

**RECOGNITION AND ENFORCEMENT OF JUDGMENTS
IN INTELLECTUAL PROPERTY LITIGATION:
THE CLIP PRINCIPLES**

Pedro Alberto DE MIGUEL ASENSIO *

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* Catedrático de Derecho internacional privado
Facultad de Derecho
Universidad Complutense de Madrid
E- 28040 MADRID
pdmigue@der.ucm.es

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Recognition and Enforcement of Judgments in Intellectual Property Litigation: The CLIP Principles

Pedro A. DE MIGUEL ASENSIO*

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I. SIGNIFICANCE OF RECOGNITION AND ENFORCEMENT IN IP LITIGATION

1. The current global context of economic activities combined with the territorial nature of intellectual property (IP) rights create a situation in which it is very common in practice that IP rightholders hold equivalent rights on the same object in many countries. Also, business models and modern technologies favor that a given activity may infringe rights in several if not many countries. The choices as to whether to litigate disputes concerning these equivalent rights only in one jurisdiction, and in which particular jurisdiction, may be greatly influenced by the possibility to have a judgment from a prospective forum recognized and enforced in other countries.

Because of the separation of judicial systems, the effects of a judgment are in principle limited to the territory of the sovereign whose court gave it. A foreign judgment must be recognized or declared enforceable in the local forum in order to

* Professor at the Law Faculty of the Universidad Complutense, Madrid

produce its typical effects as a judgment in the forum country. A non-recognized judgment can be received in a different forum only as evidence of the matters earlier decided, since it may be regarded as a public document. However, this use of a foreign judgment does not preclude the merits of the underlying cause of action from a complete re-examination in the new forum.¹ By contrast, recognition of a foreign judgment implies that the interested party does not need to re-litigate the cause in a new forum. It reduces judicial workload and litigation and ensures the protection of rights acquired under a foreign system, which is especially important in a context of increasing globalization.

2. Litigating multinational infringements in the courts of a single country or even suing an alleged infringer in a country other than where her or his assets are located creates situations in which rights and duties are determined in judgments that may require recognition in foreign jurisdictions. Hence, the development of appropriate principles in the area of recognition and enforcement of foreign judgments is essential for an effective protection of IP rights in the international sphere, where the possibility of relying upon a foreign judgment as *res judicata* has great strategic importance.² However, it seems that recognition and enforcement have traditionally not played the important role they may deserve in international IP litigation strategies, being very much focused on other relevant aspects of procedural law of the jurisdictions involved.³

Enforcement abroad may be decisive to ensure the authority of an injunction ordering a party to desist from an infringement in the territory of several countries since injunctions are typically to be enforced in the country of protection of an IP right. Also, enforcing money judgments against defendants without sufficient assets in the country where the judgment was rendered raises special needs. It makes it necessary to pursue additional litigation in a country where the defendant has assets unless the original judgment can be enforced in such country. In addition, recognition of a foreign judgment prevents subsequent litigation in a different forum. Reliance on the *res judicata* effect of a foreign judgment is necessary to prevent the losing party from bringing new proceedings involving the same cause of action and between the same parties in the courts of another state. One example may illustrate this last point.

Example: The courts of country A have rendered a decision declaring that certain activities of company Z do not infringe the IP rights that company Y owns in

¹ See, e.g., C.H. PETERSON, "Res Judicata and Foreign Judgments," 24 *Ohio State LJ* 291 (1963), at 291; and R. GEIMER, *Internationales Zivilprozeßrecht*, 3rd ed., 1997, p. 766.

² P. BARNETT, *Res Judicata, Estoppel, and Foreign Judgments*, Oxford, 2001, pp. 4-5.

³ See, e.g., D. WILSON (ed.), *International Patent Litigation: Developing an Effective Strategy*, 2009, at 14-16.

countries A and B. Once such a decision has become final according to the law of A, company Y brings a new claim against company Z concerning the same activities and claiming again that they infringe the same IP rights but now before the courts of B. Recognition of the *res judicata* effect of the judgment of country A will be necessary to prevent re-litigation in the new forum and would ensure that Z would not be bothered twice for the same claim.

