

# Cross-Border Intellectual Property Rights

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# Outline

- I. General introduction
- II. Infringement of IP-rights
  - Which court?
  - Which rules?
- III. IP-contracts
  - Which court?
  - Which rules?

# General introduction

# I. What is at stake?

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- IP-rights are today very often (but not always) cross-border
- A few examples

Cross-border IPR - 2013

## I. What is at stake?

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- Example 1 : Mr. V. and Mr. F, two artists residing in Belgium, compose music score for a series of short TV-movies
- Contract concluded between the musicians and a Belgian company producing the series
- Belgian company sells the rights to a French broadcaster

## I. What is at stake?

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- After series ends, broadcasting company brings the series on DVD – without informing Mr. V. and Mr. F.
- May the 2 musicians bring proceedings in Belgium against the French broadcaster, claiming compensation for DVD-sales?

## I. What is at stake?

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- Example 2 : Various companies of a pharma group headquartered in Belgium develop new family of drugs, which are patented
- Portfolio of patents are held by Irish subsidiary for tax reasons

# I. What is at stake?

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- What if infringement of the patents by a French competitor, allegedly bringing infringing products on the French market?
- If proceedings in France, will French law apply?



# I. What is at stake?

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- Example 3 :
- Dispute over the sale by an auction house in Paris of a couple of works by Salvatore Dali
- Who is entitled to the *resale right*?

# I. What is at stake?

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- Resale right : inalienable right to receive a royalty based on the sale price obtained for any resale of the work, subsequent to the 1<sup>st</sup> transfer of the work by the author (art. 1(1) Directive 2001/84)
- Right “is intended to ensure that authors of graphic and plastic works of art share in the economic success of their original works of art” (Preamble Directive)

# I. What is at stake?

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- Resale right belongs to the author of an original work of art. After his death, resale right payable to “those entitled under him/her” (art. 6(1) Directive)
- Directive leaves it to MS to determine who are the heirs:
  - Under French law : for the purpose of directive, heirs are *legal* heirs, to the exclusion of legatees and successors in title (see art. L. 123-7 of the IPC)
  - Under Spanish law : resale right are granted to whoever is entitled to estate under civil law

## I. What is at stake?

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- Dali case (case C-518/08): dispute between legal heirs (children) and Dali Foundation concerning payment of resale rights
- When he died, Salvador Dalí left five heirs at law. He also appointed the Spanish State as sole legatee by will. Those rights are administered by the Fundación Gala-Salvador Dalí
- Should we apply Spanish or French law?

## I. What is at stake?

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- ECJ : Art. 6(1) Directive does not preclude a provision of national law which reserves the benefit of the resale right to the artist's heirs at law alone, to the exclusion of testamentary legatees
- ECJ : it is for the referring court “to take due account of all the relevant rules for the resolution of conflicts of laws relating to the transfer on succession of the resale right”

## II. How to deal with cross-border IP matters?

- Cross-border IP-matters bring additional difficulties:
  - In case of dispute, need to determine which courts have jurisdiction
  - For contentious and non contentious matters : need to determine which rules apply
  - Additional question : what may I do in France with a German judgement?

## II. How to deal with cross-border IP matters?

- Issues discussed focusing on two classic scenarios:
  - (Alleged) infringement of an IP-right
  - Contract over IP-right

# Cross-border IP infringement I. Setting the scene



# Cross-border IP infringement

## I. Setting the scene

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- Very common situation
- *e.g.* French company holding a French and German patent (issued after one EPC-application) finds out that a Belgian company is allegedly infringing the patent by bringing products on German market
- Two questions :
  - Where may French company bring proceedings?
  - What rules will apply to settle dispute?

# Cross-border IP infringement

## I. Setting the scene

### A. Where to sue? In general

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- First question in case of cross-border dispute relating to IP-rights : where to litigate?
- Question concerns issue of 'jurisdiction' (also called *adjudicatory* jurisdiction) : in which circumstances may a court entertain proceedings relating to a dispute which has some connection with foreign country(-ies))
- e.g. can the French company holding the German patent seize a court in Germany to get injunction + damages against the Belgian company allegedly infringing the patent?

# Cross-border IP infringement

## I. Setting the scene

### A. Where to sue? In general

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- In the course of the proceedings, other questions may arise, such as :
  - What is the value in Belgium of a judgment issued by a court in Germany? Can foreign judgment be used to attach assets (enforcement)?
  - How can court in Germany obtain evidence located in Belgium?
  - How to serve process to foreign defendant, etc.
- Not further addressed - no ip-specific answer

# Cross-border IP infringement

## I. Setting the scene

### B. A global court?

- Focusing on issue of jurisdiction – which court?
- Is it necessary to allocate jurisdiction to courts of *one* State?
- Proceedings cannot be brought before a ‘global’ or ‘European’ court – no such court to deal with cross-border IP-disputes

# Cross-border IP infringement

## I. Setting the scene

### B. A global court?

- At present, only limited role of 'international courts' in IP-matters
  - System of the EPC : possibility to challenge the validity of the patent before EPC organs (during at most 9 months after publication of the mention of the grant of the European patent in the European Patent Bulletin – art. 99 EPC); after such period has lapsed, no central court system to deal with infringement
  - Trademark : Office and Boards of Appeal decide on opposition, revocation, invalidity but *not infringement* (Reg. 207/2009)

# Cross-border IP infringement

## I. Setting the scene

### B. A global court?

- Plans to introduce a central court system for IP-disputes ? Only for patents and long history of the project due to national resistance (and project linked to European unified patent regime...)
- EU : creation of a Unified Patent Court (Agreement early 2013) as part of the 'patent package' :
  - Specialized patent court with jurisdiction over European unitary patent regime
  - Central division in Paris and local divisions in other MS

# Cross-border IP infringement

## I. Setting the scene

### B. A global court?

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- Jurisdiction of the Unified Patent Court? Exclusive jurisdiction over:
  - Actions for actual or threatened infringements of patents
  - Actions for declarations of non-infringement of patents
  - Actions for provisional and protective measures and injunctions
  - Actions for revocation of patents
  - Counterclaims for revocation of patents
  - Actions for damages or compensation derived from the provisional protection conferred by a published European patent application

# Cross-border IP infringement

## I. Setting the scene

### B. A global court?

- How is jurisdiction allocated within Unified Patent Court?
  - 1<sup>st</sup> principle : parties may agree to bring actions before the division of their choice, including the central division
  - 2<sup>nd</sup> principle : actions for infringement must be brought before
    - either “the local division hosted by the Contracting Member State where the actual or threatened infringement has occurred or may occur, or the regional division in which that Contracting Member State participates”
    - the local division hosted by the Contracting Member State where the defendant has its residence, or principal place of business or its place of business
  - 3<sup>rd</sup> principle : action for declaration of non-infringement or action for revocation : before the central division



# Cross-border IP infringement

## I. Setting the scene

### C. Allocation of jurisdiction

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- Outside Unified Patent Court, necessary to select courts of one (Member) State
- Within the EU, States have agreed to common rules on allocation of jurisdiction to courts
- Common rules of jurisdiction in civil and commercial matters – Brussels I Regulation (44/2001), in force since 01.03.2002 (new version – Brussels *Ibis*, Reg. 1215/2012 in force in 2015)

# Cross-border IP infringement

## I. Setting the scene

### C. Allocation of jurisdiction

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- Brussels I Regulation:
  - General rules of jurisdiction applicable to all commercial matters - one single rule specific to cross-border IP-matters (art. 22-2 - specific rule of jurisdiction in relation with disputes regarding the validity of registered IP rights)
  - In addition : recognition and enforcement of foreign judgements
  - Importance of case law of the ECJ (limited number of cases directly related to IP - *e.g. Roche* case but other cases also relevant for IP-disputes)

