

# Max-Planck-Institute Proposal on International Jurisdiction in Intellectual Property Matters: Some Observations from the Korean Law Perspectives

Prof. Dr. Kwang Hyun SUK\*

## I. Introduction

I would like to express my sincere thanks to Waseda University and in particular, Professor Kidana for giving me the opportunity to attend this meeting today and to listen to the presentation of Professor Annette Kur, one of the most distinguished experts on the private international law issues in the intellectual property matters. I understand that my mission today is to make some observations on the revised January 2003 proposal of the Working Group of the Max-Planck-Institute for Intellectual Property, Competition and Tax Law on International Jurisdiction in Intellectual Property Matters (“MPI Proposal”) chaired by Professor Kur. However I must admit that at present I am not in a position to make thorough observations or comments on the MPI Proposal. Therefore I would like to confine my observations to several aspects of Article 12a (International Jurisdiction in Intellectual Property Matters). For my better understanding the MPI Proposal and in the interests of the audience who may have some questions on the MPI Proposal I would like to make several observations on the MPI Proposal from the Korean law perspectives.

## II. The Case of Relative Invalidity (paragraph 1(2))

Paragraph 1(2) provides “*Notwithstanding paragraph 4, 1st sentence, the courts in the Contracting 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 if the judgment would entail a prohibition of further use of the right in that Contracting State, even though the issue of invalidity has not been raised expressly in the proceedings.*” (underline added by author).

Comments of the MPI Proposal explain that paragraph 1(2) is intended to take care of possible problems resulting from the concept of relative invalidity, which is particularly important in trademark law and that the present MPI Proposal extends the rule of exclusive jurisdiction in validity matters to those cases where a total prohibition of further use of a registered right would ensue from an injunction based on an infringement claim. The MPI Proposal gives an illustration. However, the meaning of the underlined parts of the text of the MPI Proposal and the comments above and the scope of application of paragraph 1(2) is not quite clear to me.

I would like to raise a very simple question. Suppose that X has taken out trademark registra-

---

\* Hanyang University

tions in country A. Y is domiciled in country B. Y has infringed X's trademark in country A. Pursuant to paragraph 4 if Y has infringed X's trademark, the courts of country B would be able to issue against Y a judgment ordering compensation of damage and an injunction prohibiting further use of X's trademark in country A. I wonder whether according to paragraph 1(2), the courts of country A have exclusive jurisdiction over such an injunction. If this is the case, X would not be able to initiate proceedings seeking injunction in country B which has general jurisdiction over the defendant, Y. I would appreciate it very much whether paragraph 1(2) is contemplated to be applicable to this case.

### III. Jurisdiction for Proceedings Concerning the Infringement of Intellectual Property Rights (paragraph 3)

As a general rule, paragraph 3 lists the following three alternative jurisdictions in proceedings concerning the infringement of intellectual property rights:

- a) jurisdiction of the country where the right has been registered, is deemed to have been registered or where it has otherwise acquired protection;
- b) jurisdiction of the country whose courts have been agreed to have jurisdiction by the parties' agreement; and/or
- c) jurisdiction of the country where the defendant is habitually resident, i.e., the country which has general jurisdiction over the defendant.

Both the country of the defendant's forum (in the case of 'c' above) and the country selected by the parties' agreement (in the case of 'b' above), have jurisdiction for all infringement claims raised against that defendant (paragraph 4). By contrast, if jurisdiction is solely founded on the fact that the right has been registered, is deemed to have been registered or has otherwise acquired protection in the forum state (in the case of 'a' above), the country's jurisdiction is restricted to the infringement occurring in that particular country (paragraph 4).

#### 1. Jurisdiction of the Country of Registration or Protection (alternative 'a')

A question arises as to the exact meaning of alternative 'a'. Alternative 'a' above gives the impression that the country where the right is registered, is deemed to have been registered or where it has otherwise acquired protection has jurisdiction for infringement proceedings irrespective of whether infringement has occurred in that country or, more precisely, whether the activities forming the cause of action have resulted in infringement in that country. In other words, the country of registration of intellectual property rights appears to have non-exclusive jurisdiction based upon the registration, deemed registration or protection as such. However, I think that this is not true. The correct interpretation of alternative 'a' above is that the country where the right is registered, is deemed to have been registered or where it has otherwise acquired protection has jurisdiction for infringement proceedings if and only if the infringement has occurred in that country. This conclusion can be clearly drawn from paragraph 4(2) ("*If jurisdiction in infringement proceedings is solely founded on the fact that the right has been registered, is deemed to have been registered or has otherwise acquired protection in the Contracting State, the courts in that Contracting State have jurisdiction only with respect to infringements occurring in that territory, unless regulated otherwise in paragraph 5.*")(underline added by author). For if there is no infringement

at all occurring in the country where the right is registered, is deemed to have been registered or where it has otherwise acquired protection, that country will nevertheless have no jurisdiction at all. In other words, paragraph 4(2) presupposes that registration, deemed registration or protection of intellectual property right is not sufficient and that registration, etc., combined with infringement in that country can be a ground of jurisdiction under alternative ‘a’.