3. When the country of origin and the requested state are not parties to a judgments recognition convention, judgments are subject to the local recognition and enforcement rules of the requested state. A significant number of bilateral and multilateral agreements on recognition and enforcement of foreign judgments have been concluded so far. Some of those conventions cover IP disputes, although usually they have no specific provisions in this field. In countries that are parties to international conventions, the conditions applicable to recognition differ depending on which is the country of origin of the judgment, since treaties on recognition and enforcement are usually subject to reciprocity.

Multilateral conventions or instruments covering recognition and enforcement of IP disputes have mainly been drafted at the regional level, especially in Europe. The presence within the EU of a uniform and coherent system of mutual recognition and enforcement of judgments, initially established in the 1968 Brussels Convention and now contained in the so-called Brussels I Regulation,⁴ has decisively contributed to cross-border adjudication of IP disputes within Europe, although the system has significant limitations and is currently under review. Additionally, some EU member states have built a network of bilateral treaties with third countries which, because of their general character, apply to the recognition and enforcement of most IP judgments coming from the respective contracting state.⁵

By contrast, other countries are not parties to a single bilateral or multilateral international treaty generally applicable to recognition or enforcement of foreign judgments. This has traditionally been the situation in the United States⁶ and in Japan.⁷

⁴ Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ L 12, 16.1.2001, p. 1; and Convention on jurisdiction and the enforcement of judgments in civil and commercial matters, consolidated version in OJ C 27, 26.1.1998, p. 1.

⁵ For instance, Spain has concluded bilateral treaties with countries such as Colombia (1908); Mexico (1989); Israel (1989); Brazil (1989); Russia (1990); China (1992); Morocco (1997); El Salvador (2000); Tunisia (2001); Algeria (2005); and Mauritania (2006). However, not all IP disputes fall within the scope of application of these conventions; in particular the Convention with Mexico, Article 3.j), does not apply to disputes on non-contractual liability.

⁶ See, e.g., R.A. BRAND, "Enforcement of Judgments in the United States and Europe," 13 *J.L. & Com.* 193 (1993-1994) at 194.

However, from an international perspective, the situation in these countries is not completely different from that of the EU member states. In the EU the common recognition and enforcement rules of the Brussels I Regulation apply only to judgments given by a court of another member state.⁸ There is no uniform approach to the recognition of judgments rendered in third countries, and the dichotomy between the uniform intra-Community rules and the national rules for third-country judgments still exists.⁹ Given its limited territorial scope of application, one of the features of the current EU system is that it does not ensure equal treatment and effects to third-country judgments throughout the EU.¹⁰ For instance, the recognition of a Japanese judgment remains outside the scope of application of the Brussels I Regulation and subject in each EU member state to its own domestic rules.¹¹ However, the debate is currently open as to the future extension of the common EU rules to cover third-country judgments.¹²

4. The attempts to create international conventions covering the recognition and enforcement of judgments resulting from IP disputes have not been successful beyond regional organizations. The prospects for future developments in global organizations seem gloomy, as illustrated by the failed negotiations at the Hague Conference¹³ on the

⁷ See N. TADA, "Enforcement of Foreign Judgments in Japan Regarding Business Activities," *The Japanese Annual of Int'l L*, 46, pp. 75-94 (2003), at p. 76, noting that Japan is a party to some international conventions containing provisions for the recognition and enforcement of judgments on specific matters, in particular in relation to compensation for oil pollution damage.

⁸ The parallel Lugano Convention of 16 September 1988 extended the application of the rules of the 1968 Brussels Convention to certain member states of the European Free Trade Association. See its successor, the Lugano Convention of 30 October 2007, OJ L 339, 21.12.2007, p. 3.

⁹ D. MARTINY, "Recognition and Enforcement of Foreign Judgments in Germany and Europe," J. BASEDOW, H. BAUM and Y. NISHITANI (eds.), *Japanese and European Private International Law in Comparative Perspective*, 2008, p. 377.

¹⁰ See K. KREUZER, "Zu Stand und Perspektiven des Europäischen Internationalen Privatrechts – Wie europäisch soll das Europäische Internationale Privatrecht sein? –," *RabelsZ*, 2006, 1, at. 75-76; and P.A. DE MIGUEL ASENSIO, "Espacio Europeo de Justicia: Evolución y perspectivas en el sector del reconocimiento y ejecución de decisiones," *AEDIPr*, 2006, 441, at 463.

