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

Part II

JURISDICTION

Chapter 1

Personal Jurisdiction over the Defendant

§ 201. Defendant's Residence

(1) A person may be sued in any State in which the person is resident, regardless of whether or not the claim arose in that State.

(2) A natural person is resident in the State in which he or she is habitually found or maintains significant professional or personal connections.

(3) A juridical person is resident in any State or States in which:

(a) it has a statutory seat;

(b) it is incorporated or formed;

(c) its central administration or chief executive office is located; or

(d) it maintains its principal place of business.

Comment:

a. General jurisdiction. Private international law firmly establishes that the plaintiff may bring any suit in the courts of a State in which the defendant is resident. Similarly, it is understood that for juridical persons, there may be more than one such State. For example, a corporation may have business reasons to incorporate in several locations; multinational firms may establish centers on more than one continent; a firm created through a merger will often retain administration of different aspects of the combined business at different locations. By contrast, natural persons have only one residence, sometimes referred to as the “habitual residence.” The Principles do not use that term, but incorporate the same notion. Where a natural person maintains homes and significant professional or personal connections in more than one State, the court will apply its own criteria (for example, drawn from intestacy law) to determine which State is the “residence.” The categorization of an entity as a natural or a juridical person is determined by the otherwise applicable law. Thus, for example, the Principles do not determine whether a partnership is a juridical person.

b. Primacy of the courts of the defendant’s residence. The Principles make defendant’s residence only one basis of adjudicatory authority. Subsequent provisions specify other bases of jurisdiction.

The local law of States composed of territorial subdivisions may further restrict residence-based jurisdiction to a particular subdivision or subdivisions.

c. Personal and subject-matter jurisdiction distinguished. The Principles enumerate the bases of personal jurisdiction that furnish predicates for the enforcement of judgments under Part IV. They do not purport to change domestic law on personal jurisdiction for other purposes. Nor do they purport to change domestic law defining a court’s authority over the subject matter of the dispute.

Illustration:

1. Marc.com, a software company that devises and distributes peer-to-peer file-sharing applications, has its principal place of business in Patria and is incorporated in the island nation of Haven. It also has sales representatives resident in Xandia and Tertia.

Under § 201, Marc.com may be sued in Patria or in Haven, but not in Xandia or Tertia.

As a matter of personal jurisdiction, Marc.com may be sued in Patria or in Haven with respect to copyright infringements allegedly enabled by its software occurring anywhere in the world. If Marc.com is sued in Patria and Patrian courts lack subject-matter authority over all foreign causes of action, the foreign portions of the case should be dismissed. However, if Patrian courts have subject-matter authority over those claims, the case should be retained.

REPORTERS' NOTES

1. Courts of the defendant's State of residence. "Residence" is used in preference to the more ambiguous term of "domicile." The European concepts of (habitual) residence do not sweep as broadly as the United States's "doing business" basis of general jurisdiction ("Doing business" as applied by U.S. courts, is an insufficient ground of general jurisdiction under these Principles, see § 207(6)). However, it was not considered necessary to expand the concept of "residence" to encompass what might be called "doing business" jurisdiction because §§ 204(1) and 204(3) recognize a broad geographic scope of jurisdiction in certain situations.

For a definition of residence, see, e.g., Code du droit international privé [Code of Private International Law], July 16, 2004, art. 4(2)(1) (Belg.), available at http://www.notaire.be/info/actes/100_code_dip.htm (last visited Jan. 3, 2008) (hereinafter Belgian Code of Private International Law): "le lieu où une personne physique s'est établie à titre principal . . . ; pour déterminer ce lieu, il est tenu compte, en particulier, de circonstances de nature personnelle ou professionnelle qui révèlent des liens durables avec ce lieu ou la

volonté de nouer de tels liens” [the place where a natural person has established his main residence . . .; in order to determine this place, the circumstances of personal or professional nature that show durable connections with that place or indicate the will to create such connections are taken into account]. Subsection (3)(c) adopts both European and U.S. terminology for describing the locus of an organization’s control center; see, e.g., U.C.C. § 9-307(b). The Principles’ definition is utilized in the Hague Convention on Choice of Court Agreements, art. 4(2).

2. Presumptive but not preferred court. Although the competence of courts in the defendant’s forum is a cornerstone of private international law, in intellectual property cases it is not necessarily the preferred court. For example, with respect to registered rights, the defendant’s forum is certainly competent to rule on the validity or infringement of the rights that are registered in that State. However, when validity is put into issue, art. 22(4) of the Brussels Regulation creates exclusive jurisdiction in the courts of the State in which the deposit or registration has been applied for or has taken place (or is deemed to have taken place under an international Convention, such as the European Patent Convention) even when this State is not that of the defendant’s residence.

Another reason to reject a principle of preference for defendant’s forum, or to limit the defendant’s forum to a single State, concerns the volatile localization of many “virtual enterprises” present only on the Internet. Many of these may not in fact be domiciled in the State identified in the domain-name registration. As many national registers do not require that the applicant for a given domain name be domiciled in the State indicated by the second-level domain name, the sole indication is the one given to the registrar at the time of application; however, the holder of a domain name can change domicile and easily relocate in a State in which the enforcement climate might be lax.

§ 202. Choice-of-Court Agreements

(1) Subject to subsections (3) and (4), a person may be sued in any court that the parties have agreed will have jurisdiction with respect to the dispute in question, and, unless the parties' agreement clearly provides otherwise,

(a) the designated court will have exclusive jurisdiction with respect to that dispute, and

(b) the parties will be deemed to have waived objections to the designated court's personal jurisdiction over them.

(2) Except as provided in §§ 221-223, a court that has jurisdiction under subsection (1) shall not decline to exercise jurisdiction on the ground that the dispute should be decided in a court in another State.

(3) (a) Except as provided in subsection (4), a choice-of-court agreement is valid as to form and substance if it is valid under the entire law of the designated forum State, including its conflicts rules.

(b) Capacity of a party to enter into the agreement is determined by the internal law of the State in which that party was resident at the time the agreement was concluded; if that party had more than one residence, capacity will be recognized if it existed under the law of any one of its residences.

(4) (a) A choice-of-court clause in a standard form agreement is valid only if the choice-of-court clause was reasonable and readily accessible to the nondrafting party at the time the agreement was concluded, and is available for subsequent reference by the court and the parties.

(b) Reasonableness under subparagraph (a) is determined in light of:

(i) the parties' locations, interests, and resources, taking particular account of the resources and sophistication of the nondrafting party;

(ii) the interests of any States connected to the dispute or to the parties;

(iii) the availability of remote adjudication in the designated court, such as online dispute resolution; and

(iv) whether the designated court was established in the forum State to foster expertise in adjudicating disputes of this type.

(5) If the choice-of-court clause is not valid under this Section, then jurisdiction is determined according to the other provisions of Part II of the Principles.

Comment:

a. Choice of court. The term “choice of court” used in the Principles corresponds to the terminology of the Hague Convention on Choice of Court Agreements. It is not intended to have a different meaning from the more frequently used term “choice of forum.” The Principles are intended to accommodate the selection of the courts in a particular State, or the selection of a specific location, or the selection of a specific type of court. For example, an agreement might designate French courts, or the courts in Paris, or it might further specify the Commercial Court of Paris. Unless otherwise specified, choice-of-court clauses will be read as creating exclusive authority to resolve the parties’ disputes, in derogation of the power otherwise vested in the courts of other fora by these Principles and by domestic law. The terms of the choice-of-court clause determine its scope. In some jurisdictions, a choice-of-court agreement does not waive objection to the existence of personal jurisdiction. In light of this, the Principles specify that choice-of-court agreements should be interpreted as the parties’ agreement to waive objections to personal jurisdiction.

Illustrations:

1. Linda, a U.S. author has a publishing contract that grants AndyCo. Publishers the right to publish Linda’s novel. AndyCo. agrees to pay Linda royalties of 15 percent of net

sales of the book. The contract provides that all disputes arising out of the contract must be litigated before the courts of the United Kingdom.

Linda subsequently initiates suit in the United States, alleging that AndyCo. failed to pay royalties and infringed Linda's copyright by publishing an unauthorized sequel written by a third party. The publisher moves to dismiss on the ground that any dispute must be brought in Britain.

The claim for royalties arises out of the contract; the forum-selection clause applies; the U.S. court should dismiss that claim. The copyright infringement claim, however, does not arise out of the contract: Linda contends the contract never conveyed rights in derivative works. That claim can be litigated in the United States.

2. Same facts as in Illustration 1, but the choice-of-forum clause covers "disputes requiring construction of this agreement." Linda's copyright infringement claim will turn on whether the contract granted not only publication but also derivative work rights, and thus requires construction of the contract. The forum-selection clause thus would apply to both the claim for royalties and the copyright infringement claim.

b. Court selection and subject-matter jurisdiction. Although this provision permits the parties to select a court, the forum chosen must have subject-matter jurisdiction under local law. If it does not, then the plaintiff may choose another court consistent with these Principles.

Illustration:

3. Patent holder P and licensee L agree that all claims involving patents licensed through the agreement, including any challenges to P's patents, must be brought before the courts of Patria, where P's business is established. L seeks a declaration of the invalidity of patents P has registered in Xandia and Tertia. Under Patrian law, its courts lack subject-matter authority to declare foreign patents invalid.

The courts of Patria cannot hear the case, notwithstanding P and L's forum selection. Although the agreement may be enough to create personal jurisdiction, the courts of Patria do not have subject-matter jurisdiction over the claim. See also § 203, Comment b.

c. Other local limitations on the validity of court-selection clauses. Except where the choice-of-court clause is contained in a standard form agreement, § 202(3)(a) determines validity under the law of the State whose forum is specified in the agreement. For example, if the law of the designated State conditions validity on a connection between the forum and the parties or the dispute, and that connection does not exist, then the forum-selection clause is invalid. This is consistent with arts. 5(1) and 6(a) of the Hague Convention on Choice of Court Agreements. However, the Hague Convention uses the term "null and void," which includes capacity. The Principles treat capacity separately for the reasons stated in Comment d.

In general, the Principles exclude the renvoi, see § 324. However, § 202(3)(a) looks to the designated forum's entire law on the formation of forum-selection agreements, including its choice-of-law rules. This, too, is consistent with the Hague Convention. Reference to the whole law permits the designated court to honor party autonomy.

The Hague Convention would, in addition, permit a court other than the designated court that is seized with a case to refuse to give effect to the designation if it "would lead to a manifest injustice or would be manifestly contrary to the public policy of the State of the court seized" (art. 6(c)). The Principles reject this further limitation because it invites forum-shopping and therefore defeats the predictability that is the goal of the forum-selection clause. The unitary and fixed point of reference preferred by the Principles favors party autonomy and predictability at the time the contract is concluded. The Principles address the core public-policy concerns underlying the Hague approach through its special treatment of standard form

agreements. See § 202(4). Validity may also be subject to a mandatory rule, applicable under § 323 of the Principles.

d. Capacity. Capacity to enter into a contract is determined by the law of the party whose capacity is in issue. Section 201 contemplates the possibility that a juridical person may have more than one residence; in such cases, the defendant is regarded as having capacity to contract if it has that capacity under the law of any of its residences.

In many States, a policy favoring the protection of good faith requires the court to look at the appearance of incapacity, rather than actual incapacity, at the time the contract was executed. The Principles refer to the internal law of the defendant's residence to determine whether the defendant in fact had the capacity to enter into a contract, or whether it suffices that the defendant reasonably appeared to have that capacity. In online contracts, the ease with which the appearance of capacity may be simulated may render an appearance standard problematic; for standard form agreements, the Principles address this concern by requiring the court to consider the sophistication of the nondrafting party. See § 202(4)(b)(i).

