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Delegations will find attached the declassified version of the above document.

The text of this document is identical to the previous version.



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NOTE

From: Commission Services

To: Delegations

Subject: Relations with the Hague Conference
Judgement Project
Preparation for the Diplomatic Session, The Hague, 18 June - 2 July 2019
- Non-paper from the Commission on Intellectual property matters

Delegations will find attached a non-paper from the Commissions services on Intellectual property matters including a Proposal of the delegation of the European Union in preparation for the above-mentioned Diplomatic session.

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1. The present document sets out the EU position on Intellectual Property (IP) issues to be taken at the Diplomatic Session on the Judgments Convention in The Hague, 18 June – 2 July 2019. It builds on earlier positions agreed for the four Special Commissions (Documents 8324/1/16 REV 1 Restricted, 6072/17 ADD 2 Restricted, 13753/17 Restricted and 8477/18 Restricted), as amended in the light of the discussions during two informal meetings held in Jerusalem/Israel in November 2018 and in Brussels in March 2019 in which the Commission participated on behalf of the EU and its Member States (see the meeting report of the Jerusalem meeting in Council document 6261/19 EU Restricted). In principle, the earlier policy preferences are still upheld but this paper seeks to propose a pragmatic and flexible way forward in order to find a position that could reach consensus at the Diplomatic Session.

I. The Policy Approach with regard to Intellectual Property and the Judgments Convention

2. Up to now, the EU has advocated the position that IP-related judgments should be fully included within the scope of the draft Judgments Convention (the Convention). Initially, this encountered opposition of a number of delegations, in particular the US and to a slightly lesser extent also Brazil, Canada, China and Israel, among others. In order to make the inclusion of IP acceptable to those opposing it, the EU has so far accepted an approach for the jurisdictional filters which is based on strict territoriality. Current Articles 5(3) and 6(a) only allow for the recognition and enforcement of IP-related judgments under the Convention which were given in the Contracting State where – and under the law of which – the right was created and is protected. This deprives the Convention of the benefit of recognition and enforcement for judgments resulting from consolidated litigation, e.g., in the general defendant's forum, in cases of multi-State infringement with regard to different IP rights protected in different States. But it led to the desired effect that at least some States which had previously opposed the inclusion of IP were now open to it or even positive (e.g. Brazil and Israel; possibly also China). Others, however, remained opposed (US, Canada), and recently also Australia, formerly in favour of including IP, has changed its position and is now opposing this.

3. Moreover, some concerns were raised in the negotiations, in particular by Common Law States, about injunctive relief. If IP were included, several delegations would like to limit the circulation of judgments in IP matters to monetary judgments (see current Article 11).
4. In the course of 2018, both the Commission and the Member States have consulted IP stakeholders in the EU, and the outcome shows as much variety as the global picture. Five Member States plead for an exclusion of IP now, ten for inclusion, and three express that they would not oppose including IP. Ten Member States wish to treat all IP rights equally (independent of whether these Member States favour the exclusion or inclusion of IP) while a few Member States are rather neutral on this point. Some wish a clear definition or closed list of the rights which are included, and one considers that the inclusion of solely copyright might be a promising route. Two Member States underlined that injunctions are particularly important.
5. As reported earlier to the Member States, the Commission has consulted certain supranational and international stakeholder organisations. Apart from the position of the International Trademark Association (INTA) which favours inclusion of trademark-related judgments, and the International Federation of the Phonographic Industry which does the same for copyright and related rights, the feedback was almost exclusively negative. This concerns notably industrial property rights, in particular patents. Stakeholders reported that they don't see a need for rules providing for cross-border recognition and enforcement; they find the draft Convention complex, difficult to understand and apply, and fear unintended consequences.

6. Against this background, it seems unlikely to achieve consensus on the inclusion of all IP-related judgments during the Diplomatic Session. If IP were to be generally included, there is always the possibility of making a declaration under Article 19 that the declaring State will not apply the Convention to IP-related judgments, but the negotiations have shown that this is not considered sufficient. In light of the time pressure in June – and also in light of the different positions of the EU Member States – it is therefore suggested to take the initiative and propose a position for which consensus is at least conceivable, namely to include only judgments relating to copyright and related rights within the scope of the Convention, similarly to what was done for the Choice of Court Convention. In the area of copyright and related rights, some substantive-law harmonisation has gradually been achieved by means of the Berne Convention, the WIPO Treaties (WIPO Copyright Treaty (WCT) and WIPO Performances and Phonograms Treaty (WPPT)) and certain other instruments. Moreover, there is clearly a need for cross-border recognition and enforcement as the defendant and his assets are often not located in the country under the law of which protection is claimed (i.e. the State of origin of the judgment). In this respect it needs to be pointed out that injunctions are by far more important than damages because often the tort-feasors do not possess important assets to satisfy any judgment awarding damages. What matters is to stop the infringement – if need be by exposing an infringer who operates from a distance to enforcement measures in the State where he lives and/or operates, and from where the infringing acts emerge. This is fully in line with the territoriality principle as these enforcement measures shall only prevent the infringer from continuing the infringement in the State of origin of the judgment. As long as the relevant acts do not produce any effect in that State, the infringer may continue them.

