

# **Principles for Conflict of Laws in Intellectual Property**

Prepared by the  
European Max Planck Group  
on Conflict of Laws in Intellectual Property

**Third Preliminary Draft**

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## About the draft and the project

This draft of principles has been prepared by the European Max-Planck Group on Conflict of Laws in Intellectual Property (CLIP).

CLIP ([www.cl-ip.eu](http://www.cl-ip.eu)) is a group of scholars in the fields of intellectual property and private international law. It was established in 2004 and meets regularly to discuss issues of intellectual property, private international law, jurisdiction and enforcement. The group is funded by the Max Planck Society. The group's primary goal is to draft a set of principles for conflict of laws in intellectual property. CLIP also provides independent advice to European and national law makers.

Once the principles are published in a final version, they may serve for different purposes. They may be used to interpret or supplement international and domestic law. They may also serve as a model for national and international legislators. Finally, they may assist parties in shaping their contractual and extra-contractual dealings including the resolution of disputes.

This is the third preliminary draft of the principles that is available to the public. It features a number of changes following up the feedback received from external experts at a workshop in October 2009. We expect the final version of the principles to be published together with comments in 2011.

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## **Past events**

The group organized three conferences and fourteen working group meetings:

"Symposium on Jurisdiction and Choice of Law in Intellectual Property Matters - Perspectives for the Future (EU and World-Wide)", International Conference organized by the Max Planck Institute for Intellectual Property, Competition and Tax Law, Frauenchiemsee, July 20-22, 2003.

"Intellectual Property in the Conflict of Laws", International Conference co-organized by the Max Planck Institute for Foreign Private and Private International Law and the Max Planck Institute for Intellectual Property and Tax Law, Hamburg, March 2-3, 2004.

|                            |                                 |
|----------------------------|---------------------------------|
| CLIP Working Group Meeting | Munich, December 10, 2004.      |
| CLIP Working Group Meeting | Hamburg, July 19, 2005.         |
| CLIP Working Group Meeting | Amsterdam, February 18, 2006.   |
| CLIP Working Group Meeting | Paris, September 9, 2006.       |
| CLIP Working Group Meeting | New York, December 1-2, 2006.   |
| CLIP Working Group Meeting | Florence, April 3-4, 2007.      |
| CLIP Working Group Meeting | Munich, July 9-10, 2007         |
| CLIP Working Group Meeting | Hamburg, January 25-26, 2008.   |
| CLIP Working Group Meeting | Madrid, March 27-29, 2008.      |
| CLIP Working Group Meeting | Stockholm, August 29-30, 2008.  |
| CLIP Working Group Meeting | Munich, December 5-6, 2008.     |
| CLIP Working Group Meeting | Hamburg, June 5-6, 2009.        |
| CLIP Conference            | Munich, October 22-24, 2009.    |
| CLIP Working Group Meeting | Frankfurt, January 28-29, 2010. |
| CLIP Working Group Meeting | Moissac, May 7-8, 2010.         |

## **Upcoming events**

The next events of the group will be:

|                                     |                                |
|-------------------------------------|--------------------------------|
| CLIP Working Group Meeting          | Munich, November 19-20, 2010.  |
| CLIP Working Group Meeting          | Hanover, February 25-26, 2011. |
| CLIP Working Group Meeting          | Oxford, June 10-11, 2011.      |
| Presentation of the CLIP Principles | Berlin, November 4-5, 2011.    |

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## PREAMBLE

Building on existing rules and initiatives regarding private international law and intellectual property, these Principles

*aim*

at reducing distortions and impediments to international trade involving intellectual property rights and facilitating the flow of information and cultural exchange across borders taking into account the development of digital communication technologies;

*aim*

at fostering judicial co-operation with regard to international disputes concerned with intellectual property rights, based on international comity and mutual trust;

*aim*

at improving the legal situation of plaintiffs and defendants to enforce, and to defend themselves against, claims concerned with intellectual property rights on an international scale;

*acknowledge*

that it is therefore necessary to provide legal certainty and predictability as to the jurisdiction of courts and the applicable law as well as to facilitate the recognition and enforcement of judgments concerned with intellectual property rights;

*recognize*

the need to consider and balance all interests involved, including the interests of owners of intellectual property rights, their contracting partners, and other users of intellectual property, and the broader public interest, in particular in access to, and use of, information as well as other public interests;

*recognize*

that intellectual property rights are limited in their exercise and enforcement to specific territories, and that each sovereign State is free, subject to international obligations, to regulate whether and under which conditions intangible goods shall enjoy legal protection;

*recognize*

the freedom of private parties to choose the competent court and the applicable law to the largest extent possible.

## PART 1: PURPOSE AND SCOPE

These Principles may be used to interpret or supplement international and domestic law including the law of regional organisations for economic integration where applicable.

They may serve as a model for national, regional and international legislators.

They may assist parties in shaping their contractual and extra-contractual dealings including the resolution of disputes in particular by courts and in arbitration.

