Intellectual Property, Electronic Commerce and the Preliminary Draft Hague Jurisdiction and Judgments Convention

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On October 30, 1999, a Special Commission of the Hague Conference on Private International Law adopted a Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters ("Preliminary Draft Convention," or "PDC") which was further developed in June of 2001. Originally scheduled for a final diplomatic conference in the fall of 2000, the negotiating process has now been delayed as a result of serious questions raised about the existing draft language. There is much work yet to be done on the general structure and content of the convention, including careful consideration of the manner in which the convention will affect litigation involving intellectual property rights and electronic commerce. These are two areas for which the implications of the convention promise to be both significant and uncertain given the rapid and continual development of technology and the legal issues raised by those developments.

The Hague Convention may become the first general treaty governing the recognition of foreign judgments with the United States as a party. The fact that the Convention will cover questions of jurisdiction as well will make it even more important. After a discussion of the history of the convention, this paper presents a review of the Preliminary Draft Convention text, describing its structure and scope. It then provides a focus on provisions of particular concern in the areas of intellectual property rights and electronic commerce.

* Professor of Law, University of Pittsburgh. The author is a member of the U.S. Delegation to the Special Commission of the Hague Conference on Private International Law negotiating a Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters. The opinions expressed in this essay are those of the author and should not be taken to represent the position of the United States government or any other member of the United States delegation. This article was originally prepared for a presentation at the Center for Advanced Study and Research in Intellectual Property 2000 High Technology Protection Summit, held at the University of Washington School of Law on July 20-22, 2000, and portions will be published with the proceedings of that conference.

I. THE HISTORY OF THE PROJECT

A. The Existing Treaty Framework

In 1969, the Hague Conference on Private International Law concluded both a Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters and a Convention on the Recognition of Divorces and Legal Separations. The first of these conventions came into force on February 1, 1971, but only Cyprus, The Netherlands, and Portugal became parties. Further, none of these countries ever deposited the bilateral agreements necessary to make the treaty operational. The divorce recognition convention came into force on June 1, 1970, with only fourteen countries (mostly European) having ever ratified or acceded to it. The United States never ratified either convention and, is not now a party to any treaty on the recognition of judgments.
Within the European Community, the Brussels Convention is designed to provide uniformity in both jurisdiction and judgment practice. Article 63 of the Convention requires that any state becoming a member of the European Community also accept the Brussels Convention. However, no provision of the Brussels Convention authorizes accession by a non-EC state. This limitation has prevented employment of this convention as the foundation for a global system of judgments recognition. In addition, the allocation of competence for issues of judicial cooperation to the Community institutions in the Treaty of Amsterdam means that the Brussels Convention will cease to exist as a treaty and be replaced by Community legislation.

The Lugano Convention is "open to accession by . . . other States which have been invited to accede upon a request made by one of the Contracting States to the depositary State." However, such a state will be invited to accede only if the existing parties to the convention unanimously agree to its participation. It is unlikely that unanimous consent could be achieved in regard to accession by many important trading parties, and to date no non-European state has requested accession.

B. The U.S. Initiative at the Hague Conference

In May of 1992, Edwin Williamson, then Legal Adviser at the U.S. Department of State, wrote the Secretary General of the Hague Conference on Private International Law proposing that the Conference take up the negotiation of a multilateral convention on the recognition and enforcement of judgments. This would have allowed the Hague Conference to place such
a convention on its negotiating agenda for the Eighteenth Session beginning in 1993. This did not occur. The matter was considered by a Working Group at The Hague in October of 1992, which “unanimously recognized the desirability of attempting to negotiate multilaterally through the Hague Conference a convention on recognition and enforcement of judgments.”14 The Seventeenth Session of the Hague Conference, in May of 1993, decided to study the matter further through a Special Commission Session.15

The United States, prior to the meeting of the Special Commission established pursuant to this decision, submitted a report proposing a “mixed” convention.16 Single (sometimes referred to as “simple”) conventions, like the earlier Hague Conventions,17 deal only with indirect jurisdiction and apply only to the decision of the court asked to enforce a foreign judgment—thus, jurisdiction of the court issuing a judgment is considered “indirectly” by the second court in deciding whether to recognize the judgment of the issuing court. Double conventions, like Brussels and Lugano, not only deal with recognition, but also provide direct jurisdiction rules applicable in the court in which the case is first brought—thus, addressing the matter from the outset and preempting the need for indirect consideration of the issuing court’s jurisdiction by the court asked to recognize the resulting judgment. The mixed convention is a variation on the double convention, providing rules for both jurisdiction and recognition of judgments, but not purporting to be exhaustive in its lists of allowed and prohibited bases of jurisdiction. Thus, it does not “cover the entire field,” and leaves some bases of jurisdiction available but not subject to the convention’s rules for recognition and enforcement of a resulting judgment.