The rule in § 202(3)(b) deviates from that of the Hague Convention on Choice of Court Agreements, which looks to the law of the State of the court seized (arts. 6(b), 9(b)). The Hague negotiators were unwilling to set out an autonomous rule, see Choice of Court Agreements, Explanatory Report 150. By contrast, § 202(3)(b) avoids creating forum-shopping opportunities by adopting the rule that capacity is determined under the law of the parties' residence at the time the contract was concluded. This offers better protection to underage or otherwise vulnerable co-contractants (who are not the focus of the Hague Convention, which deals only with business-to-business contracts). In any event, capacity may also be subject to a mandatory rule, applicable under § 323 of the Principles.

e. Multiple court-selection agreements involving the same parties. The same parties may become involved in several disputes, and the location of only some of the disputes may be

subject to a court-selection clause, or the parties may have several agreements, each choosing a different State's courts to govern all of their legal relations. In such cases, the problem of divergent choice-of-court provisions can often be solved by proper interpretation of the relevant provisions. For example, so-called "framework agreements" may provide a solution for all further contractual relationships between the parties. In other circumstances, the agreement executed last may be deemed to incorporate their present choice of court for all purposes. When the various contracts do not cover related economic transactions, the individual choice-of-court provisions will be honored, unless procedural rules (such as rules on setoffs and compulsory counterclaims) require consolidation.

If coordination is sought, the court with authority to coordinate under §§ 221-223 should be the first court seized with a part of the dispute, so long as it is designated in at least one of the parties' agreements. In disputes where coordination is sought, that court may choose to consolidate and hear the entire dispute, if it has subject-matter jurisdiction over all of the claims between the parties. If it does not have plenary authority over the subject matter, then it should weigh the advantages of honoring the parties' choice by facilitating cooperation against the efficiencies to be obtained through consolidation in a court that does enjoy plenary authority (if there is such a court) (§ 222(4)(a)(i)).

f. Multiple disputes involving multiple parties. If multiple parties are engaged in related disputes in several fora, the court chosen in a choice-of-court agreement will be the coordination court in cases in which the party moving for coordination was bound by that agreement. In cases where the litigant who moves for coordination is not a party to the agreement, the court first seized will have coordination authority (§ 221(1)(b)). However, if that court decides to consolidate, the court-selection clause should be taken into account in determining the court where the consolidated case will be adjudicated (§ 222(4)).

Illustration:

4. Ruth and Helene have a worldwide copyright licensing agreement in which they designate the courts of Patria to resolve disputes between them. Helene sublicenses Bart to exploit the work in Xandia and Tertia. Ruth sues Helene in Patria, claiming that Helene has wrongfully sublicensed; Ruth also sues Bart in Xandia for copyright infringement and Helene sues Bart in Tertia for violating the terms of the agreement. Bart wishes to coordinate under the Principles.

Bart must move in Xandia because it is the court first seized with a dispute involving Bart. If the Xandian court decides to consolidate the case, it will take the terms of the agreement between Ruth and Helene into account in determining which court will hear the case.

g. Court-selection clauses: standard form agreements. The Hague Convention on Choice of Court Agreements does not provide special rules to determine the validity of standard form agreements. The Principles, however, subject standard form agreements to scrutiny under the Principles' own autonomous standards. This is consistent with emerging norms for international contracts. See, e.g., UNIDROIT Principles of International Commercial Contracts 2004, arts. 2.1.19-2.1.22 (addressing contracting under standard terms and providing for unenforceability of terms that are "surprising" in light of their "content, language and presentation"). Section 202(4) provides guidance for determining when the choice, if contained in a standard form agreement, will be honored. First, the clause must be and remain readily accessible; this protects the interest in notice. In addition, the court must be a reasonable choice, in light of the criteria set out in subsection (4)(b). Of these, the first two will be the most important. Because standard form agreements can be problematic regardless of whether the parties are consumers or businesses, § 202(4) applies to both. Nonetheless, the general conditions set out in

§ 202(4)(b)(i) deserve special weight in consumer contracts.

The standard form agreements contemplated by the Principles generally are drafted by one party and imposed on another. However, where one party adopts a contract drafted by a third party, such as a trade association, and proffers it to the other side, the same fairness considerations arise. Accordingly, the Principles subject such an agreement to the scrutiny of § 202(4). In contrast, where all parties agree to a jurisdictional arrangement imposed by a third party, this provision does not apply. For example, ICANN's Rules for Uniform Domain Name Dispute Resolution Policy (rules 1; 3(b)(xiii)) requires parties appealing an administrative panel decision to submit to the jurisdiction of a court at the location of the office of the registrar or of the domain-name holder's address.

REPORTERS' NOTES

1. Validity of choice-of-court agreements. Several national laws might potentially determine whether the parties have properly agreed to select a forum. See, e.g., William J. Woodward, Jr., Finding the Contract in Contracts for Law, Forum and Arbitration, 2 Hastings Bus. L.J. 1 (2006). For agreements other than standard form agreements, § 202(3) adopts the approach taken in the Hague Convention (see arts. 5(1), 6(a)), to designate the entire law of the State whose courts the agreement selected. See Trevor Hartley & Masato Dogauchi, Choice of Court Agreements, Explanatory Report 125, available at <http://www.hcch.net/upload/expl37e.pdf> (last visited Jan. 3, 2008).

Illustration 1 is based on *Phillips v. Audio Active, Ltd.*, 494 F.3d 378 (2d Cir. 2007).

2. Capacity. Under the traditional rule, capacity was determined by a law other than that of the contract, usually the law of the contractant's residence, see, e.g., Restatement Second, Conflict of Laws § 198(2); Convention on Private International Law, with annexed Code of Private International Law (Bustamante Code) art. 176, Feb. 20, 1928, 86 L.N.T.S. 120, 254. It

remains the law of many States, see, e.g., Mario Giuliano and Paul Lagarde, Report on the Convention on the law applicable to contractual obligations, art. 11, 1980 O.J. (C 282) 1, available at http://www.rome-convention.org/instruments/i_rep_lagarde_en.htm (last visited Jan. 3, 2008). On the question of whether appearance of capacity suffices, see, e.g., Bundesgesetz über das Internationale Privatrecht [IPRG], Loi fédérale sur le droit international privé [LDIP] [Federal Law on Private International Law] Dec. 18, 1987, SR 291, RS 291, arts. 34-36 (Switz.), available at <http://www.admin.ch/ch/d/sr/2/291.de.pdf> (last visited Jan. 3, 2008) (in German), <http://www.admin.ch/ch/f/rs/2/291.fr.pdf> (last visited Jan. 3, 2008) (in French) (hereinafter Swiss Law on Private International Law). On the appearance of capacity online, see, e.g., Cartoon by Peter Steiner, *The New Yorker*, July 5, 1993, at 61: “On the Internet, nobody knows you’re a dog.”

3. Standard form agreements. For standard form agreements, § 202(4) supplies additional benchmarks for validity. The Principles posit that the clause will be accessible and that its terms will be available for subsequent reference. All of these factors assume some formalization of the agreement. If the agreement refers to or incorporates by reference some other document that contains a forum designation, the Principles require that the court-selection clause be readily accessible. See, e.g., *Specht v. Netscape Comm’s Corp.*, 306 F.3d 17 (2d Cir. 2002) (declining to enforce arbitration clause in online contract when the clause was contained in another online document several “clicks” removed from the document viewed by the user, and when the clause neither was signaled to the user nor required the user’s specific assent). See also *Scarcella v. America Online*, 798 N.Y.S.2d 348 (N.Y. Civ. Ct. 2004) (not officially published), following *Licitra v. Gateway Inc.*, 734 N.Y.S.2d 389 (N.Y. Civ. Ct. 2001).

Those who want to be sure their court selection will be honored will presumably choose the courts in a forum that is convenient to the other side and connected to the dispute. Cf. Joined Cases C-240/98 to 244/98, *Océano Grupo Editorial SA v. Rocío Murciano Quintero*, 2000 E.C.R. I-4941, 24, 29-32 (holding that “where a jurisdiction clause is included, without being individually negotiated, in a contract between a consumer and a seller or supplier within the meaning of [Council Directive 93/13/EEC, 1993 O.J. (L 95) 29] and where it confers exclusive jurisdiction on a court in the territorial jurisdiction of which the seller or supplier has his principal place of business, it must be regarded as unfair within the meaning of article 3 of the Directive in so far as it causes, contrary to the requirement of good faith, a significant imbalance in the parties’ rights and obligations arising under the contract, to the detriment of the consumer,” and going on to hold that the court first seized must determine this issue of its own motion).

For ICANN’s Rules on dispute resolution, see <http://www.icann.org/dndr/udrp/uniform-rules.htm> (last visited Jan. 3, 2008).

4. Multiple contracts with divergent choice-of-law clauses. For a discussion of the situations involving this problem, see Mark A. Lemley, *Terms of Use*, 91 *Minn. L. Rev.* 459, 463 (2006).

5. “Virtual” representation in cyberspace: online dispute resolution. Because many standard form agreements arise through online transactions, the parties are uniquely likely to have some facility with the Internet. As a result, the availability of online dispute resolution was added as a criterion that the court should consider in deciding whether the court selection should be honored.

6. Arbitration. Although these Principles do not apply to arbitration, they may be used by analogy in jurisdictions that do not have specific rules on the arbitration of intellectual property disputes.

§ 203. Appearance by a Defendant Not Resident in the Forum

(1) A defendant submits to the authority of a court in which it proceeds on the merits without timely contesting jurisdiction.

(2) The defendant has the right to contest jurisdiction no later than the time of the first defense on the merits.

(3) If the defendant does not appear, the court shall satisfy itself that the plaintiff's assertions of the basis of jurisdiction are reasonably supported. If they are, the court may enter judgment; the enforceability of the judgment in other States will be subject to scrutiny under §§ 402-403.

Comment:

a. Appearance jurisdiction. This provision states the familiar rule that a party can forfeit objections to personal jurisdiction by filing a general appearance. This is true of both domestic personal-jurisdiction rules and of the limitations on personal jurisdiction imposed by these Principles. Thus, under § 203(1) and (2), a party is deemed to submit to the court's authority if the party joins issue without contesting jurisdiction. Issue is joined when a defense on the merits or a motion to dismiss is filed. If the other conditions of these Principles are met, the judgment is entitled to enforcement in other States, even if the rendering court would not otherwise have had authority over the appearing party.

b. Distinguishing personal and subject-matter jurisdiction. This provision applies only to waive personal jurisdiction. As a matter of domestic law, subject-matter jurisdiction usually cannot be waived. For example, in some judicial systems, disputes over the validity of registered rights are channeled to specific courts; these courts' primary authority cannot be avoided even if the holder of the registered right was willing to appear in other courts.

Illustration:

1. ACo, domiciled in Germany, sues BCo, domiciled in France, in a German court. It asks for a declaration that all B's European patents are invalid. B appears in the action.

