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**COMMENTS OF THE AMERICAN BAR ASSOCIATION**  
**SECTION OF INTELLECTUAL PROPERTY LAW (AIPL SECTION@)**  
**ON THE PRELIMINARY DRAFT CONVENTION ON JURISDICTION**  
**AND**  
**FOREIGN JUDGEMENTS IN CIVIL AND COMMERCIAL MATTERS**

The comments which follow are submitted on behalf of the IPL Section and in response to the Request for Comments published at 65 Fed. Reg. 61306-61309 (October 17, 2000). These views have not been submitted to, nor approved by, the Board of Governors or the House of Delegates of the American Bar Association, and therefore should not be construed as representing Association policy.

**Omnibus Comments to Inquiries 1, 2 and 3**

We conducted a survey of Committee 755 (Special Committee on Copyrights and the Internet) of the American Bar Association Section of Intellectual Property Law in order to gauge overall views on the queries presented in Nos. 1, 2 and 3. Of all responses received, respondents indicated having had no experience or moderate experience in having judgments involving intellectual property from one jurisdiction recognized in a foreign court. All respondents answered *no* to whether they had different experiences in having those judgments recognized in U.S. courts, but likely this is because of their paucity of experience with enforcing judgments in foreign courts. All respondents indicated that they believed uniform rules for international enforcement of judgments in IP matters are desirable.

Despite the universal belief among the respondents to the third query, our analysis of the specific draft of this Proposed Convention indicates that while such a Convention is viewed positively in the abstract, the Convention proposed fails to protect adequately the interests of U.S. intellectual property owners.

4. **Do you support or oppose the United States becoming a party to a jurisdiction/enforcement of judgments convention?**

We support the United States becoming a party to a convention addressing the issues of international jurisdiction and enforcement of judgments by foreign national courts. We have serious concern, however, as to whether the draft convention as currently proposed has the proper provisions.

We believe there is much to be gained by having a convention of this sort, but feel quite strongly that appropriate measures need to be taken to ensure that the rights of U.S. intellectual property owners are preserved and believe that it is important to obtain a meaningful advantage from any new convention.

5. What would be the benefits or drawbacks of the United States becoming a party to the proposed Hague Convention?

There are at least two main benefits of the United States becoming a party to the proposed Hague Convention.

First, it would be easier for U.S. intellectual property owners to obtain jurisdiction over infringers in other countries, thus leading to more complete resolution of the disputes that ensue. This is especially true in the Internet/E-Commerce arena where many times the party suspected of tortious behavior resides in a country other than the United States.

Second, as to the enforcement of judgments in foreign countries, we believe that successful U.S. litigants will benefit, particularly as there are more and more monetary damages being awarded in trademark suits and many patent infringers hide behind the cloak of domestic sovereignty.

With respect to drawbacks, our review indicates several drawbacks of this particular Draft Convention exist and they are discussed in great detail below as set forth in our responses to the remaining queries.

6. Would the elimination of tag or general "Doing Business" jurisdiction have any impact on intellectual property owners' ability to protect their rights either domestically or internationally?

The ability of courts to exercise *in personam* jurisdiction over non-resident defendants is limited by the Fourteenth Amendment's Due Process Clause, and, when federal claims are involved, by the due process clause of the Fifth Amendment. A cornerstone of the constitutional standard developed around the Due Process Clause has been the extent of contacts maintained with the forum by the non-resident defendant. When those contacts are substantial and continuous with the forum state, the law is that no unfairness results to the non-resident defendant by requiring defense of a lawsuit brought there. It is, after all, the non-resident defendant that is enjoying the benefits of conducting business on a substantial and continuous basis in the forum state. The elimination of "general business" jurisdiction, by definition, will impact intellectual property owners' ability to protect their rights domestically and internationally. It potentially reduces the number of fora available to IP owners in which they otherwise would be entitled to sue under current law. The trade-off offered to IP owners by the proposed convention, i.e., some level of certainty in enforcing overseas a judgment obtained in the United States is of little value. Presumably, if a defendant has substantial and continuous contacts necessary to support "general jurisdiction," there would be no need to seek enforcement abroad.

The elimination of *Atag* jurisdiction would, likewise, impact IP owners as its effect is to remove one option from an IP owner's jurisdictional arsenal. However, as a practical matter, tag jurisdiction is rarely utilized and, in some instances, is disfavored by courts. Moreover, it usually is employed as a last resort, when contacts necessary to support long-arm jurisdiction are not present. Because of its extreme nature, it is rarely accepted by foreign courts upon which a request is made to enforce a judgment. Thus, while eliminating tag jurisdiction does, in theory, limit IP owners' options, in practice little actual impact is predicted.

7. What other changes to U.S. law would be needed to implement the proposed convention? Please identify any drawbacks and/or advantages to such changes.

With respect to disputes between parties that are all *Ahabitual residents* of the forum state, only Articles 4, 12, 21 and 22 apply. Article 4, as written, calls for a change in U.S. law and practice. Article 4 provides that if the parties agree to a court's jurisdiction, then that court is the exclusive forum before which litigation can be commenced. Existing law is otherwise. While parties are free to contractually subject themselves to a court's jurisdiction, that undertaking is not tantamount to an agreement that the court will be the exclusive forum before which a dispute can be heard. An additional agreement to that effect is ordinarily required. The change could impact IP litigants which often initiate a declaratory action in their home forum for tactical reasons. The ability to do so could be restricted by the broad effect given to an agreement to subject oneself to the jurisdiction of a given court.

Article 12(4) appears to call for a significant change in the law if it includes actions for infringement. First, the effect of the clause is unclear in the case of an infringement dispute between parties all habitually resident in the forum state. Second, infringement claims are not currently required to be brought in the state of *Registration*. Depending upon the circumstances of the case, suit can be brought in any number of potential courts.

With respect to disputes between parties that are not habitual residents of the forum state, the proposed convention requires severe and far-reaching changes to existing law in the area of personal jurisdiction. The proposed convention supplants the entirety of existing law, both at the state and federal level, developed to comport with the due process clauses of the Fifth and Fourteenth Amendments. A flexible system based upon an analysis of a party's contacts with the forum state, coupled with an evaluation of *Asubstantial fairness* is replaced with a series of proscriptive rules that utilize unrefined and poorly defined concepts that may, or may not, comport with the United States Constitution.

8. What effect, if any, could this Convention have on other international intellectual property obligations, including, but not limited to, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Paris Convention, and the Berne Convention?

## Introduction

In principle, the Convention appears to be neutral with respect to substantive standards of intellectual property protection. The Convention should not have a direct impact -- positive or negative -- on international intellectual property obligations or standards defined in other treaties and international agreements, including TRIPS, the Paris Convention, and the Berne Convention. However, the Convention could force a court in a Contracting State to recognize and/or enforce a judgment of another Contracting State whose intellectual property system or enforcement regime is incompatible with obligations of both countries under the TRIPS Agreement, the Paris Convention, or the Berne Convention. One example would be where the country originating the judgment has an enforcement regime that is incompatible with standards mandated by TRIPS (e.g., by law or practice, courts do not grant injunctions but award only monetary relief). This could result in a U.S. court having to recognize and/or enforce a judgment (i.e., which provided for monetary relief but not an injunction) which would not likely have been rendered in a TRIPS-consistent regime. A second example is where the legal regime of a country imposes improper restrictions on the licensing of patents (i.e., in a manner inconsistent with Article 28.2 of the TRIPS Agreement), and a court of that country accordingly issues a judgment finding that a contract provision is unenforceable. If the facts had been presented for decision by a court in a TRIPS-consistent regime, the judgment would differ. Both examples illustrate the possibility that the Convention could result in an unintended backdoor erosion of the strength of intellectual property protection in the recognizing country.