If my understanding is correct, one may criticize the current language of alternative ‘a’ as slightly misleading. One might even suggest replacing the current ‘a’ with “jurisdiction of the country where the right has been registered, is deemed to have been registered or where it has otherwise acquired protection, provided that the right is infringed [or is alleged to be infringed] in that country.”

## 2. Place of Infringement and the Place of Tort

Paragraph 3(3) expressly provides that Article 10 of the 1999 Preliminary Draft of the Hague Conference on Private International Law (“Hague Conference”) setting forth the jurisdictional rules on tort does not apply with respect to infringement proceedings or declaration of non-infringement of intellectual property rights. I understand that the MPI Proposal purports to fine tune the jurisdictional rules to the special features of intellectual property rights by using the specific term “infringement”, rather than general notions of tort law such as “act” and “omission”. I believe that this is one of the strong points of the MPI Proposal compared with the 1999 Preliminary Draft of the Hague Conference, which encompasses comprehensive jurisdictional rules in civil and commercial matters. However, deviation from the traditional jurisdictional rules on tort (*forum delicti commissi rule*) has some drawbacks in that one cannot learn valuable lessons from the discussions and debates that have revolved around the traditional jurisdictional rules on tort for a long time. This is also the case with Korea. The Korean Conflict of Laws Act, which has been revised as of July 1, 2002, has introduced as a choice of law rule the principle of the law of the protecting country (*lex loci protectionis*) in Article 24. Under the Korean Conflict of Laws Act, the traditional jurisdictional rules on tort (*forum delicti commissi rules*) are prevailing in Korea for proceedings concerning infringement of intellectual property rights. In this context I would like to raise several questions.

### A. Definition of Infringement (paragraph 6)

It is not entirely clear what is meant by the term infringement. Paragraph 6(1) tries to define the term “infringement” or localize the place of the “infringement” by providing that “*for the application of paragraph 4, second sentence, an infringement is held to occur in a Contracting State where the right exists, provided that a) the activity or omission by which the right is claimed to be infringed has commercial effect or, if commercial effect is lacking, a substantial impact in that Contracting State, or b) the activity by which the right is claimed to be infringed is intentionally directed towards that Contracting State” (underline added by author).*

The underlined part of this definition gives the impression that infringement is similar to the notion of “result” (or *Erfolg* in German) or “injury” (or *Verletzung* in German) and does not encompass the notion of “act” (or *Handlung* in German). In this context I wonder whether it is wrong to explain that the notion of infringement can be divided into “act of infringement” and “result of infringement”. I would appreciate it very much if Professor Kur would elaborate on this point.

## B. Infringement - *Verletzung* or Schaden

In addition I am not sure whether the infringement means “economic loss” or “damages” (or *Schaden* in German). Paragraph 6 providing that “*for the application of paragraph 4, second sentence, an infringement is held to occur in a Contracting State where the right exists, provided that a) the activity or omission by which the right is claimed to be infringed has commercial effect or, if commercial effect is lacking, a substantial impact in that Contracting State*” gives the impression that what is relevant in determining jurisdiction is commercial effect or substantial impact.

However, I understand that in the context of traditional jurisdictional rules on tort (*forum delicti commissi* rules), the place of “economic loss” or “damages” is generally not relevant. What is relevant is rather the place of “injury” (or *Verletzung*) where the legal interest has been injured or prejudiced. I would like to ask Professor Kur whether the place of infringement is designed to mean the place of “economic loss” or “damages” (or *Schaden*) rather than the place of “injury” (or *Verletzung*) of the intellectual property right.

## C. State Where Intellectual Property Right Exists

As stated above, the country where the right has been registered, is deemed to have been registered or where it has otherwise acquired protection has alternative jurisdiction in infringement proceedings (alternative ‘a’ above). On the other hand, paragraph 6(1) provides that “*for the application of paragraph 4, second sentence, an infringement is held to occur in a Contracting State where the right exists, provided that a) the activity or omission by which the right is claimed to be infringed has commercial effect or, if commercial effect is lacking, a substantial impact in that Contracting State, or b) the activity by which the right is claimed to be infringed is intentionally directed towards that Contracting State*” (underline added by author).