### **Article 1:101: Scope of application**

- (1) These are Principles on international jurisdiction, the applicable law and the enforcement of foreign judgments. They do not apply to purely domestic situations.
- (2) These Principles apply to civil matters involving intellectual property rights. For the purposes of these Principles, intellectual property rights are copyright, neighbouring rights, patents, marks, industrial design rights and similar exclusive rights.
- (3) These Principles may be applied *mutatis mutandis* to
  - (a) the protection of undisclosed information and geographical indications or similar forms of protection or
  - (b) disputes involving allegations of unfair competition arising from the same set of facts as relating allegations involving intellectual property rights.
- (4) Subject to domestic procedural law, a court shall, upon a party's timely request or of its own motion, make a specific finding as to whether a dispute before it falls within the scope of the Principles.

## **PART 2: JURISDICTION**

### **Section 1: General jurisdiction**

#### **Article 2:101: General jurisdiction**

Subject to these Principles, a person may be sued in the courts of any State in which the person is habitually resident (Article 2:601).

### **Section 2: Special jurisdiction**

#### **Article 2:201: Matters relating to a contract**

- (1) In disputes concerned with contractual obligations, a person may be sued in the courts of the State where the obligation in question is to be performed.
- (2) In disputes concerned with contracts having as their main object the transfer or license of an intellectual property right, the State where the obligation in question is to be performed shall be, for the purposes of this provision and unless otherwise agreed, the State for which the license is granted or the right is transferred. When this provision offers the sole basis of jurisdiction, the court shall have jurisdiction only with respect to activities relating to the license or transfer of the intellectual property right for that particular State.
- (3) In disputes concerned with infringement claims arising out of a contractual relationship between the parties, a court having jurisdiction with regard to the contract shall also have jurisdiction in respect of the infringement, without prejudice to Article 2:202.

#### **Article 2:202: Infringement**

In disputes concerned with infringement of an intellectual property right, a person may be sued in the courts of the State where the alleged infringement occurs or may occur, unless the alleged infringer has not acted in that State to initiate or further the infringement and his/her activity cannot reasonably be seen as having been directed to that State.

#### **Article 2:203: Extent of jurisdiction over infringement claims**

- (1) Subject to paragraph 2, a court whose jurisdiction is based on Article 2:202 shall have jurisdiction in respect of infringements that occur or may occur within the territory of the State in which that court is situated.
- (2) In disputes concerned with infringement carried out through ubiquitous media such as the Internet, the court whose jurisdiction is based on Article 2:202 shall also have jurisdiction in respect of infringements that occur or may occur within the territory of any other State, provided that the activities giving rise to the infringement have no substantial effect in the State, or any of the States, where the infringer is habitually resident (Article 2:102) and
  - (a) substantial activities in furtherance of the infringement in its entirety have been carried out within the territory of the country in which the court is situated, or
  - (b) the harm caused by the infringement in the State where the court is situated is substantial in relation to the infringement in its entirety.

#### **Article 2:204: Civil claims arising out of criminal proceedings**

As regards civil claims for remedies for infringements giving rise to criminal proceedings, a court seized with those proceedings shall have jurisdiction with regard to the infringement to the extent prescribed in Article 2:203, and provided that that court has jurisdiction under its own law to entertain civil proceedings.

#### **Article 2:205: Entitlement and ownership**

As regards entitlement to and ownership of an intellectual property right, the State where the right exists or for which an application is pending shall also have jurisdiction.

#### **Article 2:206: Multiple defendants**

- (1) A person who is one of a number of defendants may also be sued in the courts of the State where any of the defendants is habitually resident, provided the claims are so closely connected that it is expedient appropriate to hear and determine them together to avoid the risk of incompatible judgments resulting from separate proceedings. For the purposes of this provision, a risk of incompatible judgments requires a risk of divergence in the outcome of the actions against the different defendants which arises in the context of essentially the same situation of law and fact. In particular in infringement disputes and subject to the individual circumstances of the case,
  - (a) disputes involve essentially the same factual situation if the defendants have, even if in different States, acted in an identical manner or in accordance with a common policy;
  - (b) disputes involve essentially the same legal situation even if different national laws are applicable to the claims against the different defendants, provided that the relevant national laws are harmonised to a significant degree by rules of a Regional Economic Integration Organisation or by international conventions which are applicable to the disputes in question.
- (2) If it is manifest from the facts that one defendant has coordinated the relevant activities or is otherwise most closely connected with the dispute in its entirety, jurisdiction according to paragraph 1 is only conferred on the courts in the State where that defendant is habitually resident. In other cases, jurisdiction is conferred on the courts in the State or States of habitual residence of any of the defendants, unless the contribution of the defendant who is habitually resident in the State where the court is located is insubstantial in relation to the dispute in its entirety.

#### **Article 2:207: Branch, agency or other establishment**

In disputes arising out of the operations of a branch, agency or other establishment, a person may be sued in the courts of the place in which the branch, agency or other establishment is situated.

#### **Article 2:208: Indemnification and third-party notice**

Subject to the applicable procedural law, a person may be sued as a third party in an action for warranty or guarantee or in any other third party proceedings, in the court seized of the original proceedings, unless these were instituted solely with the object of removing her/him from the jurisdiction of the court which would be competent in this case, or if it is otherwise manifestly inappropriate in view of the defendant's interests. If the national procedural law establishes a system of third-party notice, a person may be subject to a third-party notice in the court seized with the main proceedings.

