

**Response by CITMA to policy questions raised by IPO in relation to November 2017 draft Hague Convention on the Recognition and Enforcement of Judgments.**

**Background - February 2017 draft**

CITMA attended the October 2017 meeting convened to consider the February 2017 draft treaty. It put forward the view that in relation to unregistered rights the proposed treaty might be a useful replacement for the Brussels Convention post Brexit. However, a number of the points raised by CITMA in respect of the the February 2017 draft are no longer applicable given the changes introduced into the November 2017 draft.

**Background - November 2017 draft**

If each of the IP provisions in the current draft (including those which are square bracketed) were to be incorporated in the treaty, the circumstances in which a party could invoke the treaty would be limited. In summary those circumstances would be:

1. A court in a member state has given a **final** judgment on an IP or analogous issue – Article 3(b).
2. Where the ruling is in relation to a registered right, the registration **arises** in the state in question – Article 6(a) [not clear whether this excludes EU registered rights]. For rulings on unregistered IP rights, the ruling must be based on the **internal laws** of the state in question. It is assumed this means the right arises in the state of the court of origin.
3. The defendant has acted in the state of the court making the ruling to **initiate or further** the infringement and has **targeted** that state. Article 5.3 (a) and (b).
4. The ruling will only be enforceable (and recognised) in relation to **“monetary remedies”** and only where those remedies are compensatory. Article 10 and 11. [It is not clear whether this includes orders by the court of origin to pay legal costs].

There is a further circumstance namely those in which a UK entity wishes to have the UK court’s finding on the validity of an IP right “recognised” by another court or vice versa (assuming Article 11 is duly amended to include “recognition” of a validity ruling.) The circumstances in which that might be helpful for the clients of UK practitioners are likely to be unusual.

Bearing the above in mind, the approach to the policy questions raised by the IPO is conditioned by whether UK businesses and other UK IP stake holders would find the treaty in its current form negative, positive or neutral in relation to the following two main circumstances:

- For there to be a facility of having UK rulings recognised and enforced in other jurisdictions via the proposed Hague route.
- To face the prospect of recognition and enforcement in the UK of IP rulings from other treaty states, via the proposed Hague route.

### **Recognition and enforcement of UK rulings in other states.**

As noted, the circumstances in which a UK IP owner would be able to take advantage of the proposed treaty are limited but might include the following:

A prospective, defendant, say China-based has been targeting the UK with trade mark infringing products using various online market places. Without the prospect of Hague there would seem little point in suing the Chinese defendant before the UK courts. Presumably the defendant would not make an appearance but the resulting injunction would be toothless, the damages award made on the basis of some kind of summary assessment in this scenario would again be unenforceable as would any costs award.

Would the implementation of Hague make any difference to the prospective claimant's calculation as to whether to pursue a claim before the UK court assuming in this example that China acceded to the treaty?

The key remedy in a trade mark claim is usually, but not always, the injunction. If Hague (for understandable reasons - see below) excludes the enforcement of injunctions its utility is correspondingly reduced.

The secondary remedy, damages or profits, in theory would be enforceable via Hague. However, in an undefended action resulting in a default judgment, a UK court will be reluctant to order a liquidated monetary remedy. Rather it will order that the defendant disclose its past sales and its profit margin such that compensation can be assessed. If it fails to provide disclosure, then again, the remedy is injunctive in nature (and a contempt of court) and so could not be enforced via Hague.

The third potentially important consequence of a UK ruling is the costs order. This can often be substantial including in an undefended UK action. However, it is not clear that the term "monetary remedy" as it is used in Hague, is broad enough to encompass an unpaid costs order resulting from an IP claim (whether defended or otherwise).

In view of the foregoing, the implementation of Hague as per the November 2017 draft is not likely to be a significant factor for the claimant in litigating before the UK court, the kinds of issue indicated in the example above, nor it would seem to be in other likely scenarios.

In this respect therefore, and subject to what follows, it would seem that generally, the utility of Hague in IP matters is neutral – it might have application in certain unusual circumstances, but otherwise is not likely to be relevant to UK based claimants.

### **Recognition and enforcement in the UK, of rulings of courts originating in other states.**

This is potentially more problematic.

From time to time, UK IP professionals are asked to advise how eg. a US judgment concerning an IP matter might be enforced against a UK defendant. Hague might provide (subject to the limitations noted above) additional options to a foreign claimant in such a situation.

However, there are downsides. It is conceivable that an unscrupulous claimant or troll would seek an obscure jurisdiction in which to litigate against a UK defendant or a defendant with significant UK assets. (See [here](#) for a recent discussion of trade mark trolling).

