

# INTERNATIONAL LAW ASSOCIATION

## KYOTO CONFERENCE (2020)

### INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW

#### *Members of the Committee*

Professor Toshiyuki Kono (Japan): *Chair*

Professor Pedro A de Miguel Asensio (Spain): *Co-Rapporteur*

Professor Axel Metzger (Germany): *Co-Rapporteur*

Professor Marie-Elodie Ancel (France)

Professor Stefania Bariatti (Italy)

*Alternate:* Professor Benedetta Ubertazzi

Professor Nicolas Binclin (France)

Professor Joost Blom (Canada)

Professor Claire Wan-Chiung Cheng (China  
(Taiwan))

Professor Carlos Correa (Argentina)

Professor Francois Dessemontet  
(Switzerland)

Professor Josef Drexler (Germany)

Professor Rochelle C Dreyfuss (USA)

Professor Susy Frankel (New Zealand)

Professor Jane C Ginsburg (USA) –  
Nominee of Chair

Dr Jie (Jeanne) Huang (HQ)

Dr Paulius Jurcys (HQ) – Nominee of Chair

Professor Ryu Kojima (Japan)

Professor Daniel Kraus (Switzerland)

Professor Svetlana Krupko (Russia)

Professor Ivana Kunda (Croatia)

Professor Gyooho Lee (Korea)

Professor Rita Matulionyte (HQ)

Professor Dario Moura Vicente (Portugal)

Professor Fabricio Bertini Pasquot Polido  
(Brazil)

Professor Alexander Peukert (Germany)

Professor Sierd J Schaafsma  
(Netherlands)

Professor Dan Svantesson (Australia)

Professor Paul Torremans (UK)

Professor Edouard Treppoz (France)

Professor Marketa Trimble (USA)

Professor Mireille van Eechoud  
(Netherlands)

Professor Marcos Wachowicz (Brazil) -  
Nominee of Chair

Professor Dai Yokomizo (Japan)

Professor Peter Yu (USA)

### **Fifth Committee Report (2020)**

## **TABLE OF CONTENTS**

### **I. GENERAL REMARKS AND BRIEF HISTORY OF THE COMMITTEE<sup>2</sup>**

### **II. RECENT ACTIVITIES AND OUTCOME<sup>3</sup>**

### **III. GUIDELINES ON INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW (WITH SHORT COMMENTS)<sup>5</sup>**

# I. GENERAL REMARKS AND BRIEF HISTORY OF THE COMMITTEE

This is the Fifth and Final Conference Report of the ILA Committee on “Intellectual Property and Private International Law”<sup>1</sup>. The Committee was created in November 2010 with a view to examine the legal framework concerning civil and commercial matters involving intellectual property rights that are connected to more than one State and to address the issues that had emerged after the adoption of several legislative proposals in this field in different regions of the world. The work of the Committee was built upon the earlier projects conducted by the Hague Conference of Private International Law as well as several academic initiatives intended to develop common standards on jurisdiction, choice of law and recognition and enforcement of judgments in intellectual property matters.

In the initial stages of the activities of the Committee it was agreed that its overall objective should be to draft a set of model provisions to promote a more efficient resolution of cross-border intellectual property disputes and provide a blueprint for national and international legislative initiatives in the field. Therefore, the focus of its activities has been the drafting of a set of guidelines with a view to provide a valuable instrument of progress concerning private international law aspects raised by intellectual property. As detailed in the previous conference reports of the Committee, it has conducted a number of comparative studies and has monitored the developments in different jurisdictions around the world. The Committee has also worked in collaboration with several international organizations, particularly the WIPO and the Hague Conference on Private International Law.

Acting in accordance with its mandate, the members of the Committee gathered on at least ten occasions. In addition, committee members and officers organized a number of seminars, workshops and meetings. The Committee’s activities conducted within this decade can be grouped into five main stages. First, preparing comparative studies of the pre-existing projects and starting discussions in subcommittees about the content of the ILA Guidelines (2010-2012). Second, drafting of the first proposals to be included in the Guidelines, mainly on non-controversial issues related to jurisdiction, choice of law, and, recognition and enforcement of judgments (2013-2014). Third, finalizing the draft guidelines on non-controversial issues as well as laying down directions for continuing the discussions on controversial issues (2015-2016). Fourth, finalizing the text of the guidelines concerning the remaining points, including some novel issues identified at a later stage, such as those concerning collective rights management (2017-2018). Fifth, drafting of two sets of explanatory comments to the Guidelines in order to make explicit the underlying considerations behind the different provisions and to facilitate their uniform interpretation (2019-2020).

---

1 The First, Second, Third and Fourth Committee Reports are available at the Committee’s website at: [www.ila-hq.org/en/committees/index.cfm/cid/1037](http://www.ila-hq.org/en/committees/index.cfm/cid/1037).

## II. RECENT ACTIVITIES AND OUTCOME

Since the Fourth Report and the 2018 ILA Conference the Committee has finalized the drafting of its Guidelines on Intellectual Property and Private International Law which have been submitted for adoption by the 79th Conference of the International Law Association. The drafting of this set of Guidelines has been the basic goal of the Committee since its creation in 2010 as a means to foster regulatory coordination on intellectual property matters in the field of private law. Additionally, the Committee decided to provide explanatory comments on all the provisions contained in the instrument. In order to finalize its tasks the Committee held an additional meeting in Berlin in June 21-22, 2019, which was followed by an open-ended officers' meeting in Paris in November 14-15, 2019.

On June 21-22, 2019 a Committee meeting took place at the Faculty of Law of the Humboldt University of Berlin. The closed working sessions of the Committee members dealt with some editorial issues concerning the final text of the Guidelines as well as on the discussions on the draft texts of the short and extended comments to the Guidelines distributed in advanced to all Committee members. Agreement was reached among the members as to the content of the comments and the future conclusion of the works of the Committee.

The final text of the Guidelines consists of 35 provisions, which are divided in four sections: General Provisions (Guidelines 1-2), Jurisdiction (3-18), Applicable Law (19-31) and Recognition and Enforcement of Judgments (Guidelines 32-35). As suggested by the term "Guidelines", this instrument contains a set of provisions intended to guide the application or reform of private international laws in this field. The Guidelines restate certain well-established foundational principles such as the *lex loci protectionis* rule and aspire to provide concrete solutions for pressing contemporary problems, in areas such as multi-state infringements and cross-border collective copyright management.

The present report contains the black letter rules of the final version of the Guidelines followed by the short comments to those provisions drafted by the members of the Committee with a view to provide guidance on the background and interpretation of this document. In order to make explicit the influence of the previous projects in the field and to facilitate the comparison with them, the short comments are preceded by the reference to the similar provisions adopted previously in the ALI Principles<sup>2</sup>, CLIP Principles<sup>3</sup>, Transparency Proposal<sup>4</sup> and Joint Korean-Japanese Principles<sup>5</sup>.

---

2 American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes*, ALI Publishers, 2008.

3 European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property (Text and Commentary)*, OUP, 2013.

4 Japanese Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property, see the English text in J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual Property in the Global Arena - Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US*, Mohr Siebeck, 2010, pp. 394-402.

5 Joint Proposal by Members of the Private International Law Association of Korea and Japan, see *The Quarterly Review of Corporation Law and Society*, 2011, pp. 112-163.

As an additional instrument to facilitate the uniform interpretation of the Guidelines, the Committee has prepared a set of extended comments to all the provisions. The extended comments that supplement the short comments provided for in this Report will be published in due course after the adoption of the Guidelines.

### III. GUIDELINES ON INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW (WITH SHORT COMMENTS)

#### COMMITTEE ON INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW

**RECOGNIZING** that the enforcement of intellectual property rights in the global context of the information society raises new challenges to the traditional models of structuring transactions and adjudicating international disputes;

**APPRECIATING** the importance and benefits of providing legal certainty with regard to the jurisdiction of courts and the law applicable, as well as fostering cooperation to enhance the cross-border recognition and enforcement of judgments in civil and commercial matters involving intellectual property claims;

**BELIEVING** that the adoption of model provisions on the private international law aspects of intellectual property, which may guide the interpretation and reform of national legislation and international instruments, contributes to the building of a more reliable and predictable legal framework;

**TAKING INTO ACCOUNT** the development of international, regional and national rules, as well as the previous efforts to draft model provisions in this field, especially those undertaken by the American Law Institute, the European Max Planck Group on Conflicts of Laws in Intellectual Property, the Japanese Transparency Project, and members of the Private International Law Association of Korea and Japan;

**HAVING CONSIDERED** the reports of the Committee on Intellectual Property and Private International Law;

**ADOPTS** the Kyoto Guidelines on Intellectual Property and Private International Law annexed to this Resolution;

**COMMENDS** the Guidelines to organizations, States and interested groups that are working on national, regional or international initiatives in the field, with a view to foster international cooperation, achieve greater legal certainty and an adequate balance of all interests involved;

**REQUESTS** the Secretary-General of the International Law Association to forward a copy of this Resolution and its annex to appropriate international organizations, in particular the Hague Conference of Private International Law and WIPO;

**RECOMMENDS** to the Executive Council that the Committee on Intellectual Property and Private International Law, having accomplished its mandate, be dissolved.

