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**INTELLECTUAL PROPERTY:
PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW,
AND JUDGMENTS IN
TRANSNATIONAL DISPUTES
(with Comments and Reporters' Notes)**

**Part I
DEFINITIONS AND SCOPE
OF THE PRINCIPLES**

Introductory Note:

These Principles are designed for transnational disputes involving intellectual property rights. There are several reasons to believe that this is an area particularly ripe for the development of international litigation practices. The mismatch between the international scope of demand for creative products and the local scope of application of prescriptive authority over intellectual property has been a longstanding problem. In the 19th century, a series of important agreements, such as the Berne Convention (on copyrights) and the Paris Convention (on trademarks and patents) emerged to deal with the problems of acquiring and recognizing intellectual property rights. See Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, 123 L.N.T.S. 233, revised July 24, 1971, 25 U.S.T. 1341, 1161 U.N.T.S. 3, available at http://www.wipo.int/treaties/en/ip/berne/trtdocs_wo001.html (last visited Jan. 3, 2008) (hereinafter Berne Convention); Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as

revised at Stockholm July 14, 1967 (amended 1979) 21 U.S.T. 1583, 828 U.N.T.S. 305, available at http://www.wipo.int/treaties/en/ip/paris/pdf/trtdocs_wo020.pdf (last visited Jan. 3, 2008) (hereinafter Paris Convention). Difficulties in enforcing these rights, and in defending against enforcement actions, are, in some ways, of more recent origin in that they stem largely from contemporary technological developments (such as translation software and digitized methods of distribution), cultural transformations (such as convergence on English as a lingua franca and growing local taste for foreign creative products), as well as changes in the way that business is conducted (such as the growth of transnational media). The decision of the World Trade Organization (WTO) to include copyright, patent, trademark, and related rights into its framework agreements demonstrates the importance now attached to the enforcement of intellectual property rights. As a result of the intellectual property community's familiarity with the earlier conventions and the WTO's more recent TRIPS Agreement, there is a common understanding of core intellectual property values and their enforcement. See Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement establishing the World Trade Organization, Annex 1C, 1869 U.N.T.S. 299, available at http://www.wto.org/english/tratop_e/trips_e/t_agm0_e.htm (last visited Jan. 3, 2008) (hereinafter TRIPS Agreement). These shared norms provide a foundation for successfully utilizing a system such as the one proposed here.

The Principles concern private-international-law matters that are specific to intellectual property and to the coordination of transnational intellectual property disputes. The Principles do not reiterate general rules on judicial or legislative competence, nor do they directly address general concerns regarding fair process. Thus, in most instances, they leave to the forum general issues of private international and procedural law, such as those concerning standing, characterization, the method of proving foreign law, and appellate process. With

respect to norms not specific to intellectual property, see generally ALI/UNIDROIT Principles of Transnational Civil Procedure.

§ 101. Definitions

The following definitions apply to these Principles:

(1) “Agreement” means a bargain of two or more parties that results in legal obligations. The term includes agreements, contracts, licenses, assignments, pledges, grants, and other voluntary transfers, regardless of how the particular transaction or transfer is denominated.

(2) “Judgment” means any final judgment or final order of a court determining a legal controversy; a judgment or order is “final” for the purposes of these Principles when it is subject to enforcement in the State of origin and not stayed by a court in that State.

(3) “Registered right” means any intellectual property right covered by § 102(1) that is not valid unless and until granted by a competent State authority.

(4) “Standard form agreement” means an agreement that:

(a) is prepared by one party for repeated use;

(b) is presented to another party or parties (the “nondrafting party”) by the party on behalf of whom the draft has been prepared (the “drafting party”); and

(c) does not afford the nondrafting party a meaningful opportunity to negotiate its terms.

(5) “State” means an entity with a defined territory and a permanent population, under the control of its own government, which engages in, or has the capacity to engage in, foreign relations with other such entities. A regional economic integration organization is considered a “State” for purposes of the Principles when the

organization created the intellectual property right at issue in the dispute. The allocation of authority between a State and its territorial subdivisions is determined under the law of that State.

(6) “Transnational civil dispute” means a civil action in a court of a State (the “forum State”) in which:

(a) there is a claim or defense under the intellectual property rights of another State (the “non-forum State”); or

(b) there is a claim arising out of activities that implicate intellectual property rights where the activities occur, at least in part, outside the forum State.

Comment:

a. Agreement. There are technical differences between agreements, contracts, licenses, and other voluntary transfers. For example, the Uniform Commercial Code (2004) defines an “agreement” as “the bargain of the parties in fact,” § 1-201, and it defines a “contract” as “the total legal obligation that results from the parties’ agreement,” *id.* However, the Principles are meant to apply to diverse legal systems and thus avoid technical definitions that may not be universally understood. Accordingly, these terms are used interchangeably.

b. Judgment. “Judgment” should be understood in the same way as is employed in the ALI Project on Recognition and Enforcement of Foreign Judgments: Analysis and Proposed Federal Statute (hereinafter ALI Foreign Judgments Project) § 1(b). Provisional orders are subject to special rules. See §§ 214 and 401(4).

c. Registered right. An important concept in international intellectual property law is the distinction between registered and unregistered rights. When used in the Principles, “registered rights” include only intellectual property rights the protection of which is conditioned upon a grant by a competent State authority. This applies, for example, to patents,

industrial designs, plant varieties, semiconductor-chip designs, and registered trademarks (as opposed to trademark rights arising from use), all of which are valid only when deposited or registered with, or granted by, the competent State authority.