### **Article 2:209: Counterclaim**

A court which has jurisdiction to determine a claim under these Principles shall also have jurisdiction to determine a counterclaim arising out of the same set of facts on which the original claim is based.

## **Section 3: Prorogation of jurisdiction**

### **Article 2:301: Choice of court**

- (1) If the parties have agreed that a court or the courts of a State are to have jurisdiction to settle any disputes which have arisen or which may arise in connection with a particular legal relationship, that court or those courts shall have jurisdiction to decide on all contractual and non-contractual obligations and all other claims arising from that legal relationship unless the parties express an intent to restrict the court's jurisdiction. Such jurisdiction shall be exclusive unless the parties have agreed otherwise.
- (2) Subject to paragraphs 3 to 5, the validity of a choice of court agreement shall be determined according to the national law of the State of the designated court or courts.
- (3) An agreement conferring jurisdiction shall be either
  - (a) in writing or evidenced in writing; any communication by electronic means which provides a durable record of the agreement shall be equivalent to "writing"; or
  - (b) in a form which accords with the practices which the parties have established between themselves; or
  - (c) in international trade or commerce, in a form which accords with a usage of which the parties are or ought to have been aware and which in such trade or commerce is widely known to, and regularly observed by, parties to contracts of the type involved in the particular trade or commerce concerned.
- (4) Agreements shall have no legal force if the courts whose jurisdiction they purport to exclude have exclusive jurisdiction by virtue of Article 2:401.
- (5) A choice of court agreement that forms part of a contract shall be treated as an agreement independent of the other terms of the contract.

### **Article 2:302: Appearance of defendant**

Apart from jurisdiction derived from other provisions of the Principles, a court or the courts of a State before which a defendant enters an appearance shall have jurisdiction. This rule shall not apply where appearance was entered to contest the jurisdiction, or where another court has exclusive jurisdiction by virtue of Article 2:401.

## **Section 4: Exclusive jurisdiction**

### **Article 2:401: Registration and invalidity**

- (1) In disputes having as their object a judgment on the grant, registration, validity, abandonment or revocation of a patent, a mark, an industrial design or any other intellectual property right protected on the basis of registration, the courts in the State where the right has been registered or is deemed to have been registered under the terms of an international Convention shall have exclusive jurisdiction.

- (2) Paragraph 1 does not apply where validity or registration arises in a context other than by principal claim or counterclaim. The decisions resulting from such disputes do not affect the validity or registration of those rights as against third parties.

#### **Article 2:402: Obligation of other courts**

Where a court of a State is seized of a claim which has as its object a matter over which the courts of another State have exclusive jurisdiction by virtue of Article 2:401, it shall declare of its own motion that it has no jurisdiction.

### **Section 5: Provisional, including protective, measures**

#### **Article 2:501: Provisional, including protective, measures**

- (1) A court having jurisdiction in accordance with Articles 2:102 to 2:401 also has jurisdiction to order any provisional, including protective, measures.
- (2) Provisional, including protective, measures may also be ordered by the courts of a State
- (a) where the measure is to be enforced, or
  - (b) for which protection is sought.
- (3) Provisional, including protective, measures are measures which are intended to preserve a factual or legal situation so as to safeguard rights the recognition of which is otherwise sought from the court having jurisdiction as to the substance of the case. Such measures may include
- (a) orders to prevent an (imminent or continuing) infringement of an intellectual property right from occurring;
  - (b) orders to preserve relevant evidence in regard to the alleged infringement;
  - (c) orders to seize goods suspected of infringing an intellectual property right;
  - (d) orders to seize, attach or prevent the dissipation or removal from the jurisdiction of assets to safeguard enforcement of the judgment on the merits; and
  - (e) orders directing a party to provide information about the location of assets which are subject of an order under lit. (d).

### **Section 6: General provisions**

#### **Article 2:601: Habitual residence**

- (1) For the purposes of this Part, the habitual residence of a natural person acting in the course of a business activity shall, for actions related to that activity, also be the principal place of business.
- (2) For the purposes of this Part, a company or other legal person or association of natural or legal persons shall have its habitual residence in any State
- (a) where it has its statutory seat or registered office, or
  - (b) where it has its central administration, or
  - (c) where it has its principal place of business.

If the entity lacks a statutory seat or registered office, it may also be sued in the State where it was incorporated or, if no such place exists, under whose law it was formed.

- (3) The principal place of business shall be the place from which the main business activities are conducted.

#### **Article 2:602: Declaratory actions**

Subject to Article 2:401, an action for a declaratory judgment may be based on the same ground of jurisdiction as a corresponding action seeking substantive relief.

#### **Article 2:603: Protection of consumers and employees**

Without prejudice to specific jurisdictional rules of the forum protecting consumers and employees, the following rules shall govern the jurisdiction for claims under these Principles.