B's appearance creates personal jurisdiction over B. However, it does not create subject-matter jurisdiction in the German court over non-German patents. These parties are bound by the Brussels Regulation, under which proceedings on the validity of patent rights must take place in courts of the State in which, or for which, the rights are registered (art. 22(4)).

c. Distinguishing appearance and consent. As noted above, appearance by the defendant waives objections to personal jurisdiction. This is true regardless of whether the parties chose a court contractually. In the event that a party wants the action pursued in the court chosen by a contract valid under § 202, the appropriate action is to seek enforcement of the contract.

d. Appearance contesting jurisdiction. In most jurisdictions a defendant may simultaneously contest jurisdiction and defend on the merits. In many places, the defendant may then appeal an adverse jurisdictional finding at the same time that the merits are appealed. If the defendant wins the challenge to jurisdiction, no judgment will be entered (or, if one was, it will be vacated). If the defendant loses, the court will proceed with the case. To promote fairness, § 403(1) gives the enforcement court power to protect the defendant and the public interest in situations where the plaintiff engaged in fraud or the judgment conflicts strongly with fundamental fairness or the public policy of the State of the court where enforcement is sought.

e. Preserving the right to appeal or collaterally challenge the assertion of jurisdiction in an enforcing court. In order to preserve the issue of jurisdiction for direct appeal or for collateral challenge in the enforcement court, the defendant must timely contest jurisdiction. Under the Principles, this is no later than the time of the first defense on the merits or a motion to dismiss. A problem arises when the forum's jurisdictional rules permit the assertion

of adjudicatory authority in circumstances that are not recognized by the Principles or are considered insufficient under § 207 of the Principles. In theory, there is no point in objecting to the assertion of authority because the claimant will lose. Nonetheless, if the defendant does not agree that the judgment should be considered enforceable under the Principles, an objection should be made to preserve the issue of jurisdiction for the enforcement court and to alert the other litigants that recognition and enforcement may be contested under § 403(2)(a).

f. Default. Courts must have the power to enter default judgments; a contrary rule would encourage nonappearance and deprive plaintiffs of the opportunity to resolve their disputes. Thus, § 203 permits the court to enter judgment despite nonappearance. However, it is not appropriate for a court that lacks adjudicatory authority to decide a case. Several safeguards are therefore supplied. Section 203(3) directs the court to scrutinize the plaintiff's assertions independently. Section 402 requires the enforcement court to inquire whether the rendering court had jurisdiction under the law of the State of the rendering court. Section 403(1)(c) gives the enforcement court power to deny enforcement if it finds that notice was deficient. Further, paragraphs (d) and (e) of § 403(1) protect the defendant and the public interest by providing grounds for nonenforcement in cases where the plaintiff engaged in fraud or the judgment conflicts strongly with fundamental fairness or public policy, and § 403(2)(a) gives the court discretionary authority to deny enforcement on jurisdictional grounds.

REPORTERS' NOTES

1. Appearance contesting jurisdiction. This provision gives the defendant the right to contest jurisdiction. If the defendant loses, the basis of the defendant's objection may be reviewable in the enforcement court. However, the factual determinations of the rendering court bind the enforcement court, see § 403(3); see also the ALI Foreign Judgments Project, §

4(b)(i). This check is important to the acceptability of a regime of international enforcement. In a system that lacks a highest court such as the United States Supreme Court or the European Court of Justice, reexamination by the enforcement court furthers other purposes. It ensures accuracy and promotes careful procedures and reasoned decisions by the rendering court (which has an incentive to protect the enforceability of its judgments). Finally, dual examination promotes dialogue among courts and thus more rapid development of legal precedents in the jurisdiction area—a matter of considerable importance during the time when international norms on multistate litigation are developing.

2. Default. Nothing in these Principles explicitly requires either court to scrutinize the merits of the plaintiff's case before entering or enforcing a default judgment. In some instances, there is scrutiny of aspects of the judgment. See, e.g., Fed. R. Civ. P. 55(b)(2) (permitting hearings in cases where the plaintiff has not asked for a sum certain). Some jurisdictions also have rules that permit defendants to move to have the default set aside and take new evidence. See, e.g., Fed. R. Civ. P. 55(c) (permitting the setting aside of default judgments "for good cause"); 60(b). See also *Zivilprozeßordnung [ZPO]* [civil-procedure statute] Sept. 12, 1950, §§ 330-347, available at <http://bundesrecht.juris.de/zpo/index.html> (last visited Jan. 3, 2008), translated in *The Code of Civil Procedure Rules of the Federal Republic of Germany of January 30, 1877, and the Introductory Act for the Code of Civil Procedure Rules of January 30, 1877, as of January 1988, §§ 330-347* (Simon L. Goren trans., 1990); Alphonse Kohl, *Ordinary Proceedings in First Instance: Romanist Legal Systems*, in *16 International Encyclopedia of Comparative Law* § 6-109 (Mauro Cappelletti ed., 1984) (describing Benelux, French, and Italian procedure). Because the resolution of intellectual property disputes can have important public consequences (for example, the publication of material of great interest may be enjoined), there are strong arguments for requiring the rendering court to look at the merits before entering a default judgment and for imposing a

duty on the enforcement court to make sure this was done. But there are problems with that position. It may impose new procedures on States whose courts adopt these Principles, it encourages defendants to bypass the rendering court, and it opens the door to relitigation. Cf. *Soc'y of Lloyd's v. Ashenden*, 233 F.3d 473, 477 (7th Cir. 2000). Nonetheless, because the Principles use other safeguards to protect defaulting defendants, the Principles do not permit defaulting parties to relitigate the merits; see §§ 402-403.

§ 204. Infringement Activity by a Defendant Not Resident in the Forum

(1) A person may be sued in any State in which that person has substantially acted, or taken substantial preparatory acts, to initiate or to further an alleged infringement. The court's jurisdiction extends to claims respecting all injuries arising out of the conduct within the State that initiates or furthers the alleged infringement, wherever the injuries occur.

(2) A person may be sued in any State in which that person's activities give rise to an infringement claim, if that person directed those activities to that State. The court's jurisdiction extends to claims respecting injuries occurring in that State.

(3) A person who cannot be sued in a World Trade Organization-member State with respect to the full territorial scope of the claim through the application of §§ 201-204(1) may be sued in any State in which that person's activities give rise to an infringement claim if:

(a) that person directed those activities to that State, and

(b) that person solicits or maintains contacts, business, or an audience in that State on a regular basis, whether or not such activity initiates or furthers the infringing activity. The court's jurisdiction extends to claims respecting injuries arising out of

conduct outside the State that relates to the alleged infringement in the State, wherever the injuries occur.

Comment:

a. Infringement actions generally. This provision seeks both to restate the traditional criteria for jurisdiction over claims for the tort of infringement (place from which the harmful conduct originated; place of impact of the injury), and to adapt the traditional criteria to the digital environment. It does so without having the tests propounded turn on technologically specific factors, such as the “interactivity” of a website. It applies to violations of any intellectual property right covered by these Principles, including moral rights and claims of secondary liability.

Section 204(1) addresses the case in which the forum is a staging area for the nonresident defendant’s activities. The provision creates authority to hear all claims arising out of these activities, without geographic limitation. Thus, a nonresident defendant who operates a website in a forum on which it has placed infringing material, or who maintains broadcast facilities from which it makes infringing transmissions, is amenable to suit in that forum for damages arising out of the worldwide communication of the infringement.

Section 204(2) deals with nonresident defendants whose connection to the forum is somewhat more attenuated. It covers the situation in which the nonresident defendant may not have regular contacts with the forum State, but has directed an infringement into the forum State from outside and causes harm. In such cases, the scope of jurisdiction is limited; it reaches only injuries sustained in the forum State.

Section 204(3) confronts potential forum-shopping by defendants who situate themselves and their businesses in States whose procedural and substantive guarantees are inconsistent with international norms. The Principles use membership in a WTO State as a

proxy for procedural and substantive fairness. Thus, if the defendant is not subject to the authority of a court in a WTO Member based on its residence (§ 201), or consent (§§ 202, 203), or its substantial activities in furtherance of the alleged infringement (§ 204(1)), the provision permits a plaintiff to sue in a State to which the defendant has directed infringing activities, and with which it has regular contacts. In such cases, the scope of jurisdiction extends to all infringement claims (no matter where they impact) that arise out of the conduct out of State that led to the alleged in-State infringement.

b. “Substantially acted.” Section 204(1) recognizes that an infringement may originate in a State other than the one in which the defendant resides or has its principal place of business (although such a State remains competent as well). Examples of substantial activity, in addition to those discussed in Comment a, include maintaining a manufacturing or distribution center for patent infringing components, or a factory that silkscreens infringing trademarks onto T-shirts.

c. “Directs activity.” In lieu of the term “targets,” subsections (2) and (3) substitute the concept that the defendant “directs” the alleged infringement into the forum. The connotation of “directs” is less predatory than “targets,” but is intended to retain an element of intentionality. The inquiry under subsections (2) and (3) is an objective one. The question is whether it is reasonable to conclude from the defendant’s behavior that defendant sought to enjoy the benefits of engaging with the forum. This includes both commercial and noncommercial contacts, such as offers to distribute infringing goods for free.

Matters to be considered include such familiar indicia as shipping goods directly into the forum for sale there; filling orders from the forum; or selling to third parties, knowing the goods will be incorporated into products and distributed in the forum. They also include efforts taken to customize materials for communication to, or use in, the jurisdiction, such as

developing content and advertisements of interest to an audience in the forum, or use of the forum's language, currency, or units for measuring size and volume.

Indicia such as language may be particularly probative with respect to the Internet. For example, a website in Portuguese would seem most likely directed towards Portugal and Brazil, as well as to former colonies of Portugal in Africa and Asia. However, a single consideration, such as language, may not always suffice to identify the States to which a communication may be "directed." Thus, for example, English, as lingua franca, may not be determinative of directing activity to the United Kingdom. Thus, unless there are other factors present, such as currency, it might not be appropriate to deem the Portuguese-language website to be directed to Portuguese diasporas in non-Portuguese-speaking countries.

Although the Principles do not include a safe harbor, defendant may also engage in conduct from which a court may infer that there was insufficient directing activity. For example, jurisdiction may be lacking when the defendant:

- refuses to ship tangible goods to the State;
- blocks access to websites by users in the State or employs other technological means, such as geolocator software, to screen out users from the State;
- where practical, avoids the languages and currencies of the State;
- refuses payments made through credit or debit cards of banks located in the State;
- conducts business on the Internet through local subsidiaries, each with its own locally registered domain name;
- maintains a home page that requires the viewer to click on a State (other than the forum State) from which she is accessing the site;
- disclaims intent to transact with residents of the State; or
- permits downloads only to parties to whom activation keys have been issued.

Some of these steps may not, standing alone, suffice to avoid the forum. The court should determine whether these techniques, alone or in combination, are reasonable ways for the defendant to try to avoid the forum. Reasonableness should be judged in light of the nature of the defendant's activities. Thus, it may be easier to avoid a jurisdiction when the goods in which one trades are tangible. Reasonableness should also be judged by the sophistication of the parties, particularly with respect to intangible goods and the technologies available for screening. Courts should not require blocking every conceivable means a forum user might employ to circumvent the website operator's forum-avoidance measures. For example, if a website operator includes a translation program, it may well be deemed amenable to suit in the jurisdictions where the program's languages are spoken. However, if a user employs the user's own translator program (or one acquired elsewhere), only the languages of the website should be taken into account in determining whether the defendant was seeking to initiate or maintain contact with the forum.

A court should also take account of the employment of technical filtering measures ordered by technical bodies, or other protective schemes adopted by industry bodies. The Principles should be applicable in diverse legal environments, including those where regulatory bodies intervene and those where industry regulates itself by adopting voluntary commitments. It is not necessary that the defendant have the intention to avoid acting. For example, local law may require actors on the Internet to make their sites or their goods inaccessible to local residents. Taking the actions directed by law should insulate the defendant from jurisdiction, even in cases where the defendant would have preferred to act in the State.

Illustrations:

1. A, a resident of Pakistan, runs an Urdu-language website offering Urdu-language popular music. Prices are in British pounds and the site hosts advertisements for local

businesses in Bradford, England. B, a resident of the UK, is the composer of some of the music offered on A's website. B sues A for copyright infringement in the UK.

