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## **Jurisdiction and Applicable Law in Matters of Intellectual Property**

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### **1. Introduction<sup>1</sup>**

Intellectual property law is by definition international in scope. Immaterial objects, like inventions, designs, brands or works of authorship cross borders easily and in the cyberspace era such travels literally only require the push of a button. Consequently, issues of jurisdiction and applicable law arise on a regular basis when it comes to enforcing intellectual property rights (IPRs) vis-à-vis alleged infringers or exploiting the economic value of IPRs through transferring or licensing IPRs to third parties.

Against this background one might assume that there is a well developed body of case law by Dutch courts available in which such issues have been tackled in great detail. That assumption, however, leads to disappointments. Compared with the large volume of IPR-cases that are brought before Dutch courts each year,<sup>2</sup> the number of cases in which matters of private international law have centre stage in the debate among the parties or the judgment of the courts is relatively low. The bulk of the cases where this did happen also date back to the nineties of the last century when Dutch courts gained some notoriety by taking the lead within Europe by granting cross border injunctions in international patent infringement cases. However, with the 2006-judgments of the European Court of Justice (ECJ) in *GAT v. LuK*<sup>3</sup> and *Roche v. Primus*<sup>4</sup> – discussed below – the number of cross border cases has dropped dramatically.

### **2. European Union Law and National Conflict Rules**

That two ECJ decisions had such a major impact on Dutch IPR litigation is also evidence of the fact that issues of jurisdiction and applicable law with regard to IPRs have increasingly become a matter of European Union (EU) law instead of national law. This is primarily due to increased legislative activities by the European Union in the last decade in the field of private international law.

<sup>1</sup> All Dutch IP decision can be found at <[www.iept.nl](http://www.iept.nl)> (in Dutch).

<sup>2</sup> Research shows that during the last decade there are probably 350-plus IPR-cases tried before Dutch courts on a yearly basis.

<sup>3</sup> IEPT20060713, HvJEG, *GAT v. LuK*.

<sup>4</sup> IEPT20060713, HvJEG, *Roche v. Primus cs.*

International jurisdiction is governed by the *Brussels I* Regulation of 2000,<sup>5</sup> which replaces the earlier Brussels Convention of 1968.<sup>6</sup> Since 2002, similar jurisdictional principles are also incorporated in the Dutch Statute on Civil Procedures.

Applicable law to contractual obligations is the subject of the EU regulation of 2008 referred to as *Rome I*,<sup>7</sup> which replaces the 1980 Rome Convention.<sup>8</sup>

Non-contractual obligations are governed by the *Rome II* Regulation of 2007,<sup>9</sup> which contains a specific section dealing with IPRs. *Rome II* makes the earlier Dutch Statute on conflict of laws regarding torts of 2001 (*Wet Conflictenrecht Onrechtmatige Daad*) obsolete.

### 3. International Jurisdiction

International jurisdiction is primarily governed by the *Brussels I* Regulation of 2000. That regulation does – with regard to IP matters – not substantially differ from its predecessor: the Brussels Convention of 1968. Therefore the case law of the European Court of Justice as developed under the Brussels Convention is still fully relevant.

The *Brussels I* Regulation applies to ‘persons domiciled in a Member State’ of the European Union. This underscores that the goal of this instrument of European law is to enhance the functioning of the internal European market. The Lugano Convention of 1988 serves the same purpose with regard to the three Contracting States – Iceland, Liechtenstein and Norway – of the European Free Trade Association (EFTA) that are part of the European Economic Area (EEA) and thus participate in the European single market without actually being a Member State of the EU.<sup>10</sup> The Lugano principles are basically the same as those of the *Brussels I* Convention.

With regard to defendants that are not domiciled in an EU or EEA country, Dutch national jurisdiction rules still govern. However, as from January 1, 2002 the principles of the Brussels Convention and the *Brussels I* Regulation are also incorporated in the Dutch Statute on Civil Procedure. Consequently, Dutch national rules on international jurisdiction are now basically the same as European Union law, but the Dutch legislature assumed that Dutch law does not necessarily have to be fully synchronized with EU law. Therefore, Dutch law may develop differently from EU law.

International jurisdiction primarily means that a court may have jurisdiction over a foreign defendant, i.e., a defendant not having a domicile in that court’s national jurisdiction. If such jurisdiction is established it will come as no surprise that this national court is then entitled to order the defendant to refrain from certain acts within that court’s jurisdiction.

However, international jurisdiction becomes a more controversial issue if that national court also may use its jurisdiction over the defendant to order him to refrain from any acts outside that national court’s own territory. Within the context of intellectual property rights this may lead to a situation in which, for instance, a Dutch court may render a judgment with regard to infringement of an IPR in one or more foreign jurisdictions and order the defendant

<sup>5</sup> Council Regulation (EC) No. 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (*Brussels I*).

<sup>6</sup> Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters of 27 September 1968 (‘Brussels Convention’).

<sup>7</sup> Regulation (EC) No. 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (*Rome I*).

<sup>8</sup> 1980 Rome Convention on the law applicable to contractual obligations (*OJ C 334*, 30 December 2005, p. 1) (‘Rome Convention’).

<sup>9</sup> Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (*Rome II*).

<sup>10</sup> Switzerland is an EFTA Contracting State but not a member of the EEA.

to refrain from such infringements outside that court's own jurisdiction. This principle is referred to as *cross border jurisdiction*.

### 3.1. *Cross Border Jurisdiction*

In an era in which IPRs are still for the most part national rights – and a proprietor mostly owns a bundle of national IPRs instead of one supranational IPR<sup>11</sup> – having to deal with an infringement in multiple jurisdictions still means, as a starting position, that one may have to litigate in a great number of countries to enforce one's IPR. Needless to say that the financial and economic costs of such an exercise are horrendous and that the outcome usually very much resembles a 'patchwork quilt' with different results for different countries (and changing over time).

It is against this background that the Dutch Supreme Court ruled in its landmark decision of 1989 in *Focus Veilig v. Lincoln Electric*<sup>12</sup> that as a matter of Dutch private international law there is no reason why an order by a Netherlands court should have to be limited to acts that take place in The Netherlands. The Dutch Supreme Court argued in this trademark case that it would be disadvantageous to general business interests if, when a tort is committed in a number of jurisdictions, one would be forced to commence separate proceedings in all national jurisdictions concerned. In this context the Court specifically mentioned international infringements of intellectual property rights, next to international acts of unfair competition and international environmental torts. After *Lincoln*, Dutch courts have granted a great number of cross border injunctions, in particular in intellectual property cases dealing with trademarks, copyrights and – for the most part – patents.

In 2004 the Dutch Supreme Court underscored the strength of this doctrine by ruling in *Philips v. Postech*<sup>13</sup> that if a Dutch court has jurisdiction it generally can issue a cross border injunction and that there was no need to apply restraint, for instance in case of preliminary injunctions. In the *Philips*-judgment, the Dutch Supreme Court reversed a decision of the Court of Appeals of The Hague that had applied such restraint in connection with a preliminary injunction for patent infringement against Swiss and Taiwanese defendants.

When granting a cross border injunction, a court will have to apply the applicable national law of the place of the infringement, given the *lex loci delicti* or *lex loci protectionis* rule. That explains why cross border injunctions have been granted mostly in patent cases. First of all, because European patent law is to a large extent unified law under the European Patent Convention – that provides unified rules on validity and scope of protection, the two main issues in any patent case. Second, technology is not perceived differently by users in different markets or speaking different languages. As a result thereof, a finding of infringement will not be biased by national languages or market conditions as opposed to what may be the situation with regard to trademarks or copyrights.<sup>14</sup>

<sup>11</sup> The Community IPRs for trademarks, industrial designs and plant variety rights being the exception to that rule.

<sup>12</sup> IEPT19891124, HR, *Focus Veilig v. Lincoln Electric*.

<sup>13</sup> IEPT20040319, HR, *Philips v. Postech*.

<sup>14</sup> In a recent judgment in *Safeway v. Kedge*, the District Court at The Hague did however, deny cross border relief in a patent case because the national patent law differs with regard to, for instance, the use of the prosecution history and the potential scope of allowing a doctrine of equivalence. The court took the position that it needed to be briefed by the parties on the status of these issues under the relevant national patent laws. Before this judgment, it was generally assumed that since all jurisdiction need to apply article 69 of the European Patent Convention, any subtle differences as to how this was actually done under national patent laws could be ignored. See: IEPT20100310, Rb Den Haag, *Safeway v. Kedge*.

That national courts may have cross border jurisdiction with regard to infringements of IPRs has since the *Lincoln*-case been an established principle of Dutch private international law. One can also note that prior to the *Lincoln*-judgment by the Dutch Supreme Court similar judgments had already been rendered during a number of years by lower Dutch courts. Therefore, the *Lincoln*-ruling as such did not bring new Dutch private international law but basically confirmed lower court precedents.