# Cross-border IP infringement

## I. Setting the scene

### C. Allocation of jurisdiction

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- Other regimes (outside EU Regulation)
- *E.g.* European Patent Convention : see Protocol on Jurisdiction and the Recognition of Decisions in Respect of the Right to the Grant of a European Patent, of 05.10.1973 – specific rules of jurisdiction aimed at disputes relating to the “the right to the grant of a European patent in respect of one or more of the Contracting States”

# Cross-border IP infringement

## I. Setting the scene

### C. Allocation of jurisdiction

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- Focus : analysis of rules of Brussels I Reg. (most important regime in practice)
- Focus on selected number of rules of jurisdiction

# Cross-border infringement

## II. Suing at the place of infringement

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### A. Introduction

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- Company established in the UK operates a website which grants users possibility to post poetry, novels, short stories, etc. - which may be read, free of charge, by all registered users
- Mrs. E., Belgian national, is the daughter and sole heir of famous Belgian poet and writer E., who died in 2008
- She finds out that the website contains many works of her father, reproduced without any authorisation
- May E sue Company before the courts in Belgium?

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### A. Introduction

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- Basic rule under the Brussels I Regulation : court of the domicile of the *defendant* (art. 2)
- *Rationale* : defendant must be protected since he has not asked to be bothered by court proceedings... (disputed : is there a 'natural' defendant?)
- This rule is of a *general nature* (no limit as to the nature of the dispute - *caveat* : exclusive jurisdiction - art. 22)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### A. Introduction

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- Mrs. E may not want to bring proceedings before the defendant's court (in England) – which would give the latter a 'home court' advantage
- Does Brussels I Reg. also offer other possibilities?



# Cross-border IP infringement

## II. Suing at the Place of Infringement

### A. Introduction

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- One alternative: agreement between parties on court with jurisdiction (art. 23) - unlikely
- Default alternative to art. 2 : art. 5 of the Brussels I Regulation
  - *Optional* rule of jurisdiction : exists next to art. 2, at the option of the plaintiff (“may *also* be sued . . .”)
  - Art. 5 covers specific disputes : several headings (contracts, torts, branches, etc.)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### A. Introduction

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- Art. 5 (3) Brussels I Reg. (and 2007 Lugano Convention) : grants jurisdiction in tort matters to the courts of the place of harmful event
- May Mrs E use art. 5(3) to bring proceedings in Belgium?
- Two questions :
  - May art. 5(3) be applied to IP-disputes?
  - Which court has jurisdiction under Art. 5(3)?

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### B. Art. 5(3) and IP-disputes

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- Art. 5(3) : proceedings may be brought « ... *in matters relating to tort, delict and quasi-delict...* »
- ECJ has defined scope of art. 5(3) as follows : “*all actions seeking to establish the liability of the defendant and which are not related to a contract in the meaning of article 5(1)*”
- *Quaere* IP-disputes?

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### B. Art. 5(3) and IP-disputes

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- Great number of IP-disputes clearly fall under Art. 5(3)
- e.g. trademark infringement action:
  - Seeks to establish liability of defendant
  - Not related to a contract
- In fact, disputes relating to IP-rights and specifically infringement cases: ‘breeding ground’ for actions based on tort
- Application of Art. 5(3) is, however, excluded if dispute arises out of a contract relating to IP-rights (license, etc.)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### B. Art. 5(3) and IP-disputes

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- What if plaintiff does not seek to establish liability, but *prevent* infringement?
- At one point doubted whether Art. 5(3) could be used in preventive actions (original version of Art. 5(3) referred to courts for the place where the harmful event “has occurred”)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### B. Art. 5(3) and IP-disputes

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- ECJ in *Henkel* (C-167/00, § 46) has made clear that art. 5(3) could be used for preventive action (according to ECJ, the rationale of art. 5(3) is «*equally relevant whether the dispute concerns compensation for damage which has already occurred or relates to an action seeking to prevent the occurrence of damage* »)
- Wording of Art. 5(3) adapted in the Regulation to make clear that this provision can also be applied to prevent future harm (“ . . . *where the harmful event occurred or may occur* . . . ”)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### B. Art. 5(3) and IP-disputes

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- Logic consequence of application of Art. 5(3) to preventive action : art. 5(3) may also be relied on when an action is brought, not for damages (*i.e.* monetary compensation), but also for *injunctive relief* (by definition, preventive action cannot seek compensation for damage which has not yet occurred)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### B. Art. 5(3) and IP-disputes

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- Another question : may Art. 5(3) also be relied on when plaintiff seeks a declaration of non-infringement?
- Very common practice in IP-matters – proceedings brought by party who fears that IP-holder may sue him



# Cross-border IP infringement

## II. Suing at the Place of Infringement

### B. Art. 5(3) and IP-disputes

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- For a long period : uncertainty over possibility to use art. 5(3) in case of negative declaration
- Argument : the very purpose of such an action is to establish that no tort has been committed

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### B. Art. 5(3) and IP-disputes

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- ECJ 25 Oct. 2012, case C-133/11, *Folien Fischer AG* :
  - An action for a negative declaration entails a reversal of the normal roles in matters relating to tort, since, in such an action, the claimant is the party against whom a claim based on a tort might be made, while the defendant is the party whom that tort may have adversely affected
  - However, that reversal of roles is not such as to exclude an action for a negative declaration from the scope of art. 5(3)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Art. 5(3) refers to the courts of the country “where the harmful event took place”
- Place of the “harmful event” : very wide concept, what could it mean in the IP-context?
- Specifically : may Mrs E. argue that the place of harmful event is located in Belgium since the web-site may be freely accessed from Belgium?

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- In IP-disputes, 'harmful event' is the *infringing act*
- Interpretation confirmed by Art. 97(5) Community Trade Mark Reg. 207/2009 and Art. 82(5) of the Community Design Reg. 6/2002, which refer to the place where “the act of infringement has been committed or threatened”
- See also art. 33(1)(a) Agreement on a Unified Patent Court : jurisdiction granted to “local division hosted by the Contracting Member State where the actual or threatened infringement has occurred or may occur”

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Difficulties:
  - 1°) Place of infringement is not always easy to localize (see *e.g.* DVD case between France and Belgium : what if it appears that DVD's are made in France, but sold in Belgium? Mrs. E's case – where is the infringement? )
  - 2°) Place of infringement is not the only relevant element to take into consideration

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- 1°) Where is place of infringement?
- Place of harmful/causal event : it is the place « *at the origin of that damage* » (ECJ, *Bier*, § 25)
- In relation to infringement of an IP-right, this is the place where the infringement is committed
- In some cases, the infringement can easily be identified and localized (*e.g.* French company produces and sells a product in France which allegedly infringes French patent held by a Swiss company)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Place of harmful/causal event : more difficult if the event is not a material/physical fact
- Two series of cases where it is difficult to localize the place of the causal event
  - Cases where the infringement is in fact a *sequence of events* taking place in different countries (so-called 'multi-events tort')
  - Cases involving infringement *on line*

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- A. Cases where the infringement is a *sequence of events* taking place in different countries
- In most cases, infringement of an IP-right will be made out of several steps : e.g. copying a patent protected work, producing the infringing product, advertising and selling the product, etc.
- If the various constituting steps take place in one single jurisdiction, no difficulty of international jurisdiction
- Difficulty arises in cases where there is multi-State dissemination of the various infringing steps



# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- *e.g.* what if the allegedly infringing product is designed and produced in Italy, but displayed at a trade show in Belgium and later sold in France? Would this be sufficient to say that the harmful event occurred in Belgium?
- Difficulty is not specific to IP-cases - could also happen in defamation cases
- Seminal case : *Shevill v. Presse Alliance SA*, C-69/93 [1995] ECR I-415 : plaintiff, a UK national residing in France, alleged that a French newspaper had published an article about an operation by a French drug squad at a *bureau de change* in Paris where she worked

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- According to Ms Shevill, the article was defamatory, because it suggested that the business was involved in drug-trafficking network
- Newspaper sold mainly sold in France, a few copies sold in England
- Claimant brought proceedings in England - because defamation is rather easy to demonstrate under English law - arguing that the courts of England had jurisdiction because the newspaper was also sold in the UK.