¹¹ Domestic rules in this area still diverge to a significant extent across EU member states. A summary of the situation in several of those countries from the practitioner perspective may be found in P.J. OMAR, *Procedures to Enforce Foreign Judgments*, 2002.

¹² See "Report from the Commission on the application of Regulation (EC) No 44/2001," COM(2009) 174 final of 21 April 2009, p. 5; and "Green Paper on the review of Regulation (EC) No 44/2001," COM(2009) 175 final of 21 April 2009, p. 4. In this connection, the CLIP Group in its contribution to the European Commission's consultation launched by the Green Paper referred to the idea that the CLIP Principles could serve as a source of inspiration for the Commission when addressing the issue of the conditions under which third-state judgments should be recognized and enforced in the Community.

¹³ A. KUR, "International Hague Convention on Jurisdiction and Foreign Judgments: A Way Forward for IP?" *EIPR*, 2002, 175, at 175-183; R. DREYFUSS, "The ALI Principles on Transnational Intellectual Property Disputes: Why Invite Conflicts?" 30 *Brook. J. Int'l L.*, 819 (2005), at 821-822; and A. SCHULZ, "The Hague Conference Project for a Global Convention on Jurisdiction, Recognition and Enforcement in Civil and Commercial Matters – An Update," J. DREXL and A. KUR (eds.), *Intellectual Property and Private International Law*, 2005, 5 at 5-18.

proposed Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters.¹⁴ Due to the limitations of the existing conventions and the lack of global agreements, the applicable rules on recognition and enforcement usually depend on the law of the country where the enforcement is sought.¹⁵ The acceptance of uniform rules at the international level would be very significant to promote the efficient enforcement of IP rights.¹⁶ Fostering international enforceability of judgments is necessary to ensure effective and adequate protection of IP rights.

The progressive development of common standards on jurisdiction, choice of law, and recognition and enforcement of judgments by means of international model provisions may contribute to achieving a more efficient resolution of international IP disputes.¹⁷ This rationale inspired both the American Law Institute (ALI) and the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP)¹⁸ when drafting their model rules on international IP litigation. Given the significance of recognition and enforcement provisions, this area of international civil procedure must be an essential part of a project aimed at improving international litigation on IP rights. In this context, Part 4 of the Second Preliminary Draft of the CLIP Principles (CLIP Principles)¹⁹ seeks to facilitate recognition and enforcement of foreign judgments providing adequate safeguards. Also the 2008 ALI Principles devoted Part IV to "Recognition and Enforcement of Foreign Judgments in Transnational Cases."²⁰

¹⁴ After the prolonged and failed negotiations for a global instrument, the Convention on choice of court agreements was concluded on 30 June 2005 (not yet in force, see <http://www.hcch.net>). This Convention covers only choice-of-court clauses in business-to-business cases and does not contain rules on jurisdiction for specific subject matters such as infringement of IP rights. Also, its provisions on recognition and enforcement apply only to judgments given by a court of a contracting state designated in an exclusive choice-of-court agreement (Art. 8.1). Discussing the impact of this Convention on IP litigation, see S. LUGINBÜHL and H. WOLLGAST, "Das neue Haager Übereinkommen über Gerichtsstandsvereinbarungen: Aussichten für das geistige Eigentum," *GRUR Int*, 2006, pp. 208-219.

¹⁵ For a general overview, see the more than thirty national reports included in C. PLATTO and W.G. HORTON (eds.), *Enforcement of Foreign Judgments Worldwide 2nd ed.*, 1993.

¹⁶ R.C. DREYFUSS and J.C. GINSBURG, "Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters," *Chi-Kent L. Rev.*, vol. 77, 2002, 1065, at 1066.

¹⁷ From a broader perspective, see S. HUBER, *Entwicklung transnationaler Modellregeln für Zivilverfahren*, 2008, pp. 32-43.

¹⁸ On the background of the project, see J. DREXL and A. KUR (eds.), *Intellectual...*, *cit.*, at 21-84 and 308-334; J. BASEDOW, J. DREXL, A. KUR and A. METZGER (eds.), *Intellectual Property in the Conflict of Laws*, 2005; and A. KUR, "Applicable Law: An Alternative Proposal for International Regulation – The Max-Planck Project on International Jurisdiction and Choice of Law," *Brook. J. Int'l L.*, vol. 30, 2005, 951, at 955-958. See also <http://www.cl-ip.eu>.