Some international agreements facilitate multinational deposits or registrations and related grant procedures. Typically, under these agreements, a single deposit, registration, or grant with or by a central authority is deemed to have the same effect as a national deposit, registration, or grant in each country designated by the depositor, registrant, or applicant. An example is the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks, June 27, 1989, S. TREATY DOC. NO. 106-41, available at http://www.wipo.int/madrid/en/legal_texts/pdf/madrid_protocol.pdf (last visited Jan. 3, 2008) (hereinafter Madrid Protocol). A right registered under such an agreement is considered a “registered right” under the Principles.

Purely permissive deposit, registration, or recordation regimes under which the deposit, registration, or recordation is not a condition for protection will not make the intellectual property right in question a “registered right” within the meaning of the Principles. Consequently, copyrights and neighboring rights will generally not be registered rights as defined herein. While registration of copyrights is possible in some countries, namely the United States, it “is not a condition of copyright protection.” 17 U.S.C. § 408(a). Rather, copyright protection is generally afforded as a matter of law upon the creation of a copyrightable work. No registration or recordation is required for protection. In fact, art. 5(2) of the Berne Convention prohibits formalities as a prerequisite for enjoyment of the rights guaranteed by it.

d. Standard form agreement. Standard form agreements are standard form, prepackaged, prepared, and presented unilaterally by one party, without the other party having any meaningful opportunity to negotiate the terms, and are typically intended by a provider of a

product that is sold or licensed widely to the general public. They are common in transactions involving information products, appearing in products delivered in physical form as so-called “shrinkwrap” licenses and in products delivered digitally as “clickwrap” licenses.

e. State. As used here, “State” should be understood in the same way as is employed in the Restatement Third, The Foreign Relations Law of the United States (hereinafter Restatement of Foreign Relations) § 201. Thus, the term does not refer directly to the constituent units of federal States or the political subdivisions of States. For example, it does not refer to states of the United States, because “under the Constitution of the United States foreign relations are the exclusive responsibility of the Federal Government”; see Restatement of Foreign Relations § 201, Comment g. However, a State’s authority may be divided among a central government and territorial subdivisions. These Principles do not address the competence of a territorial subdivision (such as a state of the United States) to promulgate intellectual property law. Nor do they address the competence of a subdivision’s court (such as a court of a U.S. state) to hear a case, assert jurisdiction over a party, or enforce a judgment. These allocations of competence are determined under local law. For example, a trademark registered in a state of the United States is a registered right under the Principles because it is “granted by a competent State authority.”

The member states of the European Union are “States” because they have the capacity to engage in foreign relations. The same may be true of the members of other regional economic integration organizations. In addition, in some circumstances a regional economic integration organization will be considered a “State” for purposes of the Principles because it has created a supranational intellectual property right, such as the European Community trademark, enforceable in its member States.

f. Transnational dispute. These Principles accommodate disputes that arise out of the changing technological environment in which intellectual property is developed,

disseminated, and exploited. The current environment enhances the possibility that one State will be called upon to adjudicate a dispute that requires it to interpret the intellectual property law of another State or other States, or to apply either domestic or foreign intellectual property law to activities that occur in another State or other States. Global exploitation of intellectual property also increases the likelihood that the same transactions or occurrences will spawn in several States litigation that could usefully be coordinated.

Courts faced with disputes connected in other ways to more than one State may find guidance in these Principles. However, the Principles are not intended directly to affect purely domestic cases.

Illustrations:

1. A, a resident of Patria, sues B, a resident of Xandia, alleging that B's activities in Patria infringe A's Patrian patent. The suit is brought in Patria.

The Principles do not apply to this dispute. Although the dispute involves litigants from more than one State, the Patrian court will apply the patent law of Patria to activities occurring in Patria.

2. Same facts as in Illustration 1, except that A also holds patents in Xandia, Tertia, and Quatria, and alleges that B has infringed all of these as well. A sues in each State, and B seeks to coordinate the dispute pursuant to Part II of the Principles.

The Principles apply to this dispute. Although none of the individual cases arise under the Principles, coordinated adjudication requires a court to consider claims, defenses, and activities arising outside its forum.

3. A, a resident of Patria, sues B, a resident of Patria, in Patria to determine their respective rights to exploit B's copyrighted work in Patria and Xandia.

The Principles apply to this dispute. Although A and B are both residents of Patria, the Patrian court will be called upon to determine the effect of activities in Xandia (which may or may not involve application of Xandian copyright law).

4. A, a resident of Patria, owns a facility in Xandia from which it can receive television programs broadcast in Patria. It streams the programs back into Patria. B, the holder of Patrian copyrights in the programs, sues A in Patria for copyright infringement.

The Principles apply to this dispute for the reasons stated in Illustration 3.

5. Same facts as in Illustration 4; assume that B wins and brings an action to enforce the judgment in Xandia. Assume that Xandia is a federated government, with two territorial subdivisions, South and North. B brings the action in a Xandian federal court, and A moves to dismiss on the ground that, under Xandian law, the courts of South have sole enforcement authority.

If the suit was brought under the Principles, the enforceability of the judgment will be determined by the Principles; see Part IV. However, the allocation of judicial authority as among the federal courts in Xandia and the courts of South and North is determined by Xandian law.

6. A, a resident of Patria, registers its Patrian trademarks with the Patrian customs authority and asks that goods bearing that trademark be excluded at the border. B, C, and D, residents of Xandia, Tertia, and Quatria, ship goods bearing that trademark into Patria. A brings an exclusion action in the administrative tribunal that Patria established to hear these disputes.

The Principles do not apply to this dispute. Although the dispute involves litigants from several jurisdictions, the Patrian court will apply Patrian trademark law to decide whether these goods can lawfully be imported into Patria. More generally, the Principles are not focused on in rem actions or adjudications in administrative tribunals. In rem actions are

easily localized; thus, they rarely present the extraterritorial issues to which the Principles are directed. Further administrative adjudication presents procedural problems that are beyond the Principles' scope.

