losing party return to the rendering jurisdiction to request the setting aside of the judgment, since such a procedure is not always available.

One must be very careful in utilizing the fraud exception to avoid recognition and enforcement of the foreign judgment. When intrinsic fraud is involved, many times the evidence provided to the court during the adjudication of the case is disputed by the adverse party. When the facts are disputed, reliance on disputed evidence should not be confused with intrinsic fraud, and no court should hurry into condemning a judgment based on fraud. Accusations of fraud by one of the parties are not always justified, and many times they are merely the result of a different view or method of interpretation of the facts.

Most international instruments addressing recognition and enforcement of foreign judgments contain a “fraud” exception to the general rule of enforcement,⁴⁹¹ and every future attempt to create such a convention should also contain such a provision.

C. Public Policy

Probably the most important exception to the presumption of enforceability is that involving “public policy.” “This provision is traditionally found in all national laws and in all the international conventions, whether bilateral or multilateral.”⁴⁹² There seems to be a consensus about the need for a public policy exception and it can be found in most

⁴⁹¹ E.g., Article 25(1)(e) of the Dreyfuss-Ginsburg Proposal provides that “[r]ecognition or enforcement of a judgment may be refused if . . . the judgment was obtained by fraud in connection with a matter of procedure.” See also Article 28(1)(e) of the Preliminary Hague Draft.

⁴⁹² Kessedjian, *supra* note 322, at 21. See also The American Law Institute, *supra* note 100, at 26.

international instruments.⁴⁹³ The problem with this exception is that we know why we need it, but we are not sure what it exactly means.

In many countries, this rule originated in the laws of contracts. Many contract statutes forbid enforcement of contract provisions that are against the public policy of the state. The purpose is clear: it aims at protecting the state and its citizens from circumvention of the law by contracting around it. The same idea follows in the field of private international law with respect to the recognition and enforcement of foreign judgments. If the addressed court thinks that enforcing the judgment would violate the public policy of the country addressed, it is entitled and even obligated to refuse to do so.

The exact meaning of the term “public policy” or “*ordre public*,” as it is known in several countries, is not entirely clear. Once again, the case law in this field is not uniform, and different opinions have been introduced. In order to determine whether it is justified to refuse recognition and enforcement of foreign judgments, courts are using different tests. For example, in the U.S. “[t]he public policy exception operates only in those unusual cases where the foreign judgment is ‘repugnant to fundamental notions of what is decent and just in the State where enforcement is sought,’”⁴⁹⁴ or when the

⁴⁹³ See Article 50 of the Brussels Convention, Article 5(1) of the 1971 Hague Convention and Article 28(1) of the Proposed Hague Draft. See also Article V(2)(b) of the New York Convention holding that “[r]ecognition and enforcement of an arbitral award may also be refused if the competent authority in the country where recognition and enforcement is sought finds that: . . . The recognition or enforcement of the award would be contrary to the public policy of that country.”

⁴⁹⁴ *McCord v. Jet Spray Intern. Corp.*, 874 F.Supp. 436 (D.Mass. 1994) (enforcing a Belgian judgment as a matter of law and awarding damages to an employee for breach of an employment

judgment “‘tends clearly’ to undermine the public interest, the public confidence in the administration of the law, or security for individual rights of personal liberty or of private property.”⁴⁹⁵ Thus, it is highly unlikely that an American court would agree to use its jurisdiction over a foreign entity that has a branch in a U.S. territory, if it would be asked to determine the rights of this entity to intellectual property in its home country.⁴⁹⁶ It was Judge Cardozo who defined public policy as “some deep-rooted tradition of the common weal.”⁴⁹⁷ The Restatement also addresses this issue in Section 482 by providing for an exception to the general rule of enforcement if “the cause of action on which the judgment was based, or the judgment itself, is repugnant to the public policy of the United States or of the State where recognition is sought.” The Comment to this Section defines public policy as “fundamental notions of decency and justice.”

Along these lines, the American Law Institute is drafting its version of the public policy exception in its recent enforcement project. This definition is extremely important when one is dealing with substantively un-harmonized intellectual property regimes. Under this very narrow definition, “[t]he fact that the judgment in question is based on a

contract because it was not repugnant to the public policy of Massachusetts, despite the differences between Belgian and Massachusetts law on this point). *See also* The Restatement, § 482.

⁴⁹⁵ *Ackerman v. Levine*, 788 F.2d 830, 841 (2nd Cir. 1986) (partly enforcing a foreign default judgment rendered by a West German court).

⁴⁹⁶ *See Vanity Fair Mills v. Eaton Co.*, *supra* note 61.

⁴⁹⁷ *Loucks v. Standard Oil Co.*, 224 N.Y. 99, 111 (1918). In this case, the question was whether a right of action under a Massachusetts statute might be enforced by New York courts.

cause of action not known (or previously abolished) in the United States should not lead to denial of enforcement.”⁴⁹⁸

Even more important is the fact that different countries have different ideas as to what this term means, and that what is considered to be a public policy in one country is not necessarily a public policy in another. To a certain extent, the public policy exception is a protection mechanism that provides countries with the ability to protect the very basic ideas and principles that guide them. Generally, the public interest at issue in intellectual property cases is the protection of the public domain. For example, the Preamble to TRIPS recognizes “the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives.” In cases where intellectual property rights are involved, the question is whether a nation could or should be allowed to have idiosyncratic notions about the public domain. Clearly some countries, such as the U.S. in the *Yahoo!* case previously discussed, insist on their idiosyncratic notions (e.g. about the First Amendment).

I believe, however, that there are other public policies involved that courts should be and are allowed to take into consideration. For example, the TRIPS Agreement recognizes in Article 31 the concept of compulsory licenses in cases of “a national emergency or other circumstances of extreme urgency.” Similarly, TRIPS in Article 27 allows its Members to exclude inventions from patentability when it is necessary to protect public order (“ordre public”), or morality, including protection of human, animal, or plant life or health. Therefore, I believe that it is broader in scope and more complicated than one can describe it. Thus, in certain situations there may be conflicting

⁴⁹⁸ The American Law Institute, *supra* note 100, at 27.

public policies that can influence the decision of whether to recognize or enforce the foreign intellectual property judgment. Since each country is different from the others, there is no wonder that the public policies guiding them are different as well.

This vagueness in determining what public policy means creates numerous problems. One may even dare argue that the term public policy has an inherent conflict. This term exists in the international sphere. It appears in international instruments and aims at providing countries with a mechanism that will enable them to refrain from recognizing and enforcing foreign judgments, even though all other requirements were met. This is their last resort. On the other hand, the determination of what exactly constitutes public policy is done not in the international sphere but rather in the national sphere, namely by national courts. In other words, we are facing a situation where international law provides a mechanism that can be only interpreted by national laws. Hence, we assume that French public policy is different from British public policy, which is different from American public policy, and we accept this notion.