7. Other available options instead of the one presented in the attached Working Document would be either to continue to defend the complete inclusion of IP or join those who advocate complete exclusion. The latter might be the ultimate outcome of the Diplomatic Session; however, for bargaining purposes with a view to achieving some package deal favourable to EU interests, it would seem unwise to give up on the inclusion of IP entirely at this stage. Keeping our former position of maximum inclusion, on the other hand, will clearly not reach consensus, as discussed above, and re-proposing this now would make the EU look like a rather inflexible negotiator. Any "in-between" solution like the one adding trademarks to copyright and related right would leave the problems of common courts and decisions of competent authorities to be resolved. And including only copyright and related rights but without injunctions would not even serve the copyright community. Hence the policy proposed appears to be the best common denominator in terms of an efficient negotiation strategy.

8. **Suggested EU position: it is suggested to propose a position for which consensus is conceivable, namely to include only judgments relating to copyright and related rights within the scope of the Convention, similarly to what was done for the Choice of Court Convention, and to exclude all other IP-related judgments from scope. Even those who favour IP exclusion altogether have so far not come up with reasons why this is necessary for copyright and related rights and would therefore be put in a defensive position.**

II. The suggested changes in detail

9. The proposed Working Document in the Annex implements the policy choice suggested above. The text below explains which changes are suggested and why. Where there is a policy suggestion for an additional EU position, this is indicated in bold as "Suggested EU position".

a) Article 2

10. As mentioned above, even if IP were included in the scope of the Convention, a State could opt out of this by making a declaration under Article 19. Nonetheless this has unfortunately not been considered sufficient by most of those who are opposed to including IP within scope. This attitude is not likely to change as it has remained quite stable over the past years, albeit without any compelling reasons having been presented. This is regrettable because a solution through the declaration system would make the Convention future-proof. All necessary provisions would be put in place, and even if in the beginning all Contracting States would declare an opt-out for IP, the system would allow States to amend or withdraw their declaration in the future without the need to negotiate a new instrument. As this does not seem a promising way, though, one possible approach would be to limit the Convention to copyright and related rights, and trademarks. Stakeholder organisations from these two areas (representing mainly rightholders and litigators) have pleaded for the inclusion. On the other hand, business representations (representing companies which are rightholders as well as licensees or alleged infringers) generally requested a carve-out of all industrial property rights (including trademarks). Moreover, excluding also trademarks would have the beneficial side-effect¹ that the common-courts issue would no longer be a problem for the EU. It is still not clear which solution can be achieved on that front. Assuming that we can bring home the case that the CJEU is not a “common” court but the court of one Contracting Party, the only common courts of interest to the EU with regard to the scope of the Convention would be the Unified Patent Court (UPC) and the Benelux Court which has jurisdiction over certain trademark disputes but not over copyright and related rights.
11. The politically sensitive issue of “analogous matters” is left untouched in the proposed Working Document, i.e. it is kept in square brackets, in order to keep the focus of the EU proposal on limiting the Convention to copyright and related rights for the time being.

¹ Another positive effect of this approach would be that the request made by China, namely to include decisions of IP offices within the scope of the Convention, would equally become obsolete because China was concerned that decisions on the validity of Chinese patents, which are exclusively taken by the Chinese Patent Office, would not circulate under the Convention.

12. **Suggested EU position:** If the suggested approach of limiting the scope of the Convention to copyright and related rights is accepted, the EU might consider at a later stage to delete the square brackets around “analogous matters” and keep the words in the text, thus ensuring that no obligation to recognise and enforce judgments on such “analogous matters” will be established by the Judgments Convention..

b) **Article 5**

13. The proposal leaves the structure untouched, i.e. that the filters in Article 5(1) do not apply to IP-related judgments for which recognition and enforcement is sought under the Convention. The discussions at the Ottawa meeting in 2017 and at the November 2017 Special Commission have clearly shown that the strictly territorial approach of Article 5(3) is the only approach that those who were initially opposed to applying the Convention to IP would accept. The suggested changes to the specific filter in Article 5(3) are merely technical, eliminating all references to rights which would be excluded from scope under the proposed Article 2(1)(m) discussed above.

c) **Article 6**

14. The same applies to Article 6. IP rights are dealt with in Article 6(a) of the draft Convention, but this provision concerns exclusively IP rights required to be granted or registered, i.e. certain industrial property rights which would be excluded from scope under the approach suggested above. Hence, Art. 6(a) could be deleted.