Under the mixed convention approach, there would exist both a list of required bases of jurisdiction and a list of prohibited bases of jurisdiction. Judgments founded on required bases of jurisdiction would be entitled to recognition under the convention. Since courts should not take jurisdiction on bases on the prohibited list, only limited exceptions to recognition would apply. Any jurisdictional basis not included on one of the two lists would be permitted but a resulting judgment would not be entitled to recognition under

17. Supra notes 2 & 3.
the convention. Instead, such judgments would be subject to review in the recognizing court in the manner applicable, absent a treaty. The 1992 Hague Working Group recommended the negotiation of a mixed convention.18

C. The Negotiations

In June of 1994, a Special Commission of the Hague Conference met and determined that it would be “advantageous to draw up a convention on jurisdiction, recognition and enforcement of foreign judgments in civil and commercial matters” and recommended that “this question . . . be included in the Agenda for the future work of the Conference at the Eighteenth Session.”19 The Special Commission on General Affairs and Policy of the Conference, in June of 1995, recommended to the Eighteenth Session of the Hague Conference that the proposal for a judgments convention be adopted as one of the works of that session.20 As part of the Final Act of its Eighteenth Session, held in October of 1996, the Hague Conference decided to include the question of such a convention on the Agenda of its Nineteenth Session.21

The formal negotiations began with a two week meeting of the Special Commission on International Jurisdiction and the Effects of Foreign Judgments in Civil and Commercial Matters in June of 1997.22 The next session of the Special Commission was held in March of 1998.23 However, it was not until a meeting in November 1998 that the first document containing draft language for some convention provisions was issued by the Drafting Committee.24 That document included the first draft of provisions

dealing with issues of convention scope, required bases of jurisdiction, provisional and protective matters, prohibited grounds of jurisdiction, lis pendens, declining jurisdiction (forum non conveniens), rules of recognition, legal aid and damages. It was considered further during two weeks in June and one week in October of 1999, at which the PDC text was produced.25 A Diplomatic Conference originally was contemplated for fall 2000. After a letter from Jeffrey Kovar, Assistant Legal Adviser for Private International Law at the U.S. State Department, indicated substantial problems with the PDC text, however, it was decided to delay the Diplomatic Conference and to adjust the procedural rules under which the draft text would be considered. At the meeting of the Special Commission on General Affairs and Policy in May 2000 it was decided (1) to divide the Diplomatic Conference into two parts, with the first session in June of 2001, and the final session at a later date; (2) to proceed through the first session under consensus procedures; and (3) to arrange informal sessions between May 2000 and June 2001 to provide opportunity to make progress toward the work of the Diplomatic Conference.26 When the June 2001 session ended, the final portion of the Diplomatic Conference had not been scheduled.

II. THE OCTOBER 1999 PRELIMINARY DRAFT CONVENTION

The negotiation of a global convention on jurisdiction and the recognition of judgments is not a simple matter. Despite the existence of the Brussels and Lugano Conventions as successful regional models, negotiators at the Hague Conference have realized that: (1) even the Brussels Convention states are not happy with all aspects of operation of that treaty within the European Union (EU); (2) the parties involved in a global convention present legal systems much less homogenous than those found in the smaller EU community of states; and (3) the need to take into account rapidly changing methods of transacting business around the world and the difficulties of territory-based concepts of jurisdiction as applied particularly to electronic commerce require

both an original approach and a careful consideration of often conflicting positions. The PDC text suffers from a number of problems and leaves many issues less than fully resolved. Notably, the "exclusive" rules of jurisdiction for intellectual property cases, found in Article 12, and the uncertainty of how the convention will apply to electronic commerce (with particular concerns raised by the consumer protection provisions of Article 7) require special attention.

A. Convention Structure

As noted above, the Hague Convention is what has been called a "mixed" convention, providing for three classes of jurisdiction, and corresponding results for recognition purposes. Thus, in Chapter II, the convention has articles describing "required" bases of jurisdiction that must be available in a Contracting State. It also lists, in Article 18, the "prohibited" bases of jurisdiction that cannot be used in a Contracting State against a defendant that is a habitual resident of another Contracting State. Finally, the Convention acknowledges, in Article 17, that the required and prohibited bases lists in the Convention do not encompass every possible basis of jurisdiction, thus allowing for additional "permitted" bases of jurisdiction outside the rules of the Convention.

In Chapter III, the Convention likewise provides rules dealing with the treatment of judgments from other Contracting States based on each of the three types of jurisdictional bases. As a general rule, a judgment based on a required basis will be recognized and enforced. A judgment based on a prohibited basis will not be recognized or enforced. A judgment based on a permitted basis remains outside the convention and the national law of the recognizing state, rather than the convention rules, will continue to govern issues of recognition and enforcement.