## GENERAL PROVISIONS

### 1. Scope of the Guidelines

- (1) These Guidelines apply to civil and commercial matters involving intellectual property rights that are connected to more than one State.**
- (2) These Guidelines may be applied *mutatis mutandis* to claims based on unfair competition, if the matter arises from the same set of facts as relating allegations involving intellectual property rights, and on the protection of undisclosed information.**

#### **See as reference provisions**

§ 102 ALI Principles  
Art 1:101 CLIP Principles  
Art 001 Transparency Proposal  
Art 101 Joint Korean-Japanese Principles

#### **Short comments**

These are Guidelines on “Intellectual Property in Private International Law”. Guideline 1(1) specifies this general explication of the Guideline’s subject matter by setting out that the Guidelines apply to civil and commercial matters involving intellectual property rights that are connected to more than one State. The Guidelines have been drafted specifically for such matters. Therefore, every application of the Guidelines requires an assessment whether the requirements set out in Guideline 1(1) are met. Guideline 1(2) adds two further constellations in which the Guidelines may be applied *mutatis mutandis*.

According to Guideline 1(1), the Guidelines are applicable under three cumulative conditions. The cause of action has to be (1) a civil and commercial (and not a public law) matter, (2) it has to “involve” intellectual property rights as defined in Guideline 2(1), and (3) it has to be connected to more than one State, i.e. it has to entail an international element. If one of these three requirements is lacking, questions of international jurisdiction, applicable law and recognition and enforcement are either not at stake (no international element) or ought to be decided on different grounds, namely the (private) international law rules governing the respective non-intellectual property right matter.

Only in two cases may the Guidelines be relied upon beyond their direct scope of application. According to Guideline 1(2), this concerns firstly claims based on unfair competition, if the matter arises from the same set of facts as relating allegations involving intellectual property rights, and secondly, claims based on the protection of undisclosed information. On the one hand, these causes of action differ doctrinally from claims based on intellectual property rights so that a separate qualification is called for. On the other hand, the two claims referred to in Guideline 1(2) share the purpose of intellectual property rights in that they aim at protecting a particular asset to the exclusive benefit of one party. In light of these similarities

in structure and purpose, Guideline 1(2) provides the option to apply the Guidelines “*mutatis mutandis*”.

## 2. Definitions

- (1) **“Intellectual property right” means copyright and related rights, patent, utility model, plant breeder’s right, industrial design, layout-design (topography) of integrated circuits, trademark and similar rights.**
- (2) **“Judgment” means any judgment rendered by a court or tribunal of any State, irrespective of the name given by that State to the proceedings that gave rise to the judgment or the name given to the judgment itself, such as decree, order, decision, or writ of execution. “Judgment” also includes court-approved settlements, provisional and protective measures, and the determination of costs or expenses by an officer of the court.**

### **See as reference provisions**

§ 102(1) ALI Principles  
Arts 1:101(2) s. 2, 4:101 CLIP Principles  
Art 001(1) s. 2 Transparency Proposal  
Art 102(1)-(3) Joint Korean-Japanese Principles

### **Short comments**

By defining the term “intellectual property right” for the purposes of the Guidelines, Guideline 2(1) helps to delineate their scope of application. There is no universally agreed understanding of the term “intellectual property right”. Article 2(viii) of the WIPO Convention and Article 1(2) of TRIPS provide definitions only “for the purposes” of the respective treaties. The term “intellectual property right” and the open clause “similar rights” in Guideline 2(1) should be interpreted as taking into consideration the overall purpose and content of the Guidelines.

Taken together, Guidelines 1 and 2 distinguish three categories of international civil and commercial matters to which the Guidelines apply directly, apply *mutatis mutandis* or do not apply at all. The first category concerns intellectual property rights as defined in Guideline 2(1), i.e. the explicitly mentioned rights and “similar rights”. Whereas the Guidelines should be applied in cases “involving” such intellectual property rights without modification (Guideline 1(1)), the Guidelines “may be applied *mutatis mutandis*” to certain claims based on unfair competition and to claims based on the protection of undisclosed information (Guideline 1(2)). All other international civil and commercial matters are beyond the scope of application of the Guidelines.

The term judgment is defined broadly, to cover any decision on the merits by any authority having jurisdiction in civil matters involving intellectual property, regardless of the name given to the decision or the proceedings. The definition of judgment is particularly relevant with regard to the application of the provisions of the Guidelines on recognition and enforcement. However, it is also significant with regard to other parts of the Guidelines, such as the provisions on consolidation and *lis pendens*.

## JURISDICTION

### Basic Forum

#### 3. Defendant's Forum

**Unless otherwise provided for in these Guidelines, the defendant should be subject to the jurisdiction of the courts of the State in which he or she is habitually resident. The courts' jurisdiction shall be territorially unlimited.**

**See as reference provisions**

§ 201 ALI Principles  
Arts 2:101, 2:207 and 2:601 CLIP Principles  
Arts 101, 102 and 106 Transparency  
Proposal  
Arts 201, 202 Joint Korean-Japanese  
Principles

#### **Short comments**

Guideline 3 lays down the internationally accepted principle that a person may be sued in the courts of the State in which the person is habitually resident (*actor sequitur forum rei*). The principle ensures a balance of interests between the plaintiff who initiates the lawsuit and the defendant who can defend him or herself before the courts of his or her State of residence. The jurisdiction of those courts shall be without territorial limits. Claims based on registered and unregistered intellectual property rights from different protection States may be concentrated at the defendant's forum, subject to Guideline 11 on exclusive jurisdiction for validity disputes. However, the applicable law will not necessarily be the law of the forum State but has to be determined in accordance with Guidelines 19-31.

The Guideline does not define the habitual residence of a person. Here, the model provisions of the predecessor projects may provide further guidance, especially in case of companies or other legal persons where different connecting factors (statutory seat, place of administration or principal place of business) may represent alternative places of residence. However defined, general jurisdiction requires that one of the habitual residences is in the forum State.

It is not sufficient for a court to have general jurisdiction if the defendant is only doing business in the forum State.

## **Alternative Fora**

### **4. Contracts**

**In disputes concerning intellectual property license or transfer contracts, a person may be sued in the courts of the State for which the license is granted or the right is transferred; the court's jurisdiction shall be territorially limited to the State in which the court is situated.**

#### **See as reference provisions**

§ 205 ALI Principles

Art 2:201 CLIP Principles

Art 204 Joint Korean-Japanese Principles

#### **Short comments**

Guideline 4 lays down an alternative ground of jurisdiction for matters relating to contracts. The plaintiff may choose to bring claims arising out of intellectual property license or transfer contracts before the courts of the State for which the license is granted or the right is transferred. The courts of this State may be closer to the facts of the case and to the evidence. The courts determined by Guideline 4 are competent to decide all disputes arising out of the contract, e.g. on the obligation to grant a license or transfer an intellectual property right, on the obligation to pay license fees or remuneration, or damages out of a breach of contract. However, it should be borne in mind that contractual claims are often subject to an exclusive choice of court agreement in accordance with Guideline 9.

The court's jurisdiction under Guideline 4 is territorially limited to the State in which the court is situated. The argument of proximity to the facts and to the evidence of the case applies only to claims based on intellectual property protected in and licensed or transferred for that State. In multi-state cases, the plaintiff may either bring the claim before the defendant's forum or initiate parallel proceedings in multiple States based on Guideline 4.

### **5. Infringements**

**In a case of an alleged infringement a person may be sued:**

- (a) In the courts of the States where the alleged infringer has acted to initiate or further the alleged infringement; the courts' jurisdiction to award remedies arising from those acts shall be territorially unlimited; or**

**(b) In the courts of the States where the infringement may have caused direct substantial harm unless it could not be anticipated that the infringement would cause that harm there; the courts' jurisdiction shall be territorially limited to the State in which the court is situated.**

**See as reference provisions**

§ 204 ALI Principles

Arts 2:202, 2:203 CLIP Principles

Art 105 Transparency Proposal

Art 203 Joint Korean-Japanese Principles

**Short comments**

Guideline 5 provides, as alternative fora for infringement actions, courts in a State where the infringer acted to initiate or further the alleged infringement and courts in a State where the infringement caused substantial and foreseeable injuries. In the former case, the court's authority extends to the provision of remedies covering all the injuries caused by the defendant's in-state acts; in the latter situation, the court's power is limited to remedies regarding in-state harm.

Subsection (a) recognizes that in an interconnected technological environment, acts in one State can have serious consequences in other locations. While the plaintiff could bring suit in every jurisdiction where injuries occurred, repetitive litigation is costly to the parties; wastes judicial resources; and can result in inconsistent, irreconcilable outcomes and either under-compensation (and suboptimal deterrence) or multiple liability (and over-deterrence). For this reason, the Guideline recognizes plenary authority to award global relief at the place where the harm emanates, thereby ensuring that adequate remedies, including both monetary damages and an injunction to prevent further infringement, are obtainable efficiently. The terms "initiate" and "further" are to be interpreted to encompass substantial activities, such as operating a website and controlling the materials that appear on it, or operating a printing, broadcast, manufacturing, or distribution facility. In such cases, the forum State will be sufficiently related to the subject matter of the litigation, predictable, and affiliated with the defendant to fulfill the domestic policies that underlie national limitations on jurisdictional authority. Importantly, in such cases, the court entertaining the case will not necessarily apply its own State's law to determine the full scope of liability. On applicable law, see Guidelines 19-30. For the scope of injunctive relief, see Guideline 14.

Subsection (b) creates a basis for jurisdiction in States where substantial damage is caused, but only when it can be anticipated that an injury would arise in the State. At its core, this Guideline recognizes the traditional authority of a State to adjudicate claims arising from tortious acts and to remedy in-state damage, irrespective of where the defendant resides.