Since the *Lincoln*-case, the Benelux Court of Justice has also embraced the concept of cross border jurisdiction. The Benelux Court of Justice has jurisdiction in trademark and design matters that are subject to a multi-jurisdictional unified law for the three Benelux countries (Belgium, The Netherlands and Luxembourg). In its 1993 *Barbie*-ruling<sup>15</sup> the Benelux Court found that no rule of Benelux law opposed the granting of a cross border injunction by a national court in case of infringement of a Benelux trademark. One year later, the Benelux Court found in its *Renault*-judgment that the granting of a cross border injunction for the entire Benelux actually is the default rule. Consequently, in cases where the injunction is not expressly limited to only the national jurisdiction of the national court issuing the injunction, the injunction has by operation of law Benelux wide effect.<sup>16</sup>

More important is that as a matter of European Union law it also has become an established principle that courts of a Member State may issue a cross border injunction in case of an infringement of one of the Community IPRs that were introduced since the '90s for community trademarks, community designs and community plant variety rights. All three EU-regulations contain a regime that provides that the national courts that are designated as community courts for purposes of the respective Community IPR shall have jurisdiction in respect of acts of infringement committed or threatened within the territory of *any* of the Member States, if that court has jurisdiction because it is the home court of the defendant.<sup>17</sup>

Below we will concentrate on the specific jurisdictional regimes and the extent to which they may provide for cross border jurisdiction. In that context we will look at European Union law under the Brussels Regulation – which is applicable when a defendant is domiciled in a Member State – as well as Dutch national private law rules, which national rules are relevant when the Brussels Regulation does not apply.

### 3.2. *General Rule: Defendant entitled to a 'Home Game'*

Article 2 of the *Brussels I* Regulation provides the general rule of jurisdiction as emphasized by the ECJ in its case law. Starting point is that a defendant is entitled to a 'home game'. For that reason Article 2 provides that persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State. The same rule is provided for in Article 2 of the Dutch Statute on Civil Procedures, in which it is provided that Dutch courts have jurisdiction in case the defendant has its domicile in The Netherlands.

Article 3 of the *Brussels I* Regulation underscores this leading principle by providing that persons domiciled in a Member State may be sued in the courts of another Member State only by virtue of the rules set out in the Regulation.

As a matter of Dutch private international law, the court of the defendant's domicile, having jurisdiction on the basis of Article 2 of the *Brussels I* Regulation, has cross-border jurisdiction over that defendant. This follows, among others, from the ruling of the Dutch

<sup>15</sup> IEPT19930326, BenGH, *Barbie*.

<sup>16</sup> IEPT19940613, BenGH, *Renault v. Reynolds*.

<sup>17</sup> Art. 98(1)(a) Community Trademark Regulation; Art. 83(1) Community Design Regulation; Art. 101(2) Community Plant Variety Rights Regulation.

Supreme Court in *Philips v. Postech* of 2004<sup>18</sup> and, for instance, the judgment of the Court of Appeals at The Hague in *EGP v. Boston Scientific*.<sup>19</sup>

As a matter of European law, the same principle applies under the three Community IPR Regulations for community trademarks, community designs and community plant variety rights. If the competent national court – as a community court – has jurisdiction because it is the court of the domicile of the defendant that court has jurisdiction over infringements (committed or threatened) throughout the entire European Union.<sup>20</sup>

The European Court of Justice has not directly ruled on the question whether a national court having jurisdiction on the basis of Article 2 of the *Brussels I* Regulation – or its predecessor, the Brussels Convention – may have cross border jurisdiction. One may perhaps also take the position and probably assume that this question is as such not a matter of European law. The Regulation only provides which particular national court has jurisdiction without necessarily dealing with the actual scope of that jurisdiction. That scope of the jurisdiction is then – unless the Regulation expressly addresses that scope, such as in the context of Article 5(3) or Article 6(1) (see below) – to be regarded as a matter of national law.<sup>21</sup>

However, one may argue that the European Court of Justice has – indirectly – already ruled on the possibility that the court of a defendant's domicile may have cross border jurisdiction under Article 2 of the Brussels Convention. In the *Shevill*-case<sup>22</sup> the ECJ had to answer questions with regard to the special jurisdiction of Article 5(3) of the Brussels Convention. The case concerned a publication by France Soir, which publication also had a limited distribution in the United Kingdom, where France Soir was sued by the plaintiffs. In that case the ECJ ruled that the UK courts only had jurisdiction over France Soir with regard to the damages that had actually been suffered in the United Kingdom. However, the court also expressly ruled that the plaintiff always

‘has the option of bringing his entire claim before the courts either of the defendant's domicile or of the place where the publisher of the defamatory publication is established’.

Although this case did not concern infringement of IPRs and also did not actually concern the scope of Article 2 of the Brussels Convention as such, it does seem to indicate that the European Court of Justice does favor broad jurisdictional authority for the defendant's home court.

<sup>18</sup> IEPT20040419, HR, *Philips v. Postech en Princo*.

<sup>19</sup> IEPT19980423, Hof Den Haag, *EGP v. Boston Scientific*.

<sup>20</sup> Art. 98(1)(a) Community Trademark Regulation; Art. 83(1) Community Design Regulation; Art. 101(2) Community Plant Variety Rights Regulation.

<sup>21</sup> An alternative approach might be to assume that European law might as such be opposed to national courts having cross border jurisdiction, so that any judgment in which cross border jurisdiction might be assumed could not benefit from Regulation in that it has to be enforced in other Member States. However, given the fact that the three Community IPR Regulations do grant cross border jurisdiction with regard to infringements if the court is the home court of the defendant, it seem shard to imagine that the principle of cross border jurisdiction might be regarded as a violation of European law. If anything, cross border jurisdiction has been acknowledged to facilitate efficient legal procedures with the single common market.

<sup>22</sup> IEPT19950307, HvJEG, *Shevill v. Presse Alliance*.

### 3.3. *Special Jurisdiction: Court of the Place of the Harmful Event*

In case of a tort, a defendant can also be sued before the courts of the place where the harmful event occurred or may occur. This is provided for in Article 5(3) of the *Brussels I* Regulation and in Article 6(e) of the Dutch Statute on Civil Procedures.

With regard to Article 5(3) of the *Brussels I* Regulation, or more in particular Article 5(3) of the Brussels Convention, the case law of the ECJ has learned that there may be multiple locations that can qualify as the place where the harmful event occurs. Both (i) the place of the event giving rise to the damage as well as (ii) the place where the damage occurred may qualify in this regard and consequently the courts of each of these locations may have jurisdiction under Article 5(3). This was first decided in the context of environmental torts and further developed with regard to defamatory publications in the *Shevill*-case.

There are a number of cases by Dutch courts in which it is held that when a court's jurisdiction is based on Article 5(3) of the *Brussels I* Regulation, that court does not have cross-border jurisdiction with regard to infringements of IPRs.<sup>23</sup> This view is also in line with the system as incorporated in the three community regulations for community trademarks, designs and plant variety rights respectively.<sup>24</sup> For instance, Article 98(2) of the Community Trademark Regulation provides that a community trade mark court whose jurisdiction is based on Article 97(5) – the equivalent of Article 5(3) of the *Brussels I* Regulation – does have jurisdiction only in respect of acts committed or threatened within the territory of the Member State in which that court is located.<sup>25</sup>

To the extent jurisdiction because of the place of the harmful event is based on Dutch law only – i.e., in case the *Brussels I* Regulation does not apply – the judgment of the Dutch Supreme Court in *Philips v. Postech* of 2004<sup>26</sup> learns that a Dutch court will nevertheless have cross border jurisdiction, in spite of the approach by Dutch courts with regard to Article 5(3) of the Brussels Regulation. However, the *Philips*-judgment concerned a case that was decided under Dutch private international law as it stood prior to the implementation of the New Dutch Statute on Civil Procedure in 2002. The new statute basically did away with old private international law rules, such as outdated “exorbitant jurisdiction provisions” under which Dutch courts might have jurisdiction simply when there is a Dutch plaintiff. The new code of 2002 aimed at implementing the principles of the *Brussels I* Regulation. Although

<sup>23</sup> After a few judgments in the nineties in which cross border jurisdiction on the basis of Art. 5(3) was denied as well as awarded, the District Court at The Hague has from *DSM v. Orffa* of 29 September 1999 [IEPT19990929, Rb Den Haag, *DSM v. Orffa*] consistently ruled that Art. 5(3) of the Brussels Convention does not allow for cross border jurisdiction. See, for instance the District Court at The Hague in *Acco v. Noble* of 27 February 2008 [IEPT20080227, Rb Den Haag, *Acco v. Noble*] and in *Vacu Products v WMF* of 24 March 2010 [IEPT20100324, Rb Den Haag, *Vacu Products v. WMF*].