Further, it not infrequently happens that a UK defendant will be served with proceedings by a foreign court, will not recognise them for what they are, it will take no action and a default judgment will issue. (Examples can be provided). If the judgment were to provide a “monetary remedy” (in contrast to the procedure usually taken by the UK courts) the troll’s next port of call would be Hague and an application to enforce the judgment in the UK or wherever the defendant might be based or have assets.

The UK defendant would perhaps be able to show, for instance, that it was not “targeting” the state in question and was therefore protected by Article 5.3. However, the onus presumably would be on the defendant to prove absence of targeting and to persuade the enforcement court to reopen the factual background of the original judgment.

It is difficult to predict to what extent the Hague system might be “abused” in this way. However, questionable business models have in the past been based on opportunities established through the international IP system. (Examples can be provided). It is possible that such a model would develop to run actions of the kind noted above against defendants in the hope of receiving payments for not pursuing the claim.

Viewed in this light there could be a positive downside for UK businesses and others with significant assets in the UK, for Hague to implemented.

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In view of the above, we have the following responses to your specific questions:

**1 Do you consider that IP should be included or excluded from scope? Please fully explain the reason for your answer and provide any examples to illustrate your point.**

For the reasons discussed above, there appears to be no strong feeling amongst CITMA practitioners that IP and in particular trade marks and designs be included in the treaty.

Further, there are potential downsides in having IP included, particularly for those based in the UK or with significant UK assets, in particular, increased vulnerability to trolling and spurious or abusive claims.

**2 Do you consider it necessary to include reference to ‘analogous matters’? Do you think it could be made clearer, if so how?**

Our general feeling is that if IP is to be included, then “analogous matters” should not be. First what constitutes an “analogous matter” is likely to create additional uncertainty as to the scope of the treaty. The term might further be defined by, for example, listing the specific rights in question, for instance, “traditional cultural expressions”. Again however, the inclusion of such “non-standard” proprietary rights would tend to increase the scope for abuse of the proposed treaty.

In mitigation of the above, the treaty might provide that rulings relating to “analogous matters” shall be enforceable only if the said matters are recognised as proprietary rights in the country of enforcement. However, this would cut across the spirit and utility of the proposed treaty.

**3 Do you have examples of rights you would ensure are not included in the Convention?**

There is no particular carve out from IP rights that if the latter were included, CITMA would particularly want to see.

**4 Does this text [of Art 5.3] sufficiently allay concerns over the sovereignty of IP rights? If not, why?**

In so far as sovereignty is concerned, the answer is probably yes, but CITMA would be concerned that the particular language introduced into the provision has thrown the baby out with the bath-water. In particular it is not plain that the text of Article 5.3(a) would provide for the enforcement of an EU registered trade mark or EU registered design. Although directly enforceable in the UK by the designated Community Courts, it is not clear that they are a right “... whose grant or registration ..... has taken place or .... is deemed to have taken place ...” in the UK.

Assuming rulings by Community Courts on EU registered rights are intended to be included, we think this should be clarified.

**5 Do you consider the text on targeting is necessary and helpful (see paragraph 24 in Annex C for further details)?**

See introductory comments above. Although the proviso for “targeting” would seem to mitigate the risk of abusive IP enforcement claims under the proposed treaty, the onus presumably would be on the defendant to prove to the court enforcing the judgment, that it had not “targeted” the country of the origin of the judgment.

“Targeting” (or similar) is a concept that the UK and other courts have used to determine questions of the locus of an alleged infringement particularly those arising from online trading. However, it would require fact finding by the enforcement court which potentially would be onerous for the defendant as well as being inconsistent with the underlying scheme of the treaty.

We are not sure in practice therefore that the “targeting” proviso would wholly avoid abuse of the system and oppressive claims.

**6 In relation to Article 5.3 in paragraph 3 (c) judgments relating to 'subsistence or ownership' in copyright are further square bracketed. Do you think these should be included in this paragraph or not?**

As noted above, it appears that this provision is inconsistent with proposed Article 11 (unless Article 11 is amended to exclude only the enforcement, rather than the recognition, of non-monetary judgments.)

Plainly it could be beneficial for the owner of a right in copyright to have a definitive judgment in its favour on the “subsistence or ownership” of that right in the country in question. However, in view of the nature of copyright and its extension internationally via various treaties, in particular the Bern convention and various bilateral treaties, determination of the subsistence or ownership of the right in the judgment jurisdiction might well effectively determine that issue in the enforcement country.