## **6. Statutory Remuneration for the Use of Works or Subject-Matter of Related Rights**

**In cases concerning disputes on a statutory remuneration for the lawful use of copyrighted works or the subject-matter of related rights, a person may be sued in the courts of the State where the right to remuneration accrues; the court's jurisdiction shall be territorially limited to the State in which the court is situated.**

### **Short comments**

Guideline 6 deals with disputes over remuneration for the legal use of works or other protected subject-matter, e.g. performances, phonograms or broadcasts. Copyright law may provide that the use of a work or other subject-matter is legal but burdened with a statutory obligation to pay a remuneration to the right holder. Typical examples are levies for private copying. Such claims for remuneration are neither contractual nor arising out of infringement. Therefore, Guidelines 4 (contracts) and 5 (infringements) do not provide suitable grounds for jurisdiction. To avoid a situation, in which the right holder or a collecting society representing the right holder can only bring suit to the defendant's forum, Guideline 6 provides an alternative ground for such remuneration claims. Such claims may be filed in the courts of the State where the act takes place that gives rise to the obligation to pay. Claims of right holders against collecting societies regarding the distribution of collected revenues are of a different, often contractual nature. They are not covered by Guideline 6.

The court's jurisdiction under Guideline 6 is territorially limited to the State in which the court is situated. This limitation follows the model of other special grounds of jurisdiction, especially contract jurisdiction in Guideline 4 and infringement jurisdiction in Guideline 5.

## **7. Consolidation**

**A plaintiff bringing an action against a defendant in a court of the State in which the defendant is habitually resident in accordance with Guideline 3 may proceed in that court against other defendants not habitually resident in that State if –**

- (a) The dispute involves the same or substantially related intellectual property rights granted for one or more States, and**
- (b) The claims against the defendant habitually resident in that State and the other defendants are so closely connected that they should be adjudicated together to avoid a serious risk of inconsistent judgments, and**

**(c) As to each defendant not habitually resident in that State, there exists a substantial connection between the intellectual property rights at issue and the dispute involving that defendant.**

**See as reference provisions**

§ 206 ALI Principles

Art 2:206 CLIP Principles

Art 110 Transparency Proposal

Arts 207-208 Joint Korean-Japanese Principles

**Short comments**

Guideline 7 sets forth conditions that have to be met in order to join multiple defendants that have their respective habitual residences in several different States. This Guideline deals with the so-called “subjective” consolidation of claims against several out-of-state defendants before the court of the State where one of the defendants has his or her habitual residence. Such a possibility to consolidate claims against multiple out-of-state defendants is granted if three conditions are met. These three conditions are listed in Guideline 7 and are case-specific. Therefore, the court hearing the plaintiff’s claim against a defendant who has her habitual residence in the forum State should carefully weigh available evidence about the circumstances of the case in deciding whether to join the plaintiff’s claims against out-of-State defendants.

Pursuant to Guideline 7, three cumulative requirements have to be met in order to join out-of-state defendants. First, the dispute must be related to the same or substantially related intellectual property rights. This means that the activities of the defendants must relate to the same work of authorship, infringement of the same trademark registered in multiple States, or the same patent issued under the European Patent Convention or the Patent Cooperation Treaty. The court may also determine other possible situations where the intellectual property rights are “substantially related” for the purposes of this Guideline. The second requirement is especially fact-specific: the claims against the in-state defendant and out-of-state defendants must be “closely related” and their adjudication in the same proceedings should help avoid the serious risk of inconsistent judgments. Although Guideline 7 does not explicitly stipulate this, it will be up to the claimant to demonstrate the closeness of the relationship between the claims against multiple defendants and that such serious risk of inconsistent judgments would actually occur if the defendants were sued in different States. Third, it is required that there is a substantial connection between the intellectual property rights at stake and the foreign defendant. For instance, the foreign defendant may be joined if he or she belongs to a group of companies (one of which is habitually resident in the forum State pursuant to Guideline 3) that are engaged in multi-state infringement of the plaintiff’s intellectual property rights in the forum State and abroad.

Guideline 7 does not address the so-called “objective” consolidation of the plaintiff’s claims. Instead, the possibility of bringing several objectively related claims against the same defendant is addressed by other Guidelines, e.g., Guideline 15 dealing with counterclaims. Furthermore, the timing requirement of when such a motion to join out-of-state defendants could be brought should be determined according to domestic procedural rules of the forum State.

## **8. Title and Ownership**

**In cases concerned only with title and ownership, the court of the State where the intellectual property right exists or for which application is pending shall have jurisdiction.**

**See as reference provisions**  
Art 2:205 CLIP Principles

### **Short comments**

Guideline 8 establishes a clear-cut rule that disputes related to the title or ownership of an intellectual property right can be adjudicated by the courts in the State in which that intellectual property right exists or where the application to grant an intellectual property right is pending. Pursuant to Guideline 8, a court can assert jurisdiction if the case concerns questions related to title or ownership of intellectual property rights conferred under the laws of the forum State. Guideline 8 is construed as an *alternative* ground of jurisdiction. This means that the court can decide questions of ownership or entitlement to intellectual property rights in accordance with Guideline 8 even if the defendant is not resident in the forum State pursuant to Guideline 3.

## **Other Fora**

## **9. Choice of Court**

**The parties to a particular relationship may designate in an agreement a court to have jurisdiction over any dispute that has arisen or may arise in connection with that relationship. The chosen court shall have jurisdiction to decide all contractual and non-contractual obligations and all other claims arising from that legal relationship unless the parties express their intent to restrict the court’s jurisdiction. Such jurisdiction shall be exclusive unless the parties have agreed otherwise.**

**See as reference provisions**  
§ 202 ALI Principles

### **Short comments**

Guideline 9 lays down a rule of jurisdiction based on a choice of court agreement made by the parties before the starting of the proceeding. Thus, parties can choose the court having jurisdiction to adjudicate their claim. Unless the parties express their intent to restrict the court's jurisdiction, choice of court agreements may concern disputes arising out of contractual and non-contractual relations. Unless the parties have agreed otherwise the jurisdiction of the chosen court shall be exclusive. The Guideline does not address the issue of capacity and other substantive and formal requirements to make a valid choice of court agreement. Here, the model provisions of predecessor projects may provide assistance. In addition, Guideline 9 shall be read together with Guideline 17.3.a), with the result that a court first seized must nevertheless stay proceedings until the court second seized whose jurisdiction has been claimed under an agreement conferring jurisdiction has declared that it has no jurisdiction. Also, Guideline 9 shall be read together with Guideline 11 on validity issues, with the result that there cannot be any choice of court where the claim falls into exclusive jurisdiction rules.

## **10. Submission and Appearance**

**A court shall have jurisdiction if the defendant appears and does not contest jurisdiction in the first defense.**

**See as reference provisions**  
§ 203 ALI Principles  
Art 108 Transparency Proposal  
Art 206 Joint Korean-Japanese Principles  
Art 202 CLIP Principles

### **Short comments**

Guideline 10 lays down a rule of jurisdiction based on the entering of an appearance by the defendant with respect to all disputes where the jurisdiction of the court seized does not derive from other provisions of the Guidelines. Thus, in cases where the court has been seized in breach of the provisions of the Guidelines, the entering of an appearance by the defendant may be considered to be a tacit acceptance of the jurisdiction of the court seized and a choice of that court's jurisdiction. There is no tacit choice of jurisdiction of the court seized where

the defendant contests the jurisdiction, thereby expressing his or her intention not to accept that court's jurisdiction, or where the dispute is one with respect to which Guideline 11 provides for rules on exclusive jurisdiction. Yet, neither the general scheme nor the objectives of the Guidelines provide grounds for the view that the parties are prevented from submitting their dispute to a court other than that stipulated in the agreement in accordance with Guideline 9. Thus, in a dispute concerning the non-performance of a contractual obligation, in which the applicant has brought proceedings before the courts of the State in which the defendant has his or her seat, for example, the jurisdiction of those courts may stem from Guideline 10 where the defendant does not dispute their jurisdiction, even though the contract between the two parties contains a clause conferring jurisdiction on the courts of another State.

## **11. Validity Claims and Related Disputes**

- (1) In proceedings which have as their main object the grant, registration, validity, abandonment, or revocation of a registered intellectual property right the court of the State of registration shall have exclusive jurisdiction.**
- (2) Any other court having jurisdiction may decide on these matters when they arise in proceedings other than those referred to in paragraph 1. However, the resulting decision shall not have any effect on third parties.**

### **See as reference provisions**

§ 211 ALI Principles

Arts 2:401, 2:402 CLIP Principles

Art 103 Transparency Proposal

Art 209 Joint Korean-Japanese Principles

### **Short comments**

Guideline 11 lays down a rule of jurisdiction related to registered intellectual property rights for which validity issues are raised principally (paragraph 1) or incidentally (paragraph 2). Validity issues arise principally when the plaintiff invokes before a court the grant, registration, validity, abandonment, or revocation of a registered intellectual property right. Validity issues incidentally arise when, for instance, there is an intellectual property right infringement action, and the defendant seeks to have the intellectual property right on which the claimant relies invalidated, and hence the infringement action brought against him dismissed. In addition, validity issues arise incidentally when the plaintiff brings before a court a declaratory action to establish that there has been no intellectual property right infringement, because the defendant has no valid intellectual property right to enforce against him. Also, validity issues arise incidentally where the licensee brings a declaratory action requesting the court to declare that he is not bound to fulfil certain contractual obligations because the licensed intellectual property right is invalid.

According to Guideline 11, claims concerning validity issues principally raised can be adjudicated only by the courts of the State of registration of the intellectual property right at issue. Then, the judgment of this court on (in)validity has *erga omnes* effects. On the contrary, validity issues incidentally raised can be brought before a court of a State other than the State of registration, for instance, before the court of the State of the defendant's domicile. However, in such a case the judgment on (in)validity has *inter partes* effects only.