A is amenable to suit in England. Although Urdu is one of the principal languages of Pakistan, the site's use of British pounds and ads of local interest to the Pakistani diasporas in the UK supports jurisdiction in England on a "directing" basis.

2. A, a Patrian, holds patent registrations for its product in Patria, Xandia, and Tertia. B, a Xandian, makes a patent infringing component which it knows that C, another Xandian, will incorporate into widgets regularly shipped to and sold in Tertia.

A may bring a patent infringement claim against both B and C in Tertia. Under this scenario, A can also sue B and C in Xandia, where both "substantially acted." While the Tertian court would be limited to infringements occurring in Tertia, a Xandian court could entertain Xandian and Tertian infringements.

3. Freeforall.com seeks to avoid being haled into court in Xandia. Its website eschews the Xandian language, currency, and content. Nonetheless, it still carries content that is likely to attract Xandian users. To avoid amenability to suit, Freeforall.com installs a filter that blocks access from Xandian Internet-connection services. It also requires its subscribers to provide credit-card and residence information. Xandian residents are automatically excluded.

Freeforall.com should be deemed to have avoided acting in or directing activity toward Xandia. Although some adept Xandian users might succeed in evading the filters, Freeforall.com, as a foreign actor, should not be obliged to ensure watertight exclusion of the forum's residents, so long as its efforts are reasonable.

4. Freeforall.com seeks to avoid being haled into court outside Freedonia. Its website is accessible throughout the world, but Freeforall.com's home page states that access will be granted only to those users who can show that they have a Freedonian postal code. The home page asks users to type in their Freedonian postal code. The home page also lists the address,

with postal code, of Freeforall.com's Freedomian headquarters. Users who type in Freeforall.com's own postal code will be granted access to the site.

Freeforall.com's screening device should not be deemed a sufficient avoidance of forum activity. The screening device is so easily eluded as to be pretextual. Better devices might include ones that looked at the IP address of the user, or required off-line identification or use of geographically identified credit cards. See Illustration 3.

d. Section 204(3): expanded specific jurisdiction. Section 204(3) expands the concept of specific jurisdiction by giving the court authority to adjudicate the full geographic extent of the harm caused by the acts giving rise to the local infringement. Section 204(3) does not, however, give the court authority over any claim unrelated to the infringing act. Thus, it does not confer true "general" jurisdiction. Like § 204(2), it relies on the concept of directing. But because it expands the court's reach, it imposes extra conditions on the defendant's amenability to suit. First, the plaintiff cannot rely on § 204(3) when the defendant is amenable to suit in a WTO State. The other requirements ensure that the court is a fair one because the defendant has continuous contacts with the forum. In other words, this provision furnishes the plaintiff who would otherwise have no fair forum in which to assert worldwide claims other places where it may be able to sue.

e. "Solicits or maintains contacts, business, or an audience in the State on a regular basis." "Solicits or maintains" implies more than mere accessibility. Thus, the operator of a purely "passive" website would not be amenable to jurisdiction solely on the basis that the website can be seen in the forum. Second, the requirement that the forum-related activity occur "on a regular basis" screens out isolated or sporadic contacts with the forum. This limit is less onerous than the "systematic and continuous" contacts required under U.S. law for general "doing business" jurisdiction. It is similar to the standard in long-arm statutes that assert jurisdiction over a nonresident for a tort outside the state that has effects inside the

state, but only when the actor's conduct demonstrates that the forum is a focus of persistent activities. This provision is aimed at assuring that the defendant is obtaining benefits from the forum; it does not require that the "regular" contacts, business, or audience all be related to the plaintiff's claims.

Illustration:

5. AlexanderCorp., a resident of Xenobia, distributes pirated motion pictures from its website, which is located in Xandia. Both Xenobia and Xandia are small island nations that are not members of the WTO. AlexanderCorp.'s customers are concentrated in large developed WTO countries, including Patria. OliverInc., a motion-picture company resident in Patria, wishes to bring suit against AlexanderCorp. for worldwide infringements.

OliverInc. may bring suit in Xenobia under § 201 or in Xandia under § 204(1) for worldwide claims. However, it may be concerned about the fair and timely adjudication of its dispute. Under § 204(2), OliverInc. could sue in any State to which AlexanderCorp. distributed copies of its films, but each court's reach would be limited to local harms. Under § 204(3), OliverInc. could sue in any forum (including Patria) to which AlexanderCorp. intentionally sent motion pictures and with which it has regular contacts, whether or not these contacts are related to its film-distribution business. Because AlexanderCorp.'s contacts with any State chosen by OliverInc. must be persistent, the forum for adjudication will be one that is fair to AlexanderCorp.

f. Relationship to § 212 (supplemental claims). Section 204 deals only with infringement claims. Other claims arising from the same transaction or occurrence may be asserted under § 212, but only if the jurisdiction permits the assertion of supplemental claims. However, these claims are subject to the same geographic limitations.

Illustration:

6. Freeforall.com, a Freedomian website, is found to be directing activity to Xandia. A sues Freeforall.com in Xandia for utilizing its trademarks on the website, claiming damages on account of infringements in Xandia and elsewhere. A also claims that Freeforall.com is engaged in false advertising on a worldwide basis.

This is not a case in which the defendant has “substantially acted” in Xandia under § 204(1). Under § 204(2), the court may hear the Xandian trademark claims, but not those arising elsewhere. If Xandia permits the assertion of transactionally related supplemental claims, A may use § 212 to add claims for false advertising in Xandia.

If the claim can be brought under § 204(3), then A may assert all trademark infringement claims arising from the activity that resulted in the trademark infringements in Xandia. If Xandia permits supplemental claims, then under § 212, A may also add worldwide false-advertising claims.

g. Multiple parties and the relationship to § 206 and §§ 221-223. Facilitation of efficient adjudication is an important goal of the Principles. In some cases, the broad scope of authority afforded by §§ 201, 204(1), and 204(3) will be sufficient to allow multiple plaintiffs injured by the same activity to join in a single suit and assert all of their claims. In some cases, however, a plaintiff (or a group of plaintiffs) may wish to join multiple defendants, but such joinder will not be possible under these provisions because the potential defendants are resident or have substantially acted in different States (§§ 201 and 204(1)), or only some of the defendants are located in States that meet the conditions of § 204(3). Where the defendants have engaged in concerted or parallel activity, § 206 provides an alternative court. In other cases, coordinated adjudication will be available.

REPORTERS' NOTES

1. Directing. Although it is recognized that the Principles will be of major interest in Internet disputes, the provision is drafted to avoid technology-specificity and is based on traditional concepts of personal jurisdiction. By contrast, many of the courts that have considered Internet cases have adopted the test enunciated in *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119 (W.D. Pa. 1997), which bases amenability to suit on the interactivity of the website: At one end of the spectrum are situations where a defendant clearly does business over the Internet. If the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper. At the opposite end are situations where a defendant has simply posted information on an Internet Web site which is accessible to users in foreign jurisdictions. A passive Web site that does little more than make information available to those who are interested in it is not grounds for the exercise [sic] personal jurisdiction. The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site. *Id.* at 1124 (citations omitted). However, courts have begun to express doubt that the interactivity of a site adequately reflects the intensity of a defendant's actual connection to the forum. They argue that the inquiry should instead focus on the relationship of the material on the site to the forum. For example, in *ALS Scan, Inc. v. Digital Service Consultants, Inc.*, 293 F.3d 707 (4th Cir. 2002), the court underscored the following considerations: whether the defendant "(1) directs electronic activity into the State, (2) with the manifested intent of engaging in business or other interactions within the State, and (3) that activity creates, in a person within the State, a potential cause of action cognizable in the State's courts." *Id.* at 714. See also *Hy Cite Corp. v. Badbusinessbureau.com, L.L.C.*, 297 F. Supp. 2d 1154 (W.D. Wis. 2004).

The courts that have departed from *Zippo* rely on factors additional to the interactivity of the website. See, e.g., *Revell v. Lidov*, 317 F.3d 467, 473 (5th Cir. 2002) (refusing to assert jurisdiction over an Internet defamation claim in Texas when the transmission at issue did not refer to Texas activity and “was not directed at Texas readers as distinguished from readers in other States”; contrasting *Calder v. Jones*, 465 U.S. 783 (1984), where the publication “contained descriptions of the California activities of the plaintiff, drew upon California sources, and found its largest audience in California.”). See also *Pavlovich v. Superior Court*, 58 P.3d 2 (Cal. 2002) (insufficient evidence of contact with the forum to exercise authority over out-of-state website operator in a trade-secret case); *Young v. New Haven Advocate*, 315 F.3d 256, 264 (4th Cir. 2002) (refusing to exercise jurisdiction in Virginia over a Connecticut defendant who allegedly posted defamatory material because there was no “manifest intent” to target a Virginia audience); *Best Van Lines, Inc. v. Walker*, No. 03 Civ. 6585 (GEL), 2004 WL 964009 (S.D.N.Y. May 5, 2004) (relying on the language of N.Y. CPLR § 302 to determine that the operator of a gripe site is not amenable to jurisdiction in New York).

Section 204(3) is based in part on N.Y. C.P.L.R. § 302(a)(3) (McKinney 2006), which provides in relevant part: [A] court may exercise personal jurisdiction over any non-domiciliary, or his executor or administrator, who in person or through an agent . . . commits a tortious act without the state causing injury to person or property within the state . . . if he: (i) regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered, in the state, or (ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interState or international commerce

See also *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980) (holding that the test for jurisdiction should “give[] a degree of predictability to the legal system that allows potential defendants to structure their primary conduct with some minimum assurance as to

where that conduct will and will not render them liable to suit”). But see *Lewis v. King*, [2004] EWCA (Civ) 1329 (rejecting the notion that jurisdictions can be distinguished, for forum non conveniens purposes, on the basis of the defendant’s intent to target a particular audience).

Under the standard enunciated here, the defendant must be engaged in regular conduct, but the conduct can be legal; there is no need to show its wrongfulness as a prerequisite to obtaining jurisdiction. See *Yahoo! Inc. v. La Ligue Contre Le Racisme et L’Antisemitisme*, 433 F.3d 1199, 1209 (9th Cir. 2006) (en banc). Further, since the goal is to make sure that the defendant is vulnerable to suits only in fora in which it has some ongoing affiliation, is it not necessary to demonstrate that the regular conduct is related to the activity giving rise to the infringement.

By contrast, the defendant may avoid amenability to suit in a particular jurisdiction by making good-faith efforts to screen out access, for example, by requiring users to identify their State of residence and excluding users from countries to which the defendant does not wish to communicate. Cf. Torsten Bettinger & Dorothee Thum, *Territorial Trademark Rights in the Global Village—International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet—Part Two*, 31 *Int’l Rev. Intell. Prop. & Competition L.* 285 (2000); Georg Philip Krog, *The Brussels I Regulation Article 15.1c): Whereto Are Commercial or Professional Activities Directed Through the Internet*, in *Yulex 2004*, at 117 (Georg Philip Krog & Anne Gunn B. Bekken eds.), available at

http://www.jus.uio.no/iri/gmlforskning/yulex/Yulex_2004.pdf (last visited Jan. 3, 2008).