REPORTERS' NOTES

1. Registered rights. For the distinction between registered rights and nonregistered rights in a jurisdictional context, see *Pearce v. Ove Arup P'ship Ltd.*, [2000] Ch. 403 (C.A. Civ. D. 1999) (U.K.); *Coin Controls Ltd. v. Suzo Int'l (UK) Ltd.* [1999] Ch. 33 (1997) (U.K.); *Vanity Fair Mills v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956); *London Film Prod. Ltd. v. Intercontinental Commc'ns, Inc.*, 580 F. Supp. 47, 49 (S.D.N.Y. 1984); Brussels Regulation art. 22(4); Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, Sept. 16, 1988, 28 I.L.M. 620, available at <http://europa.eu.int/eur-lex/lex/LexUriServ/LexUriServ.do?uri=CELEX:41988A0592:EN:HTML> (last visited Jan. 3, 2008), art. 16(4); as revised 30 October 2007, http://www.ofj.admin.ch/etc/medialib/data/wirtschaft/ipr.Par.0022.File.tmp/260307_entw_lugano_convention-e.pdf (last visited Jan. 3, 2008), art. 22(4), (hereinafter Lugano Convention). For examples of rights registered through an international system, see, e.g., Madrid Protocol art. 4(1) ("From the date of the registration or recordal effected in accordance with the provisions of Articles 3 and 3ter, the protection of the mark in each of the Contracting Parties concerned shall be the same as if the mark had been deposited directly with the Office of that Contracting Party."); Geneva Act of the Hague Agreement Concerning the International Registration of Industrial Designs art. 14(1), July 2, 1999, available at http://www.wipo.int/hague/en/legal_texts/wo_haa_t.htm (last visited Jan. 3, 2008) ("The international registration shall . . . have at least the same effect in each designated Contracting Party as a regularly-filed application for the grant of protection of the industrial design under

the law of that Contracting Party.”); Convention on the Grant of European Patents (European Patent Convention) art. 64(1), Oct. 5, 1973, 1065 U.N.T.S. 255, available at <http://www.epo.org/patents/law/legal-texts/html/epc/1973/e/ma1.html> (last visited Jan. 3, 2008) (hereinafter EPC) (“A European patent shall . . . confer on its proprietor from the date of publication of the mention of its grant, in each Contracting State in respect of which it is granted, the same rights as would be conferred by a national patent granted in that State.”). For purposes of the Principles, the resulting national right in question is treated as a registered right of the State for which the deposit, registration, or grant is deemed to be effective under the applicable international agreement.

2. Standard form agreements. The Principles utilize the concept of standard form agreements, i.e., agreements the offer of which are unilaterally prepared by or on behalf of and presented by one party, intended to be used repeatedly, and that the other party (the “nondrafting party”) has no meaningful opportunity to negotiate. The concept is consistent with emerging norms for international commercial contracts. See, e.g., UNIDROIT Principles of International Commercial Contracts 2004, arts. 2.1.19-2.1.22. The more general treatment of “standard form contracts” has been preferred to approaches specific to consumer contracts (as under art. 5 of the Convention on the Law Applicable to Contractual Obligations, June 19, 1980, 19 I.L.M. 1492, available at http://www.rome-convention.org/instruments/i_conv_orig_en.htm (last visited Jan. 3, 2008) [hereinafter the Rome I Convention; in the Rome I Regulation, the relevant provisions on consumer contracts appear in art. 6] or arts. 15-17 of the Brussels Regulation, for example), because the approach by overall categorization (“consumers” vs. “providers”) may not be just and equitable for the providers; for example, a provider of programs to a large company may be subject to unreasonable terms of a standard form agreement without any meaningful opportunity to negotiate. On the other hand, unlike, for example, under art. 17 of the Brussels Regulation,

choice-of-court and choice-of-law contracts with consumers are not per se unenforceable. Rather, they are subject to special scrutiny, §§ 202(4) and 302(5).

3. State. For other definitions of “State,” see ALI Foreign Judgments Project § 1(c); Hague Convention on the Law Applicable to Matrimonial Property Regimes arts. 17, 18, March 14, 1978, 16 I.L.M. 14 available at http://www.hcch.net/index_en.php?act=conventions.text&cid=87 (last visited Jan. 3, 2008); Hague Convention on the Law Applicable to Agency arts. 19-21, Mar. 14, 1978, 16 I.L.M. 775, available at http://www.hcch.net/index_en.php?act=conventions.text&cid=89 (last visited Jan. 3, 2008) (dealing with States having subdivisions); WIPO Copyright Treaty art. 17(3), S. TREATY DOC. No. 105-17; 36 I.L.M. 65, available at http://www.wipo.int/treaties/en/ip/wct/trt_docs_wo033.html (last visited Jan. 3, 2008) (dealing specially with the European Union).

§ 102. Scope and Applicability of the Principles

(1) These Principles apply to transnational civil disputes that involve copyrights, neighboring rights, patents, trade secrets, trademarks, geographic indications, other intellectual property rights, and agreements related to any of these rights.

(2) A court shall, upon a party’s timely request or upon its own motion, make a specific finding as to whether a dispute before it comes within the Principles.

Comment:

- a. Territorial coverage. See § 101(6) and Comment f.
- b. Intellectual property coverage. Intellectual property rights are exclusive rights created by law to protect intellectual creations. The core international intellectual property agreements, supplemented by emerging international norms, provide the basis for interpreting

the subject matter of intellectual property rights. Thus, the TRIPS Agreement applies to patents, copyrights, and trademarks, as well as to neighboring rights (the rights of performers, phonogram producers, and broadcasting organizations that are akin to copyright), geographic indications, industrial designs (designs and models), layout designs, plant varieties, and rights in undisclosed information (trade secrets), and, to the extent covered in the Berne Convention, artists' resale rights (*droit de suite*). Through its incorporation of the Paris Convention, the TRIPS Agreement also covers "honest practices" and practices "established in international trade." These terms encompass claims that create private rights against passing off, unauthorized use of unregistered trademarks and trade dress, dilution, false association, misrepresentation, breaches of confidential relationships, and misappropriation. In addition, the Principles cover forms of intellectual property that are generally recognized, albeit outside the scope of enforcement proceedings under the TRIPS Agreement. This includes moral rights (*droit moral*) and contractual rights limiting the use of transferred information. For purposes of applicable law, the source of these claims may be States or their federal subunits.