## 12. Declaratory Actions

**A court may hear an action for a negative or a positive declaration on the same ground as a corresponding action seeking substantive relief.**

### **See as reference provisions**

§ 213 ALI Principles

Art 2:602 CLIP Principles

Art 213(4) Joint Korean-Japanese Principles

### **Short comments**

Guideline 12 sets forth that a claim for positive or negative declaration can be brought before the same court as a corresponding action for substantive relief. Action for a negative declaration refers to situations where the plaintiff brings an action asking the court to declare that certain activities of the plaintiff do not infringe the intellectual property rights of the defendant. Actions for a positive declaration may comprise situations in which the plaintiff is seeking the court to declare that the defendant has infringed the plaintiff's intellectual property rights and therefore owes the plaintiff statutory damages or that the defendant is contractually bound to perform a specific obligation.

Pursuant to this Guideline, in deciding whether it should assert jurisdiction over a declaratory action, the court should bear in mind two qualifications. First, actions concerning the grant, registration, validity, abandonment, or revocation of a registered intellectual property right can be brought exclusively to the courts of the State where those rights are registered (Guideline 11). Second, there may be situations where actions for declaratory judgments are utilized as a tool in multi-state litigation disputes with an objective to delay the proceedings where the counterparty is seeking substantive relief (so-called "torpedo" actions). In such cases, the court should follow Guideline 17 which requires the court second seized to stay proceedings until the court first seized decides the case. Furthermore, Guideline 18 provides

possibilities to coordinate or consolidate related proceedings pending before courts of different States.

### **13. Provisional and Protective Measures**

- (1) A court having jurisdiction as to the merits of the case shall have jurisdiction to order provisional and protective measures.**
- (2) Other courts shall have jurisdiction to order provisional and protective measures within their territory.**

#### **See as reference provisions**

§ 214 ALI Principles  
Art 2:501 CLIP Principles  
Art 111 Transparency Proposal  
Art 210 Joint Korean-Japanese Principles

#### **Short comments**

Guideline 13 deals with jurisdiction to order provisional and protective measures. Such measures are measures (1) that are intended to preserve a factual or legal situation in order to safeguard rights the recognition of which are otherwise sought from the court having jurisdiction as to the merits of the case, and (2) concerning matters which fall within the scope of the Guidelines as defined in Guideline 1. They include, for example, an order to seize infringing goods, an order to preserve evidence as to an alleged infringement and an interim injunction to cease an infringement.

Guideline 13 creates a two-track system regarding jurisdiction to order these measures. The first track provides for accessory jurisdiction: a court having jurisdiction as to the merits of the case, also has jurisdiction to order provisional and protective measures (Guideline 13(1)). The scope of the latter jurisdiction follows the scope of the former: if a court's jurisdiction as to the merits of the case is extraterritorial, its jurisdiction to order provisional and protective measures is correspondingly extraterritorial. The second track provides for local jurisdiction: courts which have no jurisdiction as to the merits of the case, do have jurisdiction to order local provisional and protective measures, i.e. within their territory only (Guideline 13(2)).

### **14. Scope of Injunctions**

**The scope of an injunction is limited by the extent of the jurisdiction of the court. In addition, the scope shall not be broader than necessary to protect the intellectual property rights enforced.**

**See as reference provisions**

Art 2:604 CLIP Principles

### **Short comments**

Guideline 14 contains a provision regarding the scope of injunctions in proceedings on the merits and in summary proceedings on provisional and protective measures. The Guideline is about injunctions that are directly aimed at the protection of intellectual property rights. Hence, it does not cover procedural injunctions. In addition, it does not cover injunctions regarding unfair competition or the protection of undisclosed information.

The basic idea of Guideline 14 is the generally accepted principle that the scope of an injunction is limited by two factors cumulatively: (i) the extent of the international jurisdiction of the court and (ii) the territorial reach of the intellectual property right enforced. The scope of an injunction cannot be broader than the smallest of these two factors. This basic rule applies in any event to prohibitory injunctions, aimed at ceasing an infringement of an intellectual property right (a prohibition against further infringement or threatened infringement). For other injunctions covered by Guideline 14, such as a labelling order (see below in the extended comments), the scope could be somewhat broader in exceptional cases. In such cases the scope of the injunction could be extended beyond the territorial reach of the intellectual property right enforced if this is objectively necessary to protect these rights. However, the scope of the injunction shall, of course, never be broader than the extent of the jurisdiction of the court. Courts should exercise caution when ordering such extraterritorial injunctions.

## **15. Counterclaims**

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

**See as reference provisions**

§ 212 ALI Principles

Art 2:209 CLIP Principles

Art 110 Transparency Proposal

### **Short comments**

In cross-border intellectual property litigation, it often occurs that parties raise claims and counterclaims which are based on the same sets of facts or transactions. In disputes involving multiple parties having their habitual residences in different States or intellectual property rights protected in different States, questions may arise whether a court has jurisdiction to hear claims related to issues that may not necessarily be related to the original claim.

Guideline 15 provides that if a court that asserts jurisdiction to hear a case pursuant to these Guidelines, it also has jurisdiction to hear the counterclaims raised by the defendant. The objective of this Guideline is to provide more legal certainty and facilitate adjudication of multi-state intellectual property disputes by consolidating the claims and counterclaims in one court and thus curtail the risk of inconsistent judgments.

## **16. Insufficient Grounds for Jurisdiction**

**Insufficient grounds for exercising jurisdiction include *inter alia*:**

- (a) the presence of (any) assets, physical or intellectual property, or a claim of the defendant in a State, except when the dispute is directly related to that asset;**
- (b) the nationality of the plaintiff or the defendant;**
- (c) the mere residence of the plaintiff in that State;**
- (d) the mere conduct of commercial or other activities by the defendant in that State, except when the dispute is related to those activities;**
- (e) the mere presence of the defendant or the service of process upon the defendant in that State; or**
- (f) the completion in that State of the formalities necessary to execute an agreement.**

**See as reference provisions**

§ 207 ALI Principles

Art 109 Transparency Proposal

Arts 211-212 Joint Korean-Japanese  
Principles

### **Short comments**

A list of insufficient grounds of jurisdiction is included in these Guidelines by way of complement to the grounds of jurisdiction that are provided in Guidelines 3 to 15. Guideline 16 adds basis of jurisdiction that will not satisfy the Guidelines. The recognition rule in Guideline 34(1)(f) provides that a court shall not recognize or enforce a foreign judgment if

“the rendering court exercised jurisdiction in violation of the rules of jurisdiction under these Guidelines”. These “rules of jurisdiction” are violated if the original court exercised jurisdiction on a ground not provided for in Guidelines 3 to 15. Guideline 16 reinforces this by giving a non-exhaustive list of grounds that are plainly insufficient and so providing, for the sake of clarity, “negative” instances that supplement the “positive” rules provided in the previous Guidelines. That the list in Guideline 16 is non-exhaustive is indicated by the wording that “insufficient grounds for jurisdiction include *inter alia*” those on the list.

## **Coordination and Cooperation**

### **17. Proceedings Between the Same Parties on the Same Cause of Action**

**(1) Where proceedings between the same parties on the same cause of action are brought in the courts of more than one State, such courts shall consider the coordination of proceedings in the following terms:**

**(a) Where the court that is not first seized has authority to suspend its proceedings on grounds of *lis pendens*, it shall do so until such time as the jurisdiction of the court first seized is established, and thereafter it shall terminate its proceedings. A suspension may be lifted if the proceedings in the court first seized does not proceed within a reasonable time or this court concludes that it is not the appropriate forum to hear the dispute.**

**(b) Where the court that is not first seized has authority to dismiss on *forum non conveniens* grounds or to transfer to a more convenient forum, it shall consider which court is the most convenient forum, taking into account the private interests of the litigants, the interests of the public, and administrative issues. If the court first seized is more convenient, the court second seized shall dismiss or transfer the case unless the court first seized has dismissed or transferred the case.**

**(2) This Guideline does not apply if:**

**(a) the proceeding is within the exclusive jurisdiction of the court subsequently seized;**

**(b) the proceeding is for provisional or protective measures; or**

**(c) it is shown by the party invoking the jurisdiction of the court subsequently seized that a judgment of the court first seized would not be recognized in the State of the court subsequently seized.**

**See as reference provisions**

§§ 221-223 ALI Principles

Arts 2:402, 2:701-2:706 CLIP Principles

Art 201 Transparency Proposal

Art 213 Joint Korean-Japanese Principles

**Short comments**

Guideline 17 addresses the issues raised by proceedings between the same parties on the same cause of action. In this respect, it adopts a flexible approach, which seeks to accommodate the existing differences among national procedural traditions. To this end, the following distinction is made in the Guideline.

For jurisdictions that adopt the doctrine of *lis pendens*, Guideline 17(1)(a) lays down a mitigated form of the principle of the priority of the court first seized, which aims at preventing the problems that may arise at the recognition stage if irreconcilable judgments are rendered in concurrent proceedings. Pursuant to this Guideline, the court second seized in proceedings with the same parties and the same cause of action must suspend the proceedings commenced before it until the court first seized has established its own jurisdiction. If and when this is settled, the court second seized must decline its jurisdiction and terminate the proceedings pending before it. No discretion is thus granted to this court, except if the proceeding in the court first seized does not proceed within a reasonable time, in which case the suspension of the proceedings may be lifted by the court second seized.