<sup>24</sup> Art. 98(2) Community Trademark Regulation (CTM-Regulation); Art. 101(3) Community Plant Variety Rights Regulation (CPVR-Regulation) and Art. 83(2) Community Design Regulation (CD-Regulation).

<sup>25</sup> The view that cross border jurisdiction is lacking in case of article 5(3) is usually based on the *Shevill*-judgment of the ECJ. In *Shevill* the European Court of Justice ruled that the courts of the places where the damage only was suffered – as opposed to the place giving rise to the damage – only had jurisdiction with regard to the damage in their territory. However, In *Shevill*, the ECJ also ruled that the court of the place of the event giving rise to the damage, has jurisdiction to hear the action for the total damages caused by the unlawful act. It does not seem clear from *Shevill* whether this view is taken because the ECJ expressly found in *Shevill* that the place giving rise to the damage in case of a libelous publication is the same as the domicile of the publisher. Therefore the jurisdiction with regard to all damages as mentioned in *Shevill* can be seen as (i) based on Art. 2 or (ii) as based on the place giving rise to the harmful event within the meaning of Art. 5(3). It therefore does not seem that it necessarily follows from *Shevill* that jurisdiction based on Art. 5(3) does indeed not allow for cross border rulings.

<sup>26</sup> IEPT20040419, HR, *Philips v. Postech* and *Princo*.

*Philips v. Postech* does not contain any reservation in this regard, it does not seem unthinkable that Dutch private international law as it stands under the new code as from 2002 will eventually turn out to be different with regard to the broad view on cross border jurisdiction as still taken in the *Philips*-judgment of 2004.

### 3.4. *Special Jurisdiction: Court of Co-Defendant's Domicile*

Article 6(1) of the *Brussels I* Regulation (and the Brussels Convention) deals with the situation that there are multiple defendants in 'one case'. Article 6(1) of the Brussels Convention simply stated that in case of a number of defendants, a defendant can be sued in the State where one of them is domiciled. The ECJ narrowed this broad language down in its judgment of 1988 in *Kalfelis v. Schroder*, where it required that there must be a 'connection' between the claims against the various defendants. That connection must be of

'such a kind that it is expedient to determine those actions together in order to avoid the risk of irreconcilable judgments resulting from separate proceedings'.

This case law has been codified in Article 6(1) of the *Brussels I* Regulation, which clause now expressly requires that the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings.

The Court of Appeals at The Hague has used Article 6(1) of the Brussels Convention as a basis for cross border jurisdiction in its 1998 judgment in *EGP v. Boston Scientific*<sup>27</sup>. In that case the The Hague Court of Appeals primarily reversed earlier precedents in which Article 6(1) was used as a platform for cross border jurisdiction against any group of defendants that infringed in their respective territories national patents that are part of the same "bundle of national patents" originating from a European patent as granted under the European Patent Convention. The Court of Appeals basically found that Article 6(1) did not allow for cross border jurisdiction simply because certain defendants infringed the same European bundle of patents. By dismissing that line of reasoning, the Court of Appeals at The Hague effectively reversed a great number of cases in which this was used as the basis for establishing cross border jurisdiction of Dutch courts in European patent cases. However, the Court of Appeals did not completely do away with Article 6(1) as a basis for cross border jurisdiction against a group of international defendants. It allowed cross border jurisdiction if the defendants formed part of a group of companies and that group markets identical products in different national markets and acts on the basis of a joint plan. In such a situation, the Court of Appeals took the position that the court of the domicile of the 'head office' of that group, which court would have jurisdiction against that company on the basis of Article 2, also had cross border jurisdiction against all members of the group on the basis of Article 6(1). This doctrine as introduced by the Court of Appeals at The Hague has become known as the *the spider in the web*-doctrine.

Whether this *spider in the web*-doctrine was indeed valid as a matter of European law was not ruled upon by the European Court of Justice until its *Roche v. Primus* judgment of 2006.<sup>28</sup> In the *Roche*-judgment the ECJ clearly did away with the application of *spider in the web*-doctrine with regard to European patents. However, it seems a mistake to believe that *Roche v. Primus* made the *spider in the web*-doctrine completely obsolete.

<sup>27</sup> IEPT19980423, Hof Den Haag, *EGP v. Boston Scientific*.

<sup>28</sup> See footnote 4.

In *Roche v. Primus*, the ECJ ruled that it is not sufficient for judgments to be irreconcilable under Article 6(1) that there can be a divergence in the outcome of the dispute. For Article 69(1) to apply such a divergence should arise in the context of *the same situation of law and fact*. The European Court was of the opinion that in case of a European (bundle) patent with infringement proceedings involving a number of companies established in various contracting states in respect of acts committed in one or more of those states, the existence of the same situation of fact cannot be inferred, since the defendants are different and the infringements they are accused of are committed in different Contracting States and are therefore not the same. The Court argued that possible divergences between decisions therefore would not arise in the context of the same factual situation. In addition, the ECJ also observed that it is clear from the Articles 2(2) and 64(1) of the European Patent Convention that such a patent is governed by the national law of each of the Contracting States for which it has been granted. It is against this background that the ECJ ruled that any divergences between decisions given by national courts would also not arise in the context of the same legal situation.

This decision has been criticized in patent circles because the ECJ does not seem to properly appreciate that under Article 2 of the European Patent Convention the so-called ‘bundle of national patents’ under a granted European patent is for all practical purposes subject to unified European law as provided for in that convention with regard to most of the topics that really matter in patent infringement litigation. Article 2(2) EPC does provide that a European patent shall, in each of the Contracting States for which it is granted, have the effect of and be subject to the same conditions as a national patent granted by that State, but it adds that such is only the case ‘unless this Convention provides otherwise’. Given that the European Convention fully governs all issues with regard to both the validity of European patents as well as its scope of protection, the application of national law is effectively limited to issues of ownership and acts of infringement. Therefore, the ECJ’s finding that these various national courts deciding on the national parts of a European patent – as it is to be called as Article 2(1) EPC provides – do not deal with the same legal situation is not necessarily very convincing. As a matter of European Union law, however, *Roche v. Primus* seems to be the final word and seems to mean that cross border jurisdiction based on Article 6(1) is not possible in case of a European patent.

Nevertheless, in cases where the Brussels Regulation does not apply – i.e., in case of non-EU-defendants – national law may take a different view. Therefore, it might be possible that the Dutch Supreme Court does perhaps not come to the same findings as the ECJ on the issue of ‘the same legal situation’ in case of an infringement of a European patent in different European countries.

The Court of Appeals at The Hague also made it clear in its *Bacardi v. Mad Bat*-judgment of 2007<sup>29</sup> that a close reading of *Roche v Primus* learns that there still is room for the *spider in the web*-doctrine in the context of the three Community IPRs for trademarks, designs and plant variety rights. Under point 34 of the *Roche*-judgment the ECJ does seem to conclude that the *factual situation* may be the same in a situation where defendant companies, that belong to the same group, have acted in an identical or similar manner in accordance with a common policy elaborated by one of them. Contrary to European patents granted under the European Patent Convention, the Community IPRs granted under the applicable Community Regulations do create truly single, supranational IPRs that are effective throughout the entire European Union. That also seems to justify the conclusion that this results in the same legal situation in case such defendants infringe a single unitary Community IPR in various Member

<sup>29</sup> IEPT20070823, Hof Den Haag, *Bacardi v. Mad Bat*.

States. That means that that both requirements for ‘irreconcilable judgments’ – the same factual and legal situation – are met. The *Roche*-judgment therefore seems to leave room for an *itsy-bitsy-spider* in that the *spider in the web*-doctrine has survived with regard to Community IPRs.

### 3.5. *Special Jurisdiction: Provisional Measures Only*

Article 31 of the *Brussels I* Regulation – as well as Article 24 of the Brussels Convention – provides that a court may grant provisional relief if its national laws so allow, even if the courts of another State do have jurisdiction with regard to the proceedings on the merits.

Dutch law allows for this special jurisdiction with regard to provisional measures. Article 13 of the Dutch Statute on Civil Procedure states that jurisdiction with regard to preliminary or conservatory measures cannot be refused on the sole ground that Dutch courts do not have jurisdiction with regard to the case on the merits.

Confirming earlier precedents of the District Court at The Hague, the Court of Appeals ruled in *EGP* that any jurisdiction that is based on Article 24 of the Brussels Convention is limited to that court’s national territory. As a matter of European law this special jurisdiction that is limited to provisional measures, is therefore regarded as not giving a platform for cross border jurisdiction.

However as matter of Dutch law – i.e., in situation where European law does not apply – the judgment of the Dutch Supreme Court of 2004 in *Philips v. Postech* learns that this type of jurisdiction may nevertheless allow cross border measures.