The hardest question with respect to public policy is how far should we stretch the use of this concept to regulate activities taking place outside the geographical and political borders of the recognizing or enforcing jurisdiction. With the changes in technology and the fading of borders, this is expected to become a fundamental question, and the *Yahoo!* Case previously discussed is a wonderful example of the complexity of the questions involved. It is my argument that a distinction needs to be made between the application of the public policy exception to recognition and enforcement of foreign judgments in cases where the behavior to be regulated takes place outside the borders of the enforcing jurisdiction, and those cases in which the regulated behavior is to take place

inside the borders of the enforcing jurisdiction. Extraterritorial application of the public policy exception should be viewed very suspiciously because it increases tensions between the relevant jurisdictions. Despite the fading of political and geographical borders, there is still a very strong sense of self-government and control among countries. Therefore, outside interference will not be viewed favorably, and we will result in achieving the exact opposite of what we initially wanted to achieve, namely recognition and enforcement of foreign judgments.

The drafters of the Preliminary Hague Draft used the words “manifestly incompatible” with public policy. This means that the right to refuse to enforce or recognize foreign judgments should be carefully and seldom used, and only in extreme situations. The drafters did not mean that simply because the court rendering the first judgment applied a law that is different from the one that the court addressed would have applied, should the case had been brought to its review, or because the rendering court made a mistake regarding the facts of the case or the law (unless induced by fraud), the addressed court can refuse the recognition or enforcement.⁴⁹⁹

In light of the above analysis, one might ask whether it is time to finally get rid of the public policy mechanism in international instruments. I believe the answer is no. This negative answer is not because this mechanism is so perfect, but rather because we have yet to come up with a sufficient substitution that would be good enough to fill the current function that the public policy mechanism fills. Automatic recognition and enforcement of foreign judgments is unreasonable and will not work now and probably ever. Each country is unique and has its own agenda in the sense that it protects those values and

⁴⁹⁹ See Nygh & Pocar, *supra* note 253, at 108.

policies that are most important to its development. Therefore, as long as there is no substitution for the public policy mechanism in international law, we will have to preserve it.

The use of the public policy exception to international recognition and enforcement of judgments, however, should be extremely narrow. This exception should be rarely used by enforcing courts and limited to extreme situations in which no other solution is available. A world with better business relations and better exchange of commodities and products requires an established and reliable system for recognition and enforcement of foreign judgments; overuse of the public policy exception would result in interference with the elements of predictability and certainty previously discussed.

What exactly constitutes public policy with respect to intellectual property rights? Once again the starting point of the analysis is the TRIPS Agreement. It is well established that the intellectual property field is unique in the sense that there is an international treaty in force that is regulating this field of law substantively, and not only procedurally, and provides us with a set of substantive minimum standards that all Member States must comply with. If Member States neglect to comply with these minimum standards, they may become liable to other countries in the public international sphere rather than only in the private international sphere. Obviously this does not mean that they all share the exact same policies and substantive laws. It does, however, mean that they are expected to comply with the same basic notions and adhere to them, at least with respect to a certain minimum.

It would not be unreasonable to argue that as long as the minimum standards of the TRIPS Agreement are complied with, the potential need to refuse to recognize and

enforce foreign judgments is reduced. The fact that the TRIPS Agreement provides a set of minimum standards makes intellectual property somewhat different from many other fields of law such as torts and contracts and, in my view, should limit to some extent the availability of the public policy exception. The public policy exception cannot be used as means to circumvent the minimum standards of TRIPS. I argue that as long as the minimum standards are met, we should be more careful in using the public policy exception to justify refusal to recognize or enforce foreign judgments for the following reason. By signing the TRIPS Agreement, the Member States undertook an international obligation to comply with its rules, with the expectancy that all other Members will also comply with them. By adopting public policy rules, these countries are substantially saying that they independently toughen the very same requirements that they agreed to comply with when they signed the TRIPS Agreement and even if the rendering jurisdiction complied with the minimum standards of TRIPS, it is still not enough for them. In doing so, they are violating their international obligation by creating additional artificial obstacles that were not initially adopted and recognized by the international community. Individual public policies of each of the Member States should not be used to create additional barriers to international trade.

One may criticize this argument by saying that even if the minimum standards are met; there are still certain situations in which public policies should be used to justify such a refusal for recognition or enforcement of a foreign judgment. This is probably true, but only to a limited extent. The TRIPS Agreement itself provides means to address such situations and therefore, solutions should be almost always limited to those already provided by TRIPS. These means include, for example, the compulsory license

provisions of TRIPS,⁵⁰⁰ which enable countries, in certain situations and subject to certain conditions, to utilize foreign patents to achieve certain goals. This means that the drafters of TRIPS were aware of the possibility of certain situations in which compliance with the minimum standards would be difficult to accomplish and therefore, provided means to cope with this difficulty within the four corners of this agreement. In other words, when faced with such a problem, the recognizing court must look for a solution inside the international obligations of TRIPS, and turn to the public policy exception only as a last resort.

The fact that the judgment rendered in the foreign country provides broader and stronger protection than if it were given by the enforcing court does not change the above conclusion. As we recall, the TRIPS provides minimum and not maximum standards. Under TRIPS, Member States may decide to provide broader and stronger protection than other Members. By joining and signing the TRIPS Agreement, Member States take the risk that they may have to deal with countries that provide lesser or more protection than they do, and that this reality would not necessarily comply with their underlying public policies. This is the price they must pay in order to remain members of the international community and they must recognize that they must take the good with the bad. In many respects, this is not at all unique in international law. Courts around the world regularly and daily enforce judgments that provide to the plaintiff better protection than they would otherwise have. One such example is recognition and enforcement of after-marriage alimonies for the divorced spouse in Israel. A woman in Israel is entitled to alimonies until the final divorce ceremony under Jewish law. As of this day, the woman is not

⁵⁰⁰ See Article 31 of the TRIPS Agreement.

entitled to any support from her divorced husband. However, if the after-marriage alimonies were awarded to the woman by a foreign court and an Israeli court is requested to enforce such a decree, it will not hesitate to enforce it.⁵⁰¹

This discussion assumed the actual need for a public policy exception for the recognition and enforcement of foreign judgments. This need has been assumed mainly because this is the reality in which we currently live. All of the major international instruments regulating this issue such as the Brussels and the Lugano Conventions, as well as national legislation in many countries, contain such an exception, and it seems that no one is asking whether it is really needed. The answer to this question with respect to the protection of intellectual property rights is not entirely clear and I believe that a good argument can be made against the utilization of such an exception.

In the preamble to the TRIPS Agreement, the participating States declare that one of their reasons for joining the TRIPS is because they are “[r]ecognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives.”⁵⁰² This language establishes that the TRIPS Agreement itself already takes into consideration the underlying public policies with respect to intellectual property rights, at least those that are within the scope of this agreement, and therefore there is no need for this exception as long as the judgment complies with the provisions of TRIPS.

What, then are the underlying public policies referred to in the preamble to TRIPS? Blakeney believes that an answer may be found in Article 7 of this Agreement,

⁵⁰¹ *E.g.*, *Lea Raviv v. Gideon Raviv, Takdin Mechozi* 90(2), 79.