One of the problems with the PDC text is that it follows the structure of the Brussels and Lugano Conventions, both of which are double (not mixed) conventions. Thus, the PDC text creates a risk that courts from Brussels and Lugano states will improperly read the jurisprudence of those conventions into the Hague Convention text, and that courts from other states will simply not be able to understand the opaque structure of the convention, which fails to present clearly the three categories of jurisdiction and the related rules of recognition and enforcement. Thus, future negotiations must address the structure of the convention in a manner that provides a text that avoids inappropriate comparisons with Brussels and Lugano and that allows even the uninitiated reader to understand the basic rules of the convention. In the
meantime, the following chart is provided to allow a more coherent understanding of the structure of the PDC text:

The Structure of the Preliminary Draft Convention on Jurisdiction and Judgments

<table>
<thead>
<tr>
<th>Type of Jurisdictional Bases</th>
<th>Direct Jurisdiction</th>
<th>Recognition &amp; Enforcement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Required</td>
<td>Art. 3: general rule—defendant may be sued in state of habitual residence</td>
<td>Art. 25: general rule—judgment based on a required basis of jurisdiction “shall be recognized [and] enforced”</td>
</tr>
<tr>
<td></td>
<td>Art. 4: consent by agreement</td>
<td>Art. 26: mandatory exceptions where alternative jurisdictional basis is exclusive (Arts. 4, 5, 7, 8 or 12)</td>
</tr>
<tr>
<td></td>
<td>Art. 5: consent by appearance</td>
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<td></td>
<td>Art. 6: contract</td>
<td>Art. 33: recognition may include a limitation on damages in recognizing court, taking into account “circumstances . . . existing in the State of origin.”</td>
</tr>
<tr>
<td></td>
<td>Art. 7: consumer contracts</td>
<td></td>
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<tr>
<td></td>
<td>Art. 8: employment contracts</td>
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<tr>
<td></td>
<td>Art. 9: branches [and regular commercial activity]</td>
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<td>Art. 10: torts</td>
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<td></td>
<td>Art. 11: trusts</td>
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<td></td>
<td>Art. 12: exclusive jurisdiction</td>
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<tr>
<td></td>
<td>Art. 13: provisional and protective measures</td>
<td></td>
</tr>
<tr>
<td>Type of Jurisdictional Bases</td>
<td>Direct Jurisdiction</td>
<td>Recognition &amp; Enforcement</td>
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</tr>
<tr>
<td><strong>Prohibited</strong> (Article 18(1) prevents the use of these bases of jurisdiction when the defendant is from another contracting state)</td>
<td><strong>Art. 18(1): prohibited zone</strong>—when there is no &quot;substantial connection between that State and the dispute&quot;</td>
<td><strong>Art. 26:</strong> any judgment based on a prohibited basis of jurisdiction &quot;shall not be recognised or enforced&quot;</td>
</tr>
<tr>
<td><strong>Art. 18(2): prohibited list</strong> of jurisdictional bases (includes jurisdiction based solely on local commercial activity and transient (&quot;tag&quot;) jurisdiction)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Art. 17:</strong> states may exercise jurisdiction &quot;under national law&quot; in the absence of exclusive jurisdiction, a choice of forum clause, or other bases of preferred jurisdiction</td>
<td><strong>Art. 24:</strong> Convention rules on recognition and enforcement &quot;shall not apply to judgments based on&quot; a permitted basis of jurisdiction (i.e., national law governs)</td>
<td></td>
</tr>
<tr>
<td><strong>Art. 18(3):</strong> may allow otherwise prohibited bases for international human rights cases</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Permitted</strong> (contracting states may retain these bases of jurisdiction, but their application and any questions of recognition and enforcement are not governed by the Convention)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
B. Convention Scope

While Article 1(1) of the PDC text provides first that the convention "applies to civil and commercial matters," the final breadth of scope is not entirely clear. The next paragraph provides that the following matters are excluded from the scope of the convention:

- a) the status and legal capacity of natural persons;
- b) maintenance obligations;
- c) matrimonial property regimes and other rights and obligations arising out of marriage or similar relationships;
- d) wills and succession;
- e) insolvency, composition or analogous proceedings;
- f) social security;
- g) arbitration and proceedings related thereto; and
- h) admiralty or maritime matters.

C. The General Rule of Jurisdiction

Both the Brussels and Lugano Conventions provide a rule of general jurisdiction authorizing suit in the state of the defendant's domicile. Existing Hague Conference conventions on other matters generally focus instead on the defendant's habitual residence as the relevant connecting factor. Domicile is a legal concept, subject to different definitions in different legal systems, while habitual residence is generally a factual determination that may be subject to more uniform interpretation. Article 3 of the PDC text remains consistent with Hague Conference practice and provides that "a natural person may be sued for any claim in the courts [of the Contracting State] [of the place] where that person is habitually resident . . . ." Paragraph (b) of Article 3 then provides a similar rule for general jurisdiction over legal persons, allowing corporations to be sued in the state of statutory seat, the state of incorporation, the state of central management, or the state of the corporation's principal place of business.