I would like to draw your attention to the different expressions used in the underlined parts of alternative ‘a’ and paragraph 6(1) above. I think that they have the same meanings although the country where the right has been registered, is deemed to have been registered or where it has otherwise acquired protection is more specific than a state where the right exists. I understand that some legal commentators argue that the intellectual property rights exist everywhere or nowhere so that the place of the injury or infringement cannot be localized. I would like to ask Professor Kur to explain whether the MPI Proposal intentionally adopted different expressions in paragraphs 3 and 6, and if the answer is yes, what the reasons therefor are.

## D. Activity Directed Towards a State

I wonder how paragraph 6(1)b (“*the activity by which the right is claimed to be infringed is intentionally directed towards that Contracting State*”) pursuant to which an infringement is held to occur in a state even if no activity is actually carried out in that state or there is no commercial effect or substantial impact in that state could be justified.

From the perspective of the traditional jurisdictional rules on tort (*forum delicti commissi* rule), the reason why an infringement is held to occur in a state where the right exists, provided that “the activity or omission by which the right is claimed to be infringed has commercial effect or, if commercial effect is lacking, a substantial impact in that Contracting State” (paragraph 6(1)a), would be that that state can be assimilated to the place of ‘result’ (or *Erfolg*) or “injury” (or *Verlet-*

zung). On the other hand it is difficult to understand why an infringement should be held to occur in a state where the right exists, provided that “the activity by which the right is claimed to be infringed is intentionally directed towards that state”. I do not think that in such a case that state could be assimilated to the place of “act” (or *Handlung*) under the traditional jurisdictional rules on tort (*forum delicti commissi* rule). It is more so because paragraph 6(1)b is to apply to infringement proceedings that are not related to internet or similar ubiquitous media. I would appreciate it very much if Professor Kur would elaborate on this point.

As a minor point, I wonder whether the notion of the “activities aimed at a state” (paragraph 5b) is different from that of the “activities intentionally directed towards a state” (paragraph 6(1)b).

### 3. Jurisdiction of the Country of Registration or Protection (paragraph 4)

If jurisdiction in infringement proceedings is solely founded on the fact that the right has been registered, is deemed to have been registered or has otherwise acquired protection in the Contracting State, the courts in that Contracting State have jurisdiction only with respect to infringements occurring in that territory (paragraph 4(2)). This rule purports to apply to the infringement of intellectual property rights the interpretation given by the European Court of Justice to Article 5.3 of the Brussels Convention (currently Brussels Regulation) in a defamation case, *Fiona Shevill et al. v. Presse Alliance S. A.* of March 7, 1995. I understand that some legal commentators who are generally in favor of applying the *Shevill* doctrine to compensation of damages argue that the *Shevill* doctrine should not apply to so-called action seeking injunction (or *Unterlassungsklage* in German). However paragraph 4(2) does not distinguish action seeking compensation of damages from action seeking injunction. I would appreciate it very much if Professor Kur would elaborate on this point.

### 4. Reach of Jurisdiction : E-Commerce (paragraph 5)

#### A. Exception to the General Rule

In order to cope with infringement of intellectual property rights occurring in cyberspace (for example, infringements resulting from unauthorized use of content posted in the Internet), paragraph 5 introduces a more flexible rule by providing that courts in other contracting states than the contracting state where the defendant is habitually resident shall have jurisdiction with respect to infringements occurring in other territories, if two conditions are satisfied. The purpose of this rule is to allow the courts of a country other than the country which has general jurisdiction over the defendant to exercise multistate jurisdiction with respect to infringements occurring in other territories, thereby consolidating claims or proceedings against the defendant before a single court that has jurisdiction to adjudicate the infringement as a whole. This is an exception to the general rule set forth in paragraph 3.

#### B. Two Conditions

The two conditions are as follows : firstly, as a positive condition, “*an essential part of the activities which are claimed to have caused the infringement has been carried out by the defendant in the forum state*”, and secondly, as a negative condition, “*the activities which are claimed to have caused the infringement are not aimed at the market in the Contracting State where the defendant is habitually resident, and have no substantial commercial effect there*”.

The Comments in the MPI Proposal propose that “*the first requirement should be considered as met if either (i) the activities causing infringements in the forum state as well as in other states have been carried out in the forum state, and/or if (ii) activities carried out in the same or another contracting state have resulted in a substantial number of infringements, or have caused substantial economic harm, in the forum state*”.