⁵⁰² Preamble to the TRIPS Agreement.

which addresses its objectives⁵⁰³ and provides that these include “the promotion of technological innovation and . . . the transfer and dissemination of technology, to the mutual advantage of producers and users of technical knowledge . . . in a manner conducive to social and economic welfare, and to a balance of rights and obligations.” In addition, Article 8 of TRIPS amplifies the objectives referred to in the Preamble and permits Members of TRIPS to “adopt measures necessary to protect public health and nutrition, and to promote the public interest in sectors of vital importance to their socio-economic and technological development.”⁵⁰⁴

To many this argument may sound unrealistic and imaginary in the sense that there is always a need for such an exception when recognition and enforcement of foreign judgments is involved. However, there are indications that this argument might work as well as it has been in other contexts where it has already been implemented. Take for example the American legal system. Courts in the U.S. only in very rare and extreme situations recognize a public policy exception when recognition and enforcement of sister States judgments are involved.⁵⁰⁵ The TRIPS Agreement and this American example

⁵⁰³ See Blakeney, *supra* note 133, at 42.

⁵⁰⁴ See *Id.* at 43.

⁵⁰⁵ See, e.g., *Smith v. Superior Court*, 49 Cal.Rptr.2d 20 (1996) holding that because the out-of-state injunction was obtained in a proceeding to which petitioners were not parties, and it violates fundamental California public policy, the full faith and credit clause does not compel its recognition in California; see also *Struebin v. State of Ill.*, 383 N.W.2d 516 (1986) recognizing that the State of Illinois is not required to enforce the judgments if to do so would clearly offend its fundamental public policies; see also *Wolfe v. Wolfe*, 407 N.Y.S.2d 568 (1978) holding: “We recognize that public policy in the most extreme case may forbid the enforcement of the judgment

have a common ground, which may justify following a similar approach. In both situations the underlying public policies are to some extent already inherent in the legal system, and only rarely in extreme situations, differences in public policies can be detected. The reason there is a very limited public policy exception in Sister States recognition and enforcement in the U.S. is because all these States presumably are obliged to subordinate their differences to the common interest. The argument provides that a similar justification can be established with respect to international recognition and enforcement of foreign judgments addressing intellectual property rights, as long as the involved countries are Members of the TRIPS Agreement, since they also share, to a great extent, the same common interests associated with the protection of intellectual property rights and the public domain.

However, even in light of the above analysis, it is hard to imagine that any international instrument for the recognition and enforcement of foreign judgment addressing intellectual property rights can be adopted, or has any potential of being adopted and implemented, without containing a public policy exception. Logically in

of a sister state. ‘If aid is to be withheld here, it must be because the cause of action in its nature offends our sense of justice or menaces the public welfare.’” *Compare, e.g.*, the decision of the U.S. Supreme Court in *Baker by Thomas v. General Motors Corp.*, 118 S.Ct. 657 (1998) holding that “[a] court may be guided by the forum State’s ‘public policy’ in determining the *law* applicable to a controversy. . . . But our decisions support no roving ‘public policy exception’ to the full faith and credit due *judgments*.” *See also* *Jaffe v. Accredited Surety and Casualty Co. Inc.*, 294 F.3d 584 (2002) holding that “neither a state nor a federal court can refuse to give full faith and credit to the judgment of a state court because of disagreement with the public policy basis for that decision.”

order to ensure the free flow of judgments a narrow public policy exception should have sufficed.⁵⁰⁶ However, it seems that at least at the initial stage, it would be more efficient and appealing to adopt broad grounds for refusal to recognize or enforce foreign judgments. This would enable more countries to join such an international instrument knowing that they always have the option to refuse to do so if a requirement should arise in the future. A broad public policy exception, even though, to a great extent, not recommended and unjustified, would serve as an incentive to attract as many countries as possible to join. At a later stage we can always try to convince these countries to narrow this exception for the sake of free trade.

D. Parallel Litigation

Another widely recognized and accepted reason for refusing to recognize or enforce a foreign judgment involves the issue of parallel litigation. It is not uncommon for adverse parties to engage in several parallel proceedings in different courts and forums that involve the very same facts and dispute. There are several possible scenarios that are possible, such as when one party files a claim against another person regarding a certain dispute, despite the fact that the very same facts are already litigated in another country due to a lawsuit filed by the defendant. Another possibility is when the plaintiff in one country initiates a similar claim in a second country against an international defendant with assets in many countries.

Consider the following example. Two parties – pharmaceutical companies - are in a dispute as to the rights to a certain patent (drug). One of the parties is an American company and the other is a German company. The patent is registered in the U.S. Both

⁵⁰⁶ See Blumer, *supra* note 70, at 399.

companies manufacture the same drug. The American company files a lawsuit in Germany for the payment of royalties allegedly owed to it by the German company due to unauthorized use of the registered patent. The German company has all of its assets in Germany and therefore, it is not unreasonable to file the complaint there. The line of defense of the German company is that the patent was invalid at the time of registration because it was not a new invention and it had already been in the public domain for many years. The American company also files a similar claim in the U.S. because there are also some assets in the U.S. and the drugs are sold in the U.S. market. The American courts were more efficient and awarded the American company a permanent injunction and a monetary award. The American company now asks the German court to enforce the judgment against the German company that was rendered in the U.S. and collect the monetary award. Should the German court enforce the American judgment?

The answer to this question is not easy for several reasons. On one hand, we want to encourage recognition and enforcement of foreign judgments between countries. In addition, if the dispute is already settled there is no point of continuing the German proceedings. This can save money, time and additional valuable resources. On the other hand, if the German court was the first one to assert jurisdiction it would be hard now to ask this court to waive this assertion of jurisdiction. What, for example, if the German court believes that the German defendant was right and the American court was wrong? After all the German court at this stage is already familiar with the details of the case and knows the defenses already raised. Can we expect the German court to simply ignore what it knows and enforce a judgment he does not believe in?

It is well accepted within the international community that in this and similar situations, the addressed court has a legitimate reason to refuse the recognition or enforcement of the foreign judgment. Therefore, the addressed court may refuse recognition and enforcement if proceedings between the same parties, based on the same facts and having the same purpose: “a) are pending before a court of the State addressed and those proceedings were the first to be instituted, or b) have resulted in a decision by a court of the State addressed, or c) have resulted in a decision by a court of another State which would be entitled to recognition and enforcement under the law of the State addressed.”⁵⁰⁷

E. Lack of Jurisdiction – Minimum Contacts

As previously discussed in detail, the central element in my proposed solution is the avoidance of addressing the issue of jurisdiction at the stage of the negotiations of an international convention based on a presumption of enforceability, by eliminating the need to agree in advance on bases of jurisdiction, such as with double or mixed model based conventions. In other words, it is for the opposing party to convince the court addressed that the rendering court should not have rendered the judgment, and thus that it should not be enforced under one of the exceptions to the presumption.