27. Brussels Convention, supra note 7, art. 2 at (C 27) 4; Lugano Convention, supra note 10, art. 2, at (L 319) 9.
28. Committee Draft, supra note 24, at art. 3(a).
D. Choice of Court Clauses

Article 4 of the PDC text provides that a court chosen by the parties "shall have jurisdiction, and that jurisdiction shall be exclusive unless the parties have agreed otherwise." This reverses the normal presumption in the United States that a choice of court clause is not exclusive unless the parties specifically provide for exclusivity. Article 4 then goes on to provide that such an agreement may be in writing, "by any other means of communication which renders information accessible so as to be usable for subsequent reference," "in accordance with a usage which is regularly observed by the parties," or "in accordance with a usage . . . regularly observed . . . in the particular trade or commerce concerned." Thus, the language of Article 4 goes some distance beyond current law in the United States concerning choice of court by the parties.

E. Special Appearances Under the Convention

Article 5 of the PDC text provides that a defendant appearing to defend on the merits will be considered to have consented to jurisdiction, unless objection is raised prior to the first defence on the merits. Thus, there is an opportunity to enter a special appearance contesting jurisdiction without submitting to jurisdiction on the merits.

F. Specific Bases of Jurisdiction

In addition to Article 3, providing for general jurisdiction over a defendant for any claims, the PDC text includes a number of provisions authorizing jurisdiction in a court located in a state other than that of the defendant's habitual residence. These provisions provide alternative fora for the plaintiff, usually based on specific circumstances relating to either the cause of action, the defendant's conduct, or the type of relationship between the plaintiff and the defendant. Thus, there are specific provisions for jurisdiction in contract (Article 6) and tort (Article 10) cases, as well as a provision for jurisdiction over claims related to the activity of the defendant through a branch, agency or establishment in the Contracting State (Article 9). There are also special jurisdictional rules favoring consumers (Article 7) and employees (Article 8), and rules authorizing exclusive jurisdiction for trust cases (Article 11) and in other specific circumstances, including cases involving the registration of intellectual property rights (Article 12).

Articles 13-16 deal with jurisdiction for provisional relief and with multiple-party actions. While some of these matters are dealt with in the United States through rules of procedure, rather than rules of jurisdiction, these matters are all dealt with as jurisdictional issues in the PDC text.

H. Permitted and Prohibited Bases of Jurisdiction

As noted above, Article 17 makes explicit that bases of jurisdiction that are neither required in earlier articles nor prohibited in Article 18 may still be used “under national law” so long as doing so does not conflict with the exclusive or protective jurisdictional rules of the convention or with any explicit choice of court provision under Article 4. Article 18 provides the bases of jurisdiction that would be prohibited when a defendant is a habitual resident of another contracting state. Most notably for purposes of the United States, paragraph 2(e) is intended to prohibit general “doing business” jurisdiction commonly allowed under most state long-arm statutes and the Due Process clauses of the Fifth and Fourteenth Amendments to the Constitution. The language of this provision prohibits jurisdiction based on “the carrying on of commercial or other activities by the defendant in the State, except where the dispute is directly related to those activities.” The final clause of this provision leaves for the permitted category of Article 17 common exercise of “specific” jurisdiction, in which the activities of the defendant within the state arise out of or otherwise are related to the cause of action.29

Also prohibited under paragraph 2(f) is the United States’ “tag” jurisdiction based only on the service of process on the defendant while temporarily present in the state.

Article 18(3) is intended to continue to allow (as a permitted basis of jurisdiction) any of the otherwise prohibited bases, when the case is brought for human rights violations under international law. This provision has been included at the request of human rights organizations concerned that the convention will frustrate developing methods for bringing suit against former

29. The distinction between “general” jurisdiction, based on continuous and systematic contacts with the state sufficient to allow jurisdiction over unrelated claims, and “specific” jurisdiction, for which the contacts must be related to the cause of action, is set forth in Helicopteros Nacionales de Colombia, S.A. v. Hall, 466 U.S. 408 (1984). It was first suggested in Arthur T. von Mehren & Donald T. Trautman, Jurisdiction to Adjudicate: A Suggested Analysis, 79 HARV. L. REV. 1121, 1144-1164 (1966).
state officials who have engaged in wrongful conduct, especially cases brought under tag jurisdiction in U.S. courts.

I. Lis Pendens and Forum Non Conveniens

The Brussels and Lugano Conventions contain a *lis pendens* rule that creates a race to the courthouse. When more than one jurisdiction is available, priority is given to the court first seised of the case, and other courts must either stay or dismiss any later proceedings. The approach in the United States in transnational litigation has been to focus instead on a race to judgment. The PDC text coordinates the adoption of a Brussels-style *lis pendens* approach with a modified *forum non conveniens*-type procedure (something generally considered available only in common law jurisdictions). Thus, Article 21 provides that a court second seised generally must suspend its proceedings and then decline jurisdiction if the court first seised has jurisdiction. Article 22 sets up a modified version of the traditional U.S. (and other common law states') doctrine of *forum non conveniens*.