As the contents of "intellectual property" evolve and receive international recognition, the Principles should be sufficiently open-ended to encompass them. It may even become appropriate for courts to apply the Principles in a case in which not all countries in the world recognize the right claimed. For example, many countries protect the interests secured in (some of) the United States under the name "right of publicity" and in many European countries under the name "right to one's own image." The rights may not be identical in scope or in rationale (though that may also be true of more formal intellectual properties), but if a dispute arises involving at least one jurisdiction where these rights exist, the court should look to these Principles for guidance as to both judicial and legislative competence. Another example is broadcasting rights, such as for sporting events.

c. Patents and other registered rights. There is a shared understanding that patents are intellectual property rights—they are, for example, covered by both the Paris Convention and the TRIPS Agreement. However, a strong argument could be made that registered-rights cases in general, and patent cases in particular, pose special problems and should be excluded from the Principles. Registered-rights cases are subject to a special jurisdiction rule in the Brussels Regulation; without a change in that Regulation, some of the goals of these Principles could not be realized in cases subject to the Regulation. In addition, registering and maintaining registration can be considered what U.S. doctrine calls “acts of state”—State administrative determinations that foreign courts should not upset. And because the social costs of patenting are so high (particularly for pharmaceuticals), some fora might become “information havens,” over-eager to invalidate patents on a worldwide basis. There are also concerns over adjudicatory process. Both validity and infringement issues may be considered too technical to be decided by courts of general jurisdiction. Differing discovery opportunities could lead to important differences in outcome, particularly on issues, like priority of invention, that are unique to the law of the United States, where broad discovery is available.

Nonetheless, the Principles have been drafted to cover patent and registered-right cases, to demonstrate how the problems associated with coordinated adjudication can be resolved. Thus, limitations on the use of declaratory-judgment actions (§§ 213, 413), their significance for choice-of-court purposes (§ 222(4)(c)), and the power given courts through the coordination provisions (§§ 221-223) should reduce concerns about forum manipulation. The technical-incompetence issue might be addressed by using the cooperation option or by situating consolidated patent actions in those States that have specialized technically competent jurisdictions, like the United States Court of Appeals for the Federal Circuit, and similar courts in other jurisdictions

(§ 222(4)(c)). A court could find that the prejudicial absence of adequate discovery is a ground for refusing enforcement and recognition (§ 403(1)(a) and Comment b). The Comments to §§ 211 and 213 include a further discussion of the problems presented by patent litigation.

d. Domain names. Domain-name disputes that are covered by special systems of dispute resolution such as the Uniform Dispute Resolution Policy (UDRP) adopted by The Internet Corporation for Assigned Names and Numbers (ICANN), are not within the Principles. However, such disputes can involve claims explicitly governed by the TRIPS Agreement or the Paris Convention. (For example, claims of conflict with trademark rights raise issues of consumer confusion, misrepresentation, dilution, or false association.) When the system for resolving such disputes through nonjudicial means is nonbinding (as is, for example the ICANN system), then the Principles apply to any ensuing litigation. See also § 202, Comment g. Although a domain name could be considered to be localized in the jurisdiction of registration, the Principles take the position that intellectual property disputes are transitory. There is little reason to focus any more on the “property” dimension of domain names than on the property dimension of other intellectual property rights.

e. Supplemental jurisdiction. Principles limited to intellectual property matters could lead to bifurcation of cases and thus to the expenditure of extra resources, as parties choose to litigate, or seek enforcement of, the intellectual property portions of their cases in courts that have adopted these Principles, while other parts of their dispute wind up in other places. Such situations could surely arise, but these Principles should avoid more duplicative litigation than they will cause. In addition, § 212 permits the assertion of authority to consider claims that arise out of the transaction, occurrence, or series of transactions or occurrences on which the original claim is based, such as foreign claims, when the court has personal jurisdiction over the litigant under §§ 201-207 to hear these “supplemental” claims. Similarly, the antitrust

claim in Illustration 2, below, could be determined by the court that heard the patent-validity issues.

f. Line-drawing. Intellectual property claims are sometimes embedded in other disputes. For example, a case involving the sale of the assets of a corporation may raise questions about the value of intellectual property assets. Antitrust cases may also involve claims of patent misuse or invalidity. Employment disputes can include claims about who owns rights to information developed in the course of employment. Some claims denominated as “unfair competition” or “unfair trade practices” implicate subject matter covered by intellectual property rights or analogous to such subject matter (and are thus intended to be covered by the Principles); others do not. An example of the former would be misleading comparative advertisements identifying goods by their trademarks. An example of the latter is predatory pricing of consumer goods. Determining which of these cases are within the scope of these Principles will not always be easy. However, this problem is not uncommon in any litigation system in which there are specialized rules of procedure or courts of specialized subject-matter jurisdiction. Thus, it is not insuperable. The Principles cover a dispute when it involves claims for remedies expressly granted by intellectual property laws or raises significant questions on the construction of intellectual property laws. In such circumstances, adjudication can benefit from the Principles’ coordination and applicable-law provisions.