There may be, however, certain scenarios in which we must grant the enforcing court a mechanism to avoid enforcing the judgment. These are cases in which there is a “red flag” waiving over the judgment because it is clear that there was not even a minimum contact between the rendering court and the parties, or the dispute, so that the

⁵⁰⁷ Article 5 of the 1971 Hague Convention. *See also* Article 25 of the Dreyfuss–Ginsburg Proposal, and Article 28 (1) of the Proposed Hague Draft.

rendering court had no right to grant the judgment. This exception may be used only in situations in which it is obvious that the rendering court should not have heard the case. If the judgment survived the “red flag” test, but there may have been a more suitable jurisdiction to hear the case, the judgment should still be recognized or enforced, as long as the minimum contacts between the rendering jurisdiction and the parties or the dispute are still met.

The reason for using this test only in extreme situations is the fact that all the member countries of such a convention are expected to be Members of the TRIPS Agreement, under which they are required to adhere to the same minimum standards for protection of intellectual property rights, thus avoiding any significant gaps in the provision of protection, which will only be narrowed as time passes.

One may argue that this solution would result in forum shopping. This is true, but only to a limited extent. Forum shopping can be exercised in such a case, but adjudication of the dispute must take place in a forum with at least minimum contacts. Since all potential forums must provide the minimum protection required by the TRIPS Agreement, the devil is not as scary as it may initially look. Furthermore, as I have indicated in my critique of the Dreyfuss-Ginsburg Proposal, forum shopping is not that big of a problem when it comes to intellectual property rights, especially in light of the fact that it happens daily in legal practice all around the world, including in the U.S.

F. Another Perspective

As indicated, my theory is based on a presumption of enforceability of foreign intellectual property judgments and a limited number of exceptions to this presumption. One may argue that the breadth of these exceptions threaten the very existence of the

presumption in a way that after you take these exceptions into consideration, there is not much left of the presumption.

I argue that this is only partly true and it does not change the benefits that such a solution provides. In a nutshell, I argue that what we will be left with after the alleged erosion of the presumption of enforceability is still much more than what we have today without the presumption. I believe that the real question is not whether this proposed solution is a perfect one. It is clearly not. Rather, the question should be what exactly is the goal that we are trying to achieve? In the first chapter of this dissertation, I discussed the pros and cons of recognition and enforcement of foreign intellectual property judgments, and concluded that we have much to gain from such recognition and enforcement practices. If indeed we think that recognition and enforcement of foreign judgments is a good thing and that individual countries and international trade may benefit from it, every step in that direction, even a small step such as the one I propose to take, is by far better than what we have today – namely nothing.

The absence of an international instrument regulating this issue has consequences that many scholars have attempted to overcome. Since most previous attempts to solve these problems were extremely ambitious in their scope and coverage and therefore failed, maybe it is time to move more slowly and gradually in this direction. My proposal should be viewed more as the laying of foundations and a first step on a very long journey, than a full-blown comprehensive solution to the problem. It is not that I think that we would not be better off with a solution that promotes narrow exceptions to the presumption. In a perfect world such a solution would probably benefit us more. This, however, is not a perfect world. It is my conclusion that if we want to make any progress

in this direction, we should do it very slowly and carefully, hoping that time will cure any current mistrust and suspicion so that we can gradually narrow these exceptions. Even though my proposed solution is relatively narrow and not as general and comprehensive as one could have wished for, it is still more than what we have, or to be more precise, do not have today.

Based on recent history and the failure of previous attempts to solve these problems, the only alternative to my proposal is simply to give up and leave the situation as is. I am not sure that this would be an appropriate solution.

9. Enforcement in Proximity as a Potential Solution

Another set of problems arises when the remedy ordered by the rendering court does not exist under the laws of the country in which recognition or enforcement is sought. For example, some countries provide for injunction relief, while others do not. This problem might be solved if we enable the addressed court that is asked to enforce a remedy, which does not exist in its legal system, to use its discretion and replace the remedy that it was asked to enforce with a different remedy that is most likely to achieve the result intended by the rendering court. In other words, the addressed court will ask the question what would have been the remedy that the rendering court would give if it were limited to the remedies available under the legal system in the country of the enforcing court. The simplest solution would obviously be to replace the injunctive relief with a monetary award. This may be viewed as “enforcement in proximity.” This was in fact part of the solution offered by Professors Dreyfuss and Ginsburg in their proposal.⁵⁰⁸ The main problem with this idea is that injunctive relief is usually considered an equitable

⁵⁰⁸ See Article 31(C) of the Dreyfuss-Ginsburg Proposal.

relief that is traditionally available in those cases where remedies at law, such as monetary damages, are simply inappropriate or unavailable. In the American legal system, equitable remedies are unavailable if monetary relief can be used to compensate the plaintiff for damages suffered. Therefore, this proposed solution really does not solve anything, simply because if monetary relief would have been available, it would have been awarded from the beginning. Furthermore, we still need to resolve all these cases where monetary judgment would be ineffective. The addressed court would obviously still be able to refuse enforcement, based on the fact that the judgment is manifestly incompatible with the public policy of the state addressed, or if the judgment was obtained by fraud.

The TRIPS Agreement addresses this very issue. In Article 44(2) it allows its Members, in cases where injunctions are inconsistent with national law to provide “declaratory judgments and adequate compensation.” It is clear that this provision aims at solving the problem of differences in remedies between national laws, recognizing that they are not necessarily identical. Therefore, the TRIPS Agreement allows its Member States to provide other remedies to substitute those that are unavailable. These provisions should be expanded and applied in those cases where an addressed court is asked to recognize or enforce a foreign judgment containing a remedy not available in its jurisdiction and enable the court to substitute this remedy with another one.

10. The Need for an International Courts System

It has been argued that “[t]he unavailability of a court system to interpret and apply a global convention so as to bind the national courts of all Contracting States is a

serious shortcoming in international-convention practice.”⁵⁰⁹ For example, the relative success of the Brussels Convention may be partly attributed to the fact that since its creation, the European Court of Justice has served to interpret and apply its rules.

The need for such an independent and impartial body is quite understandable. Due to the different interests and cultural differences between the participating countries, there is no doubt that misunderstandings and conflicts regarding the application of such an instrument will result. These misunderstandings may have significant effects on the ability of such an instrument to survive and fulfill its intended role. History has taught us that whenever international instruments are involved, even when they address private disputes between nationals of participating countries and not public disputes between countries, there is a need for an impartial international body that will try to bridge the gap and resolve such disputes without the participating countries viewing this as a stand taken against them. Such a body needs to be viewed as reliable and impartial by everyone or it will lose its authority. Since such a body does not have its own enforcing mechanisms, such as police forces and sheriffs, its strength and existence derives from the understanding, recognition and agreement among the participating countries to follow and abide by its decisions and rulings.

Such a court system would have to serve two main roles. It would have to serve as an appellate court in private matters between individuals in those special cases in which the conflict at issue is about the interpretation of the convention by a certain local court in one of the participating countries. The second role of such a court would be to settle

⁵⁰⁹ Von Mehren, *supra* note 369, at 200.

disputes between the participating countries in the public international sphere regarding the interpretation and implementation of the convention.

