THE MPI PROPOSAL

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I. Background and Present State of the MPI Project

A special working group to investigate the interface between intellectual property and private international law was established in 2001 at the Max-Planck-Institute for Intellectual Property, Competition and Tax Law in Munich. The group is chaired by Profs. Josef Drexl and Annette Kur. The formation of that group was motivated primarily by the growing importance of issues concerning international jurisdiction and choice of law in the age of globalization, in particular with regard to communication over the internet. The project was further spurred by the problems that had become obvious by that time with regard to concluding a comprehensive Convention on jurisdiction and enforcement of foreign judgments in civil and commercial matters in the framework of the Hague Conference of Private International Law (Draft Hague Jurisdiction Conference, DHJC). In parallel to the efforts initiated at the same time by the American Professors Rochelle Dreyfuss and Jane Ginsburg – which subsequently developed into the present ALI project – the MPI project was intended to provide for more scientific input in this matter, in order to help filling the gap that would be left by the Hague Conference abandoning or substantively limiting their original, ambitious plans.

Before this background, it appeared natural for the MPI working group to start by elaborating a proposal for a special provision on international jurisdiction in IP proceedings, that might at a later stage become part of a future, comprehensive Convention of the type originally envisaged by the Hague Conference. The proposal was finalised in summer 2003, and it was presented and discussed in a meeting organised by the MPI in July, with participants inter alia from the Hague Conference and from WIPO. The text of the proposal as well as the papers delivered at the conference are about to be published in a book (Drexl & Kur (eds.), Intellectual Property and Private International Law).

The present state as well as the future of the project are impacted by the following aspects. First, it seems to be clear by now that it would be utterly unrealistic to assume that the Hague Conference project of an international Convention on jurisdiction and enforcement of judgments in private and commercial matters will ever (or at least in the foreseeable future) develop into maturity. The best one can hope for is that it will be possible to conclude the presently proposed Convention on jurisdiction clauses in B2B contracts (Draft Hague Contracts Convention, DHCC). For the MPI project, this means that it makes little sense any longer to phrase the proposed rules on international jurisdiction in IP matters in a way that they could be inserted, as a specific article, into the legal

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framework of a comprehensive jurisdiction Convention. Instead, it will be necessary to re-edit them as a body of separate, stand-alone rules, maybe in the form of "principles" like those that are currently in the process of being elaborated by the ALI. It is most likely that the jurisdiction rules which have been proposed so far by the MPI working group, and which we are going to consider today, will be re-evaluated, and maybe even changed to some extent, in this process. After all, everything is still in the state of a "work in progress".

Second, again in accordance with the ALI project, we have decided that it is hardly possible to concentrate on jurisdiction rules alone. Jurisdiction rules are closely, and often inseparably, linked with choice of law issues. Therefore, as a second phase in our project, we are now going to elaborate provisions dealing with applicable law, being fully aware that this may pose even more complex problems than jurisdiction. In order to broaden the basis for our work, and to increase the academic impact we receive, this new phase of the project will be conducted jointly with our sister Institute, the Max-Planck-Institute for Foreign and International Civil Law and Private International Law in Hamburg. A joint conference with international participation was already arranged in March this year in Hamburg; the outcome of which is also documented in a book (Basedow, Drexl, Kur & Metzger (eds.) Intellectual Property in the Conflict of Laws, appearing in January 2005). The joint working group will be reinforced by academics from other European countries.

Just like the ALI project in its present stage (although on a much smaller scale) the MPI project for the time being this is a purely academic endeavour which has not been discussed and considered outside academia, i.e. by interested circles in a wider sense or by political bodies. It waits to be seen whether the project also in the long run will remain to be confined to the ivory tower, or whether it will at some time become of more practical relevance. Speaking for myself, I consider it rather fortunate at the moment that our plans can be developed and discussed in the calm and serene sphere of the academic world.

The account given in the following will briefly describe the main features of the jurisdiction part of the project in its present state, and will then also indicate the general direction to be taken with regard to choice of law issues. However, as the work undertaken in the latter field has just started, these indications will be of a very basic nature only. Furthermore, it must be emphasized again that all this is "work in progress" that may be changed and refined as the discussions continue, and more input is given, inter alia on conferences such as the present one.

II. Jurisdiction

The jurisdiction proposal by the Max-Planck group was mainly inspired by, and largely follows the structure of, the preliminary draft Jurisdiction Convention published in 1999 by the Hague Conference for Private International Law (DHJC). The DHJC, in its turn, was based on the concept of the Brussels Convention on Jurisdiction and Enforcement in Civil and Commercial Matters. Before this backdrop, there is reason to say that the Max-Planck jurisdiction proposal at least to some extent reflects typical continental European patterns of thinking. Most prominent among these is the effort to determine the competent forum as precisely as possible in the legal rules, without too much discretion being left for the courts to decide whether they consider themselves as the appropriate forum for a given case to be litigated. Another major aim underlying the proposal, more universal in

its nature, concerns the balance of powers between the parties, meaning that the strategic advantages provided by the procedural rules should be distributed evenly between them.

Based on these objectives, the main features of the Max-Planck jurisdiction proposal can be summarized as follows. Proceedings concerning the infringement of an intellectual property right can be conducted (a) at the place of defendant's domicile, (b) the place where the right is allegedly infringed, or (c) at the place chosen by the parties in a valid agreement. Courts at the defendant's forum are competent in principle to adjudicate also infringements occurring abroad, whereas a court whose competence is solely founded on the fact that the alleged infringement occurs in that country is competent only to exercise jurisdiction with regard to its own territory. Exemptions from the latter rule are only accepted, under certain conditions, for claims against multiple defendants, and in case of infringements caused by internet-related behaviour. In the latter case, the exemption only applies if an essential part of the infringement occurs in the forum state, and if the activities of the defendant are not directed at the market in his home country, and do not have a substantial effect there.

Proceedings which have as their object the validity or registration etc. of an intellectual property right with effect erga omnes must be conducted before the courts in the country of registration (or protection). If, on the other hand, invalidity is raised as a defence in infringement proceedings or otherwise comes up as an incidental matter, this does not affect the competence of other courts. However, the decision will then only become legally effective between the parties.

III. Choice of Law

With regard to choice of law, the MPI proposal in its second phase has only made some preliminary assertions with regard to the law governing the existence and, in particular, the infringement of IP rights. In their structure, these assertions follow the rules proposed in the choice of law chapter in the present ALI proposal. However, like with respect to jurisdiction, they do differ from the proposed ALI principles primarily in that they pursue a more cautious, traditional approach. This means in particular that lex protectionis should be maintained as the basic rule to be applied with regard to all intellectual property rights, and that no deviation from the territoriality principle should be accepted unless such an exceptional rule (as might apply e.g. in a case of ubiquitous infringement)

– is motivated carefully,
– is restricted to those cases when it is actually necessary, and
– is phrased as precisely as possible, as regards both the prerequisites for its application and its legal consequences.

Furthermore, if and to the extent that instead of applying the law of all countries where an infringement occurs, and where the remedies claimed in the proceedings may take effect, a court is allowed to apply one specific set of legal rules, legal safeguards must be installed in order to ensure that the interests of both parties involved are equally taken into account. This could be done e.g. by introducing a presumption in favour of the law applying in the defendant's country of domicile or main business establishment, or by ordering the court to attempt striking a compromise between differing rules applying in e.g. the country from which the infringement originates, and the country

where it has its main commercial effect (often corresponding to the defendant's and the plaintiff's country of domicile respectively).

A. Kur, November 2004