¹⁹ CLIP, *Principles for Conflict of Laws in Intellectual Property*, Second Preliminary Draft, of 6 June 2009 (<<http://www.cl-ip.eu>>). As to other parts of the CLIP Principles, see the contributions of J. BASEDOW, A. METZGER and C. HEINZE to this volume.

²⁰ See §§ 401 to 413 ALI Principles – Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes. On the ALI Principles, see the contribution of F. DESSEMONTET to this volume. Additionally, on the origins and development of the project, see R.C. DREYFUSS and J.C. GINSBURG, "Draft Convention..." *cit.*, 1065; R. DREYFUSS,

The idea that international comity – mentioned in the Preamble as one of the foundations of the CLIP Principles – requires states to give certain effects to foreign judgments under some conditions is well-established in some legal systems.²¹ However, the rules applicable to recognition and enforcement of foreign judgments vary significantly across national legal systems. Additionally, the level of international cooperation achieved in this sector is very limited. Against this background, Part 4 of the CLIP Principles intends to provide national, regional, and international legislators with a balanced model based upon standards that have achieved significant international acceptance and that can promote cross-border recognition and enforcement of judgments resulting from IP disputes.

II. APPLICATION OF PART 4 OF THE CLIP PRINCIPLES

1. Scope of application

5. The matters covered by the scope of the CLIP Principles are determined in Article 1:101. This provision refers to the whole of the Principles, including Part 4 on recognition and enforcement of foreign judgments. Under that provision the Principles apply to civil matters involving IP rights and may also be applied *mutatis mutandis* to the protection of undisclosed information and geographical indications or similar forms of protection or to disputes involving certain allegations of unfair competition. Hence, only judgments given in those matters are covered by Part 4 of the Principles.

6. International conventions on recognition of judgments are usually subject to reciprocity and hence they apply only to decisions adopted by the courts of other contracting states. Moreover, reciprocity is a precondition for recognition and enforcement in some national legal systems. That situation seems to have influenced the approach chosen by the ALI as regards the applicability of the provisions on recognition of the ALI Principles. Under § 401, Part IV of the ALI Principles applies only to situations in which a judgment has been rendered under the ALI Principles by a court of

"The ALI Principles...", *cit.*, at 819-848; and F. DESSEMONTET, "A European Point of View on the ALI Principles – Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes," *Brook. J. Int'l L.*, vol. 30, 2005, 849.

²¹ Comity is a basic explanation for the recognition and enforcement of foreign nations, as stressed by the U.S. Supreme Court in its *Hilton* decision *Hilton v. Guyot*, 159 U.S. 113 (1895). The U.S. Supreme Court gave a well-known definition of comity in this context as "the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens, or of other persons who are under the protection of its laws" (*id.* at 163-64).

one jurisdiction and the winning party then seeks enforcement or recognition in the court of another jurisdiction. As § 401 *comment b* explains, that provision makes recognition and enforcement under the ALI Principles subject to the condition that the dispute was declared by the rendering court as within the scope of the Principles. If the court of origin did not apply the ALI Principles, according to § 401(1) the court of the country where recognition is sought shall determine whether to recognize or enforce the foreign judgment pursuant to its domestic legislation.²²

Contrary to international conventions, model rules made by national or private bodies in the area of recognition and enforcement of judgments are not expected to be applied as such by courts in typical situations. Indeed, Part 4 of the CLIP Principles may in practice mainly be useful as a reference to interpret or supplement international and domestic law and as a model for national and international legislators, in line with the possible uses of the CLIP Principles as stated in the Preamble. Therefore, the provisions of Part 4 of the CLIP Principles are not drafted to be applicable only to situations in which the rendering court has applied the Principles. This approach seems to be more flexible than the one adopted under § 401(1) ALI Principles. This flexibility may be helpful for designing a model not only for international or treaty legislators but also for national legislators when drafting their own national system to be applied to decisions adopted in any country in the world.