J. Recognition and Enforcement of Judgments

Chapter III of the PDC text provides the rules on recognition and enforcement of judgments, generally providing that judgments based on required bases of jurisdiction “shall be recognised or enforced” (Article 25(1)); judgments based on prohibited bases of jurisdiction under Article 18, or in conflict with a choice of court clause or exclusive basis of jurisdiction, “shall not be recognised or enforced,” (Article 26); and judgments based on a permitted basis of jurisdiction are to be treated under national law as if the convention did not apply (Article 24).

K. Recognition of Punitive, Multiple and “Excessive” Damages

Article 33 of the PDC text reflects a compromise approach to concerns about punitive damage awards and what are considered “excessive” compensatory damage awards in U.S. courts. Courts are authorized to refuse recognition and enforcement of punitive and multiple damages unless “similar or comparable damages could have been awarded in the State addressed.” As to compensatory damage awards, courts may enforce less than the full amount if the judgment was for “grossly excessive damages.”
L. Other Issues

A convention designed to be applied by the national courts of all the contracting states will have no single source for definitive interpretation. The possibility of conflicting interpretations from the courts of multiple jurisdictions is a real one. Alternatives range from a system of recording and disseminating interpretive decisions, to rules requiring deference to prior decisions in other jurisdictions, to the establishment of an advisory or binding source of declaratory judgments on an international level. Article 38 of the PDC text calls for each court to interpret the Convention with "regard . . . to . . . its international character and the need to promote uniformity in its application." Articles 39 and 40 (in brackets, and thus not a full part of the text) would establish a system for collection of convention decisions from all contracting states, periodic review of the operation of the convention, and committees of experts to assist in the interpretation of the convention. Provisions on how the convention will operate in a federal system and how it will relate to other treaties are not yet completed.

III. INTELLECTUAL PROPERTY RIGHTS AND ELECTRONIC COMMERCE

Both intellectual property rights and electronic commerce have been the subject of special expert meetings dealing with the PDC text. Electronic commerce was the subject of two meetings in Ottawa, Canada; the first held February 27 through March 1, 2000 and the second held February 26 through March 1, 2001. Intellectual property rights were the subject of a joint meeting with the World Intellectual Property Organization (WIPO) in Geneva on January 20-21, 2001, followed by an informal meeting of the delegations to the Hague Conference Special Commission on jurisdiction and judgments on February 1 of the same year.

A. Intellectual Property Rights

Prior to the January 2001 meeting in Geneva, the United States Patent and Trademark Office (PTO) published a notice in the Federal Register requesting public comment on the PDC text as it applies to intellectual property rights (IPC). The responses to that notice, made public by the PTO on its

website,\textsuperscript{31} include both general and specific comments. General comments include the conclusion that "[t]he Draft Convention is not a model of clarity,"\textsuperscript{32} concern with the prohibition of "doing business" and "tag" jurisdiction,\textsuperscript{33} and some support for exclusion of intellectual property rights from the scope of the convention.\textsuperscript{34} Specific attention is focused on paragraph (4) of Article 12, which provides exclusive bases of jurisdiction. Relevant portions of Article 12 reads as follows:

Article 12 Exclusive jurisdiction

4. In proceedings which have as their object the registration, validity, [or] nullity[, or revocation or infringement.] of patents, trade marks, designs or other similar rights required to be deposited or registered, the courts of the Contracting State in which the deposit or registration has been applied for, has taken place or, under the terms of an international convention, is deemed to have taken place, have exclusive jurisdiction. This shall not apply to copyright or any neighbouring rights, even though registration or deposit of such rights is possible.

5. In relation to proceedings which have as their object the infringement of patents, the preceding paragraph does not exclude the jurisdiction of any other court under the Convention or under the national law of a Contracting State.

6. The previous paragraphs shall not apply when the matters referred to therein arise as incidental questions.


\textsuperscript{33} Letter from Ronald Abramson, Chair, Committee on Patents of the Association of the Bar of the City of New York, to Director of the United States Patent and Trademark Office, (Dec. 11, 2000) (Public Comments, supra note 31, at 39) (expanded enforceability of judgments in exchange for prohibition of "tag" and "doing business" jurisdiction is "an unbalanced trade-off. . . . [T]here are numerous situations where 'doing business' and 'tag' jurisdiction prove essential to the process of acquiring jurisdiction and selecting an appropriate forum for litigation."). Letter from Michael K. Kirk, Executive Director, American Intellectual Property Law Association, to Q. Todd Dickinson (Dec. 8, 2000) (Public Comments, supra note 31, at 43) ("The existence of 'doing business' jurisdiction minimizes jurisdictional disputes at the outset of IP litigation and its elimination would needlessly complicate domestic litigation."); Memorandum from Edward G. Fiorito, Chair, Section of Intellectual Property Law of the American Bar Association, to Q. Todd Dickinson (undated) (Public Comments, supra note 31, at 57) ("The elimination of 'general business' jurisdiction, by definition, will impact intellectual property owners' ability to protect their rights domestically and internationally [sic]. . . . The trade-off offered to IP owners by the proposed convention, i.e., some level of certainty in enforcing overseas a judgment obtained in the United States is of little value. Presumably, if a defendant has substantial and continuous contacts necessary to support 'general jurisdiction,' there would be no need to seek enforcement abroad.").