Differently, for jurisdictions in which courts may dismiss or transfer proceedings on grounds of *forum non conveniens*, Guideline 17(1)(b) provides that the court second seized in proceedings with the same parties and the same cause of action shall consider which court is the most convenient forum, taking into account the relevant interests. If the court first seized is deemed more convenient, the court second seized shall dismiss or transfer the case, unless the court first seized has dismissed or transferred it. A higher degree of discretion is thus granted to both courts, in line with the procedural traditions of the said jurisdictions.

Neither of the abovementioned rules shall however apply if: (i) The court second seized is exclusively competent to adjudicate the dispute, either because it was chosen by the parties pursuant to Guideline 9 or because it falls into one of the categories of proceedings specified in Guideline 11(1); (ii) The second proceedings aim exclusively at the adoption of provisional or protective measures; or (iii) The judgment of the court first seized would not be eligible for recognition in the State of the court second seized, notably for one of the reasons stated in Guideline 34.

**18. Related Proceedings**

**Where related proceedings are pending in the courts of more than one State, any of the courts may take any step permitted by its own procedures that will promote the fair and efficient resolution of the related proceedings considered as a whole. The scope of this guideline includes both consolidating proceedings in one court and coordinating the conduct of proceedings in different courts.**

**See as reference provisions**

§§ 221-223 ALI Principles

Arts 2:206, 2:702-2:706 CLIP Principles

Art 201 Transparency Proposal

Art 213 Joint Korean-Japanese Principles

**Short comments**

Guideline 18 concerns related proceedings, i.e., those that, albeit not necessarily having the same parties and the same cause of action, are so closely connected to each other that their fair and efficient resolution would be enhanced if they were considered as a whole by one (or all) of the seized courts.

As in Guideline 17, the purpose of this provision is to avoid inconsistent judgments, although its scope is broader, since it does not require that the tests of the previous Guideline be met and, hence, that the recognition and enforcement of one of those judgments precludes the recognition and enforcement of the other.

In such cases, Guideline 18 gives the courts before which the related proceedings are pending considerable discretion to adopt the measures deemed appropriate in order to promote the fair and efficient resolution of the related proceedings, including their consolidation or coordination.

## APPLICABLE LAW

### General Rules

#### **19. Existence, Scope and Transferability (*lex loci protectionis*)**

**The law applicable to determine the existence, validity, registration, duration, transferability, and scope 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.**

**See as reference provisions**

§§ 301, 314 ALI Principles

Arts 3:102, 3:301 CLIP Principles

### **Short comments**

The Guideline makes “matters concerning the right as such” subject to the law of the “State for which the protection is sought” (*lex loci protectionis*). This approach is in line with the traditional approach and reflects the idea that intellectual property rights are the outcome of policy choices of States. “State for which the protection is sought” should be distinguished from *lex fori* and is usually understood in terms of rights which require its registration in each jurisdiction such as patent and trademark as the State of registration. For other rights, which do not arise from registration, for instance copyright, the *lex loci protectionis* refers to the law of the State which recognizes the right.

The Guidelines distinguish proprietary aspects of an intellectual property right from its contractual arrangements. This paragraph applies the law of the State for which protection is sought (*lex loci protectionis*) to the proprietary aspects, which typically include existence, validity, duration and scope. “Existence” of an intellectual property right means that the right is recognized as an exclusive right in a State. “Registration” as a requirement of the existence and the validity of certain types of intellectual property rights includes its procedural aspects. The “scope” concerns to what extent the protection of an intellectual property right reaches, typically, for instance, whether moral right, mere use, exhaustion, or remuneration right is a part of the right, and naturally also covers the limits and exceptions of the protection. “Transferability” of an intellectual property right could be placed in an independent provision, since it concerns a dynamic aspect of right, while others concern static aspects of proprietary right. However, the Guideline clarifies its stance to place both aspects in one provision by stating that “all other matters concerning the right as such”.

## **20. Initial Ownership and Allocation of Rights**

- (1) (a) Initial ownership in registered intellectual property rights, unregistered trademarks and unregistered designs is governed by the law of the State for which protection is sought.**
- (b) 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 intellectual property right is determined in accordance with Guidelines 21 to 23.**
- (2) (a) Initial ownership in copyright is governed by the law of the State with the closest connection to the creation of the work. This is presumed to be the State in which the person who created the subject-matter was habitually resident at the time of creation. If the protected subject-matter is created**

**by more than one person, they may choose the law of one of the States of their habitual residence as the law governing initial ownership. This paragraph applies mutatis mutandis to related rights.**

**(b) If the underlying policy of the law of the State for which protection is sought so requires even in international situations, the allocation of rights which cannot be transferred or waived is governed by the law of that State.**

**See as reference provisions**

§§ 311-313 ALI Principles

Arts 3:201, 3:401-402, 3:503 CLIP Principles

Art 305 Transparency Proposal

Art 308 Joint Korean-Japanese Principles

**Short comments**

For industrial property the Guidelines follow the main territoriality based rule. In case of rights for which registration is a constitutive factor, the State for which protection is sought is the State where the right is (to be) registered. The same applies to industrial property rights that do not require registration, such as unregistered design rights.

Especially in case of employee made inventions or designs, domestic laws often contain rules on who (employee or employer) is entitled to claim ownership of industrial property resulting from labor, that is, who is entitled to file a registration. Similar rules exist for designs and other industrial property created under commission. Such rules in effect address the relative position of parties that are in a contractual relationship (employer and employee, commissioning and commissioned party). The principle of party autonomy is recognized as a basic principle for contractual relations in these Guidelines, and this is reflected in clause 1(b). It provides for accessory allocation to the law that governs a prior contractual relationship, for example an employment contract.

Clause 2(a) leads to identification of a single applicable law to initial ownership of copyright, but its approach also applies to performer's rights, phonogram producer's rights and similar unregistered related rights. All such rights arise as a matter of law, in many States simultaneously. There is therefore no easy way for parties to establish who the owners are. The connecting factor used is the law most closely connected to the creation. To promote predictability as to the applicable law, the presumption of clause 2(a) is that the place of habitual residence of the actual "creator" (performer, producer) has the closest connection. It is in that jurisdiction that creation will typically take place. Many works, performances and other protected subject-matter result from a collaborative effort. If those engaged are habitually resident in different jurisdictions, the principal rule can be difficult to apply. The Guidelines therefore allow co-creators to choose the applicable law, for instance because they prefer legal certainty upfront.

The single law approach can result in ownership of rights being denied to parties which under domestic law would qualify as initial owner (e.g. a person making a minor creative contribution to a work, or an employee). Especially where rights of authors and performers are not transferable or cannot be waived in the first place, this outcome may be unpalatable for a State. If the policies underlying the domestic intellectual property rules on transferability or waiver are deemed crucial to uphold in international cases, clause 2(b) allows for the territorially limited application of the *lex protectionis* to initial ownership.

## Contracts

### 21. Freedom of Choice

- (1) Parties may choose the law governing their contractual relationship.**
- (2) Such a choice of law shall not, however, have the result of depriving the creator or performer of the protection afforded to him/her 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 Guideline 22.**

#### See as reference provisions

§ 315 (1) ALI Principles

Art 3:501 CLIP Principles

Art 306(2) Transparency Proposal

#### Short comments

Guideline 21 applies to contracts concerning intellectual property rights the generally accepted principle that the parties to a contract may choose the law that governs the substance of their agreement (*lex contractus*). Also known as “party autonomy”, the parties’ freedom to choose the law governing their contractual relationships embodies the considerable trust that contemporary private international law places in contracting parties involved in international situations. As a principle, they are considered to have the highest capacity and legitimacy to solve conflict of laws regarding their contracts. For instance, the Guideline’s absence of geographic specification or limitation means that the parties may choose any law; that law need not be the *lex loci protectionis*.

Without prejudice to the application of general mandatory rules or the *ordre public* exception, (Guidelines 28 and 29), the freedom of choice set out in paragraph 1 of Guideline 21 nonetheless encounters the particular limitation formulated in paragraph 2. To the extent that the law that would have applied in the absence of the parties’ choice (the *lex contractus* identified in Guideline 22) includes mandatory rules which afford greater protection to the author or performer than provided by the law chosen by the parties, these more protective

provisions shall govern. Paragraph 2 thus requires comparing two sets of rules: the rules imposed by the law the parties chose, and the rules of the objectively applicable law (pursuant to Guideline 22), in order to guarantee to the author or performer the benefit of the rules that best protect their interests. This comparative technique is directly inspired by the Rome I Regulation, which employs it in the context of contracts between professionals and consumers, and in the context of employment contracts (as for when the latter concern intellectual property, see Guideline 23). In the same fashion, Guideline 21 treats the author and the performer as the “weaker parties” who should receive special protection.

## **22. Absence of Choice**

**(1) In the absence of choice of law by the parties pursuant Guideline 21, a contract other than an employment contract shall be governed,**

**(a) if the contract deals with intellectual property granted for one State only, by the law of this State, unless it is clear from all the circumstances of the case that the contract is manifestly more closely connected with another State. Then the law of that other State shall apply;**

**(b) if the contract deals with intellectual property granted for more than one State, by the law of the State with which the contract is most closely connected; in determining this State, the court shall take into consideration among other possible factors:**

- the common habitual residence of the parties;**
- the habitual residence of the party effecting the performance characteristic of the contract;**
- the habitual residence of one of the parties when this habitual residence is located in one of the States covered by the contract.**

**(2) For the purpose of this provision, the habitual residence of a party shall be determined at the time of conclusion of the contract.**

### **See as reference provisions**

§ 315 (2) ALI Principles

Art 3:502 CLIP Principles

Art 306(2) Transparency Proposals

Art 307 Joint Korean-Japanese Principles

### **Short comments**

Guideline 22 addresses the case in which the contracting parties have not chosen the law applicable to their contract (apart from employment contracts, which are the subject of Guideline 23). Guideline 22 envisages two kinds of contracts, depending on their geographic scope.