Creating a new legal system to address these issues is not an easy task. The greatest risk in the creation of such a system is lack of cooperation from the potential member countries. Many countries look at international courts very suspiciously out of fear that these courts interfere with their sovereignty. They do not like the idea of international courts intervening with their internal affairs and forcing them to take certain actions. Another reason is that this is a very expensive process, and trying to create it for only a limited purpose would be probably uneconomical. Another issue that should be taken into consideration is the fact that the judges in such a court should have the required expertise in intellectual property, as well as private and public international law. Unlike many other fields of law, intellectual property litigation is extremely complicated and requires expertise in others field such as biology, electronics, physics and mathematics. Not every judge is equipped with such expertise and as a result, many countries have made the necessary arrangements to assure that only specialized courts or judges hear these cases. The idea of a special court that deals with a specific subject is being implemented on a regular basis all around the world, including in the U.S. where the U.S. Court of Appeals for the Federal Circuit, is the only court that has the jurisdiction, in certain situations, to hear cases on appeals that involve patents.⁵¹⁰

Creation of a new international court system is not “risk free.” There is a substantial risk that such a body would be viewed as politicized, and exposed to pressure from different interest groups and lobbyists. If selection of the judges is left to political

⁵¹⁰ 35 U.S.C.A. § 141.

institutions, there is a risk that the reliability and credibility of such an institution would be lost. Similar to the allegations sometimes made in the U.S. against the Court of Appeals for the Federal Circuit, there is a risk that the judges would be viewed as servants of certain political interests, something that the international community should avoid at any cost.

The way I propose to address this problem is to have the judges be selected by an independent committee, consisting of members of developing, developed, and least developed countries, as well as representatives of various consumer groups, and members of the academia.

Due to economic considerations, it is very unlikely that an international specialized court would ever be created to address the issue of recognition and enforcement of intellectual property judgments. Therefore, there are two possible solutions. The first one is to establish a court that would address the issue of recognition and enforcement of foreign judgments within the scope of a more comprehensive convention that would also address other subjects such as judgments relating to torts, contracts, and questions of family relations. In other words, if the attempt to create one international instrument that addresses the issue of recognition and enforcement of foreign judgments ever succeeds, whether based on the Preliminary Hague Draft or based on another proposal, the court established under such an instrument to supervise it may also be used to address intellectual property issues. This probably would have been a good solution, except to the extent that is not realistic to think that such an instrument has any chances of being adopted in the near future, as concluded previously. The other possible solution is to utilize an already existing international court system by expanding

its subject matter jurisdiction to include intellectual property matters. The candidates to assume such a role are extremely limited.

Unfortunately, the TRIPS Agreement does not provide an adequate solution. The TRIPS Agreement provides for an international Dispute Settlement mechanism under the umbrella of the WTO.⁵¹¹ It does not regulate relations between private parties, but rather those between the Member States.⁵¹² The Preamble to the TRIPS Agreement clarifies that one of the reasons for the creation of this system is the recognition of a need for “effective and expeditious procedures for the multilateral prevention and settlement of disputes between governments.” Despite the limits of the TRIPS Agreement to disputes between governments, it is important to remember that “under the GATT dispute settlement system, acts of private parties could be taken into account, particularly where pressure was exerted by a government to produce a certain result or where private contractual obligations could adversely affect the rights of other contracting parties.”⁵¹³

A. The ECJ

For many years the ECJ has served as the court overlooking and interpreting the Brussels Convention, mostly with great success. “The Court of Justice ensures that Community law is uniformly interpreted and effectively applied. It has jurisdiction in

⁵¹¹ See Article 64 of the TRIPS Agreement: “The provisions of Articles XXII and XXIII of GATT 1994 as elaborated and applied by the Dispute Settlement Understanding shall apply to consultations and the settlement of Disputes under this Agreement except as otherwise specifically provided herein.”

⁵¹² See Rochelle C. Dreyfuss & Andreas F. Lowenfeld, *Two Achievements of the Uruguay Round: Putting TRIPS and Dispute Settlement Together*, 37 VA. J. INT’L L. 275, 282 (1997).

⁵¹³ Gervais, *supra* note 203, at 250.

disputes involving Member States, EU institutions, businesses and individuals. A Court of First Instance has been attached to it since 1989.”⁵¹⁴ The success of the ECJ can be explained in several ways. The role of the ECJ is not limited to the interpretation of the Brussels Convention. It is much broader in scope than that. This Court addresses many other issues in the European Community and its role in that respect is only a small part of what it usually does.⁵¹⁵ Since its establishment, the ECJ has managed to gain the prestige and reputation of an impartial court, which makes it easier for the participating countries to adhere to its rulings. The judges who sit on the bench in this court have been known to be substantively knowledgeable and have good reputations in the community, something that makes it easier for their decisions to be viewed favorably. In addition, since the relations between the Member States are not limited to the recognition and enforcement of judgments, but rather involve many other economic and political issues, their refusal to comply with the ECJ’s rulings may have adverse effects on them and the stakes are simply too high. They may win on this issue, but lose on many others.

There are several problems associated with a proposal to adopt the ECJ as a potential court to overlook the implementation of the proposed international convention. The ECJ currently solves disputes only within Europe. As previously discussed, the European countries share significant cultural, economical and political agendas, something that is not necessarily true with respect to other potential participants of such convention. Therefore, there is no way to determine, at this point, how non-European

⁵¹⁴ Institutions of the European Union website, available at <<http://europahouse.uz/en/inst/>>.

⁵¹⁵ The Court of Justice of the European Communities website, available at <<http://curia.eu.int/en/index.htm>>.

countries would view the role of such a court and how favorably they would treat its decisions in light of the potential interference with their sovereignty. They may view this court as “too European-oriented” and fear that it may be prejudice. Also, from a geographical perspective, this means that under the ECJ system, neither the parties nor their legal counsels have to travel far to participate in the hearings. This will not be the case with an international court that may sit in Europe and litigate disputes involving Australians and Americans. Similarly, at least now, all of the judges in the ECJ are European, which may be viewed by non-European countries as a problem. The differences in language should not be considered an obstacle as this issue may be overcome by utilizing interpreters or by deciding that certain languages serve as the official languages in such proceedings.