\textsuperscript{34} Letter from Dr. Peter T. DiMauro, International Center for Technology Assessment, to Director of the United States Patent and Trademark Office (Jan. 12, 2001) (Public Comments, supra note 31, at 47).
Article 12(4) separates both types of intellectual property rights (covering only registered rights, and thus raising questions about common law, unregistered, trademark rights in the United States), and types of actions (applying to questions of validity, and leaving open and in brackets the question of whether infringement actions should also be brought exclusively in the state of registration). While some public comments agreed that questions of validity are appropriate for exclusive jurisdiction and argued that questions of infringement are not, other comments stated that even questions of validity should be subject to exclusive jurisdiction in only limited circumstances.

Article 12(4) raises questions about (1) whether the court of registration should have exclusive jurisdiction in all cases involving the resulting rights in some manner, (2) whether other courts should be able to deal with related issues that are incidental to the primary issues under consideration, and (3) how a convention on jurisdiction that also contains provisions on recognition should deal with such matters. What this provision does not deal with is differences in systems of IPR protection, including distinctions between systems that provide for registration and those that do not in the case of certain types of rights. Thus, distinctions between types of rights—both distinctively (e.g., patents, trademarks, copyrights) and by registration requirements—must be considered. In addition, if a final decision is made to have exclusivity of jurisdiction, the extent of that exclusivity must be determined. Will it, like the Brussels Convention, apply only to questions of validity, or will it also extend to infringement matters? Since patent infringement suits often are countered with allegations of invalidity of the patent, does that mean that infringement must be treated in the same category as invalidity for purposes of this provision?

While it is logical to have matters of registration (for IPR’s that are subject to a system of registration) dealt with in the court of the state in which registration occurs, making jurisdiction for such matters exclusive is quite another step. Thus, careful consideration must yet be given to whether these issues require a rule of exclusive jurisdiction, or (for example) merely a rule


36. Id.

37. See, e.g., “Response to Federal Register Notice,” Published Comments, supra note 31, at 100 (“Only for conflicts that are predominantly based on or that consist entirely in the determination of the validity of a registration of an IPR that requires registration is it advantageous to look for a decision of the court where the register is allocated.”) (underlining in original).

38. Brussels Convention, supra note 7, at art. 16(4) at (C27) 8.
in Chapter III that would allow refusal to recognize and enforce a judgment from another state that affects local registration of an IPR. How such a rule should affect litigation dealing with allegations involving multiple IPR registrations in multiple states also is not yet clear.

B. Electronic Commerce

While Article 12 raises important questions for intellectual property rights litigation, Article 7 raises important questions in the burgeoning area of electronic commerce. That provision reads as follows:

Article 7 Contracts concluded by consumers
1. A plaintiff who concluded a contract for a purpose which is outside its trade or profession, hereafter designated as the consumer, may bring a claim in the courts of the State in which it is habitually resident, if
   a) the conclusion of the contract on which the claim is based is related to trade or professional activities that the defendant has engaged in or directed to that State, in particular in soliciting business through means of publicity, and
   b) the consumer has taken the steps necessary for the conclusion of the contract in that State.
2. A claim against the consumer may only be brought by a person who entered into the contract in the course of its trade or profession before the courts of the State of the habitual residence of the consumer.
3. The parties to a contract within the meaning of paragraph 1 may, by an agreement which conforms with the requirements of Article 4, make a choice of court—
   a) if such agreement is entered into after the dispute has arisen, or
   b) to the extent only that it allows the consumer to bring proceedings in another court.

For electronic commerce, this provision creates some obvious issues. Paragraph 3, which prevents choice of court clauses entered into prior to a dispute, could frustrate efforts at predictability in electronic consumer contracts. By preventing a consumer from ever entering into a valid choice of court clause prior to a dispute, this article takes a paternalistic approach to consumer contracts and prevents the possibility that consumers may rather opt for other trade-offs, including a lower price. By subjecting an electronic commerce participant to the potential of suit in any state in which a consumer may purchase its goods, the effect of 7(1) and 7(3) together may raise the cost of entry in a manner that could frustrate the growth of electronic commerce. This may be appropriate consumer protection in a jurisdiction provision, but the matter must be considered quite carefully, and would involve a specific change in U.S. law regarding the enforcement of choice of forum clauses.

With the arbitration exclusion from the scope of the convention in Article 1(2), it may be possible to include an arbitration clause in a consumer
contract, and thus avoid the impact of Article 7 by removing the transaction from the scope of the convention altogether. It is a bit incongruous, however, for a convention designed in part to place litigation on a par with arbitration by providing litigation with benefits long available in arbitration under the New York Convention to incorporate its own incentives for opting for arbitration over litigation as a preferred method of dispute settlement. In countries with parallel prohibitions on arbitration and choice of court clauses in consumer contracts, this may not be a problem, but since the United States has no such general prohibition, the resulting ability to simply opt-out of the “consumer protection” element of Article 7(3) would reduce both its impact and its meaning.