Illustrations:

1. Organizations servicing Manufacturing Co.’s complex equipment sue Manufacturing Co., claiming that its refusal to sell them parts needed to repair their equipment violates the competition laws of the United States, the European Community, and Japan. Manufacturing Co. defends on the ground that the parts are patented and this gives them the right to refuse to deal. The plaintiffs do not dispute the validity of Manufacturing Co.’s patents.

This case does not fall within the Principles. The complaint is for an antitrust violation. Although patent scope issues may emerge in the defense, resolution of those questions is incidental to and independent of the issues of competition policy.

2. Nosh Co. brings an antitrust action against Runner, claiming that Runner attempted to monopolize the global market for food processing through the use of patents procured by fraud. Runner defends on the ground that its various national patents were properly obtained.

This case falls within the Principles because resolution of the case hinges on the determination of whether Runner's patents are valid.

3. Professor X sues his university for claiming rights to worldwide patents on inventions generated in his laboratory. The university claims that Professor X's employment contract assigned rights in all future inventions to the university.

This case falls within the Principles because the transfer of intellectual property rights is a concern of the international intellectual property system. Indeed, one important reason to adopt a system of international dispute resolution is to deal efficiently with conflicting rules on title and transfers. See §§ 311-317.

In some cases, the intellectual property issue arises in the defendant's case. For example, in Illustration 2, validity issues arise in the counterclaim. Arguably, subject-matter issues should be determined only by looking at the complaint, as is the practice in U.S. federal courts. However, there is little reason to look only to plaintiff's claim to determine the applicability of the Principles. Within specific jurisdictional systems, courts with special subject-matter authority tend to work best when they are small enough for judges to stay in close contact with and abreast of one another's decisions. But docket restraint is not an issue here. Indeed, the opposite is the case: since coordination and enforcement of foreign judgments save judicial resources, the scope of these Principles should be broad.

The U.S. federal courts' approach of determining the scope of subject-matter authority by looking only at the complaint also permits the question of allocating judicial authority to be decided at the earliest stage of the pleadings, before significant development and resource expenditure have occurred. Again, this is not a concern here because the plaintiff will presumably want at least part of the case adjudicated in the chosen court, no matter what the international ramifications of the judgment. Thus, there is no need to limit coverage to the first claims that the plaintiff raises. So long as a case mainly resolves transnational intellectual property issues, it should fall within these Principles, no matter who raised the claim or when in the initial stages it was raised.

g. Declaration of scope. There will often be a point in the litigation when the parties will want to know whether their case will terminate in a judgment entitled to enforcement in all States whose courts have adopted these Principles. They may only need to learn this at the end, or they may need to think about it at the stage where they are formulating their case, determining whether global adjudication might be coordinated. Similarly, they will want to know whether the Principles apply when issues of court selection arise. Because there will be marginal cases where the decision will be difficult (especially in the years before a jurisprudence on the question has developed), § 102(2) instructs the court to determine the applicability of these Principles to its adjudication. Similar techniques have been suggested in connection with the application of the ALI/UNIDROIT Principles of Transnational Civil Procedure to litigation. This action will not make drawing the line easier, but it will give parties full notice of the rules, including applicable-law rules, that will apply to the case and of the effects of the judgment at the stage at which they are making important strategic choices. The court rendering the judgment is better suited to declare the applicability of the Principles than is the court that later may be asked to enforce the judgment.

REPORTERS' NOTES

1. Relevance of intellectual property instruments. The TRIPS Agreement and its attendant organizations have fostered a legal environment in which an informal accord on adjudicative rules can work. The States most likely to entertain actions where these Principles would be of value have joined the TRIPS Agreement or have implemented law compatible with it; see §§ 204(3) and 222(4)(f). As a result, potential litigants will have some assurance that their disputes will be adjudicated in places that have agreed to enforce the laws that will be at issue. Indeed, many disputes will be resolved in States that, through their adherence to the TRIPS Agreement, have agreed to assure transparent and efficient judicial process, and that are amenable to dispute-resolution proceedings should they fail to fulfill their obligations fairly and adequately. Moreover, although litigants resolving disputes under these Principles will not have access to a centralized and authoritative appellate body (such as the United States Supreme Court or the European Court of Justice), TRIPS has institutional mechanisms (such as dispute-resolution panels, the Dispute Settlement Board, and the Council for TRIPS) for examining and revising the law as it develops.

2. Line-drawing: In the U.S. system, there is substantial jurisprudence on line-drawing, developed in connection with choosing the cases that can be heard in a federal (as opposed to state) court and also to determine the route of appeal as between a regional circuit and the Court of Appeals for the Federal Circuit, which hears patent appeals. In general, the allocation of jurisdiction turns on whether the case “arises under” federal (or patent) law, 28 U.S.C. §§ 1331, 1338, 1295. In *American Well Works Co. v. Layne & Bowler Co.*, 241 U.S. 257, 260 (1916), Justice O.W. Holmes interpreted this language as meaning that “[a] suit arises under the law that creates the cause of action.” However, subsequent courts have regarded that test as overly inclusive. In the intellectual property context, the formulation most often cited is

that of Judge Henry Friendly in *T. B. Harms Co. v. Eliscu*, 339 F.2d 823, 828 (2d Cir. 1964), cert. denied, 381 U.S. 915 (1965):

Mindful of the hazards of formulation in this treacherous area, we think that an action “arises under” the Copyright Act if and only if the complaint is for a remedy expressly granted by the Act, e.g., a suit for infringement or for the statutory royalties for record reproduction, 17 U.S.C. § 101, cf. *Joy Music, Inc. v. Seeco Records, Inc.*, 166 F. Supp. 549 (S.D.N.Y. 1958), or asserts a claim requiring construction of the Act, as in *De Sylva [v. Ballentine]*, 351 U.S. 570 (1956) or, at the very least and perhaps more doubtfully, presents a case where a distinctive policy of the Act requires that federal principles control the disposition of the claim.