With respect to the first kind of contract, it concerns only one State; its limited scope facilitates the analysis of conflict of laws. Subsection a) of paragraph 1 designates the law of the State for which the rights which form the object of the contract are granted, whatever the nationality or residence of the parties may be. The law applicable to the contract therefore coincides with the *lex loci protectionis*, thus avoiding the prospect of differences between the two laws. Guideline 22(1)(a), however, allows for the possibility that the contract might present more significant contacts with another State.

With respect to the second kind of contract, the intellectual property rights at issue cover multiple territories. Subsection b) of paragraph 1 subjects the contract to the law of the State with which it has the most significant relationship; it also sets out several connecting factors that assist in characterizing that relationship: the habitual residence of the parties in the same State; the habitual residence of the party who must furnish the characteristic performance; the habitual residence of either one of the parties if it is located in one of the States covered by the contract. These connecting factors need not all apply in every case, and they do not preclude taking other factors into account.

In order to ensure the predictability of the law that will apply to the contract, paragraph 2 of Guideline 22 fixes habitual residence as of the date of the conclusion of the contract.

## **23. Employment Contracts**

**(1) An employer and its employee whose efforts give rise to an intellectual property right may choose the law governing their contractual relationship in accordance with Guideline 21.**

**Such a choice of law shall 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 be applicable pursuant to paragraphs 2 and 3.**

**(2) In the absence of choice of law by the parties, the contractual relationship between employer and employee 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 State where the work is habitually carried out shall not be deemed to have changed if the employee is temporarily employed in another State.**

**(3) Where it is clear from all the circumstances of the case 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.**

**See as reference provisions**

§§ 311 (2), 312 (2), 313 (1)(c) and (2) ALI Principles

Art 3:503 CLIP Principles

### **Short comments**

Guideline 23(1) recognizes party autonomy in terms of choice of law in an individual employment contract. In this context, Guideline 23 does not provide a definition of employment contract. It leaves to the competent court to determine whether a contract is characterized as an employment contract as a preliminary question. In other words, characterization as to whether a contract constitutes an employment contract is up to the forum State. The law chosen by the parties shall not have the consequence of depriving the employee of the protection afforded to him or her by the mandatory employment regulations of the State in which or from which the employee habitually carries out his or her work in performance of the contract (*lex loci laboris*). Neither shall the law chosen by the parties have the consequence of depriving the employee of the protection afforded to him or her by the mandatory employment regulations of a different State in exceptional circumstances when the contract is more closely connected with the different State from the one in which or from which the employee habitually carries out his work in performance of the contract.

Guidelines 23(2) and (3) are the fall-back provisions in the absence of choice of law made by the parties. Guideline 23(2) prescribes that, in the absence of a choice of law made by the parties, the individual employment contract shall be governed by the law of the State in which the employee habitually carries out his work in performance of the contract. In this regard, the State where the work is habitually carried out shall not be deemed to have changed if the employee is temporarily employed in another State. Otherwise, the applicable law could be changed by sending an employee to work in another State. In cases in which no habitual place of work can be identified, the law of the State from which the employee habitually carries out his or her work in performance of the contract.

Guideline 23(2) sentence 2 will apply to the cases where the employee is expected to resume working in the State of origin after carrying out his work abroad for a limited period of time.

Due to the high threshold (“more closely” connection standard), Guideline 23(3) will apply to exceptional cases only. This provision makes it possible to deviate from the law of the State in which or from which the employee habitually carries out his/her work.

Guideline 23 does not provide which country’s law applies to cases where the law of the State in which or, failing that, from which the employee habitually carries out their work in performance of the contract cannot be determined. However, it is based on the assumption that the closest connection test should be applied to those situations. If it is impossible to determine a State in which or from which the employee habitually carries out his or her work, the law of the State of the place of business through which the employee was engaged will be taken into account.

## **24. Formal Validity**

- (1) Any contract dealing with intellectual property rights shall be formally valid to the extent that it satisfies the formal requirements:**
- (a) of the law of the State which governs the contract pursuant Guidelines 21-23, or**
  - (b) of the law of the State in which either of the parties has its habitual residence at the time of the conclusion of the contract, or**
  - (c) of the law of any other State with which the contract is connected.**
- (2) This provision shall not deprive creators, performers and employees of the protection resulting from Guideline 21 paragraph 2 and Guideline 23, paragraph 1.**

**See as reference provisions:**

§ 315 ALI Principles

Art 3:504 CLIP Principles

Art 306(4) Transparency Proposals

### **Short comments**

In order to avoid invalidating contracts for defects of form, Guideline 24(1) provides several alternative connecting factors. These are, on the one hand, in (a), the law that governs the substance of the contract, as determined under the prior Guidelines; on the other hand, under (b) and (c), more circumstantial elements: the State in which each party habitually resides; or any other State with which the contract presents a connection.

Guideline 24(2) nonetheless constrains this very open-ended approach to formal validity. Certain formal requirements, such as the detailed specification of the remuneration, or the specification of modes of exploitation of works of authorship have a particularly strong connection to the substantive law governing the agreement, and are intended to protect the author or performer. These requirements must be respected if they are mandated by the State whose law Guideline 21(2) and Guideline 23(1) designate.

## **Infringements**

### **25. Basic Rule on Infringement**

- (1) The law applicable to the infringement of an intellectual property right is the law of each State for which protection is sought.**
- (2) The law applicable to the remedies for the infringement may be chosen by the parties.**

**See as reference provisions**

§§ 301-302 ALI Principles

Arts 3:601, 3:602, 3:605, 3:606 CLIP

Principles

Arts 301, 303, 304 Transparency Proposal

Arts 304-305 Joint Korean-Japanese

Principles

**Short comments**

Guideline 25 lays down an internationally accepted rule of *lex loci protectionis* that requires subjecting intellectual property infringements to the law of the State for which protection is sought. It is the same rule that applies to proprietary aspects of intellectual property disputes (Guideline 19). *Lex loci protectionis* reflects the territorial nature of intellectual property rights, and implies that different States' laws may define intellectual property right infringements in different ways, which may lead to different outcomes in a cross-border intellectual property infringement case. This rule should be distinguished from the *lex fori* rule which subjects intellectual property infringement to the law of the State *where* the infringement is litigated.

Guideline 25 also sets an exception to the territoriality principle. It allows parties to choose law applicable to the remedies for the infringement. This rule is meant to provide more discretion for the parties to the dispute and increase efficiency of the proceedings. This party autonomy rule is limited as it applies to the remedies for the infringement only, and does not apply to other infringement-related or proprietary issues.

**26. Law Applicable to Ubiquitous or Multi-state Infringements**

**(1) When the infringement in multiple States is pleaded in connection with the use of ubiquitous or multinational media, the court may apply to the infringement as a whole the law or laws of the State(s) having an especially close connection with the global infringement. Relevant factors to determine the applicable law (or laws) in these situations include:**

- the place where the harm caused by the infringement is substantial in relation to the infringement in its entirety;**
- the parties' habitual residences or principal places of business;**
- the place where substantial activities in furthering the infringement have been carried out.**

- (2) In situations where paragraph (1) is applied, any party may prove that, with respect to particular States covered by the action, the solution provided by any of those States' laws differs from that obtained under the law(s) chosen to apply to the case as a whole. The court must take into account such differences when fashioning the remedy.**
- (3) Paragraphs (1) and (2) above may apply mutatis mutandis in cases of secondary or indirect infringements of intellectual property rights.**

**See as reference provisions**

§§ 301-302, 321 ALI Principles

Arts 3:603, 3:604 CLIP Principles

Art 302 Transparency Proposal

Art 306 Joint Korean-Japanese Principles

**Short comments**

Guideline 26 sets a new applicable law rule for infringements occurring via ubiquitous or multinational media, such as the Internet. It suggests that such ubiquitous or multinational infringements could be adjudicated under a single law with an especially close connection to the dispute. It departs from the territoriality principle and abandons the requirement that a multi-state infringement shall be subject to the law of each protecting State separately.

The purpose of this rule is to facilitate the enforcement of global intellectual property infringements and ensure that remedies for the entire global infringement could be granted under a single applicable law. At the same time, the Guideline contains an exception that allows parties to invoke another law that provides a different outcome to the dispute. This establishes a balance between territoriality and universality approaches in ubiquitous infringement cases. The rule can also be applied to indirect or secondary infringements.

**27. Collective Rights Management in the Field of Copyright and Related Rights**

- (1) The law of the State where a collective rights management organization has its actual seat of administration shall govern**
- (a) the requirements for the specific corporate structure of collective rights management organizations;**
  - (b) the rights, conditions and principles concerning the relationship of the right holder, as well as of another collective rights management organization representing right holders, vis-à-vis a collective rights management organization, such as**
    - (i) the right and conditions for becoming a member of this organization;**

- (ii) the right and conditions for entrusting rights to this organization;
  - (iii) the rights and conditions for withdrawing the management of rights from this organization;
  - (iv) the requirements regarding the calculation and distribution of the organization's revenue to the right holders and other collective rights management organizations representing right holders; and
  - (v) the rights and conditions on access to alternative dispute resolution to be offered by the collective rights management organization; and
- (c) in absence of a choice of law by the parties, the contract under which the right holder entrusts rights to this organization.
- (2) The law of the State for which protection is sought shall govern
- (a) the presumption that a collective rights management organization is empowered to seek protection for certain works or subject-matter of related rights;
  - (b) mandatory collective rights management;
  - (c) the power of an individual collective rights management organization to grant licenses or collect statutory remuneration without prior consent of the right holder;
  - (d) the issue of whether and under which conditions a collective rights management organization has to license rights to users; and
  - (e) the requirements regarding the calculation of the royalty rates and statutory remuneration.
- (3) The law of the forum shall govern legal standing of a collective right management organization before a court.
- (4) This guideline applies without prejudice to the applicable competition law rules.