Technological measures that make it possible to limit Internet communications to particular countries are already in development or actual use. See, e.g., Tom Zeller, Jr., *Times Withholds Web Article in Britain*, *N.Y. Times*, Aug. 29, 2006, at C7 (adapting technology developed for targeted advertising in order to screen out British readers of article containing

content prohibited in Britain). These screening methods make it easier for defendants to structure their affairs to avoid amenability to jurisdiction in locations they prefer to avoid. See, e.g., Jack Goldsmith & Tim Wu, *Who Controls the Internet? Illusions of a Borderless World* (2006); Michael A. Geist, *Is There a There There? Toward Greater Certainty for Internet Jurisdiction*, 16 *Berkeley Tech. L.J.* 1345, 1393-1401 (2001); Jack L. Goldsmith, *Against Cyberanarchy*, 65 *U. Chi. L. Rev.* 1199, 1213-1216 (1998). Courts have also taken a website's language into account in determining whether there is a "sufficient substantial or significant link" between the forum and offshore acts of infringement, see, e.g., *Axa v. Google*, Paris Court of Appeals (4th Chamber), Decision of June 6, 2007 (German language of www.google.de and English language of www.google.co.uk and www.google.ca indicate lack of sufficient connection with France).

Illustration 2 is loosely based on *Gray v. American Radiator & Standard Sanitary Corp.*, 176 N.E.2d 761 (Ill. 1961). Illustration 4 is based on *Twentieth Century Fox Film Corp. v. iCraveTV*, 53 U.S.P.Q.2d 1831 (W.D. Pa. 2000). The technological measures listed derive from cases such as *Ameripay, LLC v. Ameripay Payroll, Ltd.*, 334 F. Supp. 2d 629 (D. N.J. 2004). The WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications has also suggested various criteria for associating the use of a trademark on the Internet with specific jurisdictions, see, e.g., *Use of Trademarks on the Internet: Issues Paper*, SCT/3/4 (October 7, 1999), and subsequent documents.

2. Consistency with due-process and fairness considerations. It could be argued that the provisions in § 204 violate U.S. due-process norms, as articulated by the Supreme Court. For example, in *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980), the combination of place of impact and foreseeability of remote harm did not meet due-process standards. These Principles are, however, distinguishable from such cases. Section 204's focus is on the activities of the defendant and not, as in *World-Wide Volkswagen*, on the

“unilateral activity of those who claim some relationship with a nonresident defendant”
Id. at 298 (quoting *Hanson v. Denckla*, 357 U.S. 235, 253 (1958)). Recall that, in fact, the World-Wide Volkswagen Court specifically acknowledged that the manufacturer was amenable to suit in the forum; unlike the local car dealership, the manufacturer sought “to serve[,] directly or indirectly, the market for its products in other States” Id. at 297. Similarly, these Principles would make amenable to suit defendants who seek directly and regularly to serve a foreign market. Defendants may structure their affairs to avoid a forum by taking the sorts of reasonable steps suggested by Comment c. See, e.g., Michael Geist, *E-Borders Loom, For Better or Worse*, <http://lists.essential.org/pipermail/random-bits/2001-June/000623.html> (last visited Jan. 3, 2008). Perfect filtering is not required, so long as a reasonable effort was made to exclude unwanted foreign markets.

3. Scope of court’s authority, § 204(1). This approach is a jurisdictional analog to the “root copy” cases, in which courts have taken account of worldwide damage if the initial act of infringement took place in the United States. See, e.g., *Sheldon v. Metro-Goldwyn Pictures Corp.*, 106 F.2d 45 (2d Cir. 1939), *aff’d*, 309 U.S. 390 (1940) (distribution in Canada of U.S. motion picture held to infringe plaintiff’s play); *Update Art, Inc. v. Modiin Publ’g, Ltd.*, 843 F.2d 67 (2d Cir. 1988) (publication in Israel of photograph of poster; initial copy of photograph allegedly made in United States and sent to Israel for further copying and distribution); *Famous Music Corp. v. Seeco Records, Inc.*, 201 F. Supp. 560 (S.D.N.Y. 1961) (pirate records sold in Europe allegedly made from illicit U.S. master tape); see also *Fundamental Too, Ltd. v. Gemmy Indus. Corp.*, 41 U.S.P.Q.2d 1427, 1433 (S.D.N.Y. 1996) (dismissing copyright infringement claim because plaintiff “failed to allege an infringement within the United States that led to extraterritorial infringement”). Unlike these cases, however, the assertion of jurisdiction would not lead to the application of the forum’s law to the worldwide infringements. See § 301.

4. Scope of court's authority, § 204(2). This provision is consistent with the approach taken in *Dow Jones & Co. Inc. v. Gutnick* (2002) 210 C.L.R. 575 (Austl.), where the court was willing to assert jurisdiction over a website-based defamation claim against a U.S. publisher when the resident plaintiff limited his claims to harm to reputation incurred in Victoria through the Victorian accessibility of defendant's website edition of its newspaper. Case C-68/93, *Shevill v. Presse Alliance S.A.*, 1995 E.C.R. I-415 supplies another example. In that case, the European Court of Justice held that the courts of each Contracting State where a defamatory publication was received and where plaintiff was injured were limited to awarding compensatory damages for the injury sustained within their own borders. *Id.* 33. See also *Panavision Int'l, L.P. v. Toepfen*, 141 F.3d 1316, 1321 (9th Cir. 1998) (“[P]ersonal jurisdiction can be based upon: ‘(1) intentional actions (2) expressly aimed at the forum state (3) causing harm, the brunt of which is suffered—and which the defendant knows is likely to be suffered—in the forum state.’”) (citing *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1486 (9th Cir. 1993)); a similar approach is taken for border-control measures, see, e.g., 19 U.S.C. § 1337; and the exclusion procedures envisioned by the TRIPS Agreement, arts. 51-60. See also Swiss Law on Private International Law art. 133(2); ALI/UNIDROIT Principles of Transnational Civil Procedure, Rule 4.2.4.2 (jurisdiction over a defendant who “[c]ommitted tortious conduct in the forum state, or conduct having direct effect in the forum state, when the proceeding concerns such conduct”). Like the ALI/UNIDROIT Principles, moreover, jurisdiction based on § 204(2) would be limited to claims concerning acts impacting on the forum State.

5. Scope of court's authority, § 204(3). This provision responds to the concern that the defendant's residence may be an “information haven.” If so, there may be little point in litigating in the one court that is otherwise competent to hear the entire claim, and the plaintiff will have to seek redress seriatim, by resort to as many national courts as there are countries

of receipt. See Jane C. Ginsburg, *Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks* 18-19 (WIPO Doc. No. GCPIC/2, 1998), available at http://www.wipo.int/documents/en/meetings/1998/gcpic/doc/gcpic_2.doc (last visited Jan. 3, 2008); Catherine Kessedjian, *Private International Law Aspects of Cyberspace: Global Communication, Universal Jurisdiction?*, paper presented at ASIL/NVIL Fourth Hague Joint Conference on July 5, 1997, 5.1; Gabrielle Kaufmann-Kohler, *Internet: Mondialisation de la communication—mondialisation de la résolution des litiges?*, in *Internet: Which Court Decides? Which Law Applies? Quel tribunal décide? Quel droit s'applique?* 89, 115-118 (Katharina Boele-Woelki & Catherine Kessedjian eds., 1998).

In light of this problem, the French Conseil d'État, in a study of legal issues arising out of digital networks, concluded that a national court, additional to that of the country of origin of the infringement (a country that may well be a “paradis numérique” [“digital haven”]) should be competent to remedy worldwide damage. The study presumed that court would be the court of plaintiff's residence or principal place of business, and it should have general jurisdiction to hear the entirety of the claim. Conseil d'État (Fr.), *Internet et les réseaux numériques* 151 (1998). This approach was considered and proposed in earlier drafts. Thus, this Section previously provided: A person may be sued in the courts of any State in which its activities have a substantial effect, if it has directed those activities to that State and solicits or maintains contacts, business, or an audience in that State on a regular basis. The court's jurisdiction extends to claims respecting injuries occurring in that State. However, a plaintiff that has its habitual residence in that State may in addition assert claims respecting injuries arising out of the conduct outside the State that led to the alleged infringement in the State, wherever the injuries occur. *Intellectual Property: Principles Governing Jurisdiction, Choice*

of Law, and Judgments in Transnational Disputes § 204(2) (Council Draft No. 1, October 3, 2005).

The current draft takes a different approach, one inspired by the work of the Max Planck Institute. Concerns were raised that the prior antidote to defendant's forum-shopping was poorly tailored to the problem because its application did not depend on a demonstration that the defendant was behaving opportunistically.

6. Underlying choice-of-law considerations. A concern that has animated Internet activists is that rules permitting the exercise of jurisdiction over remote actors will lead to the application of the "wrong" (or an unforeseeable) law. See, e.g., James Love, Hague Treaty on Jurisdiction, What Will It Do?, <http://legalminds.lp.findlaw.com/list/info-policy-notes/msg00111.html> (last visited Jan. 3, 2008) ("regarding the Hague treaty and copyright and fair use on the Internet, what national laws would apply if I download an article, data, music or software from a European web site, to my US based computer, and make an unauthorized use, for teaching, reverse engineering, commentary, parody or some other use that would be fair use in the US, but possibly not fair use in Europe[?] . . . Could I be sued in Europe for violating the European copyright laws? Would a judgment be collected against me in the USA?"); Cherie Dawson, Note, Creating Borders on the Internet: Free Speech, The United States, and International Jurisdiction, 44 Va. J. Int'l L. 637, 639 (2004); Nathan Garnett, Comment, Dow Jones & Co. v. Gutnick: Will Australia's Long Jurisdictional Reach Chill Internet Speech World-Wide, 13 Pac. Rim L. & Pol'y J. 61, 68 (2004). The Principles deal with these concerns in two ways. First, the danger of being sued in remote court is attenuated because the Principles confine the bases of personal jurisdiction. In many cases, these bases do not extend to a State's full constitutional limits of authority. Second, the danger that an unpredictable law will be applied is attenuated because the Principles distinguish between choice of forum and choice of law, see § 103(1). Furthermore, under the

Principles, parties can predict the law that will apply to their activities, see §§ 301-324. Cf. Linda J. Silberman, *Shaffer v. Heitner: The End of an Era*, 53 N.Y.U. L. Rev. 33 (1978) (suggesting that choice-of-law rules can assuage concerns over long-arm jurisdiction).

§ 205. Agreements Pertaining to Intellectual Property Rights

A person may be sued in a State with respect to any claim alleging the breach of an agreement transferring or licensing intellectual property rights for exploitation in that State. When this Section affords the sole basis of jurisdiction, the defendant may be sued only with respect to those intellectual property rights provided by that State and related to the agreement.

Comment:

a. Scope of provision. A court applying this provision should examine whether the complaint raises contract issues. If it does, then the court should deem the jurisdiction whose rights are in issue an appropriate place for the litigation.

Illustration:

1. GeorgeCo. holds Xandian and Patrian patent rights in a procedure for making widgets and licenses the patent to RobertInc., a Tertian widget maker with plants in Xandia and Patria. GeorgeCo. claims that RobertInc. has misrepresented the extent to which it has manufactured widgets and has not paid adequate royalties. It brings suit in Xandia and Patria, demanding an accounting.

Under § 205, each State has jurisdiction over RobertCo. to order an accounting for manufacture in that State. The advantage of allowing the suits to be heard in the States where the widgets are manufactured is that a local court is best situated to discover the evidence necessary to determine the extent of RobertCo.'s use. Either of the parties could seek to

simplify the litigation by, for example, moving for cooperative adjudication pursuant to §§ 221-223.

REPORTERS' NOTE

Section 205 does not authorize bringing in a single forum different territorial claims arising out of the same contract (when the contract does not choose a forum, see § 202). The defendant is always amenable to suit on all such claims in its State of residence. If the plaintiff does not wish to sue in that State, the Principles do not necessarily condemn the plaintiff to parallel litigations in all the States covered by the contract. It may be possible to coordinate or consolidate those claims, see §§ 221-223.