As a result of this narrowed conception of “arising under,” the claims in *T.B. Harms*—which concerned ownership of copyrights—were not considered within the subject-matter jurisdiction of federal courts. *Id.* (It is important to note that the Copyright Act in effect at that time did not provide comprehensive treatment of ownership issues). See also *Louisville & Nashville R.R. Co. v. Mottley*, 211 U.S. 149 (1908) (counterclaims, cross-claims, and issues arising in defenses are ignored for determining a trial court’s subject-matter jurisdiction); *Holmes Group, Inc. v. Vornado Air Circulation Sys., Inc.*, 535 U.S. 826, 829-830 (2002) (same rule for determining the route of appeal). This is not the approach adopted to determine the applicability of the Principles. (It will, of course, continue to be applied in the United States to decide when there is jurisdiction in federal courts).

But even if the specific formulas proposed by Judge Friendly or Justice Holmes are not apposite, the general approach they took is. Thus, both essentially looked for an allocation rule that reflects the rationale for drawing lines in the first instance. Friendly, for example, alluded to “a distinctive policy of the Act [that] requires that federal principles control.” *T.B. Harms*, 339 F.2d at 828. The Principles aim to ensure that intellectual property disputes of

international dimensions are resolved efficiently and consistently with unambiguous international norms, to the extent that they exist in this area. International intellectual property agreements should, therefore, serve as a touchstone. Under such an approach, cases that primarily concern constraints on competition, or the sale of a business, or termination of employment, are not within these Principles' scope.

Disputes involving ownership of covered intellectual property rights present a more difficult issue. The proposal for a European Patent Court excludes from jurisdiction claims of ownership and the import of the T.B. Harms case was similarly, to exclude ownership claims from the scope of federal jurisdiction when those claims do not arise under the statute. See art. 30 of the Commission Proposal for a Council Regulation on the Community Patent, COM (2000) 412 final, 2000 O.J. (C 337 E) 278 (Nov. 28, 2000), available at <http://eur-lex.europa.eu/LexUriServ/site/en/oj/2000/ce337/ce33720001128en02780290.pdf> (last visited Jan. 3, 2008), as amended by Council Document 7119/04, (disputes over patent ownership between employer and employee will fall under the jurisdiction of national courts, not the European Patent Court), see also Council Document 7119/04, Note from Presidency to Council (Competitiveness), Preparation of the Meeting of the Council on 11 March 2004 – Community patent = Proposal for a Council Regulation on the Community patent (Mar. 8, 2004), available at <http://register.consilium.eu.int/pdf/en/04/st07/st07119.en04.pdf> (last visited Jan. 3, 2008) (hereinafter Council Document 7119/04). Moreover, as the Appellate Body Report relative to the Havana Club case notes, ownership is not directly covered by the TRIPS Agreement. Appellate Body Report, United States—Section 211 Omnibus Appropriations Act of 1998, 139-148, WT/DS176/AB/R (Jan. 2, 2002) (hereinafter Havana Club case).

Nonetheless, the efficiency and consistency goals that animate these proposed Principles argue for including ownership disputes within its scope. Some issues of ownership

would be included in any event: those that are based directly on intellectual property law provisions, see, e.g., *Cnty. for Creative Non-Violence v. Reid*, 490 U.S. 730 (1989); *New York Times Co. v. Tasini*, 533 U.S. 483 (2001), and those that arise in the context of infringement actions, see, e.g., *Boosey & Hawkes Music Publishers, Ltd. v. Walt Disney Co.*, 145 F.3d 481 (2d Cir. 1998); *Random House, Inc. v. Rosetta Books LLC*, 150 F. Supp. 2d 613 (S.D.N.Y. 2001). In addition, the same Appellate Body Report found that the United States had an obligation under art. 42 of the TRIPS Agreement to permit the assertion of ownership claims under domestic law, Appellate Body Report in the *Havana Club* case, *supra*, at 218, thus clarifying that the international intellectual property community regards ownership issues, even when presented alone, as within the scope of intellectual property agreements. For a European approach, see, e.g., Peter von Rospatt, *Cross Border Protection of European Patents, Part Two: Decisions of German Courts in Patent Infringement Cases with Cross-Border Effect*, 29 *Int'l Rev. Intell. Prop. & Competition L.* 504 (1998). See generally William Patry, *Choice of Law and International Copyright*, 48 *Am. J. Comp. L.* 383, 410-447 (2000) (giving many examples of difficult choice-of-law questions regarding copyright ownership).

The first two Illustrations are drawn from the facts of *In re Independent Service Organizations Antitrust Litigation*, 203 F.3d 1322 (Fed. Cir. 2000) and *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*, 382 U.S. 172 (1965). Because both cases involved federal antitrust claims, original subject-matter jurisdiction in federal court was not an issue. Post-Holmes Group, both would be appealable to regional circuits, not the Federal Circuit. They are used to emphasize that these rules do not follow the interpretation of federal subject-matter-jurisdiction law. Similarly, Illustration 3 is based on *University of Massachusetts v. Robl*, 2004 WL 1725418 (D. Mass. 2004), which took the view that the dispute between an employee and his university over transfer of the employee's patent rights

did not state a federal patent-law claim; such a claim would be encompassed by the Principles.