### 3.6. *Exclusive Jurisdiction: Validity of Registered IPRs*

In addition to the *special* jurisdiction rules as provided by Article 5(3) and Article 6(1), Article 22(4) of the *Brussels I* Regulation provides for *exclusive* jurisdiction of national courts. It states that in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of a Community instrument or an international convention deemed to have taken place shall have exclusive jurisdiction, regardless of domicile. Article 16(4) of the Brussels Convention contains the same provision. The mandatory character of this exclusive jurisdictional rule is underscored by the circumstance that Article 25 of the *Brussels I* Regulation provides that if a court is confronted with a claim which is principally concerned with a matter over which the courts of another Member State have exclusive jurisdiction by virtue of Article 22, it shall of its own motion declare that it has no jurisdiction.

As to the scope of this exclusive jurisdiction regime, the ECJ ruled in its judgment of 1983 in *Duijnstee v. Goderbauer*<sup>30</sup> that the term *proceedings concerned with the registration or validity of patents* is limited to proceedings where the validity of the right or the existence of the registration is at issue. It does not apply when there is a dispute about who is entitled to the patent as was the matter in the *Duijnstee*-case. There the dispute was between an employee and the receiver in the bankruptcy of his employer concerning the entitlement to the patent rights for inventions made under an employment contract. In that judgment the ECJ also spoke of the restrictive nature of this provision, referring to the *Jenard*-report on the Brussels Convention.

<sup>30</sup> IEPT19831115, HvJEG, *Duijnstee v. Goderbauer*.

Since validity of a patent, trademark or design is an issue in almost all infringement cases, if only as a means to ring fence scope of protection, the question arises what the impact of this exclusive jurisdiction is when validity is raised as a defense in cross border infringement proceedings. Does it mean that the infringement court no longer has jurisdiction with regard to those jurisdictions for which validity is made an issue or does it only mean that the infringement case can still proceed as long as it only gives a preliminary estimate of the chances of success of the invalidity defense?

In its *EGP v. Boston Scientific*-judgment of 1998,<sup>31</sup> the Court of Appeals at The Hague had found that infringement and validity are indeed inseparable, since infringement of an invalidated patent – which invalidation also has retro-active effect – does not seem feasible. Therefore, in case of proceedings on the merits, a court will have to apply restraint if confronted with a nullity defense that cannot be brushed aside as ‘frivolous’. As a general rule, a court will then have to stay the infringement proceedings and await the outcome of the foreign validity proceedings, according to the Court of Appeals in *EGP*. The court also made it clear that it did not applaud this result, but that it was of the opinion that an amendment of the Convention would be required to be able to achieve another result. The Court also indicated that in the context of provisional measures less restraint was required. In that particular case the The Hague Court came to the conclusion that it could not beforehand rule out that the nullity arguments might be successful, so that it had to deny the cross border relief requested.

In its *Roche v. Primus*-judgment of 2003<sup>32</sup> the Dutch Supreme Court found that a Dutch court, having cross border jurisdiction with regard to infringement, can still rule on infringement even though there might be serious indications as to the invalidity of the patents concerned. In that *Roche*-case, the Dutch Supreme Court did not even find it necessary to submit questions for a preliminary ruling to the ECJ on this issue, even though it did submit questions to the ECJ on the implications of Article 6(1).

On the same day as its judgment in the *Roche*-case, the ECJ also rendered judgment in *GAT v. Luk*.<sup>33</sup> In that judgment, the ECJ made it very clear that the impact of Article 16(4) of the Brussels Convention is that when nullity is an issue a foreign court ruling on infringement has to step on the brakes. The provision is to be interpreted as meaning that the rule of exclusive jurisdiction concerns all proceedings relating to the registration or validity of a patent, irrespective of whether the issue is raised by way of an action or only a defense. To allow a foreign infringement court to establish, indirectly, the (in)validity of the IPR at issue would undermine the binding nature of this exclusive rule of jurisdiction and circumvent its mandatory nature. In addition, the alternative would have the effect of multiplying the number of courts having jurisdiction and undermine the predictability of the rules of jurisdiction and consequently undermine the principle of legal certainty. Finally, to allow decisions in which other courts than the courts of the state in which the IPR is registered rule indirectly on the validity of that right would also multiply the risk of conflicting decisions.

In *GAT v. LuK* the ECJ did not indicate exactly what the infringement court has to do when validity of a foreign registered IPR is raised. In its second judgment in *Roche v. Primus* of 30 November 2007, the Dutch Supreme Court found that the consequence of the issue being raised is not that the infringement court loses its jurisdiction as to the foreign infringements, but that it has to stay the infringement proceedings and should refrain from judgment until the competent foreign Court has ruled on validity. It also indicated that once

<sup>31</sup> IEPT19980423, Hof Den Haag, *EGP v. Boston Scientific*.

<sup>32</sup> IEPT20031219, Hoge Raad, *Roche v. Primus*.

<sup>33</sup> IEPT20060713, HvJEG, *GAT v. LuK*.

this issue is raised the plaintiff should be given the option to amend his claims, so that by dropping the cross border questions, he may create jurisdiction for the infringement cases with the relevant national courts. Otherwise these national courts would not have jurisdiction since under the *lis pendens* rule – see below – the same case was already pending before another court.

### 3.7. *European Litigation Strategies: Mind the Torpedo's*

In cross border European IP infringement cases, it will of course be crucial for both the plaintiff as well as the defendant to have the case tried in a court that is likely to be most favorable to their point of view. A plaintiff will have on his shopping list any jurisdiction (i) of which the national laws allow for cross border relief, (ii) in which proceedings are relatively fast and not too expensive, and (iii) in which courts tend to be friendly to IPRs. It will come as no surprise that the potential defendant has a list that contains the same items, but is looking for the exact opposite. This has on occasion resulted in situations where the plaintiff and the defendant ended up in a race to the court house of their preference, in order to take advantage of the *lis pendens* rules.

The *lis pendens*-rule of Article 27 of the *Brussels I* Regulation – and Article 21 of the Brussels Convention – provides that if a case involving the ‘same cause of action’ and the ‘same parties’ is already before a court, any court that will be involved at a later stage shall of its own motion stay its proceedings, until such time as the jurisdiction of the first court is established. The consequence of this regime is that if one commences litigation to obtain a cross border judgment, like a cross border declaratory judgment of non-infringement, before one court any other court that is involved at a later date to grant an injunction in an infringement case must stay its proceedings while the jurisdiction of the first court is still to be established. If one then chooses to start litigation in a jurisdiction where the ‘wheels of justice’ grind at a slow pace, one can effectively wreck an offensive strategy that would take advantage of the possibilities to obtain preliminary cross border relief at short notice, as would for instance be possible in a jurisdiction like The Netherlands. Such defensive proceedings that have as their primary objective to wreck any offensive litigation strategy by the IPR proprietor are referred to as ‘torpedo’s’. Italy and Belgium have in the past gained some notoriety in this respect, as jurisdictions where the fact that the courts were faced with an overload of cases could be taken advantage from. The cynical observation is that the fact that the court before which the so-called torpedo is launched will in all likelihood decline cross border jurisdiction under its national law is irrelevant, provided that it will take a long time before that this is finally decided. During that entire period all other foreign cases will then simply have to be put on hold and that is the exact aim of these torpedo-cases.

Since the torpedo-strategy seems to amount to a clear abuse of rights, it may be tempting to try to dismantle the torpedo by allowing the court that is seized at a later stage for the infringement case to go ahead if, for instance, it is beyond dispute that the first court lacks jurisdiction. However, the judgments of the ECJ in *Overseas Union* (27 June 1991)<sup>34</sup> and *Gasser v. Misat* (9 December 2003)<sup>35</sup> make it clear that there is little ‘wiggle room’ in this regard. The one exception the ECJ did make in *Gasser v. Misat* was with regard to exclusive jurisdiction. Therefore, if the court first seized is to rule upon validity or registration of a foreign registered IPR, a later seized court that has exclusive jurisdiction under Article 22 of the *Brussels I* Regulation does not have to abide by the *lis pendens* rule with regard to the

<sup>34</sup> IEPT19910621, HvJEG, *Overseas Union*.

<sup>35</sup> IEPT20031209, HvJEG, *Gasser v. Misat*.

validity questions brought before it. This was also applied by the District Court at The Hague in its *Nooteboom*-judgment of 2007.<sup>36</sup>

As a matter of Dutch law, the *lis pendens* rule as laid down in Article 12 Rv is less strict than its European counterpart. It provides that when a case is pending before a foreign court whose judgment can be recognized or enforced in The Netherlands, a Dutch *may* stay its proceedings. Therefore, this is not a mandatory regime, but a regime that gives discretionary room to the Dutch courts. In such cases torpedo's can therefore be dismantled more easily.