Again this would be of potential benefit for instance to a UK national where the determination has been made by a UK court in that UK national’s favour. However, it is possible to conceive of a ruling being issued by a court in another jurisdiction, in favour of a claimant, on unsafe or less than satisfactory grounds. That could nevertheless oblige a UK court to “recognise” and “enforce” such a judgment raising a potential inconsistency if the UK court were then asked to make a ruling on the question of subsistence and ownership of the copyright in the UK.

(The question of “validity” in Article 5.3(c) which is not square bracketed, would appear to raise similar issues).

#### **Article 6 ‘Exclusive bases for recognition and enforcement’**

#### **7 In Article 6 (a), judgments that rule on 'registration' are also further square bracketed. Are there views on whether this should be included/excluded?**

It is not entirely clear to us what a “ruling on the registration of an intellectual property right” is intended to include or exclude. If it means merely that the ruling concerns the issue of the infringement of say a registered trade mark right, that is one thing. If on the other hand it means a ruling as to whether a given right is or should be registered or not, that is something quite different and could encompass for instance, claims or counterclaims that the right in question is invalid, void ab initio and therefore never existed, or is voidable (for instance for non-use) and is therefore of no effect.

(It is worth noting in this regard that it is also not clear whether “validity” in the treaty is intended to include rulings that a registration should or should not be revoked, for instance in relation to trade marks, on the grounds of non-use or post registration deceptiveness.)

Leaving aside the above, the scheme of the provision is to exclude from the treaty any ruling where the “validity” (or “registration” whatever that term is intended to mean) of the registered right in question has been considered by the court. The ruling will only be enforceable in that case, if the grant of the registration in question “*has taken place ... or is deemed to have taken place*” in the country of the court of origin.

As noted earlier, the grant of a UK trade mark registration presumably would meet this criterion. However, it is less clear to us that the grant of an EU registration has “taken place” in the UK even though the UK courts have jurisdiction to enforce such rights and on counterclaim to declare an EU trade mark registration invalid. The relevance of this to UK litigants seeking to enforce judgments in other territories will in due course come to an end given Brexit. However, it may still be relevant where the UK is the place of the enforcing court under the treaty.

In view of the above, we think clarification of the meaning of the terms in question is needed before a firm view on this question can be provided.

**8 Do you think the inclusion of A.8.3 is necessary or helpful even if IP is entirely excluded from the scope of the Convention under A.2.2? and do you have any other observations in relation to this provision.**

We appreciate the rationale behind the retention of Article 8.3 (or a redrafted provision with similar effect) even where rulings on the infringement of IP are excluded from the scope of the treaty. Scenarios in which for instance, a claim in breach of contract is dependent on a finding as to the validity or subsistence of an IP right, are readily conceivable.

(It is worth noting that the issue of whether an IP settlement or compromise agreement has been breached may require a pre-determination by the court as to whether the underlying IP rights which are the subject matter of the settlement, have been breached.)

**9 It would be particularly valuable to learn of any experience you have of non judicial authorities as final arbiters of validity questions in other countries.**

**And**

**Do you have any experience of systems where the patent office or similar non-judicial body is exclusively able to rule on validity?**

The EUIPO is effectively the final arbiter of EUTM and Design validity questions and is a non-judicial body. Its jurisdiction is exclusive save in relation to counterclaims. However, there is potential for parties to appeal its decisions to a judicial body (the General Court and the CJEU). Its decisions in invalidation claims, for instance, on the basis of earlier rights are res judicata and so can give rise to an estoppel including as defences to corresponding infringement claims.

The Trade Mark Trial and Appeals Board (TTAB) operated under the auspices of the USPTO is also, we understand, an administrative body which hears oppositions and cancellations in relation to US trade mark cases. Again, its decisions can be appealed to the US courts. It is understood that decisions of the TTAB are capable of preventing a party litigating the issue of the use of the mark in question in injunctive proceedings – decision of the US Supreme Court in B & B HARDWARE, INC., Petitioner v HARGIS INDUSTRIES, INC., dba Sealtite Building Fasteners, dba East Texas Fasteners et al. 2015.

We understand that under US law, the question whether the validity of a registration once determined by the TTAB can be put in issue before a court hearing an infringement claim, is complex and not straightforward.

Like the UK IPO, both the EUIPO and the TTAB tribunals operate “justiciable” systems and we are not aware of any general dissatisfaction with the manner in which their decisions are made.