3. Claim-splitting. In the U.S. federal system, the practice of permitting the assertion of transactionally related claims took hold in *Hurn v. Oursler*, 289 U.S. 238 (1932), where the plaintiff joined to a claim for copyright infringement a claim of unfair competition for unauthorized use of the allegedly copyrighted play. Even though the second claim was based on state law, it was adjudicated in federal court on the ground that these claims were “not separate causes of action, but different grounds asserted in support of the same cause of action,” *id.* at 247. The concept expanded to cover state and federal claims that “derive from a common nucleus of operative fact,” *United Mine Workers of Am. v. Gibbs*, 383 U.S. 715, 725 (1966). Significantly, the practice was justified by “considerations of judicial economy, convenience and fairness to litigants”—in other words, by the same concerns that animate these Principles. *Id.* at 726. See also *Nilssen v. Motorola, Inc.*, 255 F.3d 410 (7th Cir. 2001) (trade-secret claim should be considered supplemental to patent claim to avoid wasting judicial resources and the potential for inconsistent outcomes).

The Gibbs “common nucleus of operative fact” test was designed to define when a case is within the constitutional authority of U.S. federal courts. Constitutional authority is not a consideration here, however, as the court’s subject-matter power over the dispute comes strictly from national law. The “transaction, occurrence, or series of transactions or occurrences on which the original claim is based” language is easier to apply since it is used in other contexts. Furthermore, it is similar to the language of art. 6(3) of the Brussels Regulation (“arising from the same contract or facts on which the original claim was based”). Accordingly, it is that language which is used in § 212 to determine the scope of the court’s authority over the subject matter (as opposed to its authority over the litigants, which is controlled by §§ 201-207).

4. Local v. transitory actions. Some courts have justified the dismissal of intellectual property claims arising under foreign laws on the ground that intellectual property actions are local, not transitory causes; the Principles reject that theory. Accord, *Kabushiki Kaisha Sony v. Van Veen*, Civ-2004-485-1520 (H.C. 2006) (N.Z.); *R. Griggs Group Ltd. v. Evans*, [2004] EWHC (Ch) 1088, *aff'd* on other grounds, [2005] EWCA (Civ) 11 (C.A.) (Eng.). In registered-rights cases, however, the “local” characterization is more compelling when the issue concerns the validity of the registration, because only the State that registered the right has the power to cancel the registration. This kind of “local” action is more properly conceived as an iteration of the act-of-state doctrine; the jurisdictional analysis would be more coherent if courts were to forego the “local” and “transitory” appellations, and focused instead on the sovereign interests captured by the act-of-state doctrine. Nonetheless, in *Voda v. Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007), a panel of the Federal Circuit, over a powerful dissent by Judge Newman, assumed *arguendo* that the act-of-state doctrine applied, and held that patent infringement claims should be considered “local” actions.

5. Patents and other registered rights. Registered-rights cases have caused a great deal of controversy because there is a strong intuition that the only tribunals with the expertise and authority to declare a right invalid or a nullity are the courts (or patent office) of the State in which the right is registered. See, e.g., Brussels Regulation; art. 22(4); Case C-4/03, *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG*, [2006] F.S.R. 45 (refusing to permit a German court to determine the consequences of allegedly patent infringing activity in France when the case required the determination of the validity of the French patent); cf. Case C-593/03, *Roche Nederland BV v. Primus*, [2007] F.S.R. 5 (refusing to permit a Dutch court to join foreign defendants to a patent infringement suit involving a resident defendant). In the United States, even entertainment of a foreign infringement action raises concerns; thus a divided panel of the Federal Circuit held that a

district court abuses its discretion if it entertains foreign infringement actions as a matter of supplemental jurisdiction under § 1367(c). *Voda v. Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007). As a result, these cases require special treatment because they cannot be consolidated. The Principles create two options for disputes involving challenges to rights registered in more than one State. First, some efficiencies can be achieved by having the courts in each of the States in which a challenged right is registered cooperate with each other, § 222. Alternatively, the parties and the court may decide that efficiencies can be achieved if only one adjudicator is required to master the core features of the plaintiff's technology. Those efficiencies can be captured by consolidating adjudication of validity in a single court. However, in such cases, the judgment will be effective only among the litigants, §§ 211(2), 212(4), 213(3), and 413(2). As protection in multiple countries is increasingly achieved under the auspices of such unifying instruments as the Madrid Protocol, the PCT, June 19, 1970, 28 U.S.T. 7645; 9 I.L.M. 978, available at <http://www.wipo.int/pct/en/texts/pdf/pct.pdf> (last visited Jan. 3, 2008) (hereinafter PCT), and the EPC, the impact of discrete national registration on the efficiency of dispute resolution should be reconsidered.

6. Domain Names. For ICANN's own dispute-resolution mechanism, see <http://www.icann.org/udrp/udrp.htm> (last visited Jan. 3, 2008). ICANN dispute resolutions do not exclude later recourse to national courts. See, e.g., *Storey v. Cello Holdings, LLC*, 347 F.3d 370 (2d Cir. 2003). (But if no recourse is made, then the panel decision is binding). The UDRP's imposition of a jurisdiction to which to appeal is not considered a choice-of-court agreement within the meaning of § 202 of the Principles. For characterization of a domain name dispute as in rem, see 15 USC § 1125(d)(2) (Anti Cybersquatting Consumer Protection Act).

§ 103. Distinction Between Jurisdiction and Applicable Law

(1) Competence to adjudicate does not imply application of the forum State's substantive law.

(2) A court shall not dismiss or suspend proceedings merely because the dispute raises questions of foreign law.

Comment:

a. Distinction between the law of the forum State and applicable law. One of the basic tenets of private international law is the distinction between personal jurisdiction of the court (judicial competence) and the applicable law (legislative competence). In intellectual property, such a distinction was often ignored, mainly because of the principle of territoriality, under which the forum was most often the place of the injury and the applicable law was generally assumed to be the law of the forum State. But with the increasing advent of infringements that have a simultaneous impact on multiple territories, assertion of judicial competence over a multiterritorial infringement is increasingly likely to be sought, and courts will have to consider what law or laws apply to the full territorial extent of the claim. There is as yet no *lex electronica* that would supersede the national law and thus avoid the inquiry into the appropriately applicable law(s), although the body of supranational substantive norms is growing and may eventually come to supply rules of direct application in transnational intellectual property matters. For the foreseeable future, there remains considerable room for the application of national laws. This Section of the Principles therefore emphasizes the independence of the identification of applicable law from the designation of an appropriate court. It is especially important not to equate the two when the court is called upon to hear claims arising out of acts occurring in many States. The forum's courts may be competent to hear a claim involving multiple States; that does not mean that the forum's law should determine the parties' rights with respect to each of those States.