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- In *Shevill*, dissemination of the various elements making up the causal event
  - Newspaper article written in France;
  - Newspaper published in France;
  - Newspaper sold and read in England

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- In *Shevill*, the ECJ held that:
  - Defamation is a tort; no reason to think that another solution should be contemplated for other 'immaterial' torts, such as infringing IP-rights
  - The place of the harmful event : the place where the *publisher* of the defamatory publication is established, but ECJ added that this is because this is 'the place where the harmful event originated and from which the libel was issued and put into circulation' (§ 24)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- What should we infer from *Shevill* in relation to infringement of IP-rights as a sequence of events disseminated in various States?
  - That the causal event is the place of establishment of the alleged infringer?
  - Or that this is only the case when an important or the most important part of the causal event also took place where the alleged infringer is established?

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Debate is still on-going about this difficult question
- If infringing material is produced in State where alleged infringer is established, probably better to hold that the causal event took place in that State, even though product is sold in other State
- If alleged infringer is established in State A and allegedly infringing material is produced and offered for sale in State B, probably better to hold that causal event takes place in State B, even though the whole infringing process is masterminded from State A

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Solution to the difficulty : art. 2-202 CLIP Principles?
- “(1) In disputes concerned with infringement of an intellectual property right, a person may be sued in the courts of the State where the alleged infringement occurs or may occur.
- (2) For the purposes of paragraph 1, an infringement occurs in a State where the intellectual property right exists, provided that (a) the defendant has substantially acted or has taken substantial preparatory action to initiate or further the infringement, or (b) the activity by which the right is claimed to be infringed has substantial effect within, or is directed to, the territory of that State.”

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- B. Another difficulty : *on line* infringement (mostly for trademark and copyright – rarely for patents)
- Where does the infringement take place if copyrighted work (e.g. a book) is copied on a server in the Netherlands by a company incorporated in Hong Kong, and displayed on a web-page accessible by anyone anywhere?
- Seminal example : video's posted on *YouTube*, with copyrighted songs (recorded during concerts or on TV) – is infringing act the creation and management of the platform (US), the posting of video by a user (anywhere) or the fact that another user watches the video from home/office computer (anywhere)?



# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- In these cases, avoid the temptation to read in Art. 5(3) the possibility to bring proceedings in local courts 'because the website can be viewed there'...
- ECJ has held that if it proves impossible to identify the place where the event giving rise to the damage occurred, then Art. 5(3) must be interpreted to mean that it only allocates jurisdiction to the courts of the country where the damage occurred (see hereafter for this second limb of art. 5(3))

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- 2°) What if Mrs E. cannot convince the courts in Belgium that infringement took place in Belgium?
- Can she not introduce proceedings in Belgium arguing that this is the place where the *damage* occurred?

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- ECJ has recognized early on that art. 5(3) should be read to include *both* place of harmful event and place where the damage occurred
- ECJ *Handelskwekerij GJ Bier v. SA Mines de Potasse d'Alsace*, case 21/76 : French industrial concern discharged polluted waste in the Rhine waters, with the result that when this water was used to irrigate the flowers grown by a Dutch company in the Netherlands, the crop perished
- Dutch market-gardener sought to seize the Dutch courts - where was the harmful event considered to have occurred?

Cross-border IP infringement  
II. Suing at the Place of Infringement  
C. Which Court under Art. 5(3)?

- In *Bier*, the ECJ Court held that Art. 5(3) “*must be understood as being intended to cover both the place where the damage occurred and the place of the event giving rise to it*” - considerable ‘jurisdictional generosity’ towards the plaintiff

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Application to IP-litigation : damage is often financial loss, *i.e.* loss of sale of infringed products
- Where is this damage sustained? May *Bier* formula be applied?
- *e.g.* infringement of a Belgian patent by a company based in Belgium, Dutch owner of the patent complains that its turnover declined in Belgium : can the patent owner bring proceedings in the Netherlands, where it feels the financial loss?

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Application of *Bier*-formula with caution – ECJ has brought some nuances to it, which may restrict the possibility for patent owner to sue in its home jurisdiction
- Main nuance : only direct damage may be taken into consideration, not indirect damage which follows from immediate consequences of the harmful event (ECJ in *Dumez France S.A. v. Hessische Landesbank*, Case C-220/88)

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Taking this case law into consideration, probably not possible for the Dutch owner of Belgian patent to bring proceedings before Dutch courts :
  - Turnover declined, loss felt in the books of the company in the Netherlands
  - This loss is the *consequence* of the lost sales in Belgium, sales which were not achieved on Belgian market due to infringement

# Cross-border IP infringement

## II. Suing at the Place of Infringement

### C. Which Court under Art. 5(3)?

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- Financial loss as a consequence of IP-infringement : important to look for the *immediate* consequence of the harmful event, where does the infringement directly produce its harmful effect and *not* where that effect is felt by the victim
  - Copyright : financial loss occurs where copies of the infringed product are sold or otherwise distributed to the public (e.g. situation of Mrs E. - her father's books may be selling less briskly because of availability online)
  - Trademark : financial loss occurs where the sign is used in support of marketing or offering the product



# **Cross-border infringement : III. IP-rights, territoriality and monopolies**

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- In case of Mrs. E (proceedings against English company operating a website in violation of Belgian copyright) or case of French company holding a German patent (bringing proceedings against Belgian company allegedly infringing the patent) : what if defendant alleges that the copyright / patent not valid?

Cross-border IPR - 2013



# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

- Should this have an impact on allocation of jurisdiction?
- More specifically, may court seized of infringement proceedings also rule on issue of *validity* of IP-right
- First reaction : extension of jurisdiction not problematic – court having jurisdiction to hear claim may hear counter-claim or defense (art. 6(2) Reg. 44/2001)

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- But what if counter-claim requires court to decide on *validity* of a foreign IP-right?
- Isn't validity an issue for which there is a *monopoly* of jurisdiction for courts of the State where IP-right was granted / under whose laws IP-right was granted?

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- IP-rights are indeed creatures of the law, not of nature
- IP-rights granted
  - Either directly by specific gov't agency (e.g. patent, trademark)
  - Or at least in application of specific national/int'l laws (e.g. copyright)
- In the past (and still today in some countries), idea of monopoly of States to handle disputes relating to 'their' IP-rights was accepted

Cross-border IPR - 2013



# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

- In some countries idea of monopoly still accepted nowadays – leads to a 'non-actionability' rule for foreign IP-rights
- *E.g.* : some courts in the US refuse to hear actions relating to infringement of *foreign* IP-rights - *E.g. Voda v. Cordis Corp.* (Court of Appeals, 476 F.3d 887 (2007)) : Dr. Jan Voda, a cardiologist who invented and patented a catheter for coronary angioplasty, brought proceedings in the Federal District court for the Western District of Oklahoma against Cordis Corp., a US corporation

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- Voda alleged that Cordis infringed his U.S. patent but also the patents on the same invention that he had procured in Britain, Canada, France, and Germany
- Court of Appeals : no jurisdiction for foreign patents because it is impossible for a US court to exercise jurisdiction over foreign patents...