§ 206. Personal Jurisdiction over Multiple Defendants

(1) A plaintiff bringing an action against a person in a State in which that person is resident may also proceed in that State against one or more nonresident defendants if the claims against the resident defendant and such other defendants are so closely connected that they should be adjudicated together to avoid a risk of inconsistent judgments, and if:

(a) there is a substantial, direct, and foreseeable connection between the forum's intellectual property rights at issue and each nonresident defendant; or

(b) as between the forum and the States in which the added defendants are resident, there is no forum that is more closely related to the entire dispute.

(2) There is a risk of inconsistent judgments if it appears that the ensuing judgments:

(a) would impose redundant liability;

(b) would conflict in that the judgment in one case would undermine the judgment in another case; or

(c) would conflict in that a party would not be able to conform its behavior to both judgments.

(3) Subsection (1) does not apply to any defendant invoking an exclusive choice-of-court agreement with the plaintiff that conforms with § 202.

(4) If an action is brought in a State on the basis of this Section, then that court has jurisdiction with respect to injuries, wherever occurring, that arise out of the activities that allegedly create the risk of inconsistent judgments.

Comment:

a. Consolidation of parties. This Section expands the personal jurisdiction of the courts in a State in which one defendant is resident. Such expansion is warranted when it avoids the risk of inconsistent judgments. Consolidation of claims would be of little practical value if the only forum in which all claims could be brought were an “intellectual property haven.” Accordingly, this Section expands the bases of personal jurisdiction to permit multi-defendant cases to be litigated in the courts of any State in which one of them is resident. So long as one of these States is not a haven, the consolidated claims can be asserted there.

b. Relation to § 204. Both § 204 and § 206 expand the scope of specific jurisdiction. They do so in different ways. Under § 204(3), an action alleging worldwide harm may sometimes be brought in a State to which infringements are directed. Under § 206, the focus is on the relationship between defendants and between possible outcomes. In the case of a close enough relationship between the various defendants and the litigation, the forum where one defendant is resident has jurisdiction over all defendants for all claims transactionally related to the resident defendant’s activity.

Illustration:

1. Medico, a Patrian publisher of medical journals, is suing LibePat, a Patrian medical library for utilizing the Internet to make unauthorized document deliveries to clients in Patria. Medico asserts claims for copyright infringement resulting from deliveries of documents to Patria. It also seeks to add claims for copyright infringement based on distributions LibePat is making in Xandia and Tertia. Medico discovers that LibePat is part of a consortium of medical libraries that, together, offers one-stop shopping: they make medical documents originating in any of their collections available worldwide. Medico would like to add worldwide claims against other members of the consortium: LibeX, which is located in Xandia, and LibeT, which is located in Tertia. All consortium participants are located in WTO States.

Under § 201, Medico could bring suit in Patria against the resident defendant LibePat for the full territorial range of its activities, including its distributions to Xandia and Tertia. However, under § 204, nonresident defendants LibeX and LibeT could be sued in Patria only with respect to copies sent to Patria. By contrast, if jurisdiction over LibeX and LibeT can be obtained via § 206, Medico could assert all its claims against all defendants in Patria. Thus, the entire dispute could proceed in a single court. In order to utilize § 206, Medico would be required to demonstrate two elements. First, the dispute must present a risk of inconsistent judgments. This requirement is most likely to be met when the defendants are acting in concert or in parallel. Second, there must be sufficient connection between LibeX, LibeT, and Patria to meet the conditions set out in § 206(1)(a) or (b).

c. Inconsistent judgments. Because intangibles can be used nonrivalrously, this term is particularly difficult to apply to intellectual property. The more broadly the term is construed, the greater the capacity of the judicial system to handle international disputes efficiently and to provide a court in which conflicting national policies can be reconciled. However, a broad

provision would extend a court's authority to litigants who are tenuously connected to the forum. For that reason, the term is to be construed narrowly.

It is envisioned that cases taking advantage of this provision will be mainly cases involving cross-border transmissions (such as Internet cases), where the activity falls below the level necessary to assert jurisdiction under § 204. These cases are particularly problematic because piecemeal adjudication could leave the parties uncertain about the legality of their activities in cyberspace. Moreover, the judgment of one court could be used to trump the social policies of another jurisdiction. Nonetheless, the provision is drafted in technologically neutral language.

The following Illustrations demonstrate the different kinds of inconsistencies that may arise if the litigation proceeds piecemeal, and therefore justify joinder under § 206.

Illustrations:

2. A, a Patrian resident, streams television signals from Patria over the Internet without authorization. A chooses the materials to be streamed and has subcontracted maintenance of its Freedomian servers to an outside technician, F, a Freedomian. A Patrian television station sues A in Patria for copyright infringement and seeks to join F.

If F were not joined under § 206 and instead were sued separately in Freedomia, it is possible that each court would apply its own State's law, and that the Patrian court would levy damages on A because the transmissions were received in Patria, while the Freedomian court would levy damages on F, based on the same transmissions, because they were uploaded from Freedomia. The result would be redundant liability for the entity (A+F) as a whole. It is also possible that one court would find the transmission infringing while the other court would find it within an applicable defense. In that case, one judgment should be considered to undermine the other. If the defendants obey the judgment that requires them to refrain from transmitting, they thwart the policies of the State that found the transmission lawful.

Alternatively, if the defendants move to the State that allows the transmission, they thwart the policies of the State that found the transmissions unlawful.

3. Raphael Inc., an e-book publisher and resident of Patria, travels to Xandia, where it enters into an agreement with an author whose works were previously published in print format by Bravo, which is located in Pontevedro. The agreement obligates Raphael to disseminate the works in the new format. Bravo is neither a party to the contract nor aware of it. Bravo sues Raphael in Patria for injunctive relief, claiming that the transfer of copyright ownership Bravo received from the Xandian author covered publication in all media for all countries. Bravo seeks to join the author to the action.

If Bravo won a suit against Raphael to which the author was not bound, then the author could sue Raphael in another action for specific performance. If Raphael lost the second suit, then there would be two judgments, one prohibiting publication, the other ordering it, and Raphael could not conform its behavior to both.

d. Fair process. These Principles cannot expand the reach of domestic personal jurisdiction. Thus, the limitations in subsections (a) and (b) should be understood as confining the reach of multiple-party authority to cases where there are strong enough contacts between the defendants and the forum to support adjudicatory authority under the forum State's standards of fair process. Section 206 proposes two different relationships as the basis for asserting multiple-defendant jurisdiction:

(1) Section 206(1)(a). Defendants subject to jurisdiction under § 206(1)(a) are those seeking to utilize intellectual property created by forum law. While utilization of protected material does not create a strong connection to the forum, it is a voluntary connection that has, within the forum, an impact on rights holders and licensees, attenuating the incentive available to creators under the intellectual property system, and—in the case of trademarks—causing consumer confusion. Significantly, jurisdiction based on an “effects test” has been

recognized in the United States, in the European Union, and in other States in antitrust and trademark cases, as well as in other contexts. Thus, in the Illustrations, the party sought to be joined was engaged in activity that it knew would profit from the intellectual property rights of the State where joinder was sought.

(2) Section 206(1)(b). There may be situations where the commercial benefit of activity in one territory depends on activity in other locations. In such cases, it is possible that few individual participants will have contacts with all of the places where infringement takes place, but the enterprise as a whole necessarily contemplates contact in each jurisdiction. This provision is intended to enable a court to fully resolve disputes arising from these “hub and spoke” or “spider and web” situations exemplified by the Illustrative Overview. In addition, there may be instances where a rights holder is faced with parallel activities, such as mirror websites, in which no particular actor is dominant (and therefore no particular territory can be deemed the “hub” of the activity). Nonetheless, there cannot be complete relief unless all actors are enjoined. While the rights holder could seek injunctions from courts in each territory concerned, the risk of inconsistent judgments (and higher litigation costs) make this solution cumbersome for both plaintiffs and defendants.

In cases where the defendants conduct their activities in parallel rather than in a hub-and-spoke arrangement, the contacts between the defendants and the forum may be attenuated and there may be less intentional derivation of benefits from the forum State. However, if parallel activity is not covered, there may be an incentive to disguise intentional multiterritorial conduct in an effort to avoid jurisdiction.

e. Distinction between joinder of defendants and consolidation under § 222. In order for cases to be consolidated in a court under § 222, that court must have power over all the parties. Section 206 facilitates consolidation because it gives certain courts broader authority over the parties.

f. Exceptions. Subsection (3) recognizes that court-selection clauses take precedence over the efficiency considerations underlying subsection (1).

g. Relation to subject-matter jurisdiction. This provision is not intended to alter the subject-matter jurisdiction of the court. Although the Principles contemplate that courts will exercise their subject-matter authority to the maximum extent allowable, the assertion of power cannot exceed the court's subject-matter competence, see §§ 211-212.

Illustration:

4. Linda, a U.S. resident, sues Sophie, a German resident, in Germany for infringing Linda's copyrights. Linda joins Diane, who is a resident of France, for facilitating Sophie's efforts by, among other things, providing Sophie with a computer particularly suited to Sophie's activities. In addition to asserting claims against Diane for contributory copyright infringement, Linda joins a claim against Diane for infringing Linda's French patent on the computer.

Even if Linda can acquire personal jurisdiction over Diane, and even if she can supplement claims for injuries outside Germany (see § 212), Linda may be unable to assert the patent claim because of limits on the German court's subject-matter authority.

REPORTERS' NOTES

1. Need for a special approach to multi-defendant cases. The AIPPI considered the risk of inconsistent outcomes as one of the main reasons for taking an international approach to jurisdiction and applicable law in cross-border cases, see AIPPI, Q174 Resolution; AIPPI, Summary Report, Question Q174—Jurisdiction and Applicable Law in the Case of Cross-border Infringement of Intellectual Property Rights, available at http://www.aippi.org/reports/q174/Q174_summary_e.pdf (last visited Jan. 3, 2008). The situations of particular concern were the "spider in the web" cases, involving multiple

defendants agreeing among themselves to commit acts having infringing effects around the world. The AIPPI suggested an approach similar to the one taken here, see AIPPI, Q174 Resolution. Cases involving file-sharing services, search engines, and providers of various Internet services (auction houses, television and radio streaming, etc.) that operate globally, often through subsidiaries, illustrate the need to which the AIPPI and these Principles respond.

2. Definition of inconsistent judgments justifying joinder:

(i) Redundant liability. The term is meant to convey unjustified cumulative liability, sometimes called “multiple liability” or “overlapping liability,” see Fed. R. Civ. P. 19; see also *Society of Composers, Authors & Music Publishers of Canada v. Canadian Ass’n of Internet Providers*, [2004] 2 S.C.R. 427, 78 (Can.), on which Illustration 2 is loosely based. In that case, the court recognized that an enterprise could be sued at both the place of transmission and the place of reception and be made to pay twice for the same transmission; it suggested that the way to deal with the problem was through an international agreement specifying where royalties should be levied. *Id.* 76-78. Another possibility is for a court to offset or credit a defendant who has paid part of all of a judgment elsewhere. The Principles take a different approach and instead facilitate joinder of all parties in a single action.