2. The issue of reciprocity

7. Additionally, reciprocity is not a pre-condition for recognition and enforcement under the CLIP Principles. This approach is based on the idea that public or state interests are affected only indirectly by the recognition of judgments that resolve civil controversies between private parties. Therefore, a judgment otherwise entitled to recognition will not be denied recognition because the rendering country might not recognize a judgment of the country where recognition is sought if the circumstances were reversed. The protection of public interests does not justify recourse to reciprocity, since other alternatives more respectful of the rights of the private parties

²² § 401(1) ALI Principle establishes:

"A court in which recognition or enforcement of a foreign judgment is sought shall first ascertain whether the rendering court applied these Principles to the case.

(a) If the rendering court applied the Principles, then the enforcement court shall recognize or enforce the judgment pursuant to these Principles.

(b) If the rendering court did not apply the Principles, then the enforcement court shall determine whether to recognize or enforce the judgment pursuant to its domestic rules on recognition and enforcement of foreign judgments."

involved and the policy goals behind recognition provide the necessary safeguards, especially the use of public policy as a ground for non-recognition.

A reciprocity requirement seems to go against the evolving trend in many national systems. For instance, the Swiss Federal Act of Private International Law of 1987 abolished reciprocity.²³ The criterion adopted by the great majority of courts in the U.S. is that there is no reciprocity requirement to recognize a foreign judgment.²⁴ Most U.S. states have abolished reciprocity and only in some jurisdictions do courts have discretion to decide whether or not reciprocity is required.²⁵ The criterion that reciprocity is not required prevails in the Uniform Foreign Money-Judgments Recognition Act,²⁶ Restatement (Second) of Conflict of Laws,²⁷ and Restatement (Third) of Foreign Relations Law.²⁸ Additionally, even in some national legal systems that include a reciprocity requirement, the generally held view is that the requirement should be abolished. In practice it does not play a significant role, though it still formally exists, for example, in Spain²⁹ or it is found very generously, for instance, in Japan³⁰ and South Korea.³¹

8. Reciprocity is mainly used to achieve diplomatic goals aimed at securing that the foreign state grants to the domestic citizens the same kind of protection available to its own citizens and to encourage recognition of domestic judgments in other countries or the adoption of a common system (in the framework of international conventions).

²³ See Articles 25-27.

²⁴ Although in *Hilton v. Guyot*, 159 U.S. 113, 16 S.Ct. 139, 40 L.Ed. 95 (1895), the U.S. Supreme Court declared a limited reciprocity requirement applicable when the judgment creditor is a national of the state in which the judgment was rendered and the debtor is a U.S. national, that ruling is no longer followed in the great majority of state and federal courts; see, e.g., *Bank of Montreal v. Kough*, 612 F.2d 467 (9th Cir.1980) and *Tonga Air Services, Ltd. v. Fowler*, 118 Wash.2d 718, 826 P.2d 204 (1992).

²⁵ R. BEARD, "Reciprocity and Comity: Politically Manipulative Tools for Protection of Intellectual Property Rights in the Global Economy," 30 *Tex. Tech. L. Rev.* 155 (1999), pp. 168-186; and K.R. MILLER, "Playground Politics: Assessing the Wisdom of Writing a Reciprocity Requirement into U.S. International Recognition and Enforcement Law," 35 *Geo. J. Int'l L.* 239 (2003-2004), pp. 253-254.

²⁶ 13 ULA 263 (1986 and 2005 Supp.). Notwithstanding that, several states include lack of reciprocity as a ground for discretionary refusal of recognition.

²⁷ See § 98 (1971) Comment e; and C.H. PETERSON, "Foreign Country Judgments and the Second Restatement of Conflict of Laws," 72 *Colum. L. Rev.* 220 (1972) 233-236.

²⁸ See § 481 (1987) Comment d.

²⁹ See, e.g., the decisions (*autos*) of the Spanish Supreme Court of 5, 12, and 19 of May of 1998 (*RAJ* 4292, *RAJ* 4344, and *RAJ* 4451). See also J.C. FERNÁNDEZ ROZAS and S. SÁNCHEZ LORENZO, *Derecho internacional privado*, 4th ed., 2007, pp. 183-185; and M. VIRGÓS SORIANO and F.J. GARCIMARTÍN ALFÉREZ, *Derecho procesal civil internacional*, 2nd ed., 2007, pp. 549-550.

³⁰ See M. TAKESHITA, "The Recognition of Foreign Judgments by the Japanese Courts," *The Japanese Annual of Int'l L.*, 39, 1996, 55, at p. 73, discussing how the threshold of reciprocity seems to be easy to pass for most foreign judgments.