d) Article 7

15. After the decision was taken to exclude the application of the jurisdiction filters in Article 5(1) to IP-related litigation and only permit application of the filters in Article 5(3) and Article 6(a), which are both based on strict territoriality, it seemed obvious that the safeguard formerly provided in Article 7(1)(g) would no longer be necessary. This safeguard was in particular drafted for situations of consolidated litigation concerning multi-State infringement in one single forum, e.g. the defendant's habitual residence. There had been concerns that the court seised might not apply all the different territorial IP laws to the infringement of each territorial IP right, but might instead apply one single law to the entire infringement situation. The fear expressed was in particular that the forum State would simply apply its own substantive law to the entire case. But now that only judgments can circulate under Articles 5(3) and 6(a) which were given by a court in the State where the right was created / is protected, it seems obvious that that State would have applied its own law. Therefore the EU has always held that this exception from the prohibition of a *revision au fond* is no longer justified and should be deleted. This position still stands also if not all IP rights but only copyright and related rights were to be covered by the scope of the Convention.

e) Article 8

16. The changes suggested to Article 8(3) are limited to what is necessary to implement the policy change suggested under point a) above. After the proposed deletion of Article 6(a), that provision can no longer be the point of reference in Article 8(3). The drafting therefore follows the wording of Article 10(3) of the Choice of Court Convention which is equally limited to copyright and related rights.
17. Article 8 has received a lot of criticism from IP stakeholders. In particular concerning patents, under paragraph 1 problems of issue estoppel / issue preclusion caused by rulings on an invalidity defence in infringement proceedings were feared because of the Convention with regard to parallel patents held in different States under different national laws for the same invention (patent families) if a decision on one of these territorial patents were to take effect under the Convention, even though Article 8(1) expressly excludes any such effect of a ruling on a preliminary question.

18. At the Jerusalem meeting, a slightly further-reaching text (as regards presentation / visibility) had therefore been suggested, which would break up the current Article 8 into two new Articles: an Article 8 (with the text of what is currently Article 8(1)), clarifying that a ruling on a preliminary question (such as, for example, an invalidity defence in infringement proceedings) does not produce any effect under the Convention, and an Article 8a containing the current paragraphs 2 and 3 of Article 8 (see the report on the Jerusalem meeting prepared by the Commission in doc. 6261/19 EU Restricted). The necessary drafting adaptations to the new stand-alone Article 8a did however produce some unintended (and indeed undesired) side-effects on patent litigation in bifurcated systems, but if the EU would now opt for limiting the Convention to copyright and related rights, the EU could either propose a redraft of Article 8 or support a proposal made by others. The new Article 8 (current Art. 8(1)) dealing solely with rulings on preliminary questions and indicating this in its own title) would increase visibility and could help attenuating concerns about possible issue estoppel / issue preclusion effects generated by the Convention.
19. **Suggested EU position: If the suggested approach of limiting the scope of the Convention to copyright and related rights is accepted, the EU might consider at a later stage to either propose a redraft of Article 8 or support a proposal made by others. Article 8 could be split in two Articles, one dealing with rulings on preliminary questions and underlining that they produce no cross-border effect under the Convention, and the other dealing with judgments based on a ruling on a preliminary question to which the Convention does not apply or on which a court other than the court referred to in Article 6 ruled, and the possibility to refuse or postpone recognition and enforcement of such judgment in certain cases.**

f) Article 11

20. Article 11 was suggested by Israel and supported by other delegations who had concerns that the obligation to enforce an injunction outside the State where it was issued might interfere with the sovereignty of the requested State. The EU has always firmly opposed Article 11 which seeks to exclude the enforcement of injunctive relief in matters of IP infringement. Therefore, one way to deal with this would be to propose once again its deletion. It is clear, though, that this will still not be acceptable to those who requested this Article. The Jerusalem meeting has paved the way for finding some middle ground which might be acceptable to all. It (only) excludes the obligation to enforce such injunctive relief which is not limited to conduct in the State of origin of the judgment, and the obligation to enforce only applies if the law of the requested State provides for the possibility to enforce such injunctive relief through a monetary remedy in case of non-compliance. The application of Article 11 presupposes that the judgment passes the filter in Article 5(3). In the suggested wording, the limitation established by Article 11 would apply only to the part of the judgment granting injunctive relief; any other parts of the infringement judgment (e.g. damages awarded) would fall under Article 5(3) and possibly Article 10, but not Article 11. Moreover, Article 11 only affects the enforcement, not the recognition. The technique resembles the former Article 9 (equivalent effects) initially proposed by the EU² and applies it to one specific issue, namely injunctive relief.

g) Other issues

21. If the suggested approach of limiting the scope of the Convention to copyright and related rights is accepted, the EU might consider at a later stage whether, in light of the state of play during the negotiations, an opt-in article could be proposed which would allow declaring States to extend the convention to IP rights other than copyright and related rights. Whether this appears feasible will depend on the provisions retained in the Convention with regard to copyright and related rights and how much adaptation would be necessary if other IP rights would be covered as well.