### Suggested Revision to Article 28

To safeguard against the potential problem mentioned above, we suggest that the United States propose that language be added to Article 28 of the Convention. Article 28 identifies the grounds upon which a Contracting State may refuse to recognize or enforce a judgment rendered in another Contracting State. The proposed amendment would allow a country to refuse to recognize or enforce a foreign judgment that was the result of a judicial or administrative process that is inconsistent with TRIPS, the Paris Convention, or the Berne Convention, or was otherwise based on substantive legal principles that are inconsistent with those agreements. Specifically, we propose that the following language be added as an additional ground for refusal of recognition or enforcement of a judgment:

- (g) the judgment resulted from a process determined to be inconsistent with the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), the Paris Convention, or the Berne Convention, or which was otherwise based on substantive legal principles determined to be inconsistent with any of those agreements, as determined by the courts of the Contracting State or, regarding TRIPS-compatibility, as determined by the World Trade Organization in accordance with its dispute settlement procedures.

9. What effect, if any, could this Convention have on the enforcement of intellectual property with respect to the Internet?

## **Introduction**

The Conventions= impact on intellectual property enforcement with respect to the Internet would be significant. The Convention does not exclude application to the Internet.<sup>1</sup> As civil and commercial matters arise, and have arisen in connection with the Internet, it should not be assumed that the Convention would not have an effect on the Internet. For example, a summary of the discussions amongst experts that took place in Ottawa, Canada early in 2000 regarding the draft Convention concluded that At no time was it suggested . . . that electronic commerce should be excluded@ from the draft Convention and that Aeverything possible should be done to adapt the Convention to the needs of electronic commerce.@<sup>2</sup> Electronic commerce has grown with the expansion of the Internet.

It has only been a few years since courts began to address the tensions that exist between the lack of borders on the Internet and jurisdiction under local laws. As such, the Internet and ecommerce post-date the initial drafts of the Convention. On the other hand, conflicts and disputes that used to be limited to the rarefied realm of international law are becoming common as a result of the expansion of the Internet. The application of intellectual property laws has played a central role to the development of Internet law and increasingly influences international jurisdiction questions.

The Internet has the capacity to make information available globally. Any individual with access to a computer linked to this network can become a worldwide publisher of print, audio and/or visual content. The Internet also provides a new means to conduct business on a global scale that previously appeared limited to multinational corporations. This capability, in turn, has raised new questions for copyright, trademark and patent owners. When a website is used, distribution is not limited to one country, or even selected countries. The Internet has one size: global. The Global Village has gone from being more than just a theoretical catch phrase:<sup>3</sup> it has become the reality in which we live.

## **Some Fundamentals**

The United States has been at the forefront of Internet issues for several reasons. One is that it is a leading developer and user of the Internet. Another is the distinct jurisdictions (i.e. the fifty States, the District of Columbia and U.S. Possessions) that exist in the U.S., and its array of international trading partners. As a result, there is a large body of jurisprudence in the area of

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<sup>1</sup> **Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, Hague Conference on Private International Law, adopted by the Special Commission on October 30, 1999 [hereinafter the AConvention@ or Adraft Convention@]. See Art. 1, pars. 1 & 2.**

<sup>2</sup> **Electronic Commerce and International Jurisdiction, Ottawa, 28 February to 1 March 2000, prepared by Catherine Kessedjian with the co-operation of the private international law team of the Ministry of Justice of Canada.**

<sup>3</sup> **MARSHALL MCLUHAN, UNDERSTANDING MEDIA 63 (New York, Mentor, 1964).**

jurisdiction. Nevertheless, personal jurisdiction is still a complex issue despite the fact that the United States Supreme Court has visited it numerous times.<sup>4</sup>

The Supreme Court articulated the current standard for personal jurisdiction as early as 1945 in *International Shoe Co v. Washington* as follows:

[D]ue process requires only that in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.<sup>5</sup>

In 1985, in the case of *Burger King Corp. v. Rudzewicz*, the U.S. Supreme Court acknowledged that “[i]t is an inescapable fact of modern commercial life that a substantial amount of commercial business is transacted solely by mail and wire communications across state lines, thus obviating the need for physical presence within a State in which business is conducted.”<sup>6</sup> It was unlikely that the Supreme Court at that time could foresee just how far the Internet would take this statement. Nevertheless, relying on the Supreme Court’s directives in *Burger King*, federal courts have explained that the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet.<sup>7</sup>

Not surprisingly, courts have been perplexed by the application of pre-Internet personal jurisdiction standards to Internet related litigation. This confusion manifests itself in a body of incongruent and disconcerting case law. In the United States, however, a trend appears to be emerging as illustrated by the following cases.

### **U.S. Trends**

In April of 1996, the owner of a Missouri jazz club posted a site on the World Wide Web to promote his club, The Blue Note.<sup>8</sup> The site contained general information about the club, including ticket information and a calendar of events. Bensusan, the plaintiff in the case, owned the famous THE BLUE NOTE jazz club located in the Greenwich Village neighborhood of Manhattan in New York City. Because the website was accessible in New York, Bensusan sued King, claiming King was infringing Bensusan’s rights in its trademark THE BLUE NOTE.<sup>9</sup> King responded by filing a

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<sup>4</sup> See, e.g., *Burger King Corp. v. Rudzewicz*, 471 U.S. 462 (1985); *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408 (1984); *World Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286 (1980); *International Shoe Co v. Washington*, 326 U.S. 310 (1945).

<sup>5</sup> *International Shoe Co v. Washington*, 326 U.S. 310, 316 (1945).

<sup>6</sup> *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476 (1985).

<sup>7</sup> *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*, 952 F. Supp. 1119, 1124 (W.D. Pa. 1997).

<sup>8</sup> *Bensusan Restaurant Corp. v. King*, 937 F. Supp. 295, 296 (S.D.N.Y. 1996).

<sup>9</sup> *Id.*

motion to dismiss for lack of personal jurisdiction pursuant to the Federal Rules of Civil Procedure.<sup>10</sup>

In its analysis of King=s motion, the court emphasized the nature of King=s website. In particular, the court stressed that King=s website solely provided information to individuals who visited the site. The website neither sold products nor services.<sup>11</sup> Thus if a website user located in New York wished to attend a show in King=s club, the user had to place a telephone call to a ticket agent in Missouri. Furthermore, to obtain the ordered tickets, the user had to travel from New York to Missouri.<sup>12</sup>

In granting King=s motion to dismiss for lack of personal jurisdiction, the court stated that A[t]he mere fact that a person can gain information on the allegedly infringing product is not the equivalent of a person advertising, promoting, selling or otherwise making an effort to target its product in New York.@<sup>13</sup> The court continued: ACreating a site, like placing a product into the stream of commerce, may be felt nationwide -- or even worldwide -- but, without more, it is not an act purposefully directed toward the forum state.@<sup>14</sup> Finally, the court explained that Bensusan=s argument that King should have foreseen that users could access the site in New York did not satisfy the requirements of due process.<sup>15</sup>

In January 1997, a Federal District court in the Western District of Pennsylvania proffered its own interpretation of due process requirements for purposes of Internet communications. In *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.*,<sup>16</sup> a manufacturer of tobacco lighters sued an Internet news service for trademark dilution, infringement and false designation under the Lanham Act.<sup>17</sup> The plaintiff manufacturer was located in Pennsylvania, while the defendant was in California.