Illustration:

1. Freeforall.com is a distributor of pirated copies of recorded music, with its principal place of business in Freedonia. Freeforall.com operates a website from which customers can download unauthorized copies to their computers throughout the world. Customers in France, Japan, Australia, Argentina, and the United States all download copies.

The courts of Freedonia have jurisdiction over copyright claims against Freeforall.com, because Freeforall.com is established there. (See § 201.)

A different principle governs the choice of which law applies to each of the various acts of alleged infringement in France, Japan, Australia, Argentina, and the United States. (See § 301.)

b. Cases involving foreign law. Courts should not make the presence of foreign law the sole ground for dismissing a claim. Otherwise, the goal of consolidating worldwide claims would be undermined. Some courts consider foreign rights too difficult to adjudicate. While that may be a factor in certain patent cases, the convergence of the other branches of intellectual property law makes this a weak reason to dismiss foreign copyright or trademark claims. Patents that stem from a single application under the PCT or the EPC may likewise present issues on which there is broad consensus. However, it may be appropriate to decline to hear a foreign-law claim because the claim is novel or better handled by a specialized tribunal; the law is unclear or violates local public policy; the evidence is all located outside the forum; or because the potential remedy would be better administered elsewhere.

REPORTERS' NOTES

1. The distinction between the law of the forum State and the applicable law. On this issue, see, e.g., Henri Batiffol & Paul Lagarde, 2 *Droit international privé* 668 (7th ed. 1983) (distinguishing between “compétence judiciaire” and “compétence législative”). In

intellectual property cases, particularly in copyright, it is not unusual for the applicable law to be different from the forum State's law. See, e.g., Ch. Boucher, *De la nature des règles relatives à la protection en France des auteurs étrangers*, 59 *Journal du droit international* 26 (1932) (citing French cases); François Perret, *Territorialité des droits de propriété industrielle et compétence "extra-territoriale" du juge de la contrefaçon: État de la question en droit des brevets d'invention*, in *Études de procédure et d'arbitrage en l'honneur de Jean-François Poudret* 125, 141 (Phidias Ferrari et al. eds., 1999); R. Luzzatto, *Problemi Internazionali del Diritto di Autore*, *Studi in Memoria di Mario Giuliano*, Cedam, 589, 596 (1989). Cf. *Hanson v. Denckla*, 357 U.S. 235, 254 (1958) (distinguishing between the level of contact required for choice-of-law purposes and to determine the question of personal jurisdiction over a nonresident defendant).

2. Overlapping prescriptive authority. Because courts often do find sufficient contacts to apply forum law to persons subject to personal jurisdiction, litigants can be exposed to inconsistent judgments and multiple liability. That danger is a major impetus for these Principles. An example is *Society of Composers, Authors & Music Publishers of Canada v. Canadian Ass'n of Internet Providers*, [2004] 2 S.C.R. 427, 78 (Can.) (noting that the decision to find jurisdiction over an Internet service provider "raises the spectre of imposition of copyright duties on a single telecommunication in both the State of transmission and the State of reception, but as with other fields of overlapping liability . . . the answer lies in the making of international or bilateral agreements").

3. Cases involving foreign law. It is not unusual for common-law courts to invoke *forum non conveniens* when foreign law is involved and to dismiss foreign claims within their subject-matter authority. See, e.g., *Murray v. British Broad. Corp.*, 81 F.3d 287 (2d Cir. 1996); *Creative Tech., Ltd. v. Aztech Sys. Pte., Ltd.*, 61 F.3d 696 (9th Cir. 1995) (both copyright). For Commonwealth examples, see *Plastus Kreativ A.B. v. Minnesota Mining &*

Mfg. Co., [1995] R.P.C. 438, 447 (Ch. 1994) (Eng.); *Potter v. Broken Hill Proprietary Co.* (1906) 3 C.L.R. 479, 492 (Austl.). See generally Richard Fentiman, *Foreign Law in English Courts: Pleading, Proof and Choice of Law* (1998). (Civil-law jurisdictions have no such doctrine). These Principles would require a change in that practice, but experience with the Principles would also significantly weaken the rationales that support it. Further, courts may be motivated to dismiss foreign claims because they are concerned that the litigants will spend time on a case only to find the judgment unenforceable; the Principles ameliorate that concern by making the coordination process contingent on the rendering of an enforceable judgment, see §§ 222(1)(h) and 223(5), and by providing provisions on enforcement, see §§ 401-413.

For the proposition that courts should not dismiss foreign copyright or trademark claims, or the claims that come in under the unfair-competition rubric, see Graeme W. Austin, *Domestic Laws and Foreign Rights: Choice of Law in Transnational Copyright Infringement Litigation*, 23 *Colum.-VLA J.L. & Arts* 1, 42-43 (1999). For judicial application of foreign law when local rights are in issue, see, e.g., *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82 (2d Cir. 1998) (U.S. copyright claims raising questions of ownership under Russian law); *Films by Jove, Inc. v. Berov*, 341 F. Supp. 2d 199 (E.D.N.Y. 2004) (same); *Coral Corp. K.K. (Kabushiki Kaisha) v. Marine Bio K.K.* (Tokyo District Court October 16, 2003) (consolidating a U.S. patent claim with Japanese patent claims).