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- If this were to be followed and territoriality accepted, issue of jurisdiction would be moot : IP-rights would only be enforced in the jurisdiction under whose legal system they arose
- Consequence —> unique rule of jurisdiction : courts of the country under whose legal system IP-right was created

Cross-border IPR - 2013





# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- Idea of monopoly of jurisdiction arises from a confusion between the scope of operation of patent (or other IP-right) and rules of jurisdiction.
- Patents are *territorial* in operation, hence scope of application may be purely territorial
- This does not mean that no action will lie in Belgium for the infringement in France of a French patent... Rules of jurisdiction are not necessarily build on territorial concepts (or at least not on same classic concept of territoriality – e.g. rule of jurisdiction based on agreement between parties)

Cross-border IPR - 2013



# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- E.g. : French company holds a French patent, alleges that it is infringed by a Belgian company which sells products in France
  - scope of operation of patent : no difficulty, infringing acts in France
  - rule of jurisdiction : what if parties agree that the matter should be settled by a Swiss court? → no direct link between scope of operation and rule of jurisdiction

Cross-border IPR - 2013



# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- Within the EU, idea of monopoly of jurisdiction has been abandoned
- Every jurisdiction of every MS may rule on IP-dispute, even if dispute concerns foreign IP-rights

Cross-border IPR - 2013



# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

- E.g. *Pearce v. Ove Arrup Partnership Ltd v. Others* [1997] 2 WLR 779 : Mr. Gareth Pearce complains that Dutch architect (Remment Koolhas) has used his sketches for drawing of building in Rotterdam ('Kunsthall')
- Mr Pearce alleges violation of British and Dutch copyright – his drawings were made in UK, but later used in Netherlands
- Could the English court exercise jurisdiction over a Dutch IP-right?

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- Judge Lloyd : court has jurisdiction under art. 2 Regulation (domicile of the defendant) and art. 6(1) (multiple defendants)
- Judge Lloyd : this jurisdiction could be exercised even though the claim related to an ip-right which had been granted by a foreign State. Deciding otherwise would, according to the judge, « *impair the effectiveness of the [Regulation] by frustrating the operation of the basic rule in Article 2* » → recognition of possibility to decide on foreign IP-rights (but only because forced to in order to respect primacy of EU law...)

Cross-border IPR - 2013



# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

- Only remnant of monopoly : exclusive jurisdiction for disputes related to registration / validity of certain IP-rights
- Art. 22(4) Brussels I Reg. : if dispute relates to “*registration or validity*” of some IP-rights (i.e. patents, trade marks, designs or similar rights requiring to be deposited or registered), exclusive jurisdiction of the courts of the MS where registration or deposit took place
- (for European patent applications : since each 'bundle patent' must be thought as an independent fraction of the same European patent, resort to local jurisdiction)

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

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- Similar rule of jurisdiction in other IP-instruments:
- Art. 56 Regulation 207/2009 on Community Trademarks : exclusive jurisdiction of Office for Harmonization in the Internal Market for revocation or invalidity of Community Trademark (but art. 96 : exclusive jurisdiction of Community Trademark courts over infringement of a trademark)
- Art. 81 of Regulation 6/2002 on Community designs : Community design courts have exclusive jurisdiction for actions for a declaration of invalidity of Community design and for counterclaims of invalidity of a Community design raised in connection with infringement actions

Cross-border IPR - 2013



# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### A. Introduction

- Art. 22(4) : very strong rule
  - No derogation by contract (even after dispute has arisen) – art. 23-5° Reg.
  - Duty for the court to verify its jurisdiction *on its own motion* and decline jurisdiction if the case belongs to the exclusive jurisdiction of another court (art. 25 Reg.)
  - Duty for the court at enforcement stage to verify application of Art. 22 and deny enforcement / recognition in case of violation of Art. 22 (art. 35-1° Reg.)

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

- At first sight, role of art. 22(4) very limited : only pertains to proceedings relating to validity of certain IP-rights – should be of no concern for infringement proceedings
- Difficulty : in practice, often happens that the alleged infringer raises issue of (lack of) validity of IP-right
- Basic scenario : company A established in Spain, holds French patent; initiates proceedings before court in Belgium after finding out that Belgian company brings products on French market which allegedly infringe patent
- Belgian company alleges lack of validity of French patent
- What should court do? Should art. 22(4) apply in this case, and if yes how?

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

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- Should court take a *broad* view of Art. 22(4) and decline jurisdiction whenever the issue of validity is raised?
- Or should court hold that art. 22(4°) only applies when the *main object* of the dispute is validity (and not if validity is raised as defence)?
- If validity is only raised as a defence, may court split up infringement (which it takes up) and validity (for which it declines jurisdiction)?

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

- Difficulty could arise in other context
- *E.g.* contract granting license over a patent, dispute arises between a licensee and a licensor on the payment of royalties :
  - In principle no application of Art. 22(4) in this case
  - What if licensee argues that patent is not valid?

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

- ECJ tackled issued in case C-4/03, *GAT (GAT GmbH & Co. KG /LuK)*
- Dispute between two German companies in motor vehicle technology regarding the alleged infringement of French patents
- GAT had made an offer to Ford, with a view to winning a contract for the supply of mechanical damper springs
- LuK alleged that the springs offered by GAT infringed two French patents which it held.

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

- GAT, alleged infringer, did not wait until the patent holder brought proceedings : it sought before German courts:
  - *declaration of non infringement*
  - if its products were found to be in violation of the French patents, GAT also alleged in subsidiary order that this should not have any consequence, as the patents were either void or invalid
- Matter referred to ECJ

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

- ECJ : « *the exclusive jurisdiction provided for by [Article 22(4)] . . . should apply whatever the form of proceedings in which the issue of a patent's validity is raised, be it by way of an action or a plea in objection, at the time the case is brought or at a later stage in the proceedings* »

# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

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- ECJ's ruling has been criticized
- Question : are the courts of the MS in which the patent was granted, best placed to adjudicate upon dispute concerning the validity of 'local' patent?

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

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- If patents at stake are progeny of one single European patent application, argument that courts of MS which granted the patent are better placed, is not convincing
- Validity issue will indeed be governed by the same rules, i.e. rules of the European Patent Convention
- Application of these rules (which are relevant for validity) by national courts may lead to *diverging* results. Fact remains, however, that the rules on which validity argument must be appreciated, are not different for the different versions of the European patent

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### B. Scope of Art. 22(4)

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- Whatever the case (European patent or purely national patent), disputes relating to the validity will in fact turn mostly on technical knowledge (evaluation of technical state of the art...) which will made up the bulk of the evaluation
- This knowledge is not better accessible in the State where the patent was granted...