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<sup>10</sup> Fed. R. Civ. P. 12(b)(2).

<sup>11</sup> *Bensusan*, 937 F. Supp. at 299.

<sup>12</sup> *Id.*

<sup>13</sup> *Id.*

<sup>14</sup> *Id.* at 301.

<sup>15</sup> *Id.* Mr. Justice Jacob of the English High Court of Justice used slightly more florid language to make the same point: AMr. Hobbs submitted that any use of a trade mark on any website, wherever the owner of the site was, was potentially a trade mark infringement anywhere in the world because website use is in an omnipresent cyberspace: that placing a trade mark on a website was >putting a tentacle= into the computer user=s premises. I questioned this with an example: a fishmonger in Bootle who put his wares and prices on his own website, for instance for local delivery, can hardly be said to be trying to sell fish to the whole world or even the whole country. And if any web surfer in some other country happens upon that website he will simply say >this is not for me= and move on. For trade mark laws to intrude where a website owner is not intending to address the world but only a local clientele and where anyone seeing the site would so understand him would be absurd. So I think that the mere fact that websites can be accessed anywhere in the world does not mean, for trademark purposes, that the law should regard them as being used everywhere in the world.@ *1-800 Flowers Inc. v. Phonenames Ltd.*, [2000] E.T.M.R. 369 (H.C.J.).

<sup>16</sup> 952 F. Supp. 1119, 1124 (W.D. Pa. 1997).

<sup>17</sup> 15 U.S.C. ' ' 1051-1127.

Zippo Dot Com (ADot Com@) maintained a website which advertised the company=s Internet news service. Within the site itself there were three levels of membership, each successive level offering access to a greater number of Internet newsgroups than the preceding level.<sup>18</sup> A website user visiting Dot Com=s site filled out an on-line application, as well as paid a user fee, to attain access to the Ahigher rung@ levels of Internet newsgroups.<sup>19</sup>

Distinguishing Dot Com=s activities from those of the defendant in *Bensusan*, the court held that Dot Com=s activities constituted Adoing business@ in Pennsylvania.<sup>20</sup> As opposed to King=s passive activities in *Bensusan*, Dot Com=s website enabled Dot Com to contract with thousands of individuals and businesses located in Pennsylvania.<sup>21</sup> Dot Com processed Pennsylvania residents= applications and assigned those residents passwords, Apresumably in order to profit from those transactions.@<sup>22</sup> Thus, Dot Com=s conscious choice to conduct business in Pennsylvania subjected Dot Com to jurisdiction in Pennsylvania.<sup>23</sup>

The *Zippo* decision might have soon been forgotten were it not for the court=s attempt to reconcile a string of cases that involved the assertion of personal jurisdiction based on defendant=s Internet website. In arriving at his decision, Federal District Judge Sean J. McLaughlin stated:

[O]ur review of the available cases and materials reveals that the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet. This sliding scale is consistent with well developed personal jurisdiction principles. 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 of 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.<sup>24</sup>

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<sup>18</sup> *Zippo*, 952 F. Supp. at 1121.

<sup>19</sup> *Id.*

<sup>20</sup> *Id.* at 1125.

<sup>21</sup> *Id.*

<sup>22</sup> *Id.* at 1126.

<sup>23</sup> *Id.* at 1127.

<sup>24</sup> *Id.* at 1124 [citations omitted].

Several federal district courts and courts of appeal have since adopted the sliding scale approach announced in *Zippo*, to the point where it has become the majority rule in the United States on the question of personal jurisdiction based on an Internet website.<sup>25</sup> However, a minority view may also have arisen: in certain circumstances, the availability of a passive website can be a factor in finding personal jurisdiction over a defendant.<sup>26</sup> The case most frequently cited for the position was even cited and discussed (albeit weakly) by Judge McLaughlin in *Zippo* to support his reasoning.<sup>27</sup> That case is *Inset Systems, Inc. v. Instruction Set, Inc.*<sup>28</sup>

*Inset Systems* is a weak case from which to build a theory of Internet personal jurisdiction. The plaintiff brought suit against a competitor using its trademark as defendant's domain name.<sup>29</sup> The defendant, while not having any of the usual connections to plaintiff's state of Connecticut, such as an office, sales force or employees, did have a website and a 1-800 toll-free telephone number that was available nationwide.<sup>30</sup> In going through the *International Shoe* minimum contacts analysis, the court seemed impressed by the fact that the website, unlike other traditional forms of advertising, such as radio and television, was available for access at all times.<sup>31</sup> This, added with the fact that defendant was based in the adjoining state of Massachusetts, at a distance the court found to

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<sup>25</sup> See *GTE New Media Services Inc. v. BellSouth Corp.*, 199 F.3d 1343 (D.C. Cir. 2000); *Mink v. AAAA Development LLC*, 190 F.3d 333 (5<sup>th</sup> Cir. 1999); *Panavision Int'l, L.P. v. Toeppen*, 141 F.3d 1316 (9<sup>th</sup> Cir. 1998); *Cybersell, Inc. v. Cybersell, Inc.*, 130 F.3d 414 (9<sup>th</sup> Cir. 1997).

<sup>26</sup> *Bunn-O-Matic Corp. v. Bunn Coffee Services Inc.*, 46 USPQ2d 1375 (C.D. Ill. 1998); *Telco Comms. v. An Apple A Day*, 977 F. Supp. 404 (E.D. Va. 1997); *SuperGuide Corp. v. Kegan*, 44 USPQ2d 1770 (W.D.N.C. 1997).

<sup>27</sup> *Zippo*, 952 F. Supp. at 1125 (characterizing *Inset Systems, Inc. v. Instruction Set, Inc.* as "the outer limits of the exercise of personal jurisdiction based on the Internet.©").

<sup>28</sup> 937 F. Supp. 161 (D. Conn. 1996).

<sup>29</sup> *Id.* at 163. Shortly after *Zippo*, the Federal Court for the Southern District of New York examined the discrepancy between advertising on the Internet and conducting business via the Internet in *Hearst Corp. v. Goldberger*, No. 96 Civ. 3620, 1997 U.S. Dist. LEXIS 2065, (S.D.N.Y. Feb. 26, 1997). Hearst, a corporation based in New York, owned and published the popular magazine *ESQUIRE*. In 1995, defendant Goldberger, a resident of New Jersey, registered (and subsequently utilized) the domain name *ESQWIRE.COM* as the address of his company's website. Goldberger created *ESQWIRE.COM* to introduce and advertise the services which his company, *Esq.wire*, intended to supply. *Id.*, at \*10. In its analysis of Goldberger's motion to dismiss for lack of personal jurisdiction, the court emphasized that Goldberger did not yet have any services or products to sell. *Id.*, at \*14. As such, "[h]is Internet web site [was], at most, an announcement of the future availability of his services for attorneys." *Id.*, at \*31. The court proceeded to analogize this type of announcement to an advertisement in a national magazine: "Like such an ad, Goldberger's Internet web site may be viewed by people in all fifty states (and all over the world to for that matter), but it is not targeted at the residents of New York or any other particular state.© *Id.* Such advertisements are insufficient to establish personal jurisdiction in New York over a foreign defendant. See, e.g., *Sunbelt Corp. v. Noble, Denton & Assoc., Inc.*, 5 F.3d 28 (3d Cir. 1993)(holding that a single advertisement in a national publication is not sufficient to establish personal jurisdiction); *King v. Best Western Country Inn*, 138 F.R.D. 39 (S.D.N.Y. 1991)(concluding that a listing in a local telephone directory is insufficient to illustrate business transactions); *Davidson Extrusions, Inc. v. Touche Ross & Co.*, 516 N.Y.S.2d 230 (2d Dep't 1987)(ruling that an advertisement in a trade journal with national circulation does not constitute a transaction of business within New York). Consequently, the court held that New York could not exercise personal jurisdiction over Goldberger.