B. WIPO Arbitration and Mediation Center

Another possible solution may be to use the WIPO Arbitrations and Mediation Center. This body operating from Switzerland was established in 1994 to offer arbitration and mediation services for the resolution of international commercial disputes between private parties. “Developed by leading experts in cross-border dispute settlement, the procedures offered by the Center are widely recognized as particularly appropriate for technology, entertainment and other disputes involving intellectual property.”⁵¹⁶ This Center was established by the WIPO through a resolution of its Governing Bodies in response to a charge that WIPO has neglected the enforcement of intellectual property

⁵¹⁶ See the WIPO Arbitration and Mediation Center website, available at <<http://arbiter.wipo.int/center/background.html>>.

rights.⁵¹⁷ The advantages of utilizing this body are tremendous. This is a very active body and therefore the infrastructure of the organization is already in place, and judging from the number of cases it has already dealt with, it enjoys excellent reputation. The already existing infrastructure would substantially reduce the initial investment in administrative needs such as secretaries, machines, library and computers. This organization has significant experience in solving international intellectual property disputes and this would save the substantial resources that would have to be spent if a completely new organization is established. Furthermore, the WIPO Center has already created a set of procedural rules as a guide for conducting its arbitrations and this may be used as the basis for a set of new rules in this case as well. These rules, however, would have to be modified and adapted to the new medium in which the procedures are not conducted in a form of arbitration or mediation. Most importantly, this institution, by definition, has expertise in intellectual property matters, which grants it a significant advantage over other similar institutions. The fact that it plays a role of an arbitration center and not a regular court may be a slight disadvantage, but inserting some modifications in the procedures that are utilized could cure this. Unlike other institutions, this center is a part of an international organization (WIPO) in which many of the potential parties of the proposed recognition and enforcement convention are already members. This fact has extreme importance in the sense that from a psychological point of view, it would make it easier for them to rely on this institution and join the convention. It would be less intimidating for these countries to join an instrument utilizing an institution that they

⁵¹⁷ Blakeney, *supra* note 133, at 25.

already know and with which they have experience. As a result, it seems that this is the best candidate to fill this role.

11. No Need for Reciprocity Requirement

Ever since the U.S. Supreme Court's decision in *Hilton v. Guyot*,⁵¹⁸ there has been a continuing debate as to whether a reciprocity requirement is a prerequisite to the recognition and enforcement of foreign judgments. This debate is not limited to the U.S. Even today, many courts, admittedly or non-admittedly, look into the question whether the rendering court would have recognized and enforced a similar judgment if the enforcing court rendered it, before they agree to do so. Courts are very hesitant to enforce a foreign judgment if the rendering court is not going to do the same with respect to their judgments. One court has summarized the situation:

“In a large number of civil law countries, grant of conclusive effect to money-judgments from foreign courts is made dependent upon reciprocity. Judgments rendered in the United States have in many instances been refused recognition abroad either because the foreign court was not satisfied that local judgments would be recognized in the American jurisdiction involved or because no certification of existence of reciprocity could be obtained from the foreign government in countries where existence of reciprocity must be certified to the courts by the government. Codification by a state of its rules on the recognition of money-judgments rendered in a foreign court will make it more likely that judgments rendered in the state will be recognized abroad.”⁵¹⁹

I argue that this obstacle for recognition and enforcement of foreign judgments is removed, however, when we adopt a multinational convention solution as the one that I propose. If such a multinational instrument is adopted, reciprocity exists by the very

⁵¹⁸ *Supra* note 7.

⁵¹⁹ *Kam-Tech Systems Ltd. v. Yardeni*, 774 A.2d 644 (N.J.Super.A.D., 2001).

existence of such an instrument because members of the convention undertake to mutually recognize each other's judgments and therefore, such an obstacle for recognition and enforcement is eliminated. A court that is asked to enforce a judgment rendered by a court in another Member country already knows that the rendering court would also enforce its judgment pursuant to the international obligation it undertook by joining the convention.

CONCLUSION

In this dissertation, I tried to explore the roots of the problem of recognition and enforcement of foreign judgments with respect to intellectual property rights, the underlying policies, the various solutions offered in the past, and the reasons for their failure. I believe that learning from the past is the best basis for improving the future. There can be no doubt that this subject is by far one of the most challenging and complicated bodies of law today. It is not complicated because it requires one to be smarter or have a greater amount of intellect, but rather because it combines many more elements that have nothing to do with the dry law. It is complicated because we deal with sovereignty, politics, and psychology. There are many things that the people of this world are willing to accept, even reluctantly, but they will not allow interference with their sovereignty. This is especially true with respect to intellectual property rights that are territorial in nature. Only fifty-five years after the world was re-divided, ten years after the Berlin Wall was taken down, and when there are still people in this world killing and fighting over self determination and land, it is very complicated to talk about enforcing judgments rendered by a foreign jurisdiction sharing different historical, economical, political and cultural views. It is not about the law, but rather about emotions, ancient history, and about “what your great grandfather did to mine” a hundred and fifty years ago. In other words, the issues are more about the “Days of Our Lives”⁵²⁰ than they are about “*res judicata*” or “comity.” This is not to say, of course, that we need to give up before we even begin. But one should not expect an easy voyage. Like climbing a steep mountain, we need to do it step by step. We need cautiously to secure our way, and

⁵²⁰ This is a very famous soap opera broadcasted on TV in the U.S. every weekday for decades.

should not give up, even if we slip down the road every once in a while. Rome was not built in one day either. The sovereignty problem is not going away, but we can at least try to lower the friction.

The need for a new international convention on the recognition and enforcement of foreign judgments with respect to intellectual property matters is now clear, and this need will grow substantially as more people ignore their fears and increase their use of the Internet to engage in international commerce. If until not so long ago most international trade was conducted between organizations and corporations, the introduction of the Internet made it possible for private parties to engage in direct business transactions with others around the globe. This changing reality only serves to amplify the complexity of the recognition and enforcement problem and the need for its solution.

As indicated at length in the first two chapters of this dissertation, other proposed solutions to the problems discussed herein, such as harmonization of substantive intellectual property law, are irrelevant since they cannot provide a comprehensive solution. At best, they can reduce some of the frictions between different legal systems and provide ad hoc solutions to specific problems. Like many others before me, I look at the creation of an international convention as the only viable solution. This assumption is dictated primarily by reality and history. Put differently, the need for a convention is clear. The only question remaining is its shape.

There are many underlying policies that were introduced throughout the years to justify the need for recognition and enforcement of foreign judgments, including economic reasons, such as the saving of resources by eliminating the need to litigate the

same issue twice, the need to litigate the case in the most appropriate forum, and the doctrine of comity. I argue that the reason or the underlying policy that drives an individual country to become a member of a comprehensive international solution is almost irrelevant. We need not address the question “why.” What is relevant is the fact that each country agrees to adopt the solution, since the more countries that join such a convention the better are the prospects of such a solution to solve the problem. Such a solution will only be effective as long as many countries take part in it, and what are the underlying policies that triggered them to do so is not that important. Countries do not care if others enforce their judgments for one reason or the other, as long as they do so.

The most important question I have addressed is the shape of the proposed solution. Analysis of previously attempted solutions and the very limited success of the regional instruments currently in force lead to the conclusion that the “double” or “mixed” convention models are ineffective. The reason for the problems with these two models is the fact that they address not only the recognition and enforcement problem, but also the question of jurisdiction. Such an instrument would require the participating countries to agree on a set of rules for the assertion of jurisdiction, and if the rendering court relied on one of these available bases with respect to a specific dispute, the enforcing jurisdiction is obligated to recognize and enforce the foreign judgment. If we expand this idea to a comprehensive international solution, the immediate consequence is the need for the entire international community to agree on a single set of bases for the assertion of jurisdiction. Historically, this has never been made possible due to conflicting economical, historical and cultural interests and perspectives, and the chances of this reality changing any time soon is in the range of slim to non-existing. In other

words, all previous attempts were simply too ambitious and tried to achieve too much too fast.