(ii) Undermining judgments. In the United States, principles of nonmutual issue preclusion and privity are often used to protect litigants from a second suit that undermines the resolution of an earlier dispute, see, e.g., the discussion in *Bernhard v. Bank of America Nat’l Trust & Sav. Ass’n*, 122 P.2d 892 (Cal. 1942) (nonmutual issue preclusion). See also *Mars Inc. v. Nippon Conlux Kabushiki-Kaisha*, 58 F.3d 616 (Fed. Cir. 1995) (holding that party who allegedly induced infringement was in privity with infringing party for claim-preclusion purposes). However, not every State recognizes this use of preclusion law (*res judicata*). Another way to avoid undermining a prior resolution is by refusing to enforce one

of the judgments on inconsistency grounds, see, e.g., *Marubeni America Corp. v. Kabushiki Kaisha Kansai Tekkosho*, 361 Hanrei Taimuzu 127 (Osaka D. Ct., Dec. 22, 1977). However, under that approach, the parties engage in much wasted litigation with no clear understanding of which judgment will ultimately be imposed.

(iii) Conforming behavior. In the United States, some courts have ruled that two judgments are inconsistent only when it is impossible for the parties to conform to both. See, e.g., *Indianapolis Colts v. Mayor and City Council of Baltimore*, 733 F.2d 484, 486-487 (7th Cir. 1984) (interpleader case). Under that definition, it is possible that Illustration 3, which is loosely based on *Random House, Inc. v. Rosetta Books LLC*, 283 F.3d 490 (2d Cir. 2002), would not be considered an example of inconsistency because Linda could satisfy both judgments by refraining from publishing and paying damages to the author. However, because of the high interest in free expression, receiving damages is not an adequate substitute for dissemination of the work. For further discussion, see Rochelle Cooper Dreyfuss, *An Alert to the Intellectual Property Bar: The Hague Judgments Convention*, 2001 U. Ill. L. Rev. 421.

3. Section 206(1)(a). The requirement of a connection between the defendant's activity and the intellectual property of the territory essentially utilizes an "effects test." Such a test has been established in antitrust cases, cf. *Hartford Fire Ins. Co. v. California*, 509 U.S. 764 (1993) (assuming that if Congress exercises its legislative jurisdiction under the Sherman Act, a U.S. court has power to hear the case). It is also well known in trademark cases, see, e.g., *Bancroft & Masters, Inc. v. Augusta Nat'l Inc.*, 223 F.3d 1082, 1087 (9th Cir. 2000); decision of the Swiss federal tribunal, 6 March 2007, available at SIC <http://www.sic-online.ch/2007/543.shtm> (last visited Jan. 3, 2008) (unfair-competition claim against English resident concerning domain names *swiss-life.ch* and *la-suisse.com* alleged to violate trademark rights belonging to Swiss resident companies). Typically, a plaintiff relying on an "effects test" basis of jurisdiction will have alleged that the defendant "committed an

intentional act that was expressly aimed at the forum state; and that caused harm, the brunt of which the defendant knew was likely to be suffered in the forum state”; *Nissan Motor Co. v. Nissan Computer Corp.*, 246 F.3d 675 (9th Cir. 2000) (unpublished opinion) (citing *Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316, 1321 (9th Cir. 1998)). But see Swedish Supreme Court, decision Ö 210-07, April 27, 2007, available at <http://www.conflictoflaws.net/2007/tort/swedish-supreme-court-on-jurisdiction-and-patent-infringements/> (last visited Jan. 3, 2008) (*Aredal Foam Systems HB v. MSR Dosiertechnik GmbH*) (location of plaintiff’s economic loss deriving from damage suffered in a different EU Member State is not “the place where the harmful event occurred” under Brussels Reg. 5.3).

In the situations the Principles contemplate, there may be less intentionality than in cases like *Nissan*. However, the interests of the forum and of the judicial system as a whole strongly favor consolidation as a means to avoid inconsistent outcomes. While it is not clear how much these interests matter in a due-process analysis, the combination of effects, the concern over inconsistency, and the interest of a State in maintaining the value of its intellectual property rights may be enough to tip the balance in favor of permitting the exercise of specific jurisdiction in cases where the harm is substantial, direct, and foreseeable. See, e.g., *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306 (1950).

The assertion of jurisdiction over foreign defendants would also accord with international standards of reasonableness, as envisioned in *Asahi Metal Indus. Co. v. Superior Court*, 480 U.S. 102 (1987), given the inclusion of a similar basis for jurisdiction in the Brussels Regulation, see art. 6(1).

4. Section 206(1)(b). Insofar as this provision is intended to provide for jurisdiction in the case in which the parties are involved in conjoined activity of the hub-and-spoke, or spider-in-a-web variety, this approach is akin to the conspiracy theory of jurisdiction that has been used by U.S. courts in other contexts. See, e.g., *United Phosphorus, Ltd. v. Angus Chem.*

Co., 43 F. Supp. 2d 904, 912 (N.D. Ill. 1999) (antitrust law); *Mandelkorn v. Patrick*, 359 F. Supp. 692, 694-697 (D.D.C. 1973) (action by member of a religious sect alleging others conspired to deprive sect members of religious freedom). See generally Ann Althouse, *The Use of Conspiracy Theory to Establish in Personam Jurisdiction: A Due Process Analysis*, 52 *Fordham L. Rev.* 234 (1983).

The relationship between some of the parties and the forum may be attenuated. This may be particularly true in the case of “parallel activity.” Yet, the international interest in providing a court in which a dispute can be definitively resolved should be enough to support jurisdiction, even under the strict constitutional standards in the United States. Certainly, this will be so when there is no other forum where the dispute could be fully litigated. Compare *Atkinson v. Superior Court*, 316 P.2d 960 (Cal. 1957) with *Hanson v. Denckla*, 357 U.S. 235 (1958). See also *Mullane v. Central Hanover Bank & Trust Co.*, 339 U.S. 306 (1950); cf. *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408, 419 n.13 (1984); *Shaffer v. Heitner*, 433 U.S. 186, 211 & n.37 (1977). See also ALI/UNIDROIT Principles of Transnational Civil Procedure, Rules 4.7 (permitting a court to exercise jurisdiction “when it appears that the dispute cannot otherwise be effectively and expeditiously resolved”); 5 (contemplating multiple claims and multiple parties). Although § 206 may appear to be in tension with *Asahi*, the dismissal in that case could be understood as an unacknowledged forum non conveniens case, particularly since the other parties settled out, leaving just the indemnity claim by one foreign entity against another.

5. Jurisdiction available under similar circumstances in European law. Art. 6 of the Brussels Regulation provides for jurisdiction in the “hub and spoke” situation contemplated in § 206. See, e.g., *Expandable Grafts P’ship/Boston Scientific*, *Gerechtshof [Hof] [Court of Appeal]*, Den Haag, 23 april 1998 (Neth.), reported in 20 *Eur. Intell. Prop. Rev.* N-132 (1998). However, in *Case C-593/03, Roche Nederland BV v. Primus*, [2007] F.S.R. 5, the

European Court of Justice adopted a narrow interpretation of art. 6(1) pursuant to which the provision would not be applicable with respect to the infringement of parallel European patents in different Member States by different potential infringers, even where all potential infringers were part of the same group and acted pursuant to a groupwide policy formulated by one member of the group. *Id.* 41. It is, however, important to note that in *Roche*, the court was concerned about cases in which patent validity would be put into issue; under art. 16(4) of the Brussels Convention (now art. 22(4) of the Brussels Regulation), the State of registration has exclusive jurisdiction over patent validity determinations. See *Roche*, *supra*, 40. While the ECJ relied on the notion that differing determinations of patent validity are not “inconsistent” because the patent law of each nation is different, the “differences” are more formal than real when all patents are derived from a single EPC application. See Annette Kur, *A Farewell to Crossborder Injunctions? The ECJ decisions GAT v. LuK and Roche Nederland v. Primus and Goldenberg*, 37 *Int’l Rev. Intell. Prop. & Competition L.* 844 (2006). See also European Max-Planck Group for Conflict of Laws in Intellectual Property, *Exclusive Jurisdiction and Cross-Border IP (Patent) Infringement: Suggestions for Amendment of the Brussels Regulation*, [2007] *EIPR* 195.

6. Distinguishing jurisdiction under these Principles from domestic limits on jurisdiction. When a State determines whether an assertion of jurisdiction under these Principles meets its own domestic standards, the State is not confined to the approach taken by the Principles and can instead rely on any of its own bases of jurisdiction. Thus, for example, even though the United States does not recognize multiple-party jurisdiction, in some instances, it may be possible to meet U.S. domestic due-process requirements using a general doing-business theory. This is true even though the Principles prohibit asserting jurisdiction on this basis. In some cases, it may be possible to assert jurisdiction as a matter of domestic law in reliance on Fed. R. Civ. P. 4(k)(2), which contemplates the assertion of

jurisdiction based on nationwide contacts in federal-question cases. A similar approach is followed by the ALI Foreign Judgments Project, see § 6(b) and § 5, Comment e. See also William S. Dodge, Antitrust and the Draft Hague Judgments Convention, 32 Law & Pol’y Int’l Bus. 363, 378 (2001).

7. Third-party practice. A prior draft included a provision specifying a court’s authority over parties brought in as third-party defendants. This provision was intended to avoid a battle of litigation, which is particularly likely to erupt in international indemnification situations. An example is *Marubeni America Corp. v. Kabushiki Kaisha Kansai Tekkosho*, 361 Hanrei Taimuzu 127 (Osaka D. Ct., Dec. 22, 1977), where the Japanese party was impleaded in a Washington action and lost, then brought a separate suit in Japan for a declaration of nonliability. The court rejected a preclusion-based defense (*res judicata*), on the theory that even though the U.S. judgment was final under Washington law, it was not final under Japanese law. The Japanese party won in the second suit, and that judgment was successfully asserted as a defense when the third-party plaintiff sought to enforce the Washington judgment in Japan. As Professor Clermont said, the result was “not a pretty picture,” Kevin M. Clermont, *A Global Law of Jurisdiction and Judgments: Views from The United States and Japan*, 37 Cornell Int’l L.J. 1, 20 (2004). The provision was omitted from the final draft. First, insurance companies and other well-advised parties would have contracted around it. Second, because authors are often required to warrant that their manuscripts are noninfringing and nondefamatory, they could easily have become the targets of third-party practice and a broad rule subjecting them to jurisdiction in remote locations seemed inappropriate.

§ 207. Insufficient Grounds for Jurisdiction over Transnational Disputes

Jurisdiction to adjudicate a transnational dispute under these Principles is insufficient when exercised solely on the basis of any one of the following grounds:

- (1) the presence in that State of tangible property belonging to the defendant, except when the dispute is directly related to that property;**
- (2) the existence of defendant's intellectual property rights under the law of that State, except when the dispute is directly related to that intellectual property;**
- (3) the nationality of the plaintiff;**
- (4) the nationality of the defendant;**
- (5) the presence of the plaintiff in that State;**
- (6) the conduct of commercial or other activities by the defendant in that State, except when the dispute arises out of those activities;**
- (7) service of a writ upon the defendant in that State; or**
- (8) completion in that State of the formalities necessary to execute the agreement to which the dispute pertains.**

Comment:

a. Generally. This provision is intended to circumscribe the power of a court entertaining a transnational dispute pursuant to the Principles. The Principles urge courts to extend their authority beyond their traditional limits in order to create an efficient means for resolving global disputes. Such adjudication should go hand in hand with a reluctance to reach out to marginal cases. Thus, there may be bases of authority that, while permissible in traditional cases, should be considered insufficient, in the context of transnational disputes, to support enforcement. See §§ 401-403.

The jurisdictional insufficiencies listed in § 207 apply only to transnational disputes as defined by §§ 101-102: disputes raising claims or defenses under the intellectual property rights of a State other than the forum, or disputes that arise out of activities occurring, at least in part, outside the forum. In other cases, courts will presumably apply domestic law. Thus,

the main significance of this provision is in connection with enforcement under Part IV.