<sup>30</sup> *Inset Systems*, 937 F. Supp. at 164.

<sup>31</sup> *Id.* at 165.

be minimal,<sup>32</sup> led the court to find the necessary minimum contacts to assert personal jurisdiction over the defendant.<sup>32</sup> The court's analysis is sparse, if not oblivious to the potential implications of the defendant being haled into any court in the United States based on a website and toll free telephone number. The fact the defendant was located physically near to the plaintiff and where suit was brought also would make the case easily distinguishable. Yet, the attractiveness of a rule whereby a party can be subject to the jurisdiction of a court simply because residents in the court's jurisdiction can access that party's website has proven difficult to resist. It is an easy rule to apply; but with such simplicity can come devastating results.

## **International Jurisdiction**

One of the concerns a court must face when dealing with Internet issues is the impact its decision will have outside its borders. Many Internet cases involve requests for injunctive relief, and courts have had a difficult time in sidestepping the impact of their decisions. By granting an injunction, the court is effectively forbidding a party from conducting its affairs worldwide despite issuing an injunction that is effective in just that country. The iCraveTV.com controversy is emblematic of such a situation.

In November 1999, iCraveTV.com began making available over the Internet television signals from several television stations.<sup>33</sup> The signals that were being streamed at iCraveTV.com were of both United States and Canadian origin.<sup>34</sup> TVRadioNow Corp., a Canadian company operating out of Ontario, Canada and doing business as iCraveTV.com was retransmitting signals that would otherwise have been available to many Ontario cable television subscribers.<sup>35</sup> In the ensuing litigation for copyright and trademark infringement brought in the Federal District Court of the Western District of Pennsylvania, iCraveTV.com asserted that its activities were permissible under Canadian law.<sup>36</sup> Nevertheless, the plaintiffs in the case, including several motion picture studios, television networks and sports leagues, moved for a preliminary injunction to stop iCraveTV.com from webcasting its copyrighted programs over the Internet prior to trial. In granting the injunction, the court sidestepped the question of Canadian law by stating "because plaintiffs seek relief under U.S. law for infringements of the U.S. Copyright Act, there is no need for this Court to address any issue of Canadian law."<sup>37</sup>

Unfortunately, the court's decision in the iCraveTV.com case did more than just ignore Canadian law, it also failed to consider how an injunction would have an impact beyond its borders. If the defendants had been able to show that retransmission of the television signals was legal in

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<sup>32</sup> *Id.*

<sup>33</sup> *National Football League v. TVRadioNow Corp.*, 53 USPQ2d 1831 (W.D. Pa. 2000).

<sup>34</sup> *Id.* at 1834.

<sup>35</sup> *Id.* at 1833.

<sup>36</sup> *Id.* at 1837. *See also* Samantha Yafee, *Casters, prods sue iCraveTV*, PLAYBACK, February 7, 2000, at 3 (reporting that a group of Canadian broadcasters and producers had filed a lawsuit for copyright infringement against iCraveTV.com on January 31, 2000).

<sup>37</sup> *National Football League*, 53 USPQ2d at 1837.

Canada, the court would have been faced with the obvious quandary of a U.S. court enjoining a Canadian company webcasting from its servers in Canada. Because several of the defendants involved were found to be doing business in the United States, the court had personal jurisdiction over the defendants and could thereby exert its powers against those defendants.<sup>38</sup> However, if personal jurisdiction had been lacking, plaintiffs would have had to seek relief for infringement of their U.S. copyrights and trademarks in Canada.<sup>39</sup> A Canadian court would not likely have been so quick to ignore the legality of iCraveTV.com=s activities in Canada in reaching its decision.<sup>40</sup> Further, with respect to the request for an injunction, a Canadian court would not likely have ignored the fact that enjoining the defendant from retransmitting defendant=s copyrighted works over the Internet meant enjoining defendant=s activities worldwide. Given the limits on a court=s powers and authority, could it issue a worldwide injunction under these circumstances?<sup>41</sup>

Something of a converse of the iCraveTV.com situation has occurred in Canada=s Federal Courts. The cases involved the rights in the AYellow Pages@ and its French-language translation ALes pages jaunes.@<sup>42</sup> The Yellow Pages were, and are, the yellow colored pages in telephone directories, or separate telephone directories, which include advertising for products and services listed by type of product or service. Most U.S. intellectual property lawyers will know that the trademarks in the Yellow Pages are in the public domain in the United States. This means that the AYellow Pages@ can be used by anyone in their business, particularly those who provide AYellow Pages@ telephone directories. However, in Canada, these trademarks are not in the public domain. Instead, they have acquired a substantial amount of good will in their owners, as some U.S. defendants found out.

In the *Tele-Direct* case, the defendants were the U.S. incorporator of a Canadian company

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<sup>38</sup> *Id.* at 1835.

<sup>39</sup> *See Armstrong v. Virgin Records Ltd.*, 54 USPQ2d 1539 (S.D.N.Y. 2000).

<sup>40</sup> In October 1999, just a month before iCraveTV.com went online, the Canadian Copyright Board stated the following: A[t]o occur in Canada, a communication must originate from a server located in Canada on which content has been posted.@ *Re Tariff 22, Internet* (1999), 1 C.P.R. 4<sup>th</sup> 417. The Board=s holding was in the context of determining the appropriate tariff to be collected and paid to copyright holders for communication of their works over the Internet under the Canadian Copyright Act. While it is likely that iCraveTV.com would have had to pay such a tariff to Canadian copyright holders of the content being retransmitting at iCraveTV.com (most likely including several of the U.S. plaintiffs), until the tariff was set, some Canadian commentators were of the view that the Copyright Act of Canada exempted any infringement for iCraveTV.com=s activities. *See National Football League*, 53 USPQ2d at 1837.

<sup>41</sup> At least for the iCraveTV.com controversy, those questions are not likely to be answered as both the U.S. and Canadian actions were quickly settled after the preliminary injunction was granted by the Federal District Court in Pennsylvania. *See Susan Tulusso, iCrave shuts down website operations*, PLAYBACK, March 6, 2000 at 2.