The alternative solution that I propose in this dissertation is to adopt a “simple convention” based instrument that is different from most other previously proposed solutions in the sense that it avoids addressing the jurisdiction question, which was the primary obstacle to the ability to reach an agreement in the past. I propose to adopt a simple convention not because it is the best solution, but because I conclude that at least in the near future, it is the only solution. In a perfect world other more comprehensive solutions would better resolve the issues involved in the recognition and enforcement of foreign intellectual property judgments, but we do not live in a perfect world. Despite the very substantial steps taken by the international community to harmonize intellectual property law, including the adoption of international conventions such as the TRIPS Agreement or the Paris and Berne Conventions, very significant differences still remain. Various countries have different agendas and the interests of developing countries are usually different from those of the developed countries, and so on. Some countries seek more intellectual property protection, while others prefer weaker protection so that they can utilize the available intellectual property for their own needs.

The solution will be preferably an integral part of the TRIPS Agreement, thus enabling us to take advantage of the already existing procedural mechanisms therein. Furthermore, it is also proposed, in the long run, to complement it with an international courts system. In cases where the enforcing court is unable to do so because it does not share the same remedies as the rendering court, I propose to use the enforcement in

proximity mechanism, thus replacing the original remedy for one that is available in the enforcing jurisdiction.

A simple convention is more likely to be adopted by the international community because less friction as to the issue of the assertion of jurisdiction can be expected. In my proposal the jurisdiction issue is not absent. Rather, instead of serving as a prerequisite for the recognition and enforcement of a foreign judgment, it would simply serve as a mere exception to a rebuttable general presumption of enforceability. Put differently, a foreign judgment should be enforced unless there is a good reason to overcome the presumption. One such reason should be that the rendering court could not have asserted jurisdiction because it had no minimum contacts with the parties or the relevant facts. Other exceptions may be used, such as a public policy exception, fraud, and due process of law. It is also suggested that these exceptions be drafted broadly with the intent that this would encourage as many countries as possible to join. It is intended that the knowledge that broad exceptions exist would make it easier for these countries to join, because the convention would give them the appropriate means to avoid doing so in certain situation when they believe that such enforcement would be inappropriate. As time passes, confidence in the other countries would hopefully grow, and we would be able to narrow the scope of these exceptions. Since trust and reliance are key factors to the success of such an instrument, I argue that a simple convention created along the lines previously described is a much better solution than all other previous proposals.

A simple convention is not the “mainstream” solution recognized in the academic world to the recognition and enforcement problem. However, after researching these issues for several years, in my view it is the only viable one, at least at this point in time.

As Robert Frost once wrote,

Two roads diverged in a wood, and I -
I took the one less traveled by,
And that has made all the difference.⁵²¹

⁵²¹ Robert Frost, The Road Not Taken, available at <<http://www.bartleby.com/119/1.html>>.

APPENDIX A

SUMMARY OF EMPIRICAL RESEARCH FINDINGS

CASE	RENDERING COUNTRY	ENFORCING U.S. COURT	RECOGNIZED/ ENFORCED	DECISION	SUBJECT MATTER
<i>International Nutrition Co., v. Horphag Research Ltd.</i> , 257 F.3d 1324 (2001)	France	Court of Appeals for the Federal Cir.	Yes	French court's decision determining who owns a U.S. patent under the terms of a French contract was enforced based on comity. The parties had an agreement that French courts would decide ownership of the patent and there was no violation of U.S. public policy.	Patent
<i>Cochran Consulting, Inc. v. Uwatec USA, Inc.</i> , 102 F.3d 1224 (1996)	Switzerland	Court of Appeals for the Federal Cir.	Yes	Decision of a Swiss court that defendant is not the owner of a computer program and therefore cannot obtain such program for discovery purposes in a U.S. court is recognized based on comity.	Patent
<i>Turner Entertainment Co. v. Degeto Film GmbH</i> , 25 F.3d 1512 (1994)	Germany	Court of Appeals 11 th Circuit	Yes	Dispute concerning broadcasting of television programs in German speaking parts of Europe pursuant to a license granted by an American corporation. The court decided to abstain because parallel litigation took place in Germany and judgment was rendered on the merits.	Copyright

<p><i>Remington Rand Corporation Delaware v. Business Systems inc.</i>, 830 F.2d 1260 (1987)</p>	<p>Netherlands</p>	<p>Court of Appeals 3rd Circuit</p>	<p>No</p>	<p>Decision not to recognize a Dutch court's decision allowing the selling of certain assets in bankruptcy proceedings, because the decision did not specifically authorized the selling of the misappropriated trade secrets, and because the American plaintiff was not part of the Dutch proceedings and was not heard, thus violating the due process of law principle.</p>	<p>Trade secrets, Internet</p>
<p><i>Banyan Licensing, Inc. v. Orthsupport Intern., Inc.</i>, 2002 WL 31059365 (2002)</p>	<p>Canada</p>	<p>Northern District of Ohio</p>	<p>Yes</p>	<p>Defendant in a patent infringement case raised a defense that it was undergoing bankruptcy proceedings in a Canadian court and asked that all proceedings against it will be stayed pursuant to an order of the Canadian court. The District court granted the motion and enforced the Canadian decision.</p>	<p>Patent</p>
<p><i>Yahoo!, Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme</i>, 169 F.Supp.2d 1181 (2001)</p>	<p>France</p>	<p>Northern District of Colorado</p>	<p>No</p>	<p>An order of a French court requiring a California Internet Service Provider to block access by French Citizens to Nazi materials displayed or offered for sale on a U.S. website, was held to be violating the First Amendment of the U.S. Constitution, and therefore cannot be enforced in the U.S., even though it may be legal under French law. The protected speech in this case was Internet related and therefore simultaneously took place in the U.S. and in France.</p>	<p>Internet</p>

<p><i>Pony Express Records, Inc. v. Springsteen</i>, 163 F.Supp.2d 465 (2001).</p>	<p>England</p>	<p>District of New Jersey</p>	<p>Yes</p>	<p>Copyright infringement case. The court held that the question of who owns the copyrighted works had already been decided by an English court and therefore the issue cannot be re-litigated in the U.S. based on the doctrine of collateral estoppel, even though the plaintiffs in the U.S. proceedings were not the defendants in the in the English proceedings. The court explained that the plaintiffs knew about English proceedings and a license agreement gave them the opportunity to participate and control the suit, a right that they neglected to exercise.</p>	<p>Copyright</p>
<p><i>Pariante v. Scott Meredith Literary Agency, Inc.</i>, 771 F.Supp. 609 (1991).</p>	<p>France</p>	<p>Southern District of New York</p>	<p>Yes</p>	<p>Enforcement of a French judgment rendered against a “literary agent” for failing to verify that its client, who was the author of a novel, had not previously sold the motion picture rights in the novel to a third party under an option agreement. The French court based its decision on a local custom requiring literary agents to verify that heir clients indeed own the literary rights that they are purporting to sell.</p>	<p>Copyright</p>
<p><i>In-Tech Marketing Inc. v. Hasbro, Inc.</i>, 719 F.Supp. 312 (1989).</p>	<p>Netherlands</p>	<p>District of New Jersey</p>	<p>Yes</p>	<p>The court decided to recognize a Dutch judgment holding that the patent assignment agreement had been dissolved due to neglect to pay royalties. Since pursuant to the Dutch</p>	<p>Patent</p>

