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Cross-border IP disputes: the ILA-Kyoto Guidelines

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Encounter 15

FINAL REPORT

Date: September 8, 2021

Speakers:

Prof. Marketa TRIMBLE, Samuel S. Lionel Professor of Intellectual Property Law, University of Nevada, Las Vegas (US), member of ILA Committee on IP and Private International Law, and editor of the Guidelines

Prof. Toshiyuki KONO, Professor of Law and Executive Vice-President at Kyushu University (Japan), Chair of the ILA Committee on IP and Private International Law, and editor of the Guidelines

Prof. Axel METZGER, Professor of Civil and Intellectual Property Law at Humboldt University of Berlin (Germany), Co-Rapporteur of the ILA Committee on IP and Private International Law, and editor of the Guidelines

Moderator and Speaker:

Prof. Pedro DE MIGUEL ASENSIO, Professor of Private international law at University Complutense of Madrid (Spain), Co-Rapporteur of ILA Committee on IP and Private International Law, and editor of the Guidelines

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INTRODUCTION

Prof. DESANTES: In introducing this encounter stated that the purpose was to discuss a more predictable legal framework for cross-border intellectual property ("IP") disputes in light of the International Law Association's ("ILA") Kyoto Guidelines ("Guidelines"). The 4th industrial revolution creates more cross-border disputes, which raise new and complex challenges in the enforcement of IP rights in this global environment, especially when compared to the traditional way of solving conflicts through national courts. Conflict solving procedures still differ widely from country to country, which fosters an environment deprived of legal certainty and severely impacts the enforcement of IP rights. Thus, the adoption of modern provisions on the private international law aspects of IP is an urgent matter. This encounter will discuss the Kyoto Guidelines, which were approved in December 2020 by a plenary of the ILA 79th Biennial Conference.

Prof. FERNÁNDEZ-LASQUETTY: Added that IP is international by nature and there have been many efforts to achieve some harmonization at a regional and global level. Indeed, there are still some pending issues regarding litigation and dispute solving in an international environment.

Prof. DE MIGUEL: In starting the discussion, he stated that the Guidelines are an outcome of the project that lasted for around 10 years. It is a complete set of rules which covers international jurisdiction, choice of law and recognition and enforcement of judgements. Some of these rules are rather innovative and have not been addressed either at the international or national level. In particular, the provisions on jurisdiction and choice of law issues in collective copyright management.

1. What is the significance of these Guidelines in the context of the previous projects in this area and the recent developments, especially the 2019 Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters (2009 Hague Convention), which excluded IP issues?

Prof. KONO: Highlighted that the idea to discuss IP in private international law started as a result of the failure of the Hague "Judgments Project", which had started in 1996, where one of the biggest challenges at that time was IP. After more than 10 years of negotiations, they decided not to continue, and the resulting lacuna was filled by several groups of academics who rescued the issue by starting their projects. This was initiated by the American Law Institute, followed by the Max Planck Institute, projects in Japan, Korea, and other countries. The Guidelines are a comprehensive, non-region-specific global output of these discussions which covered almost all major jurisdictions.

He further explained that during negotiations of the 2019 Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters IP issues were initially upon the agenda, but at the end of the negotiation, it was decided to exclude them. There is still a lacuna in this area, and it is believed that these Guidelines can fill it.

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Prof. TRIMBLE: Underlined that the importance of this project and the Guidelines is firstly that it is global. This is due to the geographical scope as members of the committee came from a variety of countries, showing the ability of persons from different jurisdictions to agree on some of these issues. Secondly, the committee was able to deal with new issues and updated some of those discussed in the previous projects, particularly in light of new developments in the law. For instance, in the United States ("US"), there have been developments regarding the jurisdiction of US courts which were important for this project.

Prof. METZGER: Explained that the previous regional projects that provided in-depth analysis and concrete proposals were linked to a specific legal culture. For example, the American Law Institute's guidelines were based on the experiences of North America. Whereas the purpose of the ILA was to draft compromises at an international level so that the Guidelines could be used in many regions of the world. He referenced that the Guidelines have been published (with special comments and references to the older projects) in a special issue of the Open Access Journal JIPITEC, Issue 1 of 2021.

2. What are the features of the Guidelines illustrating the instruments that can improve the regulation of cross-border IP disputes arising from online activities?