<sup>42</sup> *See, e.g., Bell Actimedia Inc. v. Puzo* (1999), 2 C.P.R. 4<sup>th</sup> 289 (F.C.T.D.); *Tele-Direct (Publications) inc. v. Canadian Business Online Inc.* (1998), 83 C.P.R. 3d 34 (F.C.T.D.).

called Canadian Business Online Inc., the business he incorporated and a U.S. company named Canadian Yellow Pages on the Internet Inc. The plaintiff sued and obtained several interim injunctions (like U.S. temporary restraining orders) and an interlocutory injunction (an injunction until trial) ordering the defendants to stop use of the Yellow Pages trade-marks on the Internet.<sup>43</sup> When the defendants failed to comply with the orders of the Federal Court of Canada, the plaintiff moved to have the defendants show cause why they should not be held in contempt. For reasons the decision of Justice Teitelbaum does not explain, a motion brought by the U.S. corporate defendant regarding the Federal Court of Canada's jurisdiction to render orders against a foreign corporation was dropped during the contempt hearing.<sup>44</sup> However, in holding the defendants in contempt, the court stated that "[t]he defendants cannot do by the back door what they cannot do by the front door", that is, attempt, by using U.S. based corporations to use, in Canada, plaintiffs' registered trade-marks.<sup>45</sup>

What the *Tele-Direct* and *iCraveTV* cases show is that an injunction issuing against Internet defendants can have a profound impact. All the injunctions were issued prior to trial on the merits, all the defendants were forced out of business, and the injunctions were, in effect, worldwide. In these cases, the borderless nature of the Internet became a two-edged sword; the ease with which information can be disseminated and business conducted is at once an advantage and a disadvantage. What is legal in one area may be illegal in another. The risks in a court making the wrong decision have increased.

### **Article 13 of the Draft Convention**

Article 13 of the draft Convention allows a court that otherwise has jurisdiction under its provisions to order any provisional or protective measure. The language of Article 13 raises a concern over whether it could be implied that a provisional measure could apply beyond the borders of the court's jurisdiction. Even when jurisdiction is limited to a nation's borders, the *iCrave TV*, discussed above, shows how such provisional measures have an international impact. Unlike real estate or personal property, intellectual property can exist worldwide and is subject to different legal regimes.

One of the strengths of having a treaty on international jurisdiction is that the Convention would allow for the enforcement of judgments obtained in a Contracting State of the Convention in another Contracting State. However, where the Internet and intellectual property are involved, this can become a disadvantage. It has already been demonstrated that uses of intellectual property that are legal in one country can be infringements in another. Because the Internet is in effect borderless, the potential of having a preliminary injunction in a Contracting State of the Convention that could apply beyond its borders is inconsistent with the national nature of intellectual property rights and of state sovereignty in intellectual property matters.

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<sup>43</sup> *Tele-Direct*, 83 C.P.R. 3d at 37.

<sup>44</sup> *Id.* at 36.

<sup>45</sup> *Id.* at 50.

It might be argued that Article 28 would allow a court to refuse to recognize an order (be it provisional or final) if the judgment is inconsistent with a judgment rendered in the State where enforcement is sought or recognition or enforcement would be manifestly incompatible with the State's public policy. However, Article 28 does not say the court must not enforce the judgment; just that it may refuse to do so.

## Article 10 and Copyright

The draft Convention would likely relegate copyright claims to Article 10, by operation of the exclusion in paragraph 4 of Article 12. Article 10 deals with Torts or delicts.

Initially, academic discussion of how jurisdiction could best be asserted in Internet matters was limited to a choice between (i) the country where the Internet website's server is located and (ii) the country where the Internet website was doing harm. The problem with the first approach is that the crafty website owner could choose to base its operations in a nation with little or no intellectual property laws or enforcement. The problem with the latter approach has already been seen: the prospect of worldwide jurisdiction over the website owner.<sup>46</sup>

Unfortunately, Article 10 would essentially allow both grounds of jurisdiction in copyright matters. Where the act or omission causing harm and where injury occurred are both grounds for jurisdiction. As copyrighted content is an important component of the materials used and made available on the Internet, this is not an inconsequential matter.

More sophisticated approaches have been considered, including one where jurisdiction is appropriate where the parties have the most significant relations. A good example of this approach is found in *Braintech, Inc. v. Kostiuk*.<sup>47</sup> The case involved an attempt to enforce a default judgment obtained in the State of Texas against a resident of the Canadian Province of British Columbia.<sup>48</sup> Braintech was incorporated in the State of Nevada and did business in several U.S. States, including, at some point, Texas.<sup>49</sup> Braintech sued Mr. Kostiuk in state court in Texas for publishing defamatory information about Braintech on the Internet.<sup>50</sup> When Mr. Kostiuk did not appear to defend against Braintech's claims, the court granted judgment for Braintech in the amount of U.S.\$300,000.00.<sup>51</sup> After obtaining judgment against the defendant to enforce the Texas decision in a summary trial in the Supreme Court of British Columbia, Mr. Kostiuk appealed to the British Columbia Court of the Appeal, the Province's highest court.<sup>52</sup> The Court of Appeal allowed the

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<sup>46</sup> See Kai Burmeister, *Jurisdiction, Choice of Law, Copyright and the Internet: Protection against Framing in an International Setting*, 9 FORD. I.P. MEDIA & ENT. L.J. 625 (1999).

<sup>47</sup> [1999] 171 D.L.R. 4<sup>th</sup> 46 (B.C.C.A.).

<sup>48</sup> *Id.* at 47-48.

<sup>49</sup> *Id.* at 49, 62.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at 48.

<sup>52</sup> *Id.* at 48-49.

defendant=s appeal under principles of comity.<sup>53</sup>

Traditionally, comity has been one way courts of one jurisdiction have respected the power and judgment of courts from other jurisdictions. As described by the United States Supreme Court over a century ago:

>Comity= in the legal sense, is neither a matter of absolute obligation, on the one hand, nor mere courtesy and good will, upon the other. But it is the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws . . .<sup>54</sup>

In its decision, the British Columbia Court of Appeal exhibited a pronounced concern that a plaintiff, which had substantial operations and its head office in British Columbia,<sup>55</sup> obtained a default judgment in a Texas court against another British Columbia resident.<sup>56</sup> Under Supreme Court of Canada jurisprudence, Aa real and substantial connection with the action<sup>57</sup> is required before a court should assert jurisdiction over parties with a dispute before it. Because the court found that the real and substantial connection for the claim between the parties lay in British Columbia, the Court of Appeal decided that comity should not apply to the Texas judgment and reversed the judgment of the B.C. Supreme Court.<sup>58</sup>

A close reading of the *Braintech* case could lead one to wonder if the Court of Appeal was not appalled at the blatant forum shopping conducted by the plaintiff in choosing to pursue its claim in a Texas court. On the other hand, it is difficult to understand why a company with headquarters in Vancouver would sue another Vancouver resident in Texas, even if, although it is not stated, the alleged defamatory words appeared on a server in Texas. As the court stated in support of its

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<sup>53</sup> *Id.* at 63-64.

<sup>54</sup> *Id.* at 59 (quoting from *Hilton v. Guyot*, 159 U.S. 113, 163-64 (1895)).

<sup>55</sup> *Id.* at 62-63.

<sup>56</sup> It is interesting to note that a prior Supreme Court of Canada case, *Amchem Products Inc. v. British Columbia (Workers= Compensation Board)*, [1993] 1 S.C.R. 897, discussing the fact that the doctrine of *forum non conveniens* had been abolished in Texas was reviewed by the Court of Appeal in making its decision. *Id.* at 59-60. *Forum non conveniens* is a discretionary power a court has to refuse to hear a case when the convenience of the parties and the ends of justice would be better served if the case were heard in another forum. In nations as large as the United States and Canada, Awhere@ a party has to appear to defend a matter can have a substantial impact on the outcome of the proceedings. See also *Paramount Pictures Corp. v. Starwon Enterps. Pty Ltd.* (1998), 42 I.P.R. 86 (F.C.) (Australia). Article 22 of the Convention has discretionary provisions that would allow a court to decline jurisdiction under circumstances that are similar to *forum non conveniens*.