### 3.8. Conclusion Cross Border Jurisdiction

After the 1989 *Lincoln*-judgment of the Dutch Supreme Court, The Netherlands experienced a Bonanza of European patent infringement cases, taking full advantage of (i) the cross border relief awarded by the District Court at The Hague and the The Hague Court of Appeals<sup>37</sup> combined with (ii) the fast track proceedings that the District Court made available and – to top it off – (iii) the relative broad scope of protection granted by Dutch Courts. Patent owners were rushing to get their cases on the docket not only to take advantage of these opportunities but also in fear of the threat of the potential defendant taking a counter-initiative and commencing torpedo-proceedings in jurisdictions that might frustrate the whole case for a number of years.

Following the *EGP v. Boston Scientific*-judgment of the Court of Appeals of 1998 – introducing the *spider in the web*-doctrine – those hectic days already quieted down substantially. However, it took the rulings of the European Court of Justice that finally came with the judgments of 2006 in *GAT v. Luk* and *Roche v. Primus* to bring things back to normal. The combined effect of the broad impact of the regime of exclusive jurisdiction with regard to validity as determined in *GAT v. Luk* and the restrictive reading of the possibilities to combine cases against multiple defendants as indicated in *Roche v. Primus*, has – as a practical matter – resulted in a dramatic downturn in the number of cross border European IPR infringement cases being brought before Dutch Courts.

However, the possibility to commence such cases still exists and as the The Hague Court of Appeals has made clear in its judgment in *Bacardi v. Mad Bat*, the three Community IPRs – for trademarks, designs and plant varieties – are an area where the *spider in the web*-doctrine can still play a role (as an *itsy bitsy spider*).

## 4. Applicable Law: IPR Enforcement – Rome II Regulation

### 4.1. International Enforcement of IPRs

In the context of international enforcement of IPRs the following questions arise in particular: (i) which law applies to the alleged infringement of an IPR, (ii) which law applies to the sanctions that may be available once an infringement is determined. International enforcement law assumes jurisdiction. As discussed in the previous chapter a Dutch court can have cross border jurisdiction. Jurisdiction can also be present in case the parties have agreed to arbitrate an international dispute. Once the international jurisdiction of a judicial panel is established the question needs to be addressed which law has to be applied by that panel to the alleged violation of rights in the territories over which the court has assumed jurisdiction.

<sup>36</sup> See the The Hague District Court: IEPT20070926, Rb Den Haag, *Nooteboom v. Faymonville*.

<sup>37</sup> The courts at The Hague have exclusive jurisdiction in patent infringements litigation.

When it comes to determining which law applies to an infringement of an IPR, it seems that the *Rome II* Regulation that came into effect on 11 January 2009 will decide most, if not all, of the issues that can be thought of. Article 8 of the *Rome II* Regulation<sup>38</sup> has introduced a special regime for the law applicable to non-contractual obligations arising from an infringement of intellectual property rights. Shortly put, Article 8 states that (a) the law of the country for which protection is claimed – the *lex loci protectionis* – shall apply, and that (b) parties have no freedom of choice with regard to the applicable law.

The application of *Rome II* is not limited to situations in which one or more parties is domiciled in the European Union or the event giving rise to the claim is situated within the European Union. The applicability of *Rome II* is basically tied to a court of an EU Member State<sup>39</sup> having jurisdiction.<sup>40</sup> Consequently, as of 11 January 2009, *Rome II* replaces national conflict of law rules, such as the Dutch Conflict of Laws Tort Act of 2001 (*Wet conflictenrecht onrechtmatige daad*).

Article 3 of *Rome II* indicates that the applicable law under *Rome II* is not limited to the laws of EU Member States only, but that it subscribes to what is referred to as ‘universal application’:

‘Any law specified by this Regulation shall be applied whether or not it is the law of a Member State’.

#### **4.2. Law Applicable to Infringement of IPRs – Lex Protectionis<sup>41</sup>**

Article 8 of *Rome II* concerns infringement of ‘intellectual property rights’. That leads to the obvious question what the actual scope of that term is in the context of this Regulation. Recital 26 sheds some light on this issue. It states that

‘for the purposes of this Regulation, the term “intellectual property rights” should be interpreted as meaning, for instance, copyright, related rights, the sui generis right for the protection of databases and industrial property rights’.

This ‘definition’ does not strike one as being very exact, but that should probably be seen as an indication that the term should not be interpreted too narrowly. Further guidance can probably be found in the fact that the European Community is a signatory to the ‘Agreement on trade-related aspects of intellectual property rights’ – better known as TRIPs. Rights that are within the scope of TRIPs include the IPRs covered by the Paris Convention (patents, utility models, industrial designs, trademarks, service marks, trade names, indications of source or appellations of origin), the Berne Convention (copyright), the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations and the Treaty on Intellectual Property in Respect of Integrated Circuits. In addition, it seems clear that the unitary Community IPRs are within the scope of *Rome II*, if only because

<sup>38</sup> Regulation (EC) No. 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (*Rome II*), *OJ L* 199/40, 31 July 2007.

<sup>39</sup> Art. 1(4) of *Rome I*: For the purposes of this Regulation, ‘Member State’ shall mean any Member State other than Denmark.

<sup>40</sup> Kramer 2008, p. 417. Recitals 6 and 7 mention that the proper functioning of the internal market creates a need, in order to improve the predictability of the outcome of litigation, for certainty as to the law applicable and the free movement of judgments under the Brussels I Regulation and the *Rome II* Regulation.

<sup>41</sup> See also: Van Engelen 2008, p. 440-448.

Article 8(2) contains a special rule for these rights. That pretty much covers most rights that are generally considered to be IPRs, but there still will be room for discussion.

Most national laws have (*sui generis*) forms of protection for certain subject matter that may be regarded as intellectual property. This is, for instance, the case with rights related to (i) the use of a portrait or likeness of (well-known) persons (also known as the right of publicity), (ii) non-original writings and (iii) slavish imitations or passing off. One may question whether such rights or forms of protection do qualify as IPRs in the context of *Rome II*. Another kind of borderline legal regime concerns the protection of (iv) technical ‘know-how’ or trade secrets in general. The protection granted to trade secrets is very much a matter of national law, and the actual protection available differs from country to country. Since these various ‘border-line’ rights and forms of protection probably may also qualify as ‘unfair competition’, this qualification issue does not seem critical in that it would mean that such obligations might be outside the scope of *Rome II* altogether. However, the issue seems not to be of only academic interest, since the regime that applies to acts of unfair competition under Article 6 does substantially differ from the regime that applies to IPRs under Article 8.

What strikes one as odd is that the regime of Article 8 of *Rome II* provides only for a general rule to determine the law that applies to an infringement of an IPR: the *lex loci delicti* for Community IPRs and the *lex loci protectionis* for all other IPRs. There is no set of additional sub-rules that may further refine the choice of law process for IPRs. On the contrary, Article 8(3) of *Rome II* expressly excludes the possibility for parties to derogate from the law that is applicable as a result of Article 8(1) or (2). This effectively means that the choice of law process for infringements of IPRs is a one way street without any crossroads or possibility for detours.

*Rome II* therefore does not allow for any flexibility with regard to determining the law that applies to non-contractual obligations arising from an infringement of IPRs. Consequently the value of predictability and certainty has displaced the other values that should also be taken into consideration for a choice of law process ‘such as the need for sensible, rational, and fair, decisions in individual cases’ as Symeonides observes.<sup>42</sup>

### **4.3. The Multiple Jurisdiction Infringement under Rome II**

One of the clear problems facing litigants with regard to infringements of IPRs is that the alleged infringements may occur in numerous countries simultaneously. In this regard, one only has to think of an internet publication or the distribution of a product throughout the entire, single European market.

Application of the *lex loci protectionis* will mean that the national IP laws of all 27 Member States will have to be applied. It seems obvious that such is nothing less than a nightmare for the parties, whether they are plaintiffs or the defendants. However, it seems that both the plaintiff and the defendant will just have to live with this nightmarish scenario. Article 8(3) of *Rome II* states that ‘the law applicable under this article may not be derogated from by an agreement’. As a result, the parties to an IPR infringement case are not allowed to choose the law that will apply to their dispute. The same prohibition on choice of law is provided for in Article 6 with regard to non-contractual obligations arising out of acts of unfair competition. Party autonomy is denied as neither pre-tort nor post-tort choice of law agreements are allowed.

<sup>42</sup> Symeonides 2008a, p. 16.

The reason to block party autonomy is not directly clear. The Explanatory Memorandum of the Commission simply states that 'Freedom of will is not accepted [...] for intellectual property, where it would not be appropriate'. Why party autonomy would not be appropriate for IPRs, is not explained. The basis for this exclusion can probably be traced back to the point of view of the Hamburg Group that party autonomy should not be allowed 'where public interests are or may be involved'.

However, the mere fact that public interests are involved, and the parties may therefore not be completely free to agree as they please, does not seem to be a convincing reason to ban party autonomy altogether. I fail to see why the public interests involved cannot properly be served by restraining party autonomy by competition (anti-trust) law and public policy exceptions. To the extent that unequal bargaining power between the parties is feared, again competition law (abuse of a dominant position) and general principles of contract law seem to be able to provide for the necessary 'checks and balances'.