				decision the agreement was no longer in force, the U.S. court rejected the claim for tortious interference because one of the elements of such a claim is the existence of an agreement.	
<i>Carl Zeiss Stiftung v. V. E. B. Carl Zeiss, Jena</i> , 293 F.Supp. 892 (1968)	West Germany	District of New York	Yes	Court awarded <i>res judicata</i> effect to a decision of the West Germany Supreme Court that granted a final judgment on the merits between the parties with respect to the question of whether plaintiff was the successor in interest to a foundation, which was the owner of certain U.S. trademarks.	Trademark
<i>Murray v. British Broadcasting Corp.</i> , 906 F.Supp. 858 (1995)	England	Southern District of New York	Yes	The court agreed to refrain from litigating the case based on the <i>forum non conveniens</i> doctrine. The court explained that “an injunction issued by an English court will be enforceable in the United States under the doctrine of comity, provided the English proceedings were orderly, fair and consistent with United States policy.”	Copyright
<i>Leo Feist, Inc. v. Debmar Pub. Co.</i> , 232 F.Supp. 623 (1964)	England	District Court of Pennsylvania	Yes	Court recognized an English judgment that provided that no copying took place in this case, and therefore a claim for copyright infringement cannot stand, as this is an element of such claim.	Copyright
<i>Globalsantafe Corp. v. Globalsantafe.Com</i> , 250 F.Supp.2d 610	Korea	Eastern District of Virginia	No	Court refused to enforce an injunction rendered in Korea, which prohibited the registrar of a “.com” domain name from transferring the domain name to the	Trademark

(2003)				plaintiff. The court explained that it refuses to extend comity to the Korean judgment because it was rendered after an American court had already issued a judgment in the very same case.	
<i>Lenchyshyn v. Pelko Elec., Inc.</i> , 723 N.Y.S.2d 285 (2001)	Canada	New York Supreme Court, Appellant Division (4 th Dept.)	Yes	Court recognized a money judgment rendered in Canada that was the result of a dispute regarding the payment of royalties, and trademark and patent infringement, even though the court had no personal jurisdiction over the defendants.	Trademark, patent.
<i>Reading & Bates Const. Co. v. Baker Energy Resources Corp.</i> , 976 S.W.2d 702 (1998)	Canada	Texas Court of Appeals – Houston (1 st Dist.)	Yes	Court agreed to recognize a Canadian judgment under the UFCMJRA. The court denied the argument that the Canadian court's use of profits as a measure of damages for patent infringement, violates Texas public policy, as well as the argument that the damages awarded by the Canadian court for patent infringement were excessive in comparison to the amount of damages that would have been available in an American court.	Patent
<i>Northlake Marketing & Supply, Inc. v. Glaverbel, S.A.</i> , 958 F.Supp. 373 (1997)	Belgium	Northern District of Illinois	Yes	Court granted issue preclusion to a finding of a Belgian court that a certain British document was not considered prior art because it was not printed or published, thus preventing reference to the document as prior art for the purpose of alleging that the patents were invalid.	Patent
<i>Films by Jove, Inc. v. Berov</i> , 250	France	Eastern District of New York	No	Court refused to grant preclusive effect to a French judgment in a lawsuit	Copyright

F.Supp.2d 156 (2003)				brought by an American corporation against Russian enterprises for copyright infringement that took place prior to the end of the Soviet era, because the legal interpretation of Russian law by the French court was contradicted by an earlier ruling of the same court which was later upheld by the French court of last resort in a suit involving the same parties and the same legal issues, and its interpretation was obviously mistaken in light of later evidence introduced in the U.S. court.	
<i>Gordon and Breach Science Publishers S.A. v. American Institute of Physics</i> , 905 F.Supp. 169 (1995)	Switzerland Germany	Southern District of New York	No	Court refused to award prior judgments of two foreign courts preclusive effect in order to bar a false advertising action by a commercial publisher against nonprofit publisher of science journals. The court considered six factors and said that neither Switzerland nor Germany recognized the doctrine of collateral estoppel and thus would not have recognized judgment rendered by American court (reciprocity), plaintiffs were not represented in the Swiss and German actions, there were procedural differences unique to civil law, there were complications inherent in ascertaining foreign law, there was selective and inconsistent use of collateral estoppel, and there existed a conflicting French judgment.	Trademark
<i>V'Soske, Inc. v. Vsoske.com</i> , 2003	Ireland	Southern District of New York	Yes	Court granted comity to a decision of an Irish court providing that the agreement	Trademark

WL 1747144 (2003)				between the parties was in effect and consent to its extension could not be unreasonably withheld., and refused to address arguments that had already been decided by that court based on the issue preclusion doctrine.	
<i>Lea v. Deakin</i> , 15 F.Cas. 95 (1879)	England	Northern District of Illinois	Yes	A decree rendered by the master of the rolls in England, refusing to grant an injunction and dismissing a bill to restrain infringement of an alleged trademark, was held by the court to prohibit a suit in the U.S. for a similar purpose, by the same plaintiffs against an agent of the defendant in the English suit.	Trademark
<i>In re Pearson's Estate</i> , 19 Phila. 128 (1889)	England	Philadelphia	Yes	Court held that a decree rendered by a chancery court in England, granting an injunction against the infringement of a patent and ordering the payment of profits and costs, can be used as a final judgment to support an action for the payment of these costs in Pennsylvania.	Patent
<i>Omega Importing Corp. v. Petri-Kine Camera Co.</i> , 451 F.2d 1190 (1971)	Germany	Court of Appeals for the 2 nd Circuit	Yes	Court in a trademark infringement case decided, to give preclusive effect to a West Germany court's judgment determining the legal status of a corporation and holding that the East German corporation had transferred its domicile to West Germany. The U.S. court held that "both causes of action arose out of the same subject matter,' . . . and the East German enterprise had both the opportunity and the incentive to litigate the case fully."	Trademark

<p><i>Ingenohl v. Walter E. Olsen & Co.</i>, 47 S.Ct. 451 (1927)</p>	<p>Hong Kong (British colony)</p>	<p>United States Supreme Court</p>	<p>Yes</p>	<p>The United States Supreme Court reversed a judgment of the Supreme Court of the Philippine Islands, and enforced a decision by a court in Hong Kong awarding costs to the winner in a trademark case. The court said that there is no reason for “refusal to enforce this English judgment for costs, obtained after a fair trial before a court having jurisdiction of the parties, when the judgment is unquestionably valid and in other respects will be enforced.”</p>	<p>Trademark</p>
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APPENDIX B

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