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### C. Patent litigation after *GAT v LUK*

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- Has *GAT v LUK* made cross-border litigation of patent dispute impossible?
- If a court is only seized of infringement question, it may still issue a cross-border decision (and decide e.g. on patents issued in various other countries) – provided it has jurisdiction in respect of the infringement question (e.g. based on Art. 5 § 3)

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### C. Patent litigation after *GAT v LUK*

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- Art. 22(4) does not prevent other courts than courts of MS where IP-right was granted, to issue provisional and protective measures (ECJ *Solvay v Honeywell* 2012)

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### C. Patent litigation after *GAT v LUK*

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- As soon as the validity of a foreign patent is raised (defence, counter-claim, etc.), Art. 22(4) applies and the court should decline jurisdiction, even if the invalidity issue was only incidental
- No longer possible to make a distinction between the situation where the issue of validity is raised as a *defence* and as a *counterclaim*

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### C. Patent litigation after *GAT v LUK*

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- Obligation for the court seized of issue of validity of a foreign patent, to decline jurisdiction : only in respect of issue of validity
- Court may continue examination of the proceedings in so far as they concern *local* patent (and deal with infringement *and* validity thereof)

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# Cross-border IP infringement

## III. IP-rights, territoriality and monopolies

### C. Patent litigation after *GAT v LUK*

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- What happens to infringement proceedings in respect of foreign patent?
- Court may not *decline* jurisdiction in respect of infringement claim in relation to foreign patent (jurisdiction is still there)
- Court may :
  - *stay* proceedings in respect of infringement claim in relation to foreign patent
  - *strike out* the proceedings in relation to infringement of foreign patent (advantage : plaintiff may initiate new infringement proceedings in country where patent registered)

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# **Cross-border infringement : IV. Applicable rules**

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# Cross-border IP infringement

## IV. Which law?

### A. Introduction

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- Once determined which court has jurisdiction, need to determine which rules apply



# Cross-border IP infringement

## IV. Which law?

### A. Introduction

- 1<sup>st</sup>) Confusion to be avoided : issue of law applicable to an IP-right and issue of protection afforded to foreigners are not identical
- For a long time, only issue dealt with in IP Conventions = treatment of foreigners
- e.g. 1886 Bern Convention : drafted on the basis that 1<sup>st</sup> question is whether foreign authors may enjoy copyright (see art. 3 : “The protection of this Convention shall apply to: (a) authors who are nationals of one of the countries of the Union...”)

# Cross-border IP infringement

## IV. Which law?

### A. Introduction

- Not sufficient to have a rule granting equal treatment to foreigners
- Issue of equal treatment of foreigners is a preliminary question – next to this, applicable law must be determined
- See for Belgium :
  - Art. 79 Belgian 1994 Copyright Act (national treatment afforded to foreigners holding copyrights)
  - Art. 93 Belgian Code of PIL (law applicable to intellectual property rights)

# Cross-border IP infringement

## IV. Which law?

### A. Introduction

- Determining applicable law:
  - Basic idea : Courts do not always apply their own law, but may apply foreign law in given circumstances
  - Which law applies? 'Conflict of laws rules' (e.g. a patent is governed by the law of the country which granted the patent)

# Cross-border IP infringement

## IV. Which law?

### A. Introduction

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- 2<sup>nd</sup>) Determination of applicable law becomes moot if there is a harmonised uniform set of rules for the protection of ip-rights
- Large number of important int'l conventions and other int'l instruments in IP-law
- However, these conventions/instruments do not introduce a complete uniform set of rules

# Cross-border IP infringement

## IV. Which law?

### A. Introduction

- *e.g.* 1886 Bern Copyright Convention : Convention does *not* introduce a harmonised uniform statute on copyright. What it does is:
  - *i)* establish a system of equal treatment (= rules granting protection, under the national law of a Contracting state, to authors / works of another Contracting State)
  - *ii)* provide strong minimum standards for copyright law (= guidelines for the provisions of the national copyright statutes) - *e.g.* art. 7 : minimum term of protection is life of author + 50 y.

# Cross-border IP infringement

## IV. Which law?

### A. Introduction

- *e.g.* harmonization of copyright law in the EU :
  - Directive 91/250/EEC of 14 May 1991 - legal protection of computer programs
  - Directive 2006/116/EC of 12 Dec. 2006 harmonizing the term of protection of copyright
  - Directive 2004/48/EC ... of 29 April 2004 on the enforcement of intellectual property rights ('IP Enforcement Directive')
  - Directive 2001/29/EC ... of 22 May 2001 on the harmonisation of certain aspects of copyright and related rights in the information society (Information Society Directive)

# Cross-border IP infringement

## IV. Which law?

### A. Introduction

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- Various Directives, but at the end of the day only a 'piecemeal harmonization' : no comprehensive 'EU law on copyright'

# Cross-border IP infringement

## IV. Which law?

### A. Introduction

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- For some questions, national laws converge
- *E.g.* duration of copyright : consensus on a common standard of 'life + 70 years'
  - \_ Art. 1 of Directive 2006/116/EC of 12 Dec. 2006 on the term of protection of copyright - ensuring a single duration for copyright and related rights in the EU, i.e. 70 years from the death of the author/*post mortem auctoris* (Belgian law : art. 2 § 1 Copyright Act 1994; French law : art. L-123-1 *Code de la propriété intellectuelle*)
  - \_ US law : § 302 Copyright Act (Title 17 US Code))



# Cross-border IP infringement

## IV. Which law?

### A. Introduction

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- For other questions, difference in national law
- *E.g.* do authors have a '*moral*' right on their work (right to to claim authorship of the work and to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the said work, which would be prejudicial to his honour or reputation) and what is the scope/effect of this right? Can the author's heirs exercise the moral rights? Can the moral rights be contracted out? —> major difference between 'European' approach and US approach

# Cross-border IP infringement

## IV. Which law?

### B. Which PIL Regime for IPR?

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- Specific IP-regime for issue of applicable law : some provisions harmonizing conflict of laws rules (not substantive law)
- Some harmonisation at int'l level :
- *e.g.* Art. 5-II Bern Convention : “... the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed”

# Cross-border IP infringement

## IV. Which law?

### B. Which PIL Regime for IPR?

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- Most harmonization within EU - *e.g.* :
  - \_ Law applicable to contract issues related to IP (*e.g.* a contract whereby holder of a patent grants a licence to another party to use the patent to manufacture a product) : determined on the basis of the same rules in 27 EU Member States thanks to the Regulation 593/2008 ('Rome I' Regulation)
  - \_ Art. 16 EU Reg. 40/94 on Community Trade Mark : law applicable to the transfer, or pledging (or other rights *in rem*) of a community trade mark

# Cross-border IP infringement

## IV. Which law?

### C. Which PIL Regime for IPR-infringement?

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- Which law applies to infringement of IP Rights : variety of rules:
  - Int'l level : art. 5-II Bern Convention
  - EU : Art. 8-1° Rome II Regulation (864/2007)
  - National level : *e.g.* Art. 93 Belgian Code of PIL (law applicable to IP rights)

# Cross-border IP infringement

## IV. Which law?

### C. Which PIL Regime for IPR-infringement?

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- Analysis on the basis of Art. 8 Rome II Reg.
- (In principle Art. 5-II Bern Convention enjoys priority – art. 28 Reg.)
- Art. 8 : “The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed”

# Cross-border IP infringement

## IV. Which law?

### C. Which PIL Regime for IPR-infringement?

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- What is '*lex loci protectionis*'?
- Aim : application of the law of the State where the IP rights are exploited
- No difficulty to apply principle where infringement is localized in one State (infringing product is manufactured and sold in one country and relief sought will have its effects in that country)

# Cross-border IP infringement

## IV. Which law?

### C. Which PIL Regime for IPR-infringement?

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- Application of '*lex loci protectionis*' more difficult in case of multi-state infringement
- *E.g.* Infringing product is manufactured in country A, advertised from country B and sold in country C where it falls under patent
  - Application of a combination of national laws, each for a separate part of infringement?
  - Application of law of 'centre of gravity' of infringement?