<sup>57</sup> *Id.* at 57.

<sup>58</sup> *Id.* at 62-64.

reasoning:

It would create a crippling effect on freedom of expression if, in every jurisdiction the world over in which access to the Internet could be achieved, a person posts fair comment on a bulletin board could be haled before the courts of each of those countries where access to this bulletin could be obtained.<sup>59</sup>

Thus, the British Columbia Court of Appeal's approach was one where jurisdiction is appropriate where the parties have the most significant relations. Such an approach might be preferable for Internet tort disputes than the one found in Article 10 of the draft Convention.

### **Article 7 B Consumer Contracts**

Much of the discussion on jurisdiction in this comment has been limited to common law countries. This may be appropriate to the extent that use of the English language on the Internet is still commanding and that a vast majority of English-speaking nations are common law jurisdictions.

As the Internet expands, this will not remain the case. For example, in many civil law nations, the applicable jurisdictional concept applied is *actor sequitur forum rei*, (i.e. the plaintiff follows the forum of the defendant's residence).<sup>60</sup> However, this is not a uniform rule either.<sup>61</sup> For example, facing severe criticism over the potential impact of its work to update and codify the 1968 Brussels Convention, the European Parliament recently approved a measure whereby consumers would be able to sue foreign Internet commerce entities in the consumers' home country.<sup>62</sup> The concern was that consumers should not have to go to another country to sue for defective wares purchased and delivered to them. In this respect, the jurisdictional rule is not different than it would be for specific jurisdiction under a minimum contacts analysis in the U.S.

A possible solution for a party wishing to avoid being haled into a foreign court for providing its products or services on the Internet has been to include choice of forum and law clauses in any agreement with a customer. Some website purveyors have taken to requiring visitors to their sites to agree to the jurisdiction of a particular court before being allowed to view or use the websites. While agreements of this kind where the jurisdiction chosen show no relation to the parties will likely be challenged, one should not assume that all such contractual provisions will be unavailing. One example is *Rudder v. Microsoft Corp.*<sup>63</sup>

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<sup>59</sup> *Id.* at 61.

<sup>60</sup> See Burmeister, *supra* note 49 at fns. 44&45.

<sup>61</sup> See *Mecklermedia Corp. v. DC Congress GmbH*, [1998] 1 All ER 148 (Ch. D.) (U.K.) (German defendant before English court. Court refused to stay proceedings or decline jurisdiction).

<sup>62</sup> Rick Perera, *EU Strengthens Consumers' E-Commerce Rights*, THE STANDARD, September 22, 2000, available at [www.thestandard.com/article/display/0,1551,18776,00.html?nl=dnt](http://www.thestandard.com/article/display/0,1551,18776,00.html?nl=dnt) (visited on September 22, 2000).

<sup>63</sup> (1999), 2 C.P.R. 4<sup>th</sup> 474 (Ontario Superior Ct of Justice).

The plaintiffs in *Rudder* were attempting to have a Canada-wide class action certified in the Province of Ontario to bring suit against Microsoft for breach of contract related to services Microsoft was to provide under its Microsoft Network on-line service. However, the plaintiffs were faced with a provision in its agreements with Microsoft that provided as follows: "This Agreement is governed by the laws of the State of Washington, U.S.A., and you consent to the exclusive jurisdiction and venue of the courts in King County, Washington, in all disputes arising out of or relating to your use of MSN or your MSN membership." All users of the Microsoft Network were required to click on a button stating "I Agree" to the terms of the agreement before being allowed to install the computer software necessary to access the Microsoft Network service and again before becoming a member of the service. Because Canadian courts have generally treated forum selection clauses "with a measure of deference," and because the plaintiffs were caught in the position of asserting contract claims against Microsoft while at the same time seeking to have the forum selection clause in the same contract invalidated, the Ontario Superior Court of Justice granted Microsoft's motion for a permanent stay of the class proceedings. In arriving at its decision, the Ontario court cited concerns for international comity, international commercial certainty and respect for the agreements parties have "signed."

The interesting point of the *Rudder* case is that the plaintiffs had never physically signed any agreement. Instead, they had manifested their assent to be bound by the agreement presented to them by Microsoft. The "signature" of a party was the manifestation of this assent to the agreement by clicking the "I Agree" button. Otherwise, a prospective customer who refused to agree to the contract terms presented would not be allowed to load the software required to access and use the services the defendant was offering.

The draft Convention would likely have barred the enforceability Microsoft's choice of forum in its online agreement. Article 7 defines a consumer contract as one that has "a purpose which is outside [a plaintiff's] trade or profession." An agreement that attempts to apply a choice of forum that is not that of the consumer is only recognized under the Convention if it is entered into after the dispute arose. Otherwise, the only choice of forum provisions against consumers that will be recognized are those that allow the consumer to bring proceedings in another court (presumably in a jurisdiction that is different from the one noted in the agreement). Further, claims against consumers can only be brought where the consumer habitually resides under Article 7.

The provisions in Article 7 may adequately protect against consumers having to litigate disputes in far off jurisdictions. However, like much of the draft Convention, Article 7 does not take into consideration the borderless nature of the Internet and the ecommerce conducted using this still new medium. It should not be assumed that entities doing business on the Internet are businesses that have the resources, such as Microsoft, to bring actions in other jurisdictions than their own. With some goods and services, these limitations are immediately apparent. But with informational and entertainment content, as examples, traditional bricks and mortar notions that are implied in the Convention do not translate well to the Internet.

## **Article 12**

Paragraph 4 of Article 12 includes a proposal to make proceedings regarding the infringement of patents and trademarks the exclusive jurisdiction of the State where the patents and trademarks are registered or where the infringement has taken place. As earlier sections have shown, locating infringements on the Internet is not an easy matter. Conferring exclusive jurisdiction on one nation where the laws of several nations could (and likely would) be involved is not advisable at this time.

## **Conclusion**

The temptation to approve a treaty that would provide some certainty and limits to forum shopping where the Internet and intellectual property are concerned is tantalizing. However, as the draft Convention currently stands, the benefits to intellectual property owners do not out-weight its detriments. The Convention was not drafted with the Internet or the nature of intellectual property protection in mind. It should be revised to take these aspects into consideration before any approval take place.

10. Would application of Article 10 change existing jurisdictional principles as applied to intellectual property infringement actions? If yes, please describe any changes in detail and provide any relevant legal authority.

Article 10 deals with torts or delicts and it is assumed, for purposes of these comments, that infringement actions, whether they be for trademark, patent or copyright rights, actions sounding in unfair competition and passing off, and actions for misappropriation of trade secret, would all be classified as torts or delicts for purposes of Article 10.

11. Would the limitation of worldwide damages in Article 10(4) have any significant impact in cases involving worldwide infringement of trademark or other intellectual property rights?

Section 4 of Article 10 provides that

[i]f an action is brought in the courts of a State only on the basis that the injury arose or may occur there, those courts shall have jurisdiction only in respect of the injury that occurred or may occur in that State, unless the injured person has his or her habitual residence in that State.

