AmCham EU
SPEAKING FOR AMERICAN BUSINESS IN EUROPE

Our position

# The Hague Convention on the recognition and enforcement of foreign judgments

## Impact of the potential inclusion of intellectual property in the scope

AmCham EU speaks for American companies committed to Europe on trade, investment and competitiveness issues. It aims to ensure a growth-orientated business and investment climate in Europe. AmCham EU facilitates the resolution of transatlantic issues that impact business and plays a role in creating better understanding of EU and US positions on business matters. Aggregate US investment in Europe totalled more than €2 trillion in 2017, directly supports more than 4.7 million jobs in Europe, and generates billions of euros annually in income, trade and research and development.


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# Executive summary

The American Chamber of Commerce to the EU (AmCham EU) opposes the inclusion of intellectual property rights (IPRs) in the scope of the Hague Convention on the recognition and enforcement of foreign judgments in civil and commercial matters (‘the Convention’) for the following key reasons:

- it would not make sense to recognise judgements that result from vastly different national systems of intellectual property protection and enforcement;

- recognising judgements that result from such different national systems would encourage forum shopping and create legal uncertainty for rightholders in Europe; and

- no impact assessment and broader stakeholder consultation has been conducted to substantiate the position of the European Union (EU), despite the potential negative impacts identified by the business community.

These concerns would not be remedied by restricting the recognition and enforcement of intellectual property related judgements only to monetary remedies, as we understand some parties to the Convention negotiations have proposed. The rationale of including IP in the scope of the Convention has to be justified and is currently highly questionable.

## Introduction

Intellectual property issues lie at the heart of any debate concerning innovation and competitiveness in a global economy. Therefore, AmCham EU is committed to working with the EU institutions to further develop a strong, cost effective system for obtaining, licensing and enforcing IPRs for all parties involved. IPRs include all types of IP and in particular, patents, copyrights, trademarks, trade secrets, unregistered marks, registered and unregistered designs.

We trust the Convention is an important tool to foster judicial cooperation and the rule of law in appropriate legal areas and believe negotiators will want to adopt a forward-looking approach at the upcoming diplomatic conference that opens on 18 June 2019. The geopolitical landscape in the past two decades has changed dramatically and diplomatic solutions that could have been anticipated earlier might no longer be of value for the future.

Suggestions have been made in the past to include within the scope of the Convention judgments related to IPRs and the question to include those rights is again on the agenda today. Such an inclusion raises significant concerns for rightholders in Europe that have secured similar protection in other markets, and risks opening-up a pandora box of threats.

## 1. The territorial nature of IPRs

Intellectual property raises complex considerations that are different from those raised by other areas of law. This is due to the territorial nature of IPRs and the substantial differences globally among national rules regarding eligibility and scope of protection. Moreover, tests and defences for infringement and liability often differ between jurisdictions, both in terms of substance and the manner of their enforcement. Although there are ongoing attempts to bring processes and principles closer in the various IPR fields, including through international treaties, there is not yet a full harmonisation of substantive rights and remedies, nor is such full harmonisation anticipated to happen in the years to come.

Given substantial difference remaining between jurisdictions, it would not make sense for a court in one jurisdiction to recognise an IPR judgement issued by another court in another jurisdiction. IP law is subject to some harmonisation through a framework of legal instruments, all of which have as their basis the territoriality of substantive IP rights. However, fundamental differences exist between certain jurisdictions regarding standards for liability and enforcement. Furthermore, while many substantive rights are harmonised, many countries which may be subject to the Convention have not ratified or implemented all the major IP treaties, or may have done so in a manner that falls short of what is considered optimal. If IPRs were included in the scope of the Convention, a receiving jurisdiction in Europe would have no ability to decide on scope, validity, process, liability and damages. It may well be required to recognise and enforce judgments based on IPRs, or defence to infringement, that may not exist in comparable form in its territory, imposing rights and remedies that may not be seen as legitimate.

The above is in particular relevant in the relationship between the EU and third countries, as in the EU a harmonised system of conflict of jurisdiction rules already exists under the ‘Brussels I recast Regulation’. It is important to note in that respect that there is a partial harmonisation depending on the nature and type of IPRs in the EU, which is vastly different from the international context (where common rules on competence, recognition and enforcement would be more problematic due to the divergence of approaches of third countries).

The specific ground for refusal provided for in the Convention (ie. ‘the judgment ruled on an infringement of an intellectual property right, applying to that [right / infringement] a law other than the internal law of the State of origin’) would in our view not be sufficient to address the concerns raised in this position paper. For example, China and other countries grant and recognise utility model patents, but such patents do not exist in Europe (however, it is understood that certain protections for unregistered and registered designs exist in the EU). In Brazil, individuals associated with a corporate defendant may be found personally liable for patent infringement acts of that corporation, but that generally is not possible in Europe. Some countries permit criminal remedies for infringement, but others do not, some countries allow treble damages, but others do not.

## 2. High risk of legal uncertainty and abuse of the system

Given significant difference in remedies and sanctions between national systems outside of the EU, allowing the recognition and enforcement of foreign intellectual property-related judgements would inevitably incentivise forum shopping and tactical litigation. Litigants would flock to the 'most friendly' courts and then seek to have those judgements - whether damages or final injunctions - enforced in other jurisdictions. Forum shopping and tactical litigation would dramatically increase the complexity of the IP litigation landscape and undermine any legal certainty that currently exists in national litigation systems.

Global businesses take various steps to mitigate their liability when operating in a marketplace which exposes them to risks in foreign jurisdictions, including in the area of IP. The Convention would substantially increase the risk of such companies being sued in a jurisdiction whose system is overly weighted towards local plaintiffs. This could potentially chill global trade by reducing incentives for global companies to provide services and products to the broadest geographical extent possible. One specific example of this would involve a claim for infringement that would be considered excused by fair use or be covered by an exception in one country, but not in another. Such exceptions may be specifically crafted as a measure to ensure freedom of expression. Combined with the potential for injunctive relief, the Convention could be used to chill free speech based on suing the defendant in a jurisdiction which does not have adequate safeguards to protect certain uses, such as for the purposes of parody, criticism or commentary.

## 3. No meaningful benefit

There has been no exhaustive explanation as to why including IPRs is of benefit. Tellingly, we have not seen any active advocacy by stakeholders arguing for the potential inclusion of IPRs. Most worryingly, even though the European Commission seems in favour of including IPRs in the scope of the Convention, there has been no impact assessment or formal consultation on the matter. This is troubling given the potentially broad impact of including IPRs on private rights, on the Unitary Patent system as well as on Member States' competency over IPR enforcement. Furthermore, there is a lack of consensus amongst major rightholders about whether the inclusion of IP in the Convention is desirable, with a vast majority opposed to inclusion.

## Conclusion

Recognition and enforcement of foreign judgements makes sense when there is harmonisation of the scope of the rights, equivalent remedies, similar procedures, as well as equal quality of the courts. In the IPR field, this is definitely not the case, and therefore including IPRs in the scope of the Convention risks harming IPRs, their adjudication, usability and value. For all these reasons, we urge all parties to take stance in favour of excluding IP from the scope of the Convention.