#### **Article 2:604: Scope of injunctions**

- (1) An injunction issued in a court of competent jurisdiction shall concern only activities affecting intellectual property rights protected under the national law or laws applied by the court.
- (2) When a court has applied a law pursuant to Article 3:603, and subject to Article 3:603 paragraph 3, the injunction shall be presumed to concern intellectual property rights protected in all States where the signals can be received.

### **Section 7: Coordination of proceedings**

#### **Article 2:701: Congruent proceedings**

- (1) Where proceedings involving the same cause of action and between the same parties are brought in the courts of different States, any court other than the court first seized shall stay its proceedings unless
  - (a) the court later seized has exclusive jurisdiction under these Principles, or
  - (b) it is manifest that the judgment from the court first seized will not be recognized under these Principles.
- (2) Any court other than the court first seized may terminate the stay of its proceedings if
  - (a) the proceedings in the court first seized do not proceed within reasonable time, or
  - (b) the court first seized has decided not to hear the case.
- (3) Provisional and protective measures do not involve the same cause of action as main proceedings.

#### **Article 2:702: Related proceedings**

- (1) Where related proceedings are pending in the courts of different States, any court other than the court first seized may stay its proceedings.
- (2) In determining whether to stay proceedings according to paragraph 1, the court or the courts later seized shall take all relevant factors into account, in particular

- (a) which court seized is best placed to adjudicate the fullest scope of the related proceedings under these Principles;
  - (b) which State has the closest connection to the dispute;
  - (c) the procedural efficiency of centralized adjudication versus procedural efficiency of cooperation in multistate proceedings.
- (3) For the purposes of this Section, proceedings are deemed to be related where they are so closely connected that it is appropriate to hear and determine them together in order to avoid the risk of inconsistent holdings or judgments.

**Article 2:703: Subsequent validity proceedings**

- (1) If proceedings having as their object the grant, registration, validity, abandonment or revocation of a patent, a mark, an industrial design or any other intellectual property right protected on the basis of registration are brought in the State of registration after related proceedings in a court of another State concerned with that intellectual property right, the court first seized may stay its proceedings.
- (2) Where the court first seized stays the proceedings, it may order provisional and protective measures for the duration of the stay according to Article 2:501.

**Article 2:704: Cooperation in multistate proceedings**

- (1) If congruent or related proceedings are or have been pending in different States, the courts seized may, subject to applicable procedural law, take into account
- (a) evidence produced in another proceeding,
  - (b) a finding of another court on the validity or invalidity of an intellectual property right,
  - (c) any other finding of another court relevant for the pending proceeding.
- (2) In order to facilitate cooperation, prevent inconsistent holdings and judgments and promote efficiency in multistate proceedings, the courts seized should cooperate with each other. In particular, they should take all appropriate measures to provide information to the courts seized as to the status of their proceeding and their findings. The courts concerned may proceed to an exchange of views.
- (3) These means of cooperation must not be carried out in such a way as to prejudice the rights of the parties to the proceedings. The courts should clearly inform the parties as to their intention to cooperate and keep them informed of each step they intend to take.

**Article 2:705: Congruent and related preliminary proceedings**

- (1) Where proceedings having as their object provisional or protective measures according to Article 2:501 and involving the same cause of action between the same parties are brought in the courts of different States under these Principles, any court other than the court first seized may stay its proceedings.
- (2) Where related proceedings having as their object provisional or protective measures according to Article 2:501, the courts seized may cooperate according to Article 2:704.
- (3) Upon request of the court of the State first seized, in accordance with these Principles, with the substance of the matter, provisional measures granted by the courts of other States shall be discharged or modified, unless it is manifest that the judgment on the merits from the court first seized will not be recognized under these Principles.

**Article 2:706: Time when a court is deemed to be seized**

For the purposes of the Principles, a court shall be deemed to be seized:

- (1) at the time when the document instituting the proceedings or an equivalent document is lodged with the court, provided that the plaintiff has not subsequently failed to take the steps she/he was required to take to have service effected on the defendant, or
- (2) if the document has to be served before being lodged with the court, at the time when it is received by the authority responsible for service, provided that the plaintiff has not subsequently failed to take the steps she/he was required to take to have the document lodged with the court.

## **PART 3: APPLICABLE LAW**

### **Section 1: General principles**

#### **Article 3:101: Lex fori**

The law applicable to procedural matters, including procurement of evidence, is the law of the State where the court seized with the proceedings is situated.

#### **Article 3:102: Lex protectionis**

The law applicable to existence, validity, registration, scope and duration of an intellectual property right and all other matters concerning the right as such is the law of the State for which protection is sought.

#### **Article 3:103: Freedom of choice**

Parties may choose the applicable law in the cases specified in Articles 3:501, 3:503 and 3:605.

### **Section 2: Initial Ownership**

#### **Article 3:201: Initial Ownership**

- (1) Initial ownership including in particular authorship of a copyrighted work and entitlement to intellectual property rights arising out of registration is governed by the law of the State for which protection is sought.
- (2) If the situation has a close connection with another State that has a work made for hire provision or deems a transfer or exclusive license of all economic rights in the work to have taken place by virtue of the parties' contractual relationship, effect may be given to such rules by constructing the parties' relationship under the law applicable according to paragraph 1 as involving a transfer or exclusive license of all economic rights in the work.
- (3) In the framework of a contractual relationship, in particular an employment contract or a research and development contract, the law applicable to the right to claim a registered right is determined in accordance with Section 5.