One should not lose sight of the fact that in case of an (allegedly) infringing activity throughout the entire, single European market, the *lex loci protectionis* rule will result in the laws of 27 Member States being applicable. A total ban on a freedom of choice for the parties, forces the litigants to fight a '27-headed-lex-loci-protectionis-dragon', which will require gruelling legal fees and will be a true nightmare for the parties (if not for the judge(s) that have to render judgment). I fail to appreciate that 'public interests' cannot allow for at least a post-tort agreement between the parties to manage their conflict and make it possible for them to agree on a practical and efficient way to resolve their conflict and manage their costs. That also qualifies as a public interest to me. One wonders what actual problem is supposed to be solved by this absolute ban on party autonomy in the absence of any known aberrations in case law.

Given that *Rome II* applies irrespective of the domicile of the parties or the location of the place giving rise to the non-contractual obligation, the impact of this mandatory regime for IPRs is broad. Once a tribunal within the EU has jurisdiction, *Rome II* is to be applied. Consequently it also applies to litigation before a Dutch court with regard to an infringement of for instance a copyright both in The Netherlands, where the allegedly infringing goods may have been marketed, as well as in China, where these goods may have been produced. In such a case the litigants will not have to opt to have Dutch law apply to both the alleged infringements in The Netherlands and in China, if only to provide for an efficient regime to have their dispute settled in a cost effective way.

This approach was taken by and at the initiative of the Dutch District Court at Zutphen of 3 March 2010, with regard to acts committed prior to the date of application of *Rome II*.<sup>43</sup> This approach will not be available under the *Rome II* regime.

#### **4.4. Scope of Applicable Law: Liability, Remedies and Evidence**

The national law that pursuant to Article 8 applies to an IPR infringement does not only apply to the infringement as such but also to the damages and remedies that may be available because of the infringement.

<sup>43</sup> IEPT20100303, Rb Zutphen, *Fashion Box v. Vingino*.

Article 15 of *Rome I* deals with the scope of the applicable law and lists that the applicable law shall govern in particular the following:

- (a) the basis and extent of liability, including the determination of liable persons;
- (b) the grounds for exemption from liability, any limitation of liability and any division of liability;
- (c) the existence, the nature and the assessment of damage or the remedy claimed;
- (d) within the limits of powers conferred on the court by its procedural law, the measures which a court may take to prevent or terminate injury or damage or to ensure the provision of compensation;
- (e) the question whether a right to claim damages or a remedy may be transferred, including by inheritance;
- (f) persons entitled to compensation for damage sustained personally;
- (g) liability for the acts of another person;
- (h) the manner in which an obligation may be extinguished and rules of prescription and limitation, including rules relating to the commencement, interruption and suspension of a period of prescription or limitation.

The effect is that most, if not all, issues of liability are governed by the *lex loci protectionis* or the *lex loci delicti*, respectively.

Given that Article 8(3) of *Rome I* expressly provides that the law applicable to an IPR infringement cannot be derogated from by party agreement, the result of this regime is that in case of an infringement in multiple jurisdictions, any court that may have cross border jurisdiction over one or more defendants will have to apply not only the various national IP laws with regard to the local infringement but also all other provisions of that applicable foreign law with regard to liability, damages and available remedies. This will mean that in a lot of cases it will probably be of little advantage to try to concentrate any multiple jurisdiction IPR infringement with one court because the efficiency advantages will be limited at best.

Article 16 of *Rome II* makes one exception to these rules. Provisions of the law of the forum which are mandatory irrespective of the law otherwise applicable to the non-contractual obligation, shall not be set aside.

Article 22 of *Rome II* deals with the *burden of proof* as an issue that may have a material effect on the chances in litigation. Article 22(1) provides that rules of the applicable law which raise presumptions of law or determine the burden of proof shall also apply. In addition, Article 22(2) states that acts intended to have legal effect may be proven by any mode of proof recognised by the law of the forum or by any of the laws referred to in Article 21 under which that act is formally valid, provided that such mode of proof can be administered by the forum. All in all, the applicability of the law of the forum therefore seems limited.

#### **4.5. Conclusion Applicable Law to IPR Infringement**

It seems that *Rome II* provides a major set back with regard to any efforts to try to provide for efficient and cost effective ways to act against infringements of IPRs in multiple jurisdictions by trying to concentrate such cases in one court that may have cross border jurisdiction. Given the immaterial nature of the objects protected by IPRs and given the ease with which multiple infringements can be a reality, the regime of *Rome II* does not support efforts to streamline the enforcement of IPRs and to support IPR owners in their fight against infringements and counterfeit products.

As I stated before,<sup>44</sup> the rigid and inflexible IPR regime of *Rome II* does not seem to be warranted by any major issues that need to be fixed with regard to multiple jurisdictional IPR infringements and cross border litigation. If there is no real problem that needs fixing or – if there would be such a problem – the proper solution has not fully matured, a wise legislator will allow for flexibility, so that courts can fine-tune the solution and properly balance between conflicting interests. Good legislation should only give a rigid body of law, if the subject matter concerned has been fully explored and the law has been fully developed. This is certainly not true today for issues of applicable law to international IPR infringements, which means that any legislation concerning this subject matter that does not provide for (some) flexibility, is ‘bad law’ by definition.

The fact that the first draft of *Rome II* did not contain any provisions for IPRs, indicates the absence (i) of the perception that there was a problem or (ii) of a clear picture of the optimal solution. When Article 8 was included at a later stage, the ambition was not to create new law, but simply to codify ‘the universally acknowledged principle of the *lex loci protectionis*’, as recital 26 states. The ambition was simply to protect this universally acknowledged principle against the *lex loci damni* rule that Article 4(1) introduces as the general rule for non-contractual obligations arising out of torts in general. If the *lex loci damni* would indeed apply to IPRs, such could create the problem that the *lex loci protectionis* might be set aside.

Because of the poor quality of the end product, one might have hoped that the impact of *Rome II* is limited to the level of European law only. In that case one could have tried to achieve a more flexible outcome via the route of the various national *lex loci protectionis*. If the conflict of laws provisions of those applicable national laws have (i) a ‘manifestly closer connection’ sub-rule for IPR infringements or (ii) allow for a choice of law by the parties, the litigants could then start chopping off a few heads of the dragon – if not all but one – via the private international law rules of the applicable national laws. However, Article 24 of *Rome II* seems to cut off that escape route by stating that the ‘application of the law of any country specified by this Regulation means the application of its rules of law in force in that country other than its rules of private international law’. *Rome II* therefore seems to have preemptive effect.

Against this background, it seems that *Rome II* is probably worse for IPR infringements than simply ‘a missed opportunity’, as Symeonides concludes with regard to *Rome II* as a whole.<sup>45</sup> I am afraid that Article 8 of *Rome II* is effectively the equivalent of ‘one step forward and at least one – if not two – steps back’ compared with a situation in which the European legislator would have left these issues to be first further developed by national law and waited for case law to mature.

## 5. Applicable Law: IPR Agreements – *Rome I* Regulation

In the area of private international law that applies to contractual obligations, Dutch private international is also primarily governed by European law. The *Rome I* Regulation – which replaces the Rome Convention of 1980<sup>46</sup> – does to the applicable law for contractual obligations what the *Rome II* Regulation does for non-contractual obligations.

<sup>44</sup> Van Engelen 2008, p. 447-448.

<sup>45</sup> Symeonides 2008a. See also: Symeonides 2008b, p. 1741-1800.

<sup>46</sup> 1980 Convention on the Law Applicable to Contractual Obligations (*OJ C* 334, 30 December 2005, p. 1) (the Rome Convention).

The default contract with regard to IPRs is a license and therefore I will focus on the law applicable to a license agreement in the following paragraphs.

### 5.1. *Freedom of Choice*

Contrary to *Rome II*, *Rome I* does not contain specific regimes for IPRs and it basically subscribes to the freedom of contract as the guiding overall principle. Article 3 provides that *a contract shall be governed by the law chosen by the parties*. Article 2 also contains the principle of so-called universal application by stating that *any law specified by this Regulation shall be applied whether or not it is the law of a Member State*.

Article 3 requires that the choice of law shall be made expressly or shall be clearly demonstrated by the terms of the contract or the circumstances of the case. Although this standard seems to provide for a somewhat high threshold, reality seems to be that it is easily met. Most, if not all, license agreements – in particular those in an international setting – seem to contain a choice of law clause. Dutch case law on this topic is therefore almost non-existent.

### 5.2. *Applicable Law in the Absence of Choice: Franchising*

When a contract does not contain a clear choice of law Article 4 of *Rome I* gives some default rules to determine the applicable law. New – compared with the Rome Convention – is that Article 4 of *Rome I* starts by giving some clear rules for certain types of contracts, before then spelling out the familiar sub rules that will provide guidance, such as the rule that place of the habitual residence of the party that is *required to effect the characteristic performance of the contract* (Article 4(2)).