V. THE JUNE 2001 DIPLOMATIC CONFERENCE

Between May 2000 and June 2001, informal sessions were held in Washington, Basle, Geneva, Ottawa and Edinburgh. Much of the time in those meetings was spent on issues of intellectual property rights and electronic commerce. Moreover, experts from those sectors were present at many of the informal meetings in order to assist the Member State delegations in their review of relevant issues. The results of the June 2001 Diplomatic Conference reflect those discussions on a number of issues. The following is a summary of some of the developments in the Diplomatic Conference, as they relate to issues discussed above:

A. Convention Structure

While delegations discussed the structure of the convention, and the need for clearer presentation, no specific structural changes are represented in the results of the June 2001 Diplomatic Conference.

B. Convention Scope

In Article 1, the Diplomatic Conference added antitrust claims and nuclear liability matters (in brackets) to the list to be considered for exclusion from the scope of the convention. Consideration was also given to exclusion

39. These developments are reflected in the revised text, found in the Interim Text of the Diplomatic Conference, supra note 1. That document contains many variants (indicating choices yet to be made) and bracketed words (indicating a lack of consensus on specific language), demonstrating significant uncertainty in terms of a final product.
from scope of rights in rem in immovable property and claims related to the validity, nullity, or dissolution of a legal person.

C. The General Rule of Jurisdiction

In order to deal with the natural person with multiple residences, bracketed language was proposed included in Article 3 that would use "residence," rather than "habitual residence," as the important term, and focus on the principal residence in multiple residence situations.

D. Choice of Court Clauses

The discussion at the Diplomatic conference indicated an understanding that national law is to govern issues of validity of a choice of court clause in the first instance, but there was no clear determination beyond the original Reporter's comments concerning what issues that would cover. Bracketed language in Article 4 was inserted to flag this issue and indicate the need to deal with it further.

E. SpecialAppearances Under the Convention

The concept of a special appearance was retained, but it was decided to delete the presumption that a defendant appearing on the merits has consented to jurisdiction under the convention. This position recognizes the danger of converting jurisdiction outside the convention to jurisdiction sufficient to result in the benefits of recognition and enforcement under the convention.

F. Specific Bases of Jurisdiction

The informal meetings and the Diplomatic Conference spent a good deal of time on specific bases of jurisdiction, including the Article 6 contract and Article 10 tort provisions, and the Article 12 rules of exclusive jurisdiction in the PDC text. Developments important specifically to electronic commerce and intellectual property rights are discussed below.


The Diplomatic Conference agreed to delete Article 14, which would have authorized jurisdiction over multiple defendants if jurisdiction existed over one of them, and Article 16, which took a similar approach to third party
claims. Article 15, authorizing jurisdiction over a plaintiff for counterclaims arising out of the same transaction or occurrence as the original claim, was retained.

H. Permitted and Prohibited Bases of Jurisdiction

The decision of what to include on the prohibited list of jurisdictional bases remains one of the most difficult issues in the negotiations. The need for balance between the inclusion of bases on this list, and the inclusion of related bases on the required list, requires further discussion and deliberation. Much of Article 18 remains in brackets after the June 2001 Diplomatic Conference.

I. Lis Pendens and Forum Non Conveniens

The delicate compromise represented in Articles 21 and 22 of the PDC text was left relatively unchanged in the results of the June 2001 Diplomatic Conference.

J. Recognition and Enforcement of Judgments

The provisions on recognition and enforcement provide a core of consensus provisions in the convention. Thus, they remained mostly unchanged from the PDC text to the results of the June 2001 Diplomatic Conference.

K. Recognition of Punitive, Multiple and "Excessive" Damages

While drafting changes were made to Article 33, they were not intended to change the carefully crafted compromise represented by that provision in the PDC text.

L. Intellectual Property Rights

Discussions throughout the informal meetings and the June 2001 Diplomatic Conference focused on the differences between types of intellectual property rights and the types of legal systems designed to promote and protect them. Much of this discussion dealt with the exclusive jurisdiction rule of Article 12(4). The Interim Text of the Diplomatic Conference contains the following language, changing the PDC text but
including alternatives and brackets indicating the inconclusive nature of the discussions:

**Article 12 Exclusive Jurisdiction**

[**Alternative A**]

4. 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.

5. 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.

[**Alternative B**]

5A. 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 to 16] have jurisdiction.

**Alternatives A and B**

6. Paragraphs 4 and 5 shall not apply where one of the above matters arises as an incidental question in proceedings before a court not having exclusive jurisdiction under those paragraphs. However, the ruling in that matter shall have no binding effect in subsequent proceedings, even if they are between the same parties. A matter arises as an incidental question if the court is not requested to give a judgment on that matter, even if a ruling on it is necessary in arriving at a decision.