### **Short comments**

As all private international law rules, Guideline 27 on collective rights management only relates to private law issues. It does not identify the administrative law that State authorities apply when controlling collective rights management organizations (in the following: CMOs). Whether national provisions are of a private or administrative law nature should be decided in

the light of the potentially applicable national law. Rules that have both a private and administrative law character fall within the scope of the Guidelines.

Guideline 27 is an innovation in private international law. Neither national law nor international law specifically provide conflict rules relating to collective rights management. When legislatures adopt sector-specific rules on collective rights management, they typically remain silent on issues of private international law.

Contrary to the past, private international law is quickly gaining relevance with regard to collective rights management. Especially in the field of online use of music, multi-territorial licensing has emerged as a new tool used by CMOs. Equally, right holders may decide to mandate their rights to a foreign CMO. In the European Union, harmonization of the law on collective rights management is particularly motivated by the objective to enhance cross-border competition among national CMOs for right holders.

The major question to be answered is whether and to which extent a deviation from the *lex loci protectionis* rule should be advocated. Guideline 27(1) proposes such deviation in favor of the application of the law of the State of the actual seat of administration of a CMO for all issues regarding the relationship between such CMO and right holders. Conversely, Guideline 27(2) maintains the *lex loci protectionis* rule for issues concerning the relationship between a CMO and users.

Regarding the relationship with right holders, application of the law of the State of the CMO's actual seat of administration has considerable advantages. Right holders will often prefer to mandate their rights under multiple national laws to a single CMO. In such instances, Guidelines 27(1) avoids the need for parallel application of multiple laws. This enables the CMO to define its relationship with all right holders uniformly against the backdrop of its national law. Application of the national law at the CMO's actual seat of administration also favors application of the same national law in a private and administrative law context. Conversely, there is no legitimate interest that would advocate the application of the *lex loci protectionis* or the law of the State of the habitual residence of the right holder. Since right holders can freely decide whether they prefer to mandate the management of their rights to the local CMO or a foreign CMO, cross-border competition among CMOs should sufficiently take care of their economic interests.

Regarding the relationship with users, application of the *lex loci protectionis* rule according to Guideline 27(2) is mandated by the application of this same law according to Guideline 25(1) in the case of infringement. Hence, the *lex loci protectionis* applies both to legal and to illegal use of rights. Application of the *lex loci protectionis* also guarantees a level-playing field of all, national and foreign, CMOs with regard to the use of rights in a given State. In contrast, deviation in favor of the law of the State of the CMO's actual seat of administration would open the door for forum shopping, since CMOs could choose to establish their seat in a State with lower levels of protection for users.

Yet some States limit the possibility of foreign CMOs to claim rights for their right holders before national courts. Guideline 27(3) characterizes this issue as a procedural one, stating that the law of the forum should decide on this matter. This rule prevents individual States from introducing such limitations on legal standing with effect before foreign courts. Guideline 27 needs to be delimited from other choice-of-law rules. Guideline 27(4) explicitly states that Guideline 27 applies without prejudice to the applicable competition law rules. Still, the *lex protectionis* rule pursuant to Guideline 27(2) will typically be the same as the law applicable under the effects doctrine in the field of competition law.

Apart from Guideline 27(1)(c), Guideline 27 does not aim to identify the contract law applicable to the contractual relationship between a CMO, on the one hand, and right holders or users, on the other hand. Accordingly, the parties are in principle free to choose the law that governs their contractual relationships. Yet, where a choice of law is absent, Guideline 27(1)(c) departs from Guideline 22, stipulating that the law of the State of the CMO's actual seat of administration should apply in such case. This rule recognizes the legitimate interest of a CMO to apply its national law uniformly to all, national and foreign, rights it manages and all, national and foreign, right holders it represents.

The freedom to choose the applicable law also governs the relationship with users pursuant to Guidelines 21 and 22. Most importantly Guideline 22(1)(b) departs from the application of the *lex loci protectionis* in case of contracts regarding intellectual property for more than one State, such as in the case of multi-territorial licenses. The second indent of this provision, referring to the habitual residence of the party effectuating the characteristic performance, will typically lead to the application of the law of the State of the actual seat of the CMO that grants the license.

Guideline 27 does not include any rule on the applicable law to representation agreements between CMOs. In this regard, the applicable contract law also arises from Guidelines 21 and 22. Yet Guideline 27(1) also applies to the extent that a CMO has mandated the management of rights it represents to another CMO, especially with regard to the territory of another State. Hence, Guideline 27(1) should not be read to apply exclusively to cases where right holders directly claim rights against a CMO but also where they do so through representation by their CMO against another CMO.

Guideline 27(1)(a) identifies the applicable law for requirements for the specific corporate structure of CMOs. Yet this rule does not define the applicable corporate law to CMOs. However, in individual cases, it may restrict the autonomy, otherwise available to the founders and members of a CMO under the applicable corporate law, to choose a particular corporate form or to design the internal rules or structure of a CMO.

## Other Provisions

## 28. Public Policy

**The application of the law determined under these Guidelines may be refused only to the extent that its effects would be manifestly contrary to the public policy of the forum.**

### **See as reference provisions**

§ 322 ALI Principles

Art 3:902 CLIP Principles

Art 313 Joint Korean-Japanese Principles

### **Short comments**

The concept of public policy is well established in almost all jurisdictions. Ever since the 1956 Hague Convention on the law applicable to maintenance obligations towards children, similar – if not quasi-identical – wording has been employed in numerous international choice of law instruments when drafting the public policy exception. The rationale underlying this exception and the effects of its application are equivalent to the implications of overriding mandatory provisions of the forum. In both cases, the law determined under the choice of law rules provided by the Guidelines can be disregarded. Nevertheless, both mechanisms remain different. Whereas overriding mandatory provisions preempt the choice of law rules, the public policy exception functions as a final safeguard that allows a court to refuse the application of a provision of the law of any State specified by the choice of law rules provided for by the Guidelines. The law designated should only be disregarded in cases of clear incompatibility with the public policy of the forum. In line with the usual drafting of this safeguard in international instruments, under the Guidelines, the exclusion is applied only if the incompatibility is “manifest”.

Guideline 28 requires to identify, on the one hand, the forum’s public policy and, on the other hand, the manifest incompatibility between the designated law and the public policy applied. Each step must be followed. The identification of the public policy can be difficult because it is not a pure intellectual property question but a broader question of the social, cultural and economic policies of the forum State. It is subject to gradual change as long as the values of the society also change in the course of time. The mere incompatibility is not enough to exclude, according to the guidelines, the designated rule. Then, the manifest incompatibility needs a specific autonomous appreciation.

## 29. Overriding Mandatory Provisions

**(1) Nothing in these Guidelines shall restrict the application of the overriding mandatory provisions of the law of the forum.**

**(2) When applying under these Guidelines the law of a State to a contract, the court may give effect to the law of another State where the obligations arising out of the contract have to be or have been performed.**

**See as reference provisions**

§ 323 ALI Principles

Art 3:901 CLIP Principles

Art 312 Joint Korean-Japanese Principles

**Short comments**

Overriding mandatory provisions limit choice of law rules, by preempting the law determined under these Guidelines. Overriding mandatory provisions are directly applicable to situations falling within their scope, irrespective of the law designated by the otherwise applicable choice of law rule. The effect of overriding mandatory provisions of the forum is equivalent to the public policy exception. Indeed, both mechanisms exclude the application of provisions of the foreign law determined by the choice of law rule. Nevertheless, overriding mandatory provisions are directly applicable. They preempt the choice of law rule, which is not applied.

The effect of overriding mandatory provisions varies depending on their origin. When they belong to the law of the forum, judges are under a duty to apply them to all situations falling within their scope. They prevail over the otherwise applicable law. Additionally, in situations concerning contracts, the possibility to give effect to overriding mandatory provisions of third States is also envisaged with limitations. In certain situations, Courts may give effect to such rules after having taken into account the connection between the dispute and the overriding mandatory provisions and all other relevant factors, such as the nature and purpose of those provisions. The latter possibility is only envisaged with regard to contracts. Only overriding mandatory provisions belonging to the law of the State, where the obligations arising out of the contract have to be or have been performed, may preempt the *lex contractus*.

### **30. Renvoi**

**The application of the law of any State determined under these Guidelines means the application of the rules of law in force in that State other than its rules of private international law.**

**See as reference provisions**

§ 324 ALI Principles

Art 3:903 CLIP Principles

Art 310 Joint Korean-Japanese Principles

**Short comments**

Guideline 30 solves the question of the nature and scope of the referral by the choice of law rule. In particular, it addresses the issue whether the referral *covers* only substantial rules or also private international rules. The *renvoi* doctrine is based on the assumption that the application of the law of the State designated by the choice of law rules includes the application of its rules of private international law. Such a mechanism is complex and may lead to unpredictable results. Therefore, excludes *renvoi* and provides that the application of law designated by the Guidelines means the application of the rules of law in force in that State other than its rules of private international law.