Article 4(1)(e) contains a new default rule that may seem to be of relevance for IPR since it deals with franchising. It provides that *a franchise contract shall be governed by the law of the country where the franchisee has his habitual residence*. However, recital 17 of *Rome I* makes it clear that this rule for franchise agreements is driven by the perspective that franchise contracts – as distribution contracts – are regarded to be *contracts for services* and that this rule for franchise agreements wishes to connect to the special rules of jurisdiction as provided for in Article 5 of the *Brussels I* Regulation.<sup>47</sup> The service rendered in a franchising contract – as in a distribution contract – is then apparently believed to be situated in the country where the franchisee has his habitual residence. That does indeed seem to be the default situation. However, in case a (master) franchisee's territory would cover more than one jurisdiction or the franchisee does not have its habitual residence in the territory of the franchise, Article 4(3) may come to the rescue. It provides that *where it is clear from all the circumstances of the case that the contract is manifestly more closely connected with a country other than that indicated in paragraphs 1 or 2, the law of that other country shall apply*.

Does this rule for franchising give guidance for IPR licenses in general? Given that the European legislator sees franchising as a contract regarding the provision of services – comparable with a distribution relationship – giving franchising such a leadership role for IP licenses does not seem obvious.

<sup>47</sup> Recital (17) As far as the applicable law in the absence of choice is concerned, the concept of 'provision of services' and 'sale of goods' should be interpreted in the same way as when applying Art. 5 of Regulation (EC) No. 44/2001 in so far as sale of goods and provision of services are covered by that Regulation. Although franchise and distribution contracts are contracts for services, they are the subject of specific rules.

However, one must also admit that Dutch law lacks a definition of what a license is supposed to look like even though the Dutch IP legislator does give various rights to licensees vis-à-vis third parties in, for instance, the Dutch Copyright Act, the Patent Act and the Benelux Treaty on Intellectual Property, which governs Benelux trademark rights and Benelux industrial design rights. In practice a license may vary from a mere authorization of what would otherwise be an infringement – what I refer to as a *license in a broad sense* – to a position in which the licensee does in effect take over the role of the proprietor and bears the full economic exploitation risk of the IPR concerned. This is what I refer to as a *license in a narrow sense*.<sup>48</sup>

With the judgment of the European Court of Justice of 23 April 2009 in the *Falco*-case,<sup>49</sup> it seems clear that an IP license is not to be treated as a franchising agreement. That case concerned a claim for royalties under a copyright license for sales of video recordings of a concert. The issue was whether the courts at Wien had jurisdiction. That jurisdiction was assumed by the first instance court by qualifying the license as the provision of a service and thereby facilitating jurisdiction under Article 5(1)(b) of the *Brussels I* Regulation. That clause allows for jurisdiction of the court of the place where, under the contract, the services were provided or should have been provided. That first instance judgment was reversed by the Oberlandesgericht Wien. The Austrian Oberster Gerichtshof then referred the matter to the ECJ. The ECJ ruled that a contract under which the owner of an intellectual property right grants its contractual partner the right to use that right in return for remuneration is not a contract for the provision of services within the meaning of Article 5(1)(b) of *Brussels I* Regulation.

Recital (7) of *Rome I* learns that the substantive scope and the provisions of *Rome I* should be consistent with the *Brussels I* Regulation and *Rome II*. Against that background the question whether licenses may be regarded as services and whether the rule of Article 4 for franchise agreements is leading for license seems answered with the *Falco*-judgment of 2009.

### **5.3. License: Characteristic Performance – Close Connection**

Article 4(2) of *Rome I* contains as a general default rule that if the contract is not covered by paragraph 1 that it shall be governed by the law of the country where the party required to effect the characteristic performance of the contract has his habitual residence. Therefore the question arises what the characteristic performance of a license is?

Generally speaking and with a view to a license in a broad sense – i.e., a mere authorization to do what otherwise would constitute an infringement – it seems that the characteristic performance of a license is the non-enforcement of the relevant IPR by the licensor. However, under Article 4(2) of *Rome I* that would not mean that the national law under which regime the license is granted would apply, but that the national law of the habitual residence of the licensor would apply. Therefore in case of a simple license for The Netherlands granted by a foreign – i.e., German – licensor, that foreign – i.e., German – law would apply under Article 4(2) of *Rome I*.

In case of a license that covers more than one jurisdiction this seems to make sense. It also seems to make perfect sense in case a license effectively makes the licensee the place holder of the IPR proprietor in one or more jurisdictions and in particular if that license is a sole and exclusive license. In that situation – i.e., a license in narrow sense – it seems to make

<sup>48</sup> Please note, however, that this distinction is not made in Dutch legislation or case law. It is simply a distinction I make to give direction to the analysis of what a license should or could entail.

<sup>49</sup> ECJ, 23 April 2009, *Falco Privatstiftung & Rabitsch v. Weller-Lindhorst*, Case C-533/07; IEPT20090423, HvJEG, *Falco Privatstiftung en Rabitsch v. Weller-Lindhorst*

sense that the law of the habitual residence of the licensor will indeed govern that contractual relationship in the absence of a clear choice of law in the license contract. From the licensors perspective that would also make a bundle of licenses with various licensees for different jurisdictions better manageable since they would all be subject to the same law, i.e., the law of his habitual residence. As a default rule Article 4(2) of *Rome I* seems to play out well in this regard.

The exception may perhaps be the situation in which a license in the sense of a simple authorization is given that only applies to one jurisdiction. In that case – i.e., a license in a broad sense – it may be that the ‘close connection’ – exemption rule of Article 4(3) of *Rome I* may have a role to play. Article 4(3) provides that where it is clear from all the circumstances of the case that the contract is manifestly more closely connected with a country other than that indicated in paragraphs 1 or 2, the law of that other country shall apply. With a mere authorization, i.e., a promise not to enforce an IPR, the national law under which that IPR may probably be seen as more closely connected than the law of the domicile of the licensor.

Case law on these topics does not seem to be available in The Netherlands, which can probably be explained by the fact that in most international situations a written contract will exist and such a contract is likely to contain a choice of law clause. The practical implications of the regime of Article 4 of the *Rome I* Regulation therefore seem limited with regard to IPR licenses.

## **6. Applicable Law: IPRs as Object of Property**

In the context of IPRs as an object of property, the following issues seem to be of particular relevance: (i) which law determines who has the original title to an IPR and (ii) which law applies to the transfer of title.

### **6.1. Original Title to IPRs**

As IPRs are national rights, the starting position is that it is the law of the jurisdiction where the right is invoked – the *lex protectionis* – that determines who the proprietor of the right is upon its origination. The problem with this approach is that ownership of the IPR may therefore vary from country to country dependent upon what regimes national laws do contain. It certainly seems to leave something to wish for if one prefers a situation that can be easily managed by the interested parties.

One can defend that the law of the domicile of the proprietor should govern this issue, but that results in a circular reasoning, because one then still would have to determine first who that original proprietor is. A more objective approach could be that the law of the place where the intangible was created – the *lex originis* – determines original ownership of the related IPRs under applicable national law. This will probably not provide a solution for all problems, but it does seem to be a step forward towards a more uniform and predictable result. As a matter of Dutch private international law, this approach seems defensible, but case law on the subject seems missing. Given that the ultimate value of an IPR is that the proprietor is able to prohibit third parties from infringements, and given that infringement is governed by the *lex protectionis*, it also does seem prudent not to put too much faith on a *lex originis* approach while this subject is not yet codified in any EU Regulation or IPR treaty.

Initial ownership can in particular be troublesome in case of IPRs for intangibles that are made by employees or by third parties under a contract (as with ‘works made for hire’). Which law then distributes ownership as between these parties? Also here, the *lex protectionis* is the undeniable starting point. However, the distribution of ownership rights between these parties to a contract seems primarily to be a subject that can and should be governed by that

contract, without any public policy issues being involved. Therefore, the generally held view seems to be that the law of the contract should determine this issue. Consequently the regime of the *Rome I* Regulation may provide for a manageable solution here. However, one always has to bear in mind that it will ultimately be the law of the jurisdiction for which protection is sought that has to subscribe to this view as well, at the risk of being left empty handed when one finally wants to enjoy the blessings of the IPR that one always assumed to be the proprietor of.<sup>50</sup>

## 6.2. *Transfer of IPRs – lex protectionis*

Once it is determined who the original proprietor of an IPR is, the second question that may then have to be addressed is whether and how that original proprietor can transfer (title to) the IPR to a third party.