7. [In this Article, other registered industrial property rights [(but not copyright or neighbouring rights, even when registration or deposit is possible)] shall be treated in the same way as patents and marks]

8. For the purpose of this Article, 'court' shall include a Patent Office or similar agency.

The following are just some of the questions that remain in working toward a final text that will deal adequately with intellectual property rights issues:

1) Would intellectual property rights be better excluded from the scope of the convention, or are intellectual property rights issues often too intertwined with general contract and tort issues to make this a workable solution?

2) Is it appropriate, as in the June 2001 alternatives, to treat patents and marks differently than copyright issues? If so, how should the differences be reflected?

3) If there is to be exclusive jurisdiction for patent and trademark issues, should this apply only to questions of validity (as is the case in the Brussels Convention), or should it include questions of infringement?

4) How should a provision be drafted to take into account the existence of trademark rights that arise without registration in common law states?

5) What is the relationship between the provisions on intellectual property rights and the proposed exclusion of antitrust and competition law issues from the scope of the convention?

Other issues involving intellectual property rights are directly related to questions affecting electronic commerce, and are mentioned below.
M. Electronic Commerce

When negotiations began in the early 1990's, few could foresee the rapid and dramatic impact of the internet on commercial relationships throughout the world. It has become abundantly clear, however, that electronic commerce presents more than just a new way of communicating offers and acceptances to contracts. It also provides a new method for performance of contracts, with the delivery of services, data and intellectual property through cyberspace, as well as the ability to disseminate information globally in a manner that raises new questions about where a statement is published and where it has an impact on others. These issues must be dealt with in a final convention, and they were given much consideration in the year preceding the June 2001 Diplomatic Conference.

Some of the questions relating to electronic commerce are directly related to consumer contracts, and thus implicate Article 7 of the PDC text. States currently have very different approaches to consumer protection, with the Europeans in particular considering jurisdictional rules to be a very important element of the manner in which they provide consumers with advantages in relationships with merchants. Thus, not only are consumers given the ability to sue merchants at the consumer's home court, but they are prevented from entering into binding pre-dispute choice of court clauses. This was the approach of Article 7 of the PDC text. While the June 2001 results did little to change the first matter, they created rather elaborate alternatives that would allow states to continue their positions on enforcement of choice of forum clauses against consumers. This is an important issue in an age of "shrink wrap" and "click wrap" licenses, and expanding on-line contracting and performance relationships.

Copyright infringement and defamation issues are also significantly affected by the development of electronic commerce. With different substantive laws on issues such as moral rights and fair use, both content providers and content users are concerned about the extent to which authorizations of jurisdiction will result in decisions on substantive law in one state being more readily enforceable in a state with very different substantive law rules. This has implications for the balance affecting authors, libraries, academics and consumers in the use of copyrighted material. Both copyright infringement and defamation are influenced by the rule of Article 10(1)(b) that allows a tort case to be brought "in the courts of the State . . . in which the injury arose." Publishers and internet service providers are concerned about what this provision might mean in areas of the law where jurisdictional rules
are not yet clear on a national level, let alone globally. While this convention does not deal with questions of applicable law, the widespread belief that a court with jurisdiction over a case is more likely to apply its own law leaves many with concerns about being subject to proceedings halfway around the globe applying laws that are very different than those in their home states. These concerns must be addressed in a final text.

V. CONCLUSION

The PDC text and the more recent results of the June 2001 Diplomatic Conference represent nearly a decade of work within an organization committed to the improvement of private international law. While much progress has been made, there remains a good deal of work before a satisfactory convention text is achieved. In the areas of intellectual property rights and electronic commerce, success will require careful attention to the needs of those for whom these areas are most important. Input from these sectors was not adequately reflected in the PDC text.

These negotiations represent a special opportunity to move rules of transnational litigation forward in a manner that will benefit multiple interests in all contracting states. The opportunity to supplement existing rules for the cross-border movement of goods, services, capital, persons and intellectual property rights, with rules for the cross-border movement of the judgments that represent state recognition of rights in those economic factors, is a very special one. Proper consultation with all interested parties, including those concerned with intellectual property rights and electronic commerce, can help lead to a convention that will facilitate business and litigation well into the twenty-first century.

The success of the negotiations will hinge in large part on the ability of the parties to return to basic concepts and build a consensus foundation for the convention, on top of which the difficult issues may be considered and either resolved or left in a status quo situation outside the convention rules. This is the thrust of the decision of May 2000 by the Special Commission on General Affairs and Policy of the Hague Conference.40 Without such a consensus approach, the PDC text is likely only to lead to tinkering at the margins that will not result in a successful convention.

40. Conclusions of the Special Commission of May 2000 on General Affairs and Policy of the Conference, Hague Conference on Private International Law, Preliminary Document No. 10, at 11 (June 2000) ("The first session would seek to achieve consensus on certain issues and binding decisions would only be taken to the extent that such consensus or near consensus was being reached.").