² That provision was deleted in the end because it would have created an obligation to recognise issue estoppel effects in contradiction to Article 8(1).

22. **Suggested EU position:** If the suggested approach of limiting the scope of the Convention to copyright and related rights is accepted, the EU might consider at a later stage whether, in light of the state of play during the negotiations, an opt-in article could be proposed which would allow declaring States to extend the convention to IP rights other than copyright and related rights.

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Proposal of the delegation of the European Union

Article 2 – Exclusions from scope

~~{(m) intellectual property[and analogous matters]}, except for copyright and related rights;~~

Article 5 – Bases for recognition and enforcement

~~3. Paragraph 1 does not apply to a judgment that ruled on an intellectual property right or an analogous right~~ **a copyright or related right**. Such a judgment is eligible for recognition and enforcement if one of the following requirements is met:

- ~~(a) the judgment ruled on an infringement in the State of origin of an intellectual property right required to be granted or registered and it was given by a court in the State in which the grant or registration of the right concerned has taken place or, under the terms of an international or regional instrument, is deemed to have taken place[, unless the defendant has not acted in that State to initiate or further the infringement, or their activity cannot reasonably be seen as having been targeted at that State];~~
- ~~(ba) the judgment ruled on an infringement in the State of origin of a copyright or related right, an unregistered trademark or unregistered industrial design and it was given by a court in the State for which protection was claimed[, unless the defendant has not acted in that State to initiate or further the infringement, or their activity cannot reasonably be seen as having been targeted at that State];~~
- ~~(eb) the judgment ruled on the validity[, subsistence or ownership] in the State of origin of a copyright or related right, an unregistered trademark or unregistered industrial design, and it was given by a court in the State for which protection was claimed.}~~

Article 6 - Exclusive bases for recognition and enforcement

Notwithstanding Article 5 -

- ~~{(a) a judgment that ruled on the [registration or] validity of an intellectual property right required to be granted or registered shall be recognised and enforced if and only if the State of origin is the State in which grant or registration has taken place, or, under the terms of an international or regional instrument, is deemed to have taken place;}~~
- ~~(ba) a judgment that ruled on rights *in rem* in immovable property shall be recognised and enforced if and only if the property is situated in the State of origin;~~
- ~~(eb) a judgment that ruled on a tenancy of immovable property for a period of more than six months shall not be recognised and enforced if the property is not situated in the State of origin and the courts of the Contracting State in which it is situated have exclusive jurisdiction under the law of that State.~~

Article 7 – Refusal of recognition and enforcement

1. Recognition and enforcement may be refused if – [...]
 - (f) the judgment is inconsistent with an earlier judgment given in another State between the same parties on the same subject matter, provided that the earlier judgment fulfils the conditions necessary for its recognition in the requested State;
 - ~~[(g) 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.]~~

Article 8 - Preliminary questions

1. A ruling on a preliminary question shall not be recognised or enforced under this Convention if the ruling is on a matter to which this Convention does not apply or on a matter referred to in Article 6 on which a court other than the court referred to in that Article ruled.
2. Recognition or enforcement of a judgment may be refused if, and to the extent that, the judgment was based on a ruling on a matter to which this Convention does not apply, or on a matter referred to in Article 6 on which a court other than the court referred to in that Article ruled.
- [3. However, in the case of a ruling on the validity of ~~a right referred to in Article 6, paragraph (a)~~ **an intellectual property right other than copyright or a related right**, recognition or enforcement of a judgment may be postponed, or refused under the preceding paragraph, only where -
 - (a) that ruling is inconsistent with a judgment or a decision of a competent authority on that matter given in the State ~~referred to in Article 6, paragraph (a)~~ **under the law of which the intellectual property right arose**; or
 - (b) proceedings concerning the validity of ~~that~~ **the intellectual property** right are pending in that State.

A refusal under sub-paragraph (b) does not prevent a subsequent application for recognition or enforcement of the judgment.]

~~[Article 11 - Non-monetary remedies in intellectual property matters~~ **Injunctive relief relating to the infringement of a copyright or related right**

~~In intellectual property matters~~ **Injunctive relief granted in** a judgment ruling on an infringement **of a copyright or related right** shall be ~~recognised and~~ enforced only to the extent that -

- (a) it ~~rules on~~ **relates to conduct in the State of origin, and**
- (b) **the law of the requested State provides for the possibility to enforce such injunctive relief through** a monetary remedy **in case of non-compliance** ~~in relation to harm suffered in the State of origin.]~~