**10 Would it be possible to devise conditions to provide sufficient guarantees of independence, appropriate process etc which could enable such decisions to circulate as if they were judgments? What might these be?**

The point is made by at least one of our members that it would seem inappropriate that a decision, for instance of the UK IPO as to the validity of a trade mark registration should be recognised or enforceable in other jurisdictions when it may not give rise to any res judicata

or estoppel in the UK. The question was considered in *Special Effects* (*Special Effects Ltd v L'Oreal SA & Anor* [2007] EWCA Civ 1 (12 January 2007)) and more latterly in *Firecraft* (*Evans (t/a Firecraft) v Focal Point Fires Plc* [2009] EWHC 2784 (Ch) (10 November 2009)).

It would seem that disclosure, legal representation and an oral hearing are requisites for a finding of *res judicata* to arise in the UK. On the other hand, the EU IPO tribunals manage without disclosure or oral hearings and it is therefore difficult to be prescriptive given the different procedural regimes that exist even within Europe.

(Decisions of non-judicial bodies might properly be within the scope of the treaty assuming IP is retained) if at least there is the ability for the parties to appeal any decision to a court as per the UK IPO, the EU IPO and the TTAB. Even then however, that might depend as to the extent on which the appeal was a rehearing rather than in the UK a review as to whether the lower tribunal has gone seriously astray).

**11 Does the position differ according to the type of right in question and if so how?**

The answer to this question depends in part on the possible consequences of a successful action to have the ruling in question recognised or enforced in the country in question.

Without harmonisation as to what it would mean for a ruling to be “recognised” in a given jurisdiction, it is difficult fully to answer the question. However, we assume that for the purposes of the treaty, it means the ruling of the tribunal of origin will be treated as *res judicata* and that the issues determined cannot therefore be reopened or re-tried (at least without the enforcement court’s permission.)

See comments above on the extent to which UK IPO, EU IPO and TTAB decisions relating to trade marks may be *res judicata* in their own territories.

We see no particular fundamental difference in this regard between administrative rulings on other kinds of registered IP rights.

**12 Do you have any particular concerns about circulation of such rulings under the Convention? If so, please explain and provide examples if possible.**

CITMA members have not identified any particular concerns. Anecdotally, cancellation decisions issued by administrative bodies, including the UKIPO, the EUIPO, the TTAB, the Korean Intellectual Property Office, have reached comprehensible, and not obviously unreasonable decisions.

It should be borne in mind in this regard that the “new” EU trade mark harmonisation directive (EU) 2015/2436 requires at Articles 45 and 54 that member states implement **administrative** procedures for the revocation and invalidity of trade mark registrations. They must do so before 2023. It would seem in these circumstances, counterproductive that decisions issued by administrative bodies pursuant to such procedures should not have the equivalent force of judicial decisions.

**We would find it helpful to have your views on the following**

**13 When is injunctive relief important in a cross-border situation for IP cases, and why? It would be particularly helpful to have examples.**

**And**

**Do you consider cross border recognition of injunctive relief to be desirable? Please detail the potential risks/benefits.**

We assume these questions are directed to the enforcement of injunctions issued by a national court following the infringement of an IP right in the territory of the court in question. An injunction based for instance on a national UK trade mark right will usually be geographically limited to the territory of the United Kingdom.

As mentioned in the introductory comments, injunctive relief is often more important to rights holders than monetary relief. The ability to enforce an injunction issued by a UK court, against a business outside the UK that is continuing to target UK consumers with products proscribed by the injunction, appears, therefore, superficially attractive.

As noted in the example given in the introduction above, it is not uncommon for UK brand owners to invoke “customs seizures”, “take downs” and other measures rather than court action precisely because of the issue of enforcement of the resulting judgment against overseas defendants.

However, the enforcement of injunctions necessarily would involve the enforcement court having, effectively, to determine again the issues at play in the court of origin– Is the defendant behind the activity complained of and does the defendant’s activity breach the terms of the injunction issued by the court of origin. In a default judgment, the question of whether the defendant was properly identified, notified and served could also frustrate a claimant trying to enforce the injunction in the defendant’s home country.

See also introductory comments above concerning potential abuses of the proposed treaty in respect of “incoming” claims for enforcement.

**14 Do you have any particular observations or concerns about that proposed drafting.**

The concern raised is that the current drafting of Article 11 could exclude the recognition (and therefore the res judicata finality) of the ruling in question.

For the reasons stated, we do not consider the practical effect would be significant in any event, particularly given that the enforcement court necessarily would have to re-examine the facts at play before the court of origin when considering the injunction in question.

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