### **Section 3: Transferability**

#### **Article 3:301: Transferability**

The transferability of intellectual property rights and the question whether the transfer or license can be invoked against third parties shall be determined by the law of each State for which protection is sought.

## **Section 4: Co-ownership**

### **Article 3:401: Initial co-ownership and transferability of shares**

- (1) Initial co-ownership and transferability of the shares of each co-owner shall be governed by the law of the State for which protection is sought.
- (2) In the framework of a contractual relationship, in particular an employment contract or a research and development contract, the law applicable to the right to claim a registered right is determined in accordance with Section 5.

### **Article 3:402: Relations between the co-owners**

Relations between the co-owners, in particular the licensing, waiver, consent and any other form of exploitation, the division of revenues, the authority to enforce the intellectual property rights and to bring suits, shall be governed by the law applicable to the parties' relationship such as contract, corporate agreements, succession or marriage. Otherwise the law with the closest connection shall apply.

## **Section 5: Contracts and related questions**

### **Article 3:501: Freedom of choice for contracts**

- (1) Transfer, license agreements and other contracts relating to an intellectual property right shall be governed by the law chosen by the parties. The choice must be expressed or demonstrated with reasonable certainty by the terms of the contract or the parties' conduct in the circumstances of the case. If the parties have agreed to confer jurisdiction on a court of a State to hear and determine disputes that have arisen or may arise out of the contract, they shall be presumed to have chosen the law of that State. By their choice the parties can select the law applicable to the whole or a part only of the contract.
- (2) The parties may at any time agree to subject the contract to a law other than the law that previously governed it, whether as a result of an earlier choice under this Article or of other provisions of these Principles. Any change in the law to be applied that is made after the conclusion of the contract shall not prejudice its formal validity or adversely affect the rights of third parties.
- (3) The existence and validity of the consent of the parties as to the choice of law shall be determined in accordance with Articles 3:504 and 3:505.

### **Article 3:502: Applicable law in the absence of choice [subject to approval]**

- (1) In the absence of a contractual choice of law in accordance with Article 3:501, the contract shall be governed by the law of the State with which the contract is most closely connected.
- (2) In contracts having as their main object the creation of protectable subject matter or the transfer or license of intellectual property rights, the court shall take into consideration in determining the State with the closest connection:
  - (a) as factors tending to the law of the State in which the transferee or licensee has its habitual residence at the time of conclusion of the contract:

- the transfer or license concerns intellectual property rights granted for the State of the transferee’s or licensee’s habitual residence or place of business;
  - the transferee or licensee has the explicit or implicit duty to exploit the right;
  - the royalties or other form of money consideration is expressed as a percentage of the sales price;
  - the licensee or transferee has a duty to report about her/his efforts to exploit the rights;
- (b) as factors tending to the law of the State in which the creator, transferor or licensor has its habitual residence at the time of conclusion of the contract:
- the transfer or license concerns intellectual property rights granted for the State of the transferor’s or licensor’s habitual residence or place of business;
  - the transferee or licensee has no other explicit or implicit duty but to pay a flat sum as money consideration;
  - the license is for a single use;
  - the creator of the protectable subject matter has the duty to create that matter.
- (3) If no clear decision can be made under paragraph 2 and the transfer or license concerns intellectual property rights for only one State, it shall be presumed that the contract is most closely connected with that State. If the transfer or license concerns intellectual property rights for multiple States, it shall be presumed that the State with which the contract is most closely connected shall be the State in which the creator, transferor or licensor has its habitual residence at the time of conclusion of the contract.

**Article 3:503: Employment relationships**

- (1) The mutual obligations of employer and employee in relation to the transfer or license of an intellectual property right arising from the employee’s efforts, in particular the right of the employer to claim the intellectual property right and the right of the employee to remuneration, shall be governed by the law chosen by the parties in accordance with Article 3:501. Such a choice of law may not, however, have the result of depriving the employee of the protection afforded to him by the provisions that cannot be derogated from by agreement under the law that, in the absence of choice, would have been applicable pursuant to paragraphs 2 and 3 of this Article.
- (2) To the extent that the law has not been chosen by the parties, the mutual obligations of employer and employee in relation to the transfer or license of an intellectual property right arising from the employee’s efforts, in particular the right of the employer to claim the intellectual property right and the right of the employee to remuneration, shall be governed by the law of the State in which or, failing that, from which the employee habitually carries out his work in performance of the contract. The country where the work is habitually carried out shall not be deemed to have changed if the employee is temporarily employed in another country.
- (3) Where it appears from the circumstances as a whole that the contract is more closely connected with a State other than that indicated in paragraph 2, the law of that other State shall apply.

**Article 3:504: Formal validity**

A transfer or license grant of an intellectual property right, a contract relating to such transfer or license and any act intended to have legal effect relating to an existing or contemplated contract shall be formally valid to the extent that it satisfies the formal requirements

- (a) of the law which governs it in substance under these Principles, or
- (b) of the law of the State in which either of the parties or its agent is present at the time of the conclusion of the contract, or
- (c) of the law of the State in which either of the parties is habitually resident at that time.