There is an interplay between Article 10(4) and Article 12(4) because, pursuant to the latter, A proceedings which have as their object the . . . nullity[, or revocation or infringement,] of patents, trade marks, designs or similar rights@ (but excluding copyrights and neighboring rights) have as their exclusive jurisdiction the courts of the Contracting State in which the deposit or registration has been applied for or taken place. Depending upon which version of Article 12(4) is ultimately agreed

to, and whether or not the infringement claim is viewed as the object of the lawsuit or simply ancillary to a claim for invalidity, either Article 10 or Article 12(4) will govern.

Intellectual property rights are territorial and, accordingly, a court of one nation could determine rights, obligation and remedies for infringements occurring in another country only through the application the laws of the country in which the infringement is alleged to have taken place. US courts do, on occasion, apply US infringement law to acts occurring outside its borders but only on the premise that the extraterritorial acts resulted in infringement and injury within the US. It is unlikely that a US court would take jurisdiction to determine rights, obligations and remedies for acts of infringement, unfair competition or misappropriation under the laws of a foreign country, even if ancillary to an action for infringement occurring within the US. Similarly, a foreign court is unlikely to render a determination that infringement of IP rights subsisting in the US occurred as a matter of US law.

Assuming Article 10, as opposed to Article 12(4), applies to an IP infringement action, the limitation on worldwide damages found in Article 10(4) would not be unfair and would not be expected to have any significant impact in cases involving worldwide infringement of trademark or other intellectual property rights. Except perhaps with respect to the misappropriation of trade secret rights, a court sitting in one country should not concern itself with the infringement of IP rights that subsist or may subsist in other countries, and damages should be limited to those which follow from the conduct infringing rights within the forum country.

As pointed out in our response to question 9, an injunction that is issued in the context of Internet commerce aimed at enjoining infringement occurring in a given State has the unfair effect of enjoining the conduct worldwide whether or not that conduct may be legal elsewhere. Article 10(4) will not change this inequitable result.

Though not specifically raised by the PTO Request for Comments, the last phrase of Article 10(4) appears problematic. It would purport, by implication, to allow a court to award damages in respect to injury worldwide based upon the plaintiff being a habitual residence of the forum State. As discussed above, a court should not normally attempt to determine rights, obligations and remedies with respect to IP that subsist or may subsist in foreign countries, and certainly not for the reason that a plaintiff happens to have a habitual residence in the forum. In the case of misappropriation of trade secrets, for example, being a cause where the award of worldwide damages might be justified, jurisdiction should logically be based not upon plaintiff=s habitual residence but, rather, where the acts or omissions of the misappropriation occurred or upon defendant=s habitual residence.

12. With respect to Article 12 (4), under what circumstances would an application with this subsection change existing jurisdictional principles, with and without the bracketed language included? Please describe any changes in detail and provide any relevant legal authority.

We believe that the proposed language would create changes to existing jurisdictional principles, and some of these permutations are discussed in great detail elsewhere in our comments so we will not repeat those discussions here.

13. What effect, if any, would Article 12(4) have on trademark owners seeking to litigate rights related to registered versus common law marks?

Article 12(4) provides for exclusive jurisdiction in the case of proceedings which have as their object the registration, validity [or] nullity[, or revocation or infringement,] of patents, trade marks, designs or other similar rights required to be deposited or registered . . . .

The obvious problem here appears to be that, unlike virtually all other countries in the world, there is no requirement in the US that trademarks be registered. Countries outside the US recognized trademark rights based upon registration alone<sup>64</sup> whereas in the US, we recognize trademark rights as a result of use as well as registration. Because Article 12(4) talks in terms of rights Arequired to be deposited or registered@, the question arises whether US trademark rights which emanate from use as opposed to registration will be disadvantaged.

As discussed above, there is an interplay between Articles 10 and Article 12(4) such that it is unclear whether infringements actions having registered marks as their subjects would fall under one or the other of the articles= provisions. There is also an interplay between Article 12(3), which provides for exclusive jurisdiction in the case of proceedings having their object the validity or nullity of entries in public registers, and Article 12(4), which provides generally the same thing but which is specific for patent and trademark registries. Whereas Article 12(4) would, presumably, supersede Article 12(3) in the case of a federally registered trademark, Article 12(3) might apply in the case of a mark which is registered only on a state (of the domestic variety) level.

In the case of an unregistered mark in regards to which rights have arisen by virtue of adoption and continuous use within the US, Article 12(3) and (4) would be inapplicable and infringement actions, whether for declaratory, injunctive or monetary relief, would have to be brought under Article 10. An action under Article 10(1)(b), where the injury arose, would be appropriate, whereas an action under Article 10(1)(a), where the act or omission that caused the injury occurred, might not. Illustrating using an Internet example, it would make no sense for a Russian court to entertain an action against a Russian based e-commerce business for using an unregistered name that is identical or confusingly similar to a name in regard to which there exists common law trademark in the US, whereas Article 10(1)(a) by its terms might support such an action.

Whereas owners of common law trademarks in the US may not be advantaged under the Convention in the sense of having disputes regarding the validity of the mark localized in the place of registration, as owners of registered marks might be, they will find themselves in the same

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<sup>64</sup>The GATT has varied this somewhat by requiring parties to accord limited rights to famous trademarks whether or not registered.

position without the Convention. Accordingly, the failure of the Convention to specifically treat common law trademarks would not appear to be a reason against its adoption.

14. Is exclusive jurisdiction needed for infringement and/or validity actions involving patents, trademarks, and/or copyrights?

## **Introduction**

Intellectual property such as patents, trademarks, and copyrights are inextricably linked to the territory of the country that has granted those rights. It is therefore imperative that U.S. courts or administrative bodies reserve exclusive jurisdiction over all matters involving *interpretation* of U.S. intellectual property rights.

For patents, for example, these matters include determinations of compliance with statutory requirements of patentability, interpretation of claim scope, determinations of infringement (direct or through the doctrine of equivalents), and the enforceability of the patent rights (e.g., inequitable conduct). Specifically, issues regarding determinations of infringement of the patent will require consideration of evidence concerning acts performed within the territorial limits of the country that has granted the patent. Issues affecting the validity of a United States patent must be resolved by applying U.S. law, rather than applying the law of the country adjudicating the matter. Given the complexity of U.S. patent jurisprudence, we do not believe that foreign courts, particularly in countries not having a substantial body of patent jurisprudence, will be able to make accurate determinations as to the validity or infringement of U.S. patents.

In addition, U.S. courts should reserve exclusive jurisdiction over matters that would affect determinations as to whether U.S. patent rights have been exhausted by a first sale or other acts. We note that in a growing number of jurisdictions in the developing world, there is pressure to adopt a principle of international exhaustion of patent rights (i.e., an automatic exhaustion of patents in distinct countries upon the first sale of a product under a patent in one jurisdiction). Conclusions reached on exhaustion of U.S. patent rights must be based on interpretations of the significance of actions of the patent owner. A court following a mandated principle of automatic international exhaustion would not be likely to construe the actions of the patent owner in a manner similar to a U.S. court.

As a consequence, we believe that allowing foreign courts to adjudicate issues regarding validity, scope, or infringement of U.S. patents would introduce uncertainty and unpredictability and would diminish the strength of U.S. patent rights.