# Cross-border IP infringement

## IV. Which law?

### C. Which PIL Regime for IPR-infringement?

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- Application of '*lex loci protectionis*' even more difficult in case of online infringement (mostly for copyright)
- *E.g.* web-site reproduces articles and books in Dutch in violation of copyright : web-site operated from Russia but accessible in Belgium
- *E.g. Copiepresse v Google* (Brussels Court of Appeal 05 05 2011) : Belgian law applies



# Cross-border IP infringement

## IV. Which law?

### C. Which PIL Regime for IPR-infringement?

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- *E.g. Copiepresse v Google* (Brussels Court of Appeal 05 05 2011) : Belgian newspapers allege copyright infringement by Google service 'google news' - which law applies?
- 1<sup>st</sup> : art. 5(3) Bern Convention: protection in the country of origin is governed by domestic law (and art. 5(4) : country of origin is in the case of works first published in a country of the Union, that country)
- 2<sup>nd</sup> : in any case, the infringing act occurs when protected work is made accessible in Belgium, does not matter that the work were 'injected' online from other country - reception counts and not diffusion
- 3<sup>rd</sup> : if one applies Rome II Reg. : closest connection under art. 4(3) is with Belgium

# Cross-border IP-matters : IP-contracts

Patrick Wautelet

## II. Cross-border IP-contracts

### 1. Introduction

#### A. What situations?

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- 1<sup>st</sup> case : Company A established in Belgium holds a French patent – license agreement with a French company B giving the latter the right to use the technology for a limited period against payment of a fee
- If there is a dispute between A & B as to enforcement of contract, what law will apply?

## II. Cross-border IP-contracts

### 1. Introduction

#### A. What situations?

---

- 2<sup>nd</sup> case : company established in Germany obtains financing from a pool of EU banks
- Financing secured among others by pledge of patents held by company (patents for various jurisdictions)
- What happens to collateral if company is unable to repay financing?

## II. Cross-border IP-contracts

### 1. Introduction

#### A. What situations?

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- 3<sup>rd</sup> case : chemist employed by German company working on a project in lab in Strasbourg (France)
- Chemist finds a new way to produce a molecule
- What law applies to see if scientist may make any claim to the (future) patent?

## II. Cross-border IP-contracts

### 1. Introduction

#### A. What situations?

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- Many different contracts involving IP:
  - Contracts *over* IP :
    - *Exploitation* of the IP (e.g. license agreement – possibility for the exploiter to use the IP-right)
    - *Transfer* of the IP (e.g. assignment agreement)
    - IP as *security* (e.g. pledge of a patent)

## II. Cross-border IP-contracts

### 1. Introduction

#### A. What situations?

---

- Other IP-contracts or contracts with *impact* on IP rights:
  - Cooperation agreement (e.g. two companies teaming up to join R&D efforts, dispute about ownership of the patent)
  - Employment contracts (e.g. employee claiming ownership of a patent which is the result of his/her work)

## II. Cross-border IP-contracts

### 1. Introduction

#### B. Which questions ?

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- IP-contracts raise *common* issues (applicable law, jurisdiction, etc.)
- Some of the issues raised may be *different* according to nature of IP-contract
- *E.g.* : licensing and assignment of an IP-right : at first sight not a substantial difference between license and assignment agreements (which may be seen as an exclusive exploitation licence granted for an unlimited time)



## II. Cross-border IP-contracts

### 1. Introduction

#### B. Which questions ?

---

- From a choice-of-law perspective, there is, however, a substantial difference given the very different treatment afforded to contractual and proprietary issues:
  - Licensing : right owner grants another party the right to exercise all or part of the rights → questions raised are primarily *contractual*
  - Assignment : right owner assigns the IP right to another party, there is a *transfer of the property interests* from the right owner to the acquirer, the transferor losing all claims on the rights assigned → contractual aspects but also *proprietary* aspects of contracts (e.g. transferability of the IP-right)

## I. Cross-border IP-contracts

### 2. Which court?

#### B. Choice of court/arbitration agreements

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- Which court for disputes over IP-contracts ?
- 1<sup>st</sup> reaction : what have parties agreed?
- Two types of agreement between parties:
  - Choice of court
  - Arbitration agreement

## I. Cross-border IP-contracts

### 2. Which court?

#### B. Choice of court/arbitration agreements

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- In commercial matters, very usual that parties make arrangements over dispute resolution
- Among the possible arrangements:
  - Choice of court in contract (art. 23 Brussels I Reg.)
  - Arbitration (1958 NY Convention)
- What about IP-contracts?

# I. Cross-border IP-contracts

## 2. Which court?

### B. Choice of court/arbitration agreements

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Contractual arrangements work well if IP-rights are part of contractual relations:

- Licensing agreement (e.g. choice for courts of country of the licensor - disputes over unpaid royalties)
- Cooperation agreement (both parties endeavour to work together to develop new technology - e.g. arbitration agreement in case of dispute over ownership of IP arising out of joint research)

## II. Cross-border IP-contracts

### 2. Which court?

#### B. Choice of court/arbitration agreements

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Limitations to possibility for parties to select court:

- 1<sup>st</sup> limitation : not always a pre-existing contractual relationship between the parties...
- In *infringement* cases, lack of pre-existing relationship; unlikely that parties will agree on dispute resolution method *after* dispute has arisen

# I. Cross-border IP-contracts

## 2. Which court?

### B. Choice of court/arbitration agreements

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Limitations to possibility for parties to select court:

- 2<sup>nd</sup> limitation : scope of dispute resolution agreement:
  - Can choice of court also cover tortious claims (e.g. licensor argues that licensee has done something wrong)?
  - Can choice of court also cover claim for ownership of IP-right?
  - What if licensee claims that patent is not valid?

## I. Cross-border IP-contracts

### 2. Which court?

#### B. Choice of court/arbitration agreements

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- 3<sup>rd</sup> limitation to possibility for parties to exercise a choice : for some disputes, States wish to retain a monopoly of jurisdiction – hence, invalidity of agreements between parties
- *E.g.* : choice of court agreement may not deviate from exclusive jurisdiction existing under Art. 22(4) Brussels I Reg. (hence choice of court becomes inefficient as soon as one of the parties relies on invalidity of IP-right)

# I. Cross-border IP-contracts

## 2. Which court?

### B. Choice of court/arbitration agreements

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- Specifically for arbitration : this dispute resolution method not always tolerated by States
- Issue of *arbitrability* (may the dispute be referred to arbitration? Is a State willing to limit the monopoly of its courts and accept the possibility that private actors settle disputes?)
  - e.g. no arbitration of disputes relating to *moral right* derived from a copyright (e.g. France) – but other issues relating to copyright may be referred to arbitration
  - In some countries, arbitrators may not rule on *validity* of patent rights (e.g. art. 35 Agreement on Unified Patent Court – setting up an Arbitration and Mediation Centre, but provides that “a patent may not be revoked or limited in mediation or arbitration proceedings”)



# I. Cross-border IP-contracts

## 2. Which court?

### B. Choice of court/arbitration agreements

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- Specific for arbitration: arbitration is not well regarded in IP-world (whereas it is the preferred method of settling intl' commercial disputes)
  - \_ Sometimes because of *ignorance* of the mechanism
  - \_ Sometimes for *irrational* reasons (“who are these arbitrators anyway? Will they not split the baby in 2??”)
  - \_ Sometimes for *valid* reasons (large company with huge IP-portfolio does not want these assets to be submitted to a one layer-proceedings, without any possibility to appeal)