**Article 3:505: Consent and material validity**

- (1) The existence and validity of a contract, or of any terms of a contract, shall be determined by the law which would govern the contract or term under these Principles if the contract or term were valid.
- (2) Nevertheless, a party, in order to establish that she/he did not consent, may rely upon the law of the State in which she/he has her/his habitual residence if it appears from the circumstances that it would not be reasonable to determine the effect of her/his conduct in accordance with the law specified in the paragraph 1.

**Article 3:506: Scope of the law applicable to the contract**

- (1) The law applicable to a contract by virtue of this Section shall govern in particular:
  - (a) interpretation;
  - (b) performance;
  - (c) the consequences of a total or partial breach of obligations, including avoidance of the contract and the assessment of damages;
  - (d) the various ways of extinguishing obligations, the prescription and limitation of actions;
  - (e) the consequences of nullity of the contract.
- (2) In relation to the manner of performance and the steps to be taken in the event of defective performance, regard shall be had to the law of the State in which performance takes place.
- (3) Questions of contract law not dealt with in these Principles such as consumer protection, incapacity, authority of an agent, set-off, assignment of other rights than intellectual property rights, legal subrogation, multitude of debtors and compensation between them as well as obligations arising from pre-contractual relationships shall be governed by the law applicable by virtue of the rules of private international law of the forum State.

**Article 3:507: Transfers by operation of law and compulsory licenses**

- (1) The law applicable to transfers by operation of law and the duty to grant a license is the law of the State for which protection is sought.
- (2) Articles 3:501 to 3:507 paragraph 1 do not apply to transfers by operation of law other than intellectual property law such as company, insolvency, succession or family law.

**Article 3:508: Law applicable to security interests in intellectual property rights**

[Not yet agreed, proposals:

A:

The law applicable to security interests in intellectual property rights is the law applicable to the intellectual property right as determined by Article 3:102. This does not affect the law

applicable to the obligation to provide security and the law applicable to the obligation to be secured.

B:

- (1) The law applicable to the agreement to create a security interest in intellectual property is the law chosen by the parties in accordance with Section 5, absent a choice of law the law of the State where the grantor of the security has his/her habitual residence.
- (2) The law applicable to security interests in intellectual property rights, in particular to the transferability, effectiveness against third parties, priority and enforcement of security interests in intellectual property, is the law of the State in which the intellectual property right is protected. If the creation agreement under paragraph 1 was designed against the background of the security interest of a specific State other than the State which law applies under this paragraph, each security interest arising from the parties' agreement shall have the effect of a security interest of the law of the State in which the intellectual property is protected which comes closest and is best comparable to the security interest the parties intended to create.
- [(3) Subject to any registration requirements of the law of the State in which the intellectual property is protected, the parties to the agreement to create a security interest in intellectual property may agree to subject the creation-and enforcement of a security right in intellectual-property to the law of the State in which the grantor is located.]

C:

- (1) The law applicable to the agreement to create a security interest in intellectual property is the law chosen by the parties in accordance with Section 5, absent a choice of law the law of the State where the grantor of the security has his/her habitual residence.[Alt. the law of each State in which the intellectual property right is protected].
- (2) The law applicable to the creation of security interests in intellectual property rights, is the law chosen by the parties in accordance with Section 5, absent a choice of law the law of the State in which the intellectual property right is protected [Alt. law of the State for which protection is sought].
- (3) The law applicable to the transferability, effectiveness against third parties, priority enforcement of security interests in intellectual property is the law of the country in which the intellectual property right is protected. ]

## **Section 6: Infringement and remedies**

### **Article 3:601: Basic principle**

- (1) Unless otherwise provided in this Section, the law applicable to the infringement is the law of each State for which protection is sought.
- (2) For the purposes of these provisions, "infringement" includes
  - (a) the violation of the intellectual property right, including contributory infringement;
  - (b) the remedies, as defined in Article 3:604.

### **Article 3:602: De minimis rule**

- (1) A court applying the law or the laws determined by Article 3:601 shall only find for infringement if
  - (a) the defendant has substantially acted or has taken substantial preparatory action to initiate or further the infringement in the State or the States for which protection is sought, or
  - (b) the activity by which the right is claimed to be infringed has substantial effect within, or is directed to the State or the States for which protection is sought.
- (2) The court may exceptionally derogate from that general rule when reasonable under the circumstances of the case.

### **Article 3:603: Ubiquitous infringement**

- (1) In disputes concerned with infringement carried out through ubiquitous media such as the Internet, the court may apply the law of the State having the closest connection with the infringement, if the infringement arguably takes place in every State in which the signals can be received. This rule also applies to existence, duration, limitations and scope to the extent that these questions arise as incidental question in infringement proceedings.
- (2) In determining which State has the closest connection with the infringement, the court shall take all the relevant factors into account, in particular the following:
  - (a) the infringer's habitual residence;
  - (b) the infringer's principal place of business;
  - (c) the place where substantial activities in furthering of the infringement in its entirety have been carried out;
  - (d) the place where the harm caused by the infringement is substantial in relation to the infringement in its entirety.
- (3) Notwithstanding the law applicable pursuant to paragraphs 1 and 2, any party may prove that the rules applying in a State or States covered by the dispute differ from the law applicable to the dispute in aspects which are essential for the decision. The court shall apply the different national laws unless this leads to inconsistent results, in which case the differences shall be taken into account in fashioning the remedy.