### **31. Arbitrability**

**When assessing the arbitrability of disputes concerning intellectual property rights, courts and arbitral tribunals shall take into consideration the law of the arbitration, to the extent that the rights in dispute have a close connection with it, and that of the State of protection, particularly insofar as the award has to be recognized and enforced in that State.**

#### **Short comments**

Guideline 31 addresses the issue of arbitrability of intellectual property disputes, on which significant differences exist between national legal systems, such differences being a considerable source of uncertainty in international trade. In this respect, the Guideline seeks to provide direction to adjudicators, while at the same time allowing them a certain degree of flexibility. It also bears in mind the need to ensure the enforceability of arbitral awards rendered on matters of intellectual property.

In view of this, the Guideline provides that judges and arbitrators shall take into consideration the provisions of the two laws that are more relevant to govern the said issue. These laws are, on the one hand, the *lex arbitri*, which in a large number of legal systems is that of the State of the seat of the arbitration, whose courts may set the award aside for lack of arbitrability of the subject matter of the dispute; and, on the other hand, the *lex protectionis*, i.e., the law of the State for the territory of which protection of the disputed right is sought, insofar as compliance with the provisions of that law is required in order to safeguard the enforceability of the award in that State.

## **RECOGNITION AND ENFORCEMENT**

### **32. Object of Recognition and Enforcement**

**(1) A foreign judgment may be recognized and enforced in accordance with this part of the Guidelines.**

- (2) If a judgment is still subject to appeal in the State of the rendering court, or if the period for launching ordinary review has not expired in that State, the requested court may stay the recognition and enforcement until the appeal is decided or the period expires, or may make it a condition of the recognition and enforcement that the party seeking it provide security.**
- (3) 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.**

**See as reference provisions**

§§ 401(1), (2), and (4), 402, 411(1), 412(1),  
413(1) ALI Principles  
Arts 4:102(1) and (5), 4:301(2), 4:801 CLIP  
Principles  
Arts 402, 403 Transparency Proposal  
Arts 405, 408 Joint Korean-Japanese  
Principles

**Short comments**

Guideline 32 provides for the recognition and enforcement of foreign judgments as defined in Guideline 2. Guideline 32, together with Guidelines 33-35, applies to both recognition and enforcement irrespective of whether the requested court decides on them in separate proceedings or in a single proceeding. It applies also to situations in which recognition requires no special procedure. The aim of the Guidelines is to achieve the maximum degree of recognition and enforcement of foreign judgments while providing adequate safeguards to the requested States. Matters of recognition and enforcement not covered by the Guidelines, particularly those regarding procedure, are to be governed by the laws of the requested State. Such domestic rules should not undermine the effectiveness of the Guidelines.

Guideline 32 provides for two exceptions to the general rule. The exception in paragraph 2 is discretionary and concerns foreign judgments that are or may still be subject to an appeal in the State of origin. Hence, it refers to judgments not considered final under the law of the rendering State. Such judgments might or might not be enforceable in the State of origin. Since non-final judgments may be revised in the State of origin, particular safeguards have to be provided. In cases involving non-final judgments the requested court has three options: (1) follow the general rule and recognize and enforce the judgment; (2) stay the recognition and enforcement proceeding until the appeal is decided in the State of the judgment's origin or until the period for filing of an appeal expires; or (3) recognize and/or enforce the judgment but require security from the party seeking the recognition and/or enforcement.

Under the mandatory exception in paragraph 3 the requested court must not recognize and/or enforce provisional and protective measures if the rendering court issued the measures without a prior hearing of the respondents and the enforcement is to occur without notice to the respondent. This provision is intended to ensure adequate protection of the right to be

heard. Judgments issued without notice to the respondent that are not provisional and protective measures are addressed in Guideline 34. Guideline 34 also lists additional grounds for non-recognition and non-enforcement of foreign judgments.

### **33. Effects of a Foreign Judgment**

**The effects of a foreign judgment, including its enforceability, in the requested State shall to the extent possible be the same, and under no circumstances greater, than in the State of origin.**

**See as reference provisions**

§ 401(3) ALI Principles

Art 4:102(2) – (4) CLIP Principles

Art 404 Transparency Proposal

**Short comments**

Guideline 33 requires that the requested court, when it recognizes and/or enforces a foreign judgment, ensures that the effects of the recognition and/or enforcement do not exceed the effects that the judgment has in the State of origin, or would have had in the State of origin were the judgment enforced there. The Guideline is phrased generally in order to cover all types of procedural effects, including claim preclusion (*res judicata*), issue preclusion (collateral estoppel), and legal enforceability. If the judgment is not enforceable under the law of the State of origin, it may not be held enforceable in the requested State.

### **34. Grounds for Non-Recognition and Non-Enforcement**

- (1) A court shall not recognize and enforce a foreign judgment if:**
- (a) such recognition or enforcement would be manifestly incompatible with a fundamental public policy of the requested State;**
  - (b) the proceedings leading to the judgment were manifestly incompatible with the fundamental principles of procedural fairness of the requested State;**
  - (c) the judgment was rendered by default where**

- i) the defendant to the proceeding was not adequately and timely notified of the proceeding, or
    - ii) the defendant was deprived of an adequate and meaningful opportunity to present its case before the rendering court;
  - (d) the judgment is inconsistent with a prior judgment rendered in the requested State that has preclusive effect;
  - (e) the judgment is inconsistent with an earlier judgment given in another State between the same parties and having the same cause of action, provided that the earlier judgment fulfils the conditions necessary for its recognition in the requested State;
  - (f) the rendering court exercised jurisdiction in violation of the rules of jurisdiction under these Guidelines.
- (2) A court may decline to recognize and enforce a foreign judgment if the rendering court designated the applicable law in violation of the rules in Guidelines 20 – 24 protecting creators, performers and employees.
- (3) In assessing the rendering court’s jurisdiction, the requested court is bound by the findings of fact made by the rendering court in the original proceeding.
- (4) Without prejudice to such review as may be necessary for the application of Guidelines 33 and 34, the requested court shall not review a foreign judgment as to its merits.

**See as reference provisions**  
 §§ 401 – 403 ALI Principles  
 Arts 4:201 – 4:601 CLIP Principles  
 Art 402 Transparency Proposal  
 Arts 401, 406, 407 Joint Korean-Japanese Principles

### **Short comments**

Guideline 34(1) lists the mandatory grounds on which a requested court must refuse to recognize and/or enforce a foreign judgment. The list is exhaustive, and a requested court must not refuse recognition and/or enforcement on a ground that is not listed in Guideline 34. Under the Guidelines no reciprocity is required for recognition and enforcement of foreign judgments. Any one of the grounds listed in Guideline 34(1) will suffice for non-recognition and/or non-enforcement. The first three grounds concern public policy and fundamental due process requirements. The fourth and fifth grounds address conflicts with prior judgments that are inconsistent with the foreign judgment that is subject to the recognition and/or

enforcement request. The sixth ground is a jurisdictional filter; it requires that the rendering court follow the rules of jurisdiction in the Guidelines.

Guideline 34(2) provides a discretionary ground for non-recognition and non-enforcement. It allows the requested court to deny recognition and enforcement if the rendering court did not respect the provisions of Guidelines 20 – 24 on the choice of applicable law protecting creators, performers and employees.

Guidelines 34(3) and (4) require that the requested court respect the findings of fact made by the rendering court and that the requested court not review the foreign judgment on the merits. The only exceptions to the prohibition against review on the merits are under circumstances in which the requested court needs to assess the intended effects of the foreign judgment for the purposes of Guideline 33, and when the requested court needs to assess the applicability of one of the grounds for non-recognition and/or non-enforcement listed in Guideline 34.

### **35. Partial and Limited Recognition and Adaptation**

- (1) If a foreign judgment contains elements that are severable, one or more of them may be separately recognized and enforced.**
- (2) If a foreign judgment awards non-compensatory, including exemplary or punitive, damages that are not available under the law of the requested State, recognition and enforcement may be refused if, and only to the extent that, the judgment awards 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 requested State.**
- (3) If a judgment contains a measure that is not known in the law of the requested State, that measure shall, to the extent possible, be adapted to a measure known in the law of the requested State that has equivalent effects attached to it and that pursues similar aims and interests.**
- (4) If a foreign judgment includes a decision concerning the validity of a registered intellectual property right and the rendering court is not a court of the State of registration, the decision on the validity shall be effective only between the parties to which the foreign judgment pertains.**

#### **See as reference provisions**

§ 411(2), 412(1)(b), 413 ALI Principles  
Arts 4:102(6), 4:202, 4:402, 4:703(3) CLIP Principles  
Art 404 Transparency Proposals  
Arts 402 – 404, 407 Joint Korean-Japanese Principles

#### **Short comments**

To achieve the maximum degree of recognition and enforcement, Guideline 35 provides for partial recognition and/or enforcement and for partial or full adaptation of judgments so that if judgments or parts of judgments cannot be recognized and/or enforced, either at least some parts of the judgments, or entire judgments with adaptation, can be recognized and/or enforced. If the grounds for non-recognition and non-enforcement in Guideline 34, or limitations on recognition and/or enforcement in Guidelines 32(2) and (3), apply to parts of a foreign judgment, the remainder of the judgment may be recognized and/or enforced, and Guideline 35 will facilitate a partial recognition and/or enforcement. Guideline 35 also provides for adaptations so that foreign judgments or their parts may be adjusted to be enforceable in the requested State.