## II. Cross-border IP-contracts

### 2. Which court?

#### C. Contract litigation

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- If no choice of court or arbitration agreement : fall back on default rules
- *E.g.* Brussels I Reg. :
  - Art. 2 : defendant's courts
  - Art. 5(1) : courts of the place of performance of the contracts
- Difficulty of applying art. 5(1)

## II. Cross-border IP-contracts

### 2. Which court?

#### C. Contract litigation

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- Art. 5(1) - special rule for contracts – two versions
  - 'Old' version : art. 5 (1)(a)
  - 'New' version : art. 5(1)(b) : only aims at two categories of agreements : sales agreements and contracts for the performance of services

## II. Cross-border IP-contracts

### 2. Which court?

### C. Contract litigation

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- Is a licence agreement a services contract ?
- ECJ, 23 04 2009 case C-533/07, *Falco Privatstiftung, Thomas Rabitsch v. Gisela Weller-Lindhorst*: contract between Falco Privatstiftung (Austrian foundation) and Ms Weller-Lindhorst (domiciled in DE) under which Stiftung grants licence to Ms Weller to market, in Austria, Germany and Switzerland, video recordings of a concert

## II. Cross-border IP-contracts

### 2. Which court?

#### C. Contract litigation

---

- Dispute between parties on 2 issues:
  - Payment of royalties for sales of videos (Stiftung requests an account of all sales made)
  - Sale of audio recording of concert by licensee, without authorization by IP-right owner

## II. Cross-border IP-contracts

### 2. Which court?

#### C. Contract litigation

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- Question put to the ECJ : whether a contract under which the owner of an IP right grants its contract partner the right to use the IP-right in return for remuneration, is a contract for the provision of services within the meaning of Art. 5(1)(b)?

# II. Cross-border IP-contracts

## 2. Which court?

### C. Contract litigation

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- Reasoning of the ECJ:
  - 1°) Narrow interpretation of Art. 5(1) (because derogates from the general principle of art.2)
  - 2°) “the concept of service implies, at the least, that the party who provides the service carries out a particular activity in return for remuneration”

# II. Cross-border IP-contracts

## 2. Which court?

### C. Contract litigation

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- Reasoning of the ECJ:
  - \_ 3°) a contract under which the owner of an IP right grants its contract partner the right to use that right in return for remuneration does not involve such an activity because “the only obligation which the owner of the right granted undertakes with regard to its contractual partner is not to challenge the use of that right by the latter”
  - \_ ECJ adds that the owner of IP-right does not perform any service in granting a right to use that property and undertakes merely to permit the licensee to exploit that right freely



## II. Cross-border IP-contracts

### 2. Which court?

#### C. Contract litigation

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- According to ECJ, it is “immaterial whether the licensee of an intellectual property right holder is obliged to use the intellectual property right licensed”

# II. Cross-border IP-contracts

## 2. Which court?

### C. Contract litigation

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- Consequences of the ruling:
  - Art. 5(1)(b) not applicable to IP-licensing (not limited to copyright, probably applies to all licensing)
  - Does not seem to make a difference whether 'naked' license or license with frills (exclusivity, obligation to use IP right, etc.)

## II. Cross-border IP-contracts

### 2. Which court?

#### C. Contract litigation

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- Only remaining solution : application of art 5(1)(a)
- Difficulties:
  - What is the relevant obligation?
  - *Quaere* in case there are several obligations?

## II. Cross-border IP-contracts

### 2. Which law?

#### A. Starting point

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- Which law applies to an IP-contract?
- Starting point : have the States concerned agreed to common, harmonised rules?
- Large number of important conventions in IP-law
  - International rules (e.g. 1886 Bern Convention on Copyright)
  - European rules (e.g. Trademark Regulation)

# II. Cross-border IP-contracts

## 2. Which law?

### A. Starting point

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- However, these conventions/regulations do not introduce a complete uniform set of rules
- Even within the EU, various Directives on copyright, but at the end of the day only a 'piecemeal harmonization' : no comprehensive 'EU law on copyright'
- Nuance : EU Trademark regime

# II. Cross-border IP-contracts

## 2. Which law?

### A. Starting point

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- Where to find the conflict of laws rules for IP-matters?
  - Piecemeal approach – not a single rule applicable in all cases (*e.g.* contract cases and infringement cases)
  - Some IP-specific rules, but in many cases also application of general conflict of laws rules

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- Which law applies to the licensing agreement between Company A established in Belgium and French company B, with license over a French patent?
- Answer to this question :
  - Useful for the licensing agreement
  - By extension, also useful for all IP-contracts – general rules applicable to all IP-contracts

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- Main instrument to determine the law applicable to IP-contracts :  
Rome I Reg. (593/2008) - follow up of 1980 Rome Convention
- Universal scope - art. 2
- No specific rules for IP-contracts



## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- Rome I Reg. : main principles
  - Choice of law (art. 3)
  - In the absence of a choice of law : principle of the closest connection / characteristic performance (art. 4)

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- 1<sup>st</sup> principle : parties to the licensing agreement may choose the law applicable to their contract
- *e.g.* 'The present Licensing Agreement shall be exclusively governed by the laws of Belgium'

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- Should parties always choose for the law of the IP-right?
  - Advantage – if a non-contractual issue arises in relation to IP-right (e.g. infringement, proprietary), will be governed by the same law as contractual issue
  - What about contract over a portfolio of IP-rights?

# II. Cross-border IP-contracts

## 2. Which law?

### B. 1<sup>st</sup> case – licensing agreement

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- What if parties to the licensing agreement have not selected the applicable law?
- Could an *implicit* choice of law be inferred from other provisions of the contract or circumstances?
- Can we say that parties to a contract related to IP under law of State X, have intended to submit their contract to the law of State X?
  - Implicit choice of law : required certainty (no guessing)
  - Contractual aspects (such as validity, performance, remedies, etc.) are not linked to status of IP-right : hence no certainty in implicit choice of law

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- What if contract concluded with a collective management society (e.g. standard contract concluded between an author and Sabam)?
- Implicit choice in favor of the law of the country in which the society is established, is more probable

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- What if no choice of law and not possible to demonstrate an implicit choice of law?
- Principle of the *characteristic performance* : contract governed by the law of the country where the debtor of the characteristic performance is located
- Question : what is the characteristic performance in IP-contracts?

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- In the absence of a choice of law:
  - Probably not possible to identify a single characteristic performance (cp) for all IP-contracts – too many differences / variations
  - Even if one only looks at licensing agreements or only contract relating to copyright, diversity is key

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- A distinction should be made according to the *nature* of the agreement:
  - Transfer contract
  - Exploitation contract
  - Production contract



## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

- Starting point for license agreement (exploitation contract), licensor is deemed to perform the cp
- Analysis could be different depending on obligations imposed on licensee
- If the agreement requires the licensee to exploit the rights granted (obligation of exploitation) - licensee performs the cp? What if licensee also accepts an exclusivity obligation?
- What if it appears that the objective law imposes an obligation to exploit the right ? (e.g. France, art. L-131-3 CPI)

# II. Cross-border IP-contracts

## 2. Which law?

### B. 1<sup>st</sup> case – licensing agreement

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- Uncertainty appears from successive drafts of Rome I Reg. :
  - Initial draft by Commission (COM(2005)650 final – 15.12.2005) : « a contract relating to intellectual or industrial property rights shall be governed by the law of the country in which the person who transfers or assigns the rights has his habitual residence » (art. 4(1)(f))
  - Later draft : « a contract relating to the transfer or license of an intellectual or industrial property right shall be governed by the law of the country where the person who transfers or licenses the rights has his habitual residence; however, if the transferee or licensee has accepted a duty to exploit the rights or has been granted an exclusive exploitation right, the law of the country where the transferee or the licensee has his habitual residence shall apply (Draft 02.03.2007 – art. 4(1)(f));
  - Final Regulation : no specific rule for IP-contracts... Disappearance of specific IP-rule not to be regretted because it did not allow sufficient nuances based on nature of contract