### **Article 3:604: Remedies**

For the purposes of these provisions, remedies shall include

- (1) injunctions, damages, and other means of redress for injury caused or threatening;
- (2) claims based on unjust enrichment and negotiorum gestio, to the extent they concern the non-contractual obligations arising out of the violation of an intellectual property right, without encompassing the violation as such;
- (3) the question whether a right to claim damages or other remedies may be transferred, including by inheritance;
- (4) various ways of extinguishing obligations, the prescription and limitation of actions.

### **Article 3:605: Freedom of choice for remedies**

- (1) In accordance with Article 3:501, the parties to a dispute concerning the infringement of an intellectual property right may agree to submit the remedies claimed for the

infringement to the law of their choice by an agreement entered into before or after the dispute has arisen.

- (2) If the infringement is closely connected with a pre-existent relationship between the parties, such as a contract, the law governing the pre-existing relationship shall also govern the remedies for the infringement, unless
  - (a) the parties have expressly excluded the application of the law governing the pre-existing relationship with regard to the remedies for infringement, or
  - (b) it is clear from all the circumstances of the case that the claim is more closely connected with another State.

## **Section 7: Limitations and exceptions, waivability**

### **Article 3:701: Limitations and exceptions, waivability**

- (1) Limitations and exceptions are governed by the law of the State for which protection is sought.
- (2) The waivability of limitations of, and exceptions to, an intellectual property right shall be determined by the law of the State for which protection is sought.

## **Section 8: Supplementary provisions**

### **Article 3:801: Mandatory provisions**

- (1) When applying under these Principles the law of a country, effect may be given to the overriding mandatory provisions of another country with which the situation has a close connection. In considering whether to give effect to these overriding mandatory provisions, regard shall be had to their nature and purpose and to the consequences of their application or non-application.
- (2) Overriding mandatory provisions are provisions the respect for which is regarded as crucial by a State for safeguarding its public interests, such as its political, social or economic organisation, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable under these Principles.
- (3) Nothing in these Principles shall restrict the application of the overriding mandatory provisions of the law of the forum.

### **Article 3:802: Public policy of the forum**

The application of a provision of the law of any State specified by these Principles may be refused only if such application is manifestly incompatible with the public policy (*ordre public*) of the forum.

### **Article 3:803: Exclusion of *renvoi***

The application of the law of any State specified by these Principles means the application of the rules of law in force in that State other than its rules of private international law.

**Article 3:804: Habitual residence**

- (1) For the purposes of this Part, the habitual residence of companies and other bodies, corporate or unincorporated, shall be the place of central administration. The habitual residence of a natural person acting in the course of her/his business activity shall be her/his principal place of business.
- (2) Where the relevant activities occur in the course of operation of a branch, agency or any other establishment, the place where the branch, agency or any other establishment is located shall be treated as the place of habitual residence.

**Article 3:805: Unitary Regional Rights**

Where the provisions of this Part are applied to unitary rights of intellectual property existing under the law of a regional organisation of economic integration, they are to be construed in such a way as to designate the pertinent law of the Organisation including its provisions on private international law.

**Article 3:806: Burden of proof**

The law applicable under this Part to the substance of the dispute shall apply to the extent that it contains rules which raise presumptions of law or determine the burden of proof.

## **PART 4: RECOGNITION AND ENFORCEMENT**

### **Section 1: General rules**

#### **Article 4:101: Definition of judgment**

For the purposes of these Principles, judgment means any judgment given by a court or tribunal of any State, irrespective of the name given by that State to the proceedings which gave rise to the judgment or of the name given to the judgment itself, such as decree, order, decision or writ of execution. It also includes the determination of costs or expenses by an officer of the court.

#### **Article 4:102: Recognition and enforcement in general**

- (1) A judgment given by a foreign court shall be recognized and enforced in accordance with this Part of the Principles.
- (2) In order to be recognized, a judgment must have in the State of origin the effect whose recognition is sought in the requested State.
- (3) The effect of the judgment is determined by the law of the State of origin. Subject to Article 4:601, the court in the State of recognition shall interpret an injunction in respect of its subjective, territorial and substantial scope and take into account any change of circumstances, in particular the defendant limiting her/his activities and the impact of such activities to a particular State or States whose law has not been applied by the rendering court.
- (4) In order to be enforceable, a judgment must be enforceable in the State of origin.
- (5) Recognition or enforcement may be postponed or refused if an ordinary appeal against the judgment has been lodged in the State of origin or if the time limit for seeking ordinary review has not expired. A refusal does not prevent a subsequent application for recognition or enforcement of the judgment.
- (6) If the foreign judgment contains elements which are severable, one or more of them may be separately recognized or enforced.