We urge the United States not to sign a Convention that would dilute the exclusive jurisdiction of the U.S. courts and administrative bodies over matters involving interpretation of U.S. patents. If the United States is to be a party to the Convention, therefore, we strongly recommend that draft Article 12 be substantially revised to provide that there is exclusive jurisdiction for the grantor country concerning matters affecting interpretation of patent rights granted by it, unless explicitly provided otherwise. The current structure of the paragraph simply enumerates issues that

are reserved for exclusive jurisdiction. Under standards for treaty interpretation, matters not enumerated would not be reserved to domestic jurisdiction.

We offer several alternative proposals below.

## **Article 12 Exclusive Jurisdiction of National Courts**

Article 12 provides for exclusive jurisdiction in certain intellectual property matters. We suggest the following changes be made to the language of these provisions to secure the greatest protection for U.S. patent holders. The first option described below is the most preferable.

### Option # 1:

To provide the greatest amount of protection for U.S. patent holders, we suggest that the following changes be made to Article 12, sections 4 and 5.

Expand the Scope of Exclusive Jurisdiction in Article 12(4): Article 12(4) should be amended to ensure that all patent matters remain in the exclusive jurisdiction of the Contracting State in which the patent is granted.

The first sentence of the current draft of Article 12(4) enumerates specific issues over which the courts of the Contracting State in which the patent is granted have exclusive jurisdiction. Specifically, the first sentence in Article 12(4) currently provides,

In proceedings which have as their object the registration, validity, [or] nullity[, or revocation or infringement,] of patents, trade marks, designs or other similar rights required to be deposited or registered, the courts of the Contracting State in which the deposit or registration has been applied for, has taken place or, under the terms of an international convention, is deemed to have taken place, have exclusive jurisdiction.

This provision should be amended to ensure that the Convention does not deprive a court of a Contracting State of exclusive jurisdiction over issues related to patents that have been granted in that State. For the sake of clarity, we preliminarily suggest that the word *shall* be added to this provision. We also suggest that the words *grant* and *granted* be added to reflect the term of art used to describe actions taken to recognize the existence of patents. Thus, we suggest that the United States replace the first sentence of Article 12(4) with the following language:

*In respect of matters involving patents in all their forms, trademarks, plant variety protection instruments, utility models, design protection, or other similar rights required to be deposited, granted, or registered, the courts of the Contracting State in which the deposit, grant, or registration has been applied for, has taken place, or under the terms of an international convention, is deemed to have taken place, shall have exclusive jurisdiction.*

Delete Article 12(5): Article 12(5) indicates that Article 12(4) does not exclude jurisdiction of other courts under the Convention or under the national law of a Contracting State in proceedings concerning the infringement of patents. As noted above, we oppose any provision in the Convention that would allow a court of a Contracting State to adjudicate matters concerning the interpretation, validity, or infringement of a patent granted in another Contracting State. Thus, we suggest that Article 12(5) be deleted from the Convention.

**Option #2:**

If the parties to the Convention (1) do not agree to amend Article 12(4) to provide for exclusive jurisdiction over all matters involving patents and (2) agree that Article 12(5) should be deleted, then the United States should suggest an alternative change to Article 12(4) to ensure that courts in the Contracting State in which the patents are granted have exclusive jurisdiction over issues related to the *exhaustion* of patent rights. In particular, we suggest that the following language be added to Article 12(4):

In proceedings which have as their object the registration, validity, [or] nullity[, or revocation or infringement], *or exhaustion* of patents, trade marks, designs or other similar rights . . .<sup>65</sup>

**Option #3:**

If the parties to the Convention (1) do not agree to amend Article 12(4) to provide for exclusive jurisdiction over all matters involving patents and (2) do not agree that Article 12(5) should be deleted, then the United States should suggest an alternative change to Article 12(4) and Article 12(5) to ensure that courts in the Contracting States in which the patents are granted have exclusive jurisdiction over issues related to the exhaustion of patent rights.

With respect to Article 12(4), we recommend essentially the same change that is discussed in Option #2 above.<sup>66</sup> With respect to Article 12(5), the language should be amended to ensure that no

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<sup>65</sup> We assume that references to *infringement* in sections 4 and 5 of Article 12 are mutually exclusive. Thus, where, as here, section 5 of Article 12 is deleted, reference to *infringement* would be included in section 4.

<sup>66</sup> As discussed in note 1, we assume that reference to *infringement* in sections 4 and 5 of Article 12 is mutually exclusive. Thus, where, as here, Article 12(5) remains an active provision, reference to *infringement* in Article 12(4) would be deleted. Under Option #3, therefore, the relevant provision of Article 12(4) would read as follows:

In proceedings which have as their object the registration, validity, [or] nullity[, or revocation] *or exhaustion* of patents, trade marks, designs or other similar rights . . .

court or administrative body which is not of a Contracting State in which the patent has been granted can make a determination regarding whether patent rights have been exhausted with respect to proceedings concerning patent infringement. In particular, we suggest that the United States add the following language to that provision:

In relation to proceedings which have as their object the infringement of patents *except to the extent that such proceedings implicate the exhaustion of patent rights*, the preceding paragraph does not exclude the jurisdiction of any other court under the Convention or under the national law of a Contracting State.

**Option #4:**

If the parties to the Convention (1) agree to amend Article 12(4) to provide for exclusive jurisdiction over all matters involving patents and (2) do not agree that Article 12(5) should be deleted, then Article 12(5) should be amended to add the exhaustion language as discussed in Option #3.

Article 12      Exclusive Jurisdiction of Administrative Bodies

In addition to courts, administrative bodies, such as the patent offices, are often involved in administering intellectual property rights regimes. Thus, it is important that any provision that provides for exclusive jurisdiction under the Convention provide such protection to both U.S. administrative bodies as well as to U.S. courts.

However, it is unclear whether administrative bodies that determine rights involving intellectual property are covered under the Convention. Article 1(1) provides that the Convention applies to *civil and commercial* matters but excludes *administrative* matters. These terms are not further defined and are subject to different interpretations in different countries.

One way to resolve this problem would be to add the following language to Article 12(4):

In respect of matters involving patents in all their forms, trademarks, plant variety protection instruments, utility models, design production, or other similar rights required to be deposited, granted, or registered, *the courts and administrative bodies performing judicial functions relating to such rights* of the Contracting State in which the deposit, grant, or registration has been applied for, has taken place, or under the terms of an international convention, is deemed to have taken place, shall have exclusive jurisdiction.<sup>67</sup>

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<sup>67</sup> For the purposes of this example, we use the language proposed in Option #1 of the section discussing exclusive jurisdiction. The proposed language regarding administrative bodies, however, would be equally applicable were the parties to the Convention not to agree to amend Article 12(4) to provide for exclusive jurisdiction over all matters involving patents.

## **Article 12      Customs Unions and Free Trade Areas**

Countries negotiating the Convention may object to the deletion of Article 12(5) on grounds that such a provision is necessary to assist in the unification of the patent systems of countries participating in customs unions or free trade areas. If so, then the United States should propose that, in exchange for deleting Article 12(5), the following provision be added as the last paragraph of Article 12:

*Nothing in this Article shall limit the ability of countries that participate in a customs union or free trade area to provide for measures that govern the jurisdiction of courts of those countries in proceedings which have as their object patent validity or infringement in relation to patents issued by the countries of such customs unions or free trade areas.*