Prof. TRIMBLE: In reflecting on this point, she stated that cross-border online activities were on the mind of the Committee. Any conflicts on the internet are problematic because of the ubiquitous nature of the medium. In the current environment, it can be difficult for IP owners to enforce their rights on the internet. Usually, they need to select the jurisdiction and the law that can help them pursue their rights. The committee tried to make it feasible to enforce IP rights across multiple jurisdictions. The first step is to open more courts of general jurisdiction. The Guidelines still maintain the general jurisdiction provision which attributes jurisdiction to the Court of the alleged infringer's habitual residence. Additionally, Guideline 5 introduces the possibility to file in a place where the alleged infringer acted or initiated/furthered the alleged infringement. This allows the IP owner to bring a claim that will be territorially unlimited. This is listed as a specific jurisdiction, but it has features of general jurisdiction.

Secondly, regarding the choice of law, Guideline 26 includes a special provision on the law applicable to ubiquitous infringements. It permits the court to apply a single country law which is the law of the country that has an especially close connection with global infringement. The Guidelines provide courts with some of the factors to establish this connection. To balance these clauses, the infringer can provide proof that certain country laws should not apply. This expands the number of courts where the rightsholder can use a single country law to bring a global infringement case. This significantly simplifies the infringement proceedings and IP rights enforcement.

Prof. KONO: Shared a recent Japanese case that highlights the complexity of these cases. He explained that there was a website that made available Japanese animations "*manga*" for free to millions of monthly users. Due to a lot of controversies, the website was suddenly closed. Later it was discovered that the contents were provided by a company located in the

US, but the server of this website was located in Ukraine, and it was contracted by a Swedish service provider. The owner disappeared but was recently arrested in the Philippines. The main issue in Japan was the criminal aspect with the compensation and injunctions issues not being in focus.

3. What is the approach of the Guidelines to the choice of law regarding initial ownership of IP rights? This has always been a point of debate and national laws have different approaches here.

Prof. METZGER: In looking at this issue he stated that initial ownership, primarily in copyright, has always been one of the most controversial questions in the conflict of laws in IP. Many jurisdictions adhere to the territoriality principle and apply it to initial ownership. This approach means that to bring a multi-territorial copyright infringement case, the rightholders must plead in each jurisdiction to establish that they are the rightful owners, where the rights were allocated first and how the rights were acquired afterwards. However, other jurisdictions, specifically the US, apply a sort of *lex originis* approach. This approach makes it possible to determine the law applicable to initial ownership, based on the law of the place of first publication or where the work has been created. He further mentioned that these different positions were reflected in the previous regional projects. This is where ILA had to balance these different approaches and concepts of copyright law. This is not only a doctrinal issue but one which has an economic and philosophical background. Guideline 20 provides a compromise based in principle on the *lex originis* approach, but which does not use the place of first publication but the place where the work was created. This is where the author has his habitual residence at the moment of creation. However, if a State has a strong underlying policy behind the allocation of first ownership, it can be possible to apply a different allocation for those specific countries (as it is governed by the law of that State).

Prof. TRIMBLE: Highlighted that the Guidelines are forward-looking as they are designed for a world where there will be easier cross-border litigation. Thus, courts will deal with many more cross-border IP disputes particularly in online activities and these Guidelines will make it easier for them to handle such disputes.

4. What do you think are the possible means for the Guidelines to influence the regulation on IP disputes in the future? What will be the challenges?

Prof. TRIMBLE: In referencing the US, she stated that the American Law Institute project dealt with the same topic, but it was drafted some years ago. The Guidelines updated the rules and make them more globally acceptable. In the US, given the role of courts in shaping some of these rules, the Guidelines can assist the judiciary by enlightening them about approaches and possible solutions from other countries. For instance, on the issue of jurisdiction and the development of the rules of general jurisdiction, it can now be easier for US courts to accept the Guidelines as feasible solutions.

Prof. METZGER: Stated that previous projects such as the CLIP project (Principles on Conflict of Laws in IP) were cited by the Advocate General of the European Court of Justice. Thus,

one field where the Guidelines may play a role is to be an inspiration for courts, arbitration institutions and international organisations. They can be helpful as a soft law instrument.

Prof. KONO: In expanding on the previous point stated that The Hague Conference on Private International Law and the WIPO published A Guide for Judges on how to deal with international IP matters (https://www.wipo.int/edocs/pubdocs/en/wipo_pub_1053.pdf). This is an introductory document trying to explain in clear words the issues and how to deal with them. The Guidelines are translated into five (5) languages and will be translated into more languages so that it is more easily accessible to lawyers and judges.

5. IP was excluded from the previous legislative projects, and there was a reason for that. Do these reasons and concerns still stand and will have an impact on endorsing the Guidelines more broadly, or do you see a change in the environment?

Prof. TRIMBLE: Clarified that, regarding the US approach to conflict of laws, private international law and IP litigation, not much has changed. The political environment and education play a significant role, particularly in the understanding of conflict of laws by lawyers. However, there is a rise in awareness about these disputes and there will be a need for judicial solutions, as opposed to the present business solutions.