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- Is analysis different for other IP-contracts?
  - Production contract (e.g. contract between author and publisher) : licensing of copyright is not so much characteristic, but rather the obligation incurred by the publisher to reproduce the work and publish it. When the person who obtains the right commits himself to exploit the work, the centre of gravity is the place of business of the corporation as being the centre of exploitation

# II. Cross-border IP-contracts

## 2. Which law?

### B. 1<sup>st</sup> case – licensing agreement

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- Is analysis different for other IP-contracts?
  - Transfer contract : application of the law of the transferor, since the transferee does nothing more than pay the agreed sum of money, which cannot be regarded as the cp
  - Solution different when the transferee commits himself to manage the right?
  - Solution different depending on whether the work already exists or not (author receives payment for work already completed or receives advance payment and commits to produce a work : in the first case, assignee performs the cp, in the second case, assignor performs the cp)

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

- What about the contract to assign copyright to a collective rights organisation? Should we accept that the organisation supplies the characteristic performance, by exploiting and enforcing the copyright?
- What about cross-licensing agreements : impossible to identify the cp?
- For assignment contracts : should there be a rule of thumb in favor of the law of the assignor or the transferor?

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- To make matters even more complex, not excluded that exception clause applies (art. 4 § 3 Rome Reg. - 'manifestly closer links') : possibility to apply another law than the one of party effecting the CP
- *E.g.* if German company grants licenses + right to exploit German trademark to a French company, German law is relevant since licensor is established there, trademark registered there and the exploitation will necessarily occur on German territory

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- Limitations to applicable law? Mandatory rules  
*E. g.* French copyright law – domestic mandatory rules
  - Requirement of a written contract (art. 131-2 Code prop. Intl. - CPI)
  - Rules protecting the moral rights (art. 121-1 CPI)
  - Prohibition of the blanket transfer of future works (art. 131-3 CPI)
  - Obligation to pay authors proportional remuneration (art. 131-4 CPI)
  - Obligation to secure exploitation imposed on the transferee
  - Principle of strict interpretation of transfer (art. 122-7 CPI)

## II. Cross-border IP-contracts

### 2. Which law?

#### B. 1<sup>st</sup> case – licensing agreement

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- Internationally Mandatory rules? *E. g.* French copyright law - are considered to be internationally mandatory
  - Rules protecting the moral rights (art. 121-1 CPI) - see *Hudson* case - Cass., 28 May 1991 (provided the work is exploited in France)
  - Contracts regarding the exploitation of a film only enforceable if it has been entered into the public film and audiovisual register ('*registre public de la cinématographie et de l'audiovisuel*' - art. 33 *Code de l'industrie cinématographique*)



# II. Cross-border IP-contracts

## 2. Which law?

### D. 2<sup>nd</sup> case - IP and Employment contract

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- Special situation of employment contracts – intellectual creations are increasingly made by employees in the course of their work
- Many national laws provide for specific provisions to deal with creations by employees - *E. g.*
  - General 'work-for-hire' clause – copyright is attributed to the employer (e.g. art. 7 Dutch Copyright Act; section 11(2) UK Copyright Act)
  - Legal presumption that the employer has an (exclusive) licence to exploit the work (e.g. Art. 79 German Copyright Act)
  - Legal presumption that the employer owns the economic rights (Art. 2(3) 1991 Software Directive)
  - Principle that employee remains the sole owner of any creation he has authored (see e.g. article L-111.1 al. 3 French *Code de la Propriété Intellectuelle*)

## II. Cross-border IP-contracts

### 2. Which law?

#### D. 2<sup>nd</sup> case - IP and Employment contract

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- What is the law applicable to the question who owns the IP-right created by an employee during employment relationship? (question is limited to the issue of the *initial ownership* of the right)
- *e.g.* journalists writing in Paris for a US newspaper - which law applies to the transfer of copyright to the newspaper? Is that French law, or the law of the employment contract?

# II. Cross-border IP-contracts

## 2. Which law?

### D. 2<sup>nd</sup> case - IP and Employment contract

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- Dominant opinion seems to be that application of law of labour contract
- See *e.g.*
  - \_ art. 93 *in fine* Belgian CODIP
  - \_ Right to a European patent : art. 60 Eur Patent Convention : “(1) The right to a European patent shall belong to the inventor or his successor in title. If the inventor is an employee the right to the European patent shall be determined in accordance with the law of the State in which the employee is mainly employed; if the State in which the employee is mainly employed cannot be determined, the law to be applied shall be that of the State in which the employer has his place of business to which the employee is attached.”

## II. Cross-border IP-contracts

### 2. Which law?

#### D. 2<sup>nd</sup> case - IP and Employment contract

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- Accessory application of the law of the employment contract probably sufficient to protect the employee – since the conflict of law rule relating to employment contract is very protective – application of the law of the country of residence of the employee
- Another advantage : question will be dealt with by the same law applicable to the contract of employment – which often also includes specific IP-provisions (material validity of these clauses should be subject to the same law as initial ownership question)

## II. Cross-border IP-contracts

### 2. Which law?

#### D. 2<sup>nd</sup> case - IP and Employment contract

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- What if mobile employee – with no habitual place of work or several place of work? *E.g.* performing artist on the move?
- Art. 9 § 3 Rome I Regulation : application of the law of the country where the place of business through which the employee was hired, is located

Cross-border IP-Rights - 2013



## II. Cross-border IP-contracts

### 2. Which law?

#### E. 3<sup>rd</sup> case - Proprietary aspects of IP

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- 3<sup>rd</sup> case : Germany company pledging trademark to a pool of EU banks to secure financing
- What happens to collateral if company is unable to repay financing?

Cross-border IP-Rights - 2013



## II. Cross-border IP-contracts

### 2. Which law?

#### E. 3<sup>rd</sup> case - Proprietary aspects of IP

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- Law of the contract is important in IP-contracts but certainly does not exhaust all possible questions
- There are also non-contractual aspects, such as the issue of the transfer of ownership rights in intellectual property or the issue of the transferability of rights – proprietary aspects

Cross-border IP-Rights - 2013



## II. Cross-border IP-contracts

### 2. Which law?

#### E. 3<sup>rd</sup> case - Proprietary aspects of IP

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- For these proprietary aspects, other conflict of laws rules
- *E.g.* use of trademark as security
  - Art. 19 CTM-Reg 2009 : “A Community trade mark may ... be given as security or be the subject of rights in rem”
  - Art. 16 : when a CTM is used as “an object of property”, it shall be dealt as a national trade mark registered in the Member State in which the proprietor has its seat or his domicile



## II. Cross-border IP-contracts

### 2. Which law?

#### F. Other IP-contracts

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- What about contracts which also concern IP right, but not as principal object?
- See *e.g.* franchise with as core object the transfer of know how and of a commercial 'recipe', but often also imply a license for the franchisee to use a patent, copyright or trademark
- Which law applies?

## II. Cross-border IP-contracts

### 2. Which law?

#### F. Other IP-contracts

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- If there is a choice of law in franchise agreement and choice is drafted in general terms ('This contract is governed...') → extension of chosen law to IP-license
- If no choice of law: need to dissect contract and distinguish
  - General franchise contract
  - License issue