Also here the *lex protectionis* will have to be the starting point that cannot be interpreted away, if only to avoid not being able to enforce the IPR in the jurisdiction concerned. This principle is also codified in Article 74 of the European Patent Convention where it is stated that, unless the Convention provides otherwise, a European patent application as an object of property shall, in each designated Contracting State and with effect for such State, be subject to the law applicable in that State to national patent applications. From a property law perspective, the Convention therefore treats a single European patent application already as a bundle of national rights. Given the fact that the end product of the European Patent Convention – a granted European patent – does not really exist but immediately falls apart into a bundle of national patent rights, this solution only seems practical and efficient. If the granted European patent has to be treated as a bundle of national patents, which national patents are subject to the laws of the relevant, designated states, one might as well do the same with regard to the application that is the stepping-stone towards these granted patents?

However, the result of a *lex protectionis* approach is that it does not necessarily result in low transaction costs for a transfer of IPRs, since the national laws of numerous jurisdictions may have to be checked before one can conclude that the transfer that the parties agreed to, has indeed materialized and that the buyer has indeed become the new proprietor of the IPRs. Under the *lex protectionis* rule one will have to determine whether a given transfer is indeed legally valid, binding and enforceable in each jurisdiction involved. In this context, one has to think of issues like (i) does a transfer need a valid title and what happens if that title is invalidated at a later stage, (ii) when does a transfer actually occur and what are the requirements for a valid deed of transfer, (iii) when can the assignor be deemed to be authorized to transfer, and (iv) when does a transfer have effect as between the parties involved and when vis-à-vis third parties or a receiver in the bankruptcy of the owner of the patent application. These subjects may not seem to be that ‘sexy’, but if one pictures these questions against the background of a transfer being done, or a security interest being created, one day before a bankruptcy, one can probably imagine that these issues can turn out to be very critical and to require close scrutiny.

<sup>50</sup> In *Duijnste v. Goderbauer*, in which case the ECJ ruled in its judgment of 15 November 1983 (see footnote 30), the District Court and the Court of Appeals had ruled that the *lex protectionis* governed and that therefore Art. 10 of the Dutch Patent Act determined ownership with regard to the Dutch patents involved only, and did not apply to the ownership of the foreign patents. The Dutch Supreme Court did not address this issue in its judgment and the case was eventually settled after the ECJ ruling. before final judgment by the Dutch Supreme Court. The lower court rulings have received critical reviews in Dutch literature.

### 6.3. *Transfer of IPRs – lex proprietatis*

A more manageable system has been introduced for the three Community IPRs for trademarks, design rights and plant variety rights. Although these IPRs created pan-European, supra-national IP rights, the European Union does not yet have a pan-European civil law system that could be applied. Trying to address all such issues in the Community Regulations probably was a bridge too far. Therefore, the European legislator has provided that these Community IPRs *as an object of property shall be dealt with in their entirety, and for the whole area of the Community, as a national IP right*.<sup>51</sup> The consequence of this regime is that property aspects of a community IP right are governed by a dual track system: the provisions of the applicable Community regulation as well as the provisions of one national law.

The national law that will govern is – shortly put – the law of the domicile of the proprietor. If the owner does not have a domicile within the EU, nor an establishment, then the law of the relevant IP office will apply. This means that with regard to foreign – in terms of not having an establishment within the European Union – owners of Community IP rights, Spanish law applies in case of a Community trademark or Community design right, while French law governs in case of a Community plant variety right. Although I fail to see why the applicable civil law has to be the law of a Member State, the system as such seems to provide a practical solution. Given that property is primarily concerned about establishing a legal connection between an object and its owner, it certainly seems to make perfect sense to have the civil law aspects of ownership of intangible properties governed by the law of the domicile of the proprietor. That law is also, for instance, likely to be the law that will govern the bankruptcy of that proprietor. I refer to this regime, as introduced by the three Community IPRs, as the *lex proprietatis*.

As a matter of Dutch private international law this *lex proprietatis* approach also seems to be possible as a default rule. Although legal scholars are divided on the subject,<sup>52</sup> the Court of Appeals at Den Bosch applied this approach in its judgment of 14 October 2008 in *Michaud v. Owens*.<sup>53</sup> The Court had to rule on a transfer of, among others, Dutch copyright on the design of a plastic bottle for honey and applied French law, being the law of the transferor (as well as of the transferee).

Guidance as to the actual scope of what aspects will be governed by the *lex proprietatis* can probably be found in the regime that the *Rome II* Regulation provides for the assignment of claims in Article 14. Although that regime only applies to the contractual obligations to assign a claim under, for instance, a purchase agreement, the Dutch Supreme Court has in its *Hansa*-judgment of 1997<sup>54</sup> also applied that regime to the actual transfer of the claims. If one looks at that regime for inspiration, the *lex proprietatis* will govern the transfer of the IPRs as between the transferor and the transferee. However, an IPR is still a right under national law and a right that can be invoked against third parties. Therefore, the aspects of a transfer that protect the interests of third parties, as well as the question whether the IPR concerned is transferable to begin with, will be issues that will remain governed by the *lex protectionis*. This is in line with the regime that Article 14 of *Rome I* provides for the contractual

<sup>51</sup> See: Art. 16 of Council Regulation (EC) No. 40/94 of 20 December 1993 on the Community trade mark, *OJ L* 11, 14 January 1994, p. 1-34; Art. 22 of Council Regulation (EC) No. 2100/94 of 27 July 1994 on Community plant variety rights, *OJ L* 227, 1 September 1994, p. 1–30; Art. 27 of Council Regulation (EC) No. 6/2002 of 12 December 2001 on Community designs, *OJ L* 3, 5 January 2002, p. 1–24.

<sup>52</sup> I happen to be in favor of the *lex proprietatis* approach (Van Engelen 2007). Van den Burg (IER 2006, p. 131, in Dutch) takes the position that the *lex protectionis* has to apply.

<sup>53</sup> IEPT20081014, Hof Den Bosch, *Michaud v. Owens*.

<sup>54</sup> IEPT19970516, Hoge Raad, *Hansa v. Bechem*.

obligations to assign a claim. Article 14(1) learns that the relationship between assignor and assignee under a voluntary assignment shall be governed by the law that applies to the contract between the assignor and assignee. However, the law governing the assigned claim shall determine its assignability, the relationship between the assignee and the debtor, the conditions under which the assignment can be invoked against the debtor and whether the debtor's obligations have been discharged. This can – *mutatis mutandis* – be applied to the assignment of IPRs. Consequently, any issues related to third party effects of a transfer of an IPR, such as the right to be able to enforce that right against an infringer would still be subject to the *lex protectionis*. This would, for instance, mean that if national law requires that the proprietor is registered as such in the relevant IP-register, such a requirement of the *lex protectionis* will need to be fulfilled, even though the *lex proprietas* law would provide differently.

These issues do not exist in case of the transfer of a Community IPR, since the relevant Community Regulation does address those third party effects in the relevant Regulation and they are therefore a matter of Community law. In case of the transfer of bundles of national IPRs such a general applicable law is missing and therefore demarcation lines between the one – *lex proprietas* – law that may apply to the transfer as between the transferor and the transferee, and the various national law that may govern the rights of the proprietor vis-à-vis third party infringers – the *lex protectionis* – will still need to be investigated.

#### **6.4. Transfer of IPRs – Choice of Law**

If one accepts the possibility that one national law can govern the transfer of IPRs as between the transferor and the transferee and that the *lex proprietas* gives a proper default rule to determine which law then has to govern, it is only a small step to also allow for a choice of the applicable national law by the parties.

As a matter of Dutch private international law, such a choice of law has been accepted by the Court of Appeals in The Hague in its *Technip*-judgment of 20 September 2007.<sup>55</sup> In that case the Court of Appeals had to deal with an assignment of international copyrights in a computer program. The contract between the parties contained a choice of law for Swiss law and the Court of Appeals accepted that this chosen law also governed the actual transfer of the copyrights, and more in particular the Dutch copyright. Consequently, the transfer was held to be valid even though the formal requirement of a deed of transfer – that is necessary as a matter of Dutch copyright – was not met, since – according to the Court of Appeals – Swiss law does not require a deed for a valid transfer of copyrights.

#### **6.5. Conclusion: Transfer of IPRs**

Although guidance from the Dutch Supreme Court is missing, it seems that one can be reasonably optimistic that Dutch private international law can accommodate a transfer of international IPRs in a cost effective way, either by applying the *lex proprietas* approach as is also possible as a matter of European law with regard to Community IPRs, and by allowing a *choice of law*. However, until the Dutch Supreme Court has ruled on these issues, one should be cautious and cannot take this for granted.

<sup>55</sup> IEPT20070920, Hof Den Haag, *Technip Kinetisch stroomschema*.

Another observation is that it is all nice and fine if Dutch law allows these regimes, but that such is not very meaningful if the foreign law that applies to the national IPR concerned does not accept these regimes but takes the view that its national law – as the *lex protectionis* – is the sole law that must be applied.

A prudent party will therefore at least have to look at the national laws of the most relevant countries concerned to avoid that he or she may be confronted with unpleasant surprises later on. International harmonization and codification of these property issues is therefore dearly needed.

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