6. What is the relationship between actions for injunctive relief and a negative declaratory judgment action? Could there be a race to the most convenient forum between plaintiff and defendant?

Prof. DE MIGUEL: In answering this question stated that the Guidelines do not differentiate between injunctive relief and declaratory actions as regards the grounds of jurisdiction available. The issue with the race to the most convenient forum is that most jurisdiction grounds are limited in territorial scope. Other than the defendant's domicile and the place of the origin of the activity, which usually coincide, the jurisdiction is limited. In particular, jurisdiction granted to the courts of the States where the infringement may have caused direct substantial harm is territorially limited to the State in which the court is situated to the territory where the infringement may have caused direct substantial harm. This means that bringing a claim before this court cannot block a claim in a different country since the jurisdiction of the first court is limited to its territory. Furthermore, it also determines the limited territorial reach of the injunctions ordered by such courts. However, if a claim is brought before the defendant's domicile or the place of the origin of the activity, the court is granted unlimited jurisdiction.

7. To follow up, how do you define the place of origin as this can be interpreted broadly (there can be many possible places)?

Prof. DE MIGUEL: Clarified that Guideline 5a provides a definition and applying this requires the infringer to have a significant and substantial connection to the place. The idea behind this definition is to prevent the infringer from seeking a haven with little connection. As shown in the case law from the European Court of Justice, this will mostly be the place where the person is domiciled.

Prof. METZGER: Added that he hopes the European Court of Justice would look into the Guidelines because it accepts the mere accessibility to a website for determining infringement jurisdiction and the Guidelines go against this position. The Guidelines require a more substantial connection to prevent selecting a jurisdiction that has a loose connection to the case. Further, the Committee spent considerable time dealing with coordination of proceedings issues and this solution is presented under Guideline 17. However, he acknowledged that this is a complicated issue under private international law.

8. The Guidelines can simplify how to deal with cross-border IP disputes by determining the jurisdiction and applicable law, but how would this help in the enforcement of a decision against a national of a third country which is not the selected jurisdiction, and its national law has not been applied?

Prof. TRIMBLE: Explained that the section on recognition and enforcement supports all the previous rules and guidelines. Thus, it is expected that judgments rendered according to such rules will be recognized and enforced in other jurisdictions. The grounds for non-recognition and non-enforcement are dealt with in Guideline 34. All of the rules on the recognition and enforcement of foreign judgements are drafted to make them available in most cases. Further, there is a provision on the adaptation of foreign judgements if this is required. So, the expectation is that the judgements can be recognised, and it will be ideal for the Guidelines to be adopted as soft law or another type of instrument that can bind countries.

9. To what extent the criminal sanction is effectively enforced where infringers are not in the same jurisdiction?

Prof. DE MIGUEL: Stated that this question raises an important issue, which is the scope of the Guidelines. The scope is limited to civil and commercial matters as they are not intended to apply in criminal proceedings. In principle, judgments in criminal matters cannot be enforced abroad. There is no similar system for the recognition and enforcement of criminal judgments as there is for civil and commercial claims because these are two separate systems. As such the Guidelines are intended only for civil and commercial claims.

10. How do the Guidelines deal with the issue of injunctions against online activities? This issue has arisen with the European Court of Justice where claimants seek the removal of online information which is an exceptional remedy in that it affects the availability of information worldwide. This deals with rights that are territorial limited and activities that may be infringing rights in several countries.

Prof. TRIMBLE: Confirmed that this is a controversial issue as there are some jurisdictions where cross-border injunctions can be granted if it is so required to protect IP rights. Guideline 14 deals with the scope of injunctions and clearly states it is limited by the jurisdiction of the particular court. Further, it states that the scope should not be broader than is necessary to protect the IP rights enforced. A court could then limit the scope of the injunction to its jurisdiction. On the internet, this can be done due to new technical

capabilities such as geo-blocking which allows the court to design territorially limited injunctions.

Prof. METZGER: Stated that these Guidelines are a dynamic document, and the committee would be happy to hear from legal practitioners on their experience and any suggestions that they may have.

CONCLUSION

Prof. MANDERIEUX: In closing reaffirmed that these issues reoated to private international law and IP will be very relevant for the next 20 years. Regarding the comment made by Prof. Trimble about the link between the internet and jurisdiction, Global Digital Encounters intends to address the academic weaknesses of these changes. The next encounter will reflect further on the classical issue of internet domain names and their interaction with trademarks and other fields.

Arielle ABERDEEN
Yulia BORISOVA

The Kyoto Guidelines, commentary and their translations are available at:
http://www.law.kyushu-u.ac.jp/programsinenglish/kyoto-guidelines/