#### **Article 4:103: Favor recognitionis principle**

The provisions of Part 4 of the Principles shall not restrict the application of multilateral or bilateral agreements concerning the recognition and enforcement of judgments entered into by the State in which enforcement or recognition is sought nor deprive any interested party of any right he may have to avail himself of a judgment in the manner and to the extent allowed by the law or the treaties of that country including the rules of a regional integration organisation if that country is a Member State of the organisation.

### **Section 2: Verification of jurisdiction**

#### **Article 4:201: Jurisdiction of foreign courts**

- (1) A judgment shall not be recognized or enforced if there is no ground of jurisdiction under Part 2 of the Principles which would have allowed the foreign court to assert its jurisdiction.

[(2) If the court of origin applied the Principles, it shall be presumed that the foreign judgment does not conflict with the rules established in Part 2.]

#### **Article 4:202: Validity and registration**

Recognition and enforcement of a foreign judgment may not be refused on the ground that in the proceedings before the court of origin the validity or registration of an intellectual property right registered in a State other than the State of origin was challenged, provided that the recognition and enforcement produces effects only between the parties.

#### **Article 4:203: Findings of fact**

In its examination of the grounds of jurisdiction according to Article 4:201 to 4:202, the authority of the requested State shall be bound by the findings of fact on which the authority of the State where the judgment was rendered based its jurisdiction.

#### **Article 4:204: Jurisdictional rules protecting consumers or employees**

Recognition and enforcement may be refused if the judgment is manifestly incompatible with specific jurisdictional rules protecting consumers or employees in the State of recognition.

### **Section 3: Provisional and protective measures**

#### **Article 4:301: Provisional and protective measures**

- (1) Provisional and protective measures adopted by a foreign court shall not be recognized and enforced if there is no ground of jurisdiction under Part 2 of these Principles, which would have allowed the foreign court to decide on the merits.
- (2) Provisional and protective measures adopted without prior hearing of the adverse party and enforceable without prior service of process to that party shall not be recognized or enforced.

### **Section 4: Public policy**

#### **Article 4:401: Public policy in general**

A judgment shall not be recognized or enforced if:

- (1) such recognition or enforcement would be manifestly incompatible with the public policy of the requested State;
- (2) the specific proceedings leading to the judgment were manifestly incompatible with fundamental principles of procedural fairness of the requested State.

#### **Article 4:402: Non-compensatory damages**

- (1) Recognition and enforcement of a judgment may be refused if, and only to the extent that, the judgment awards damages, including exemplary or punitive damages, that do not compensate a party for actual loss or harm suffered and exceed the amount of damages that could have been awarded by the courts of the State where enforcement is sought.
- (2) The court addressed shall take into account whether and to what extent the damages awarded by the court of origin serve to cover costs and expenses relating to the proceedings.

## **Section 5: Other grounds for non-recognition of foreign judgments**

### **Article 4:501: Other grounds for non-recognition of foreign judgments**

A judgment shall not be recognized or enforced if:

- (1) the document which instituted the proceedings or an equivalent document was not notified to the defendant in sufficient time and in such a way as to enable her/him to arrange for her/his defence, unless the defendant entered an appearance and presented her/his case without contesting notification in the court of origin, provided that the law of the State of origin permitted notification to be contested;
- (2) proceedings between the same parties and having the same cause of action are pending before a court of the requested State, provided that those proceedings were the first to be instituted;
- (3) it is irreconcilable with a judgment given in the requested State between the same parties;
- (4) it is irreconcilable with a judgment given in another State between the same parties and having the same cause of action, provided that this judgment fulfils the conditions necessary for its recognition in the requested State and it was given earlier or its recognition has already been declared in the requested State.

## **Section 6: Exclusion of substantive review**

### **Article 4:601: Exclusion of substantive review**

A foreign judgment may not be reviewed as to its substance or merits, without prejudice to the application of the provisions of this Part.

## **Section 7: Procedure**

### **Article 4:701: General Principles**

- (1) Recognition and enforcement procedures shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays.
- (2) The requested court shall act expeditiously.

### **Article 4:702: Recognition**

- (1) A foreign judgment shall be recognised by operation of law and without any special procedure being required. Recognition may be raised as an incidental question and by way of counterclaim, cross-claim or defence.
- (2) Without prejudice to paragraph 1, any interested party may request from the competent authorities of a State that they decide on the recognition or non-recognition of a foreign judgment. The procedure shall be governed by the law of the requested State.
- (3) Recognition may be refused only for one of the reasons set out in this Part of the Principles.

### **Article 4:703: Enforcement**

- (1) The law of the requested State determines the methods by which a foreign judgment is declared enforceable.

- (2) The declaration of enforceability may be refused only for one of the reasons set out in this Part of the Principles.
- (3) Foreign judgments declared enforceable in the requested State shall be enforced as if they had been taken by the authorities of that State. Enforcement takes place in accordance with the law of the requested State to the extent provided by such law.

## **Section 8: Settlements**

### **Article 4:801: Settlements**

A settlement to which a court has given its authority shall be recognized and declared enforceable in the requested State under the same conditions as judgments, so far as those conditions apply to settlements.