Nonetheless, a court may use it to guide jurisdiction decisions in domestic cases of equivalent complexity.

Illustrations:

1. Delphine, a U.S. inventor, brings a suit in a federal court in the United States against ChrisCo., a Japanese company, alleging that ChrisCo. is infringing its U.S. patents. The court's adjudicatory authority is based on "doing business" jurisdiction. Delphine wins a judgment and seeks to enforce it against ChrisCo.'s assets in Japan and the United States.

The decisions to entertain the dispute and to enforce the judgment are not controlled by the Principles, because the dispute does not meet the definition of "transnational."

2. Same facts, except that Delphine alleges that ChrisCo. is infringing her foreign patents, and seeks to enforce a judgment that adjudicated the foreign claims.

Because Delphine raises claims arising under the intellectual property laws of countries other than the United States, the adjudication of the dispute falls within the Principles. "Doing business" in the forum is not an adequate basis for adjudicatory authority over foreign activities under § 207(6). If the U.S. court nonetheless entertains the action, and enforcement is sought outside the United States, § 403(2)(a) provides that the enforcement court need not recognize the judgment. If, instead, Delphine seeks enforcement of the U.S. judgment in the United States, the Principles will not apply, because Part IV is limited to the enforcement of foreign judgments. As a matter of U.S. law, the judgment is enforceable. However, courts may consider using the Principles by analogy in wholly domestic cases. Thus, an enforcement court in the United States could consider whether the use of "doing business" jurisdiction is appropriate when the outcome has such an extraordinary reach.

b. Section 207(1): the presence of tangible property. These Principles distinguish tangible from intellectual property. The provision applies only when the presence of property

is asserted as the sole basis of jurisdiction. When the tangible property is related to an infringement, or is used for purposes of furthering an infringement, it may provide a sufficient nexus with the State to permit the assertion of jurisdiction. See § 204. Tangible property directly related to an infringement action would include infringing articles, such as pirated books, phonograms, and videos, or counterfeit goods such as false-brand-name watches. Relevant tangible property can also include the physical means for making the infringing goods or copies, such as computer hardware and media, recording equipment, and other machinery. The kinds of physical devices whose presence in the State may suffice to afford jurisdiction are generally those that courts are empowered to impound or destroy as a remedy in an infringement action. They may serve as a basis for authority to order provisional and protective measures under § 214.

Furthermore, seizure of physical property as a border-control measure affords a permissible basis of jurisdiction under § 204(2), because the goods themselves are allegedly infringing and, if allowed to enter the forum, would have a significant impact. However, adjudicatory authority is limited to the infringement claim respecting those goods.

c. Section 207(2): the existence of intangible intellectual property rights. As some of these rights arise automatically (without registration), their existence is not enough, without more, to support general adjudicatory authority over the right holder. When registration is required, the rights holder's completion of required formalities within the jurisdiction is irrelevant to claims that do not concern the registered right. Similarly, some jurisdictions may permit seizure or freezing of intellectual property rights; unless the act of seizure constitutes a general appearance under local law, it is not enough to confer general jurisdiction.

d. Section 207(3) and (4): nationality of the parties. These provisions recognize emerging norms in international civil procedure declining to base jurisdiction on nationality alone. Nationality may, however, be a factor in determining the defendant's residence under §

201. In a case where § 201(2) does not provide a solution (because the defendant has no easily identifiable residence), nationality may be the determinative factor.

e. Section 207(5): presence of the plaintiff. The presence, including the domicile or residence, of the plaintiff is insufficient as a sole basis of jurisdiction.

f. Section 207(6): doing business. These Principles should not be applied when general jurisdiction is based on the unrelated commercial activities of the defendant. However, the Principles enlarge courts' authority in other ways. First, the definition of a juridical person's residence is capacious. See § 201(3). Second, when the defendant is not otherwise amenable to suit in a WTO State, § 204(3) expands specific jurisdiction. It confines the court's competence to the activities that gave rise to the claim in the forum, but permits the court to consider harm resulting from the impact of those activities in other States.

Illustrations:

3. Music4free.com, a Freedonian corporation, makes its website available to users throughout the world to download unauthorized MP3 files, without restriction as to the geographical origin of the downloading user. Music4free.com's website is in English; it carries English-language advertising and charges nothing for downloads. Freedonia is not a member of the WTO. George MacLennon is a British songwriter whose works are among those offered on Music4free.com.

Last summer, while George MacLennon was vacationing in Estonia, he was the victim of a car accident caused by the negligence of Benny Zen, a visiting Swede. It turns out that Zen is also the chief programmer, president, and Chairman of the Board of Music4free.com; Zen is in Estonia pursuing Music4free.com's business interests. George would like to sue Music4free.com and Zen in a single action.

Music4free.com's invitation to all users to access and download from the site may constitute "directing activities" to all countries from which access may be had. If the files

Music4free.com offers are predominantly of U.S. and UK popular music, and the language of the website and its advertising are in English, this may constitute more evidence of “directing,” as well as an indication that Music4free.com “solicits or maintains contacts, business, or an audience [in Anglophone States] on a regular basis.” Under § 204(2) of the Principles, Music4free.com would be amenable to a copyright infringement suit in the United States seeking an injunction and damages for downloads committed in the United States, and to a suit in the UK regarding its acts impacting the United Kingdom. In addition, under § 204(3), MacLennon may, in either court, allege worldwide damages arising out of the unauthorized making available of his works on the Music4free.com site. However, the Principles would not endorse MacLennon’s suit against Zen in the United States or in the United Kingdom on the automobile negligence claim, as the suit is completely unrelated to Music4free.com’s offering of MacLennon’s works from the website.

4. LLPea, a Patrian company, sells merchandise on the Internet at its website, LLPea.com. Crocodile.com, which is based in Freedonia, sells a service that recognizes particular websites as they are accessed and arranges for a pop-up ad to appear on that site. Crocodile.com has sold this service to one of LLPea’s rivals. When LLPea threatens to sue, Crocodile.com brings an action in Freedonia for a declaration that the ad does not infringe LLPea’s trademark. LLPea claims that there is no jurisdiction over it in Freedonia.

The Principles do not endorse Freedonia’s exercise of personal jurisdiction over LLPea. This is not a specific-jurisdiction case because the claims do not arise from LLPea’s activities in the forum: while LLPea may send merchandise to the forum, this claim concerns LLPea’s trademark, not its merchandise (even if trademarked). Under these Principles, there is no general doing-business jurisdiction. Thus, even if LLPea continuously and systematically sends merchandise to Freedonia, that is insufficient to found jurisdiction with respect to a claim so attenuated to these sales.

g. Section 207(7): serving a writ. In accordance with international norms, the Principles eliminate “tag” jurisdiction as a basis of jurisdiction. Thus, serving notice on a party in one State in order to comply with another State’s notice requirements should not of itself lead to amenability to suit in the State where notice is served. Parties should be encouraged to resolve disputes through lawful means. Accordingly, the methods for initiating contact or beginning a lawsuit are insufficient to support authority to decide a transnational dispute. These include not only service of process but invitations to negotiate, or cease-and-desist letters. If the subject matter of these communications involves a claim to intellectual property rights in the State in which the letter is received, then a court in the State may enjoy specific jurisdiction, but that jurisdiction will be based on the defendant’s intellectual property rights in the State, and not on the communication or writ.

Illustration:

5. Nicole, a resident of Patria, sends Jeff, a resident of Xandia, a letter alleging that Jeff is infringing Nicole’s Xandian and Tertian copyrights. Jeff sues Nicole in Xandia, asking for a declaration that it is not infringing any of Nicole’s rights.

The Xandian court has jurisdiction over Nicole to hear claims related to Nicole’s intellectual property rights in Xandia. However, the court’s jurisdiction is specific. Thus, under the Principles, its authority does not extend to claims regarding rights in Tertia. In some States, threats and cease-and-desist letters may give rise to claims for unfair competition, antitrust liability, or interference with business relationships. In such cases, the local activities may be sufficient to support specific jurisdiction, but not jurisdiction over out-of-State claims.

h. Section 207(8): executing an agreement. Without more, the completion of the formalities to execute an agreement (such as putting one’s signature on a contract) is not enough to support jurisdiction over claims arising from the agreement. It is especially

inappropriate for Internet agreements, where the parties may not be aware of the location of the other side (and therefore not aware of where the contract may be regarded as signed). Moreover, on the Internet, agreements may be consummated by computer, automatically. In contrast, a contract that “authorizes” distribution of a protected work without the permission of the right holder may be considered sufficient to support jurisdiction based on the authorization as an element of a substantive violation, not because the agreement was signed in the forum State.

REPORTERS’ NOTES

1. Generally. The prohibited bases of jurisdiction reflect internationally recognized standards of fair assertion of State power in international adjudication. The Principles do not purport to affect the bases of personal jurisdiction in purely domestic cases, nor, for that matter, in transnational disputes not concerning intellectual property.

2. Section 207(1): the presence of tangible property. The kinds of physical devices whose presence in the State may suffice to afford jurisdiction are generally the kinds that courts are empowered to impound or destroy as a remedy in an infringement action. See, e.g., for U.S. copyright, 17 U.S.C. § 506(b) (forfeiture and destruction) and § 509 (seizure and forfeiture); for U.S. trademarks, 15 U.S.C. § 1118 (destruction of infringing articles). See also TRIPS Agreement art. 46 (“Other [r]emedies” include “authority to order that materials and implements the predominant use of which has been in the creation of infringing goods be . . . disposed of outside the channels of commerce in such a manner as to minimize the risks of further infringements.”). The provision is consistent with border-exclusion actions, see, e.g., 19 U.S.C. § 1337; TRIPS Agreement arts. 51-60. See also *Norwich Pharmacal Co. v. Customs & Excise Comm’rs*, [1974] A.C. 133, 146 (H.L. 1973), *Washburn v. Cunard*, [1889]

6 R.P.C. 398; *Smith, Kline & French Labs. Ltd. v. RD Harbottle (Mercantile) Ltd.*, [1980] R.P.C. 363 (Ch. D. 1979) (seizure of goods in transit).

3. Section 207(2): the existence of intangible intellectual property rights. Seizure of intellectual property rights is not common, except perhaps with regard to domain names. See 15 U.S.C. § 1125(d)(2)(A). However, it is not unknown; see, e.g., *United States v. Chemical Foundation, Inc.*, 272 U.S. 1 (1926) (wartime seizure of enemy patents, trademarks, and copyrights, sale by Alien Property Custodian); *Ager v. Murray*, 105 U.S. 126 (1881) (seizure of patent in payment of debt); *Gaiman v. McFarlane*, 360 F.3d 644, 655 (7th Cir. 2004) (referring to seizure of a copyright in payment of a debt).

4. Section 207(6): doing business. Illustration 4 is based on the facts of *Gator.com Corp. v. L.L. Bean, Inc.*, 341 F.3d 1072 (9th Cir. 2003), rehearing en banc granted, 366 F.3d 789 (9th Cir. 2004), and subsequently settled. See *Gator.com Corp. v. L.L. Bean, Inc.*, 398 F.3d 1125 (9th Cir. 2005) (en banc) (settlement moots case).

5. Section 207(7): serving a writ. As noted above, tagging the defendant with a writ is not an internationally accepted basis of jurisdiction. See also *Yahoo! Inc. v. La Ligue Contre Le Racisme et L'Antisemitisme*, 433 F.3d 1199, 1209 (9th Cir. 2006) (en banc) (service of process alone is not sufficient to support jurisdiction in California over a resident of France).