First Condition : At the first glance the first condition appears to be relatively easy to understand compared with the second condition. However, the above explanation is rather difficult to understand in that it focuses on “the place of activities” and/or “the place of effect” whereas the text as such appears to focus on “the place of activities” only. If that is the real intention of the MPI Proposal, I would suggest that such effect be clearly spelt out in the text of the MPI Proposal. I would appreciate it very much if Professor Kur would elaborate on this point.

In addition, it is not clear whether paragraph 6(1)b pursuant to which *an infringement is held to occur in a state where the right exists, provided that the activity by which the right is claimed to be infringed is intentionally directed towards that Contracting State* has any impact on the determination of the place of activities under paragraph 5a. This is because a state towards which the activity by which the right is claimed to be infringed is intentionally directed could be assimilated to the place of “act” (or *Handlung*) under the traditional jurisdictional rules on tort (*forum delicti commissi* rule).

Finally, it is not clear whether there is any difference between the expressions “essential” and “substantial”.

Second Condition : As to the second condition, the Comments in the MPI Proposal expressly state that the second condition was deliberately chosen in order to mark the importance attributed to the protection of defendant’s interests in the context of the MPI Proposal although it is controversial and certainly needs further discussion. I am slightly concerned that paragraph 5 might be meaningless since the second condition could effectively restrict the consolidation contemplated by paragraph 5.

Suppose that the activities which A carried out in state X have resulted in a substantial number of infringements, or have caused substantial economic harm, in the forum state X (for example, the U.S.A.) and several other states. In such a case, it would seem natural for the forum state X to have multistate jurisdiction for the entire infringement as a whole. However, if the activities of A are also aimed at the market in state Y where the defendant is habitually resident, or (not “and”) the activities of A have substantial commercial effect also in the market in state Y, the forum state X will not be able to exercise multistate jurisdiction under paragraph 5. If this conclusion is correct, one could easily avoid the application of paragraph 5 by simply arranging the infringing activities to be also aimed at the market in state where he or she is habitually resident. It does not matter whether the activities have substantial commercial effect in the market in that state. I wonder whether this conclusion could be justified. I would appreciate it very much if Professor Kur would clarify this point.

#### IV. Forum Non Conveniens

Comments in the MPI Proposal stress that the new article concerning intellectual property

matters must be included in Article 22.1 of the Preliminary Draft of the Hague Conference as one of those provisions where the *forum non conveniens* principle does not apply. As a Korean lawyer belonging to the civil law jurisdiction which favors legal certainty and predictability of the parties in determining jurisdiction, this position is quite understandable. Having said that, Article 22.1 of the Preliminary Draft of the Hague Conference constitutes a compromise which time consuming dialogues among various countries belonging to the common law jurisdiction and the civil law jurisdiction had managed to produce.

I would like to know why the rules set forth in Article 12a of the MPI Proposal should in its entirety not be subject to the *forum non conveniens* principle. More specifically, one might argue that jurisdictional rules concerning infringement of intellectual property rights should be subject to the *forum non conveniens* principle as other jurisdictional rules, such as those applicable to tort in general. I would appreciate it very much if Professor Kur would elaborate on this point.

## V. Future Development

As noted in the Comments in the MPI Proposal, Article 12a is modeled on the provisions set out in Article 12 paragraphs 4 *et seq.* of the 1999 Preliminary Draft of the Hague Conference. However, the Hague Conference has finally given up concluding a comprehensive international convention on jurisdiction in civil and commercial matters which I find is very regrettable. Hague Conference currently tries to conclude a convention on exclusive choice of court agreements. Under these circumstances I would appreciate it very much if Professor Kur would kindly explain what the best course of action should be to take the rules of the MPI Proposal into practice in the future. Please let us know if there is any concrete plan being contemplated by the Max-Planck-Institute or any other organization.

## VI. Concluding Remarks

Thus far I have made some observations and raised several questions on the MPI Proposal. Some of my observations and questions may be due to my misunderstanding of the MPI Proposal or my ignorance about the special features of jurisdictional rules on intellectual property rights. At any rate, I am quite confident that MPI Proposal and the efforts of the Working Group of the Max-Planck-Institute chaired by Professor Kur have substantially contributed to the discussion and debate concerning the jurisdictional rules on intellectual property rights and will prove to be very conducive to the establishment of the future international norms on the subjects. I would like to conclude my observation by expressing again my sincere thanks to Waseda University and Professor Kidana.