³¹ See, e.g., in South Korea, S.H. LEE, "Foreign Judgment Recognition and Enforcement System of Korea," 6 *J. Korean L.* 110 2006-2007, p. 136.

Additionally, reciprocity may be seen as a means to retaliate against countries that apply a more restrictive recognition scheme.³² However, the application of the reciprocity doctrine to the recognition and enforcement of foreign judgments in civil and commercial matters has been subject to intense criticism for being inappropriate and unfair.³³

First, it has been pointed out that reciprocity amounts to a misplaced retaliation against private parties for acts of foreign states unrelated to the dispute. As a result of reciprocity international political policies beyond his or her control deprive an individual from the possibility to enforce a foreign judgment that fulfils all other conditions to be effective in the requested state. Additionally, it has been argued that reciprocity does not achieve its other intended goals, namely protecting nationals of the requested state and encouraging the recognition of its own judgments in foreign countries. Reciprocity may have negative implications for citizens or residents of the country imposing such a requirement. It may happen that the party seeking recognition is not a foreigner but a national of the country where recognition is sought who is interested in having the judgment recognized or enforced in his or her own country. Moreover, it has been argued that reciprocity may seriously undermine judicial efficiencies and the goal of ensuring that there is an end to litigation.

Certainly, recognition and enforcement of judgments in civil and commercial matters cannot be seen primarily as a relationship between two states. The interest of the parties involved must be considered. The possibility to secure the advantage of the foreign judgment by obtaining recognition instead of having to litigate the cause again in a different country may in practice be essential to ensuring the protection of private rights.³⁴ In this connection, human rights concerns have been raised, arguing that the right of access to justice would be violated if a country denied effects to a binding decision in private matters adopted by a foreign court solely as a means to retaliate against the rendering country or to press it to change its law.³⁵

A different argument in favor of reciprocity is based on the idea that it allows selective non-recognition of judgments of countries that lack a developed judicial

³² See, e.g., I. SZÁSZY, *International Civil Procedure (A Comparative Study)*, 1967, at 186.

³³ For two concise summaries of the main deficiencies of reciprocity in this context, see the Minnesota's Supreme Court decision in *Nicol v. Tanner*, 256 N.W.2d 796, 800-801 (Minn. 1976); and H. SCHACK, *Internationales Zivilverfahrensrecht*, 4th ed., 2006, pp. 301-303.

³⁴ H. SCHACK, *Internationales... cit.*, at 12 and 302.

³⁵ M. AMORES CONRADI, "Constitución y proceso civil internacional. Un balance," *Pacis Artes. Homenaje a J.D. González Campos*, vol. II, 2005, pp. 1184-1215, pp. 1212-1214, arguing that the restrictions on private rights resulting from so-called *Kooperative Reziprozität* are disproportionate.

system or with judicial authorities suspected of corruption or partiality.³⁶ However, to control recognition and enforcement of judgments emanating from such countries, public policy seems to provide an adequate control. At any rate, beyond retaliation and cooperation promotion, the reasons alleged to favor the use of some kind of reciprocity requirement have to do with the need to control certain issues that can be checked by means of the grounds for non-recognition applicable under the CLIP Principles, such as procedural public policy or the verification of notification in the case of default judgments.³⁷

9. Imposing reciprocity as a general precondition would undermine individual rights of private parties and the certainty of private relations and disputes without fulfilling any valuable screening goals. These effects would negatively influence the international compatibility of national legal systems and might endanger international business transactions. When reciprocity applies, a private party may be forced to re-litigate a dispute after having obtained a final judgment in a foreign country that resolved the claim and met all requirements to be recognized or enforced. Reciprocity in this area seems especially inappropriate in the current context of expansion of individual rights and greater interdependence between countries.³⁸

Therefore, the CLIP Principles, in line with their nature and aims, do not include reciprocity as a precondition for recognition and enforcement. However, it must be admitted that in most legal systems in which reciprocity still exists it is a general feature of the domestic recognition and enforcement system. Hence, to the extent that model rules for reform cover only the area of IP litigation, it might be difficult to abolish reciprocity as long as it is still a general precondition for recognition. This situation might have influenced the presence of the reciprocity requirement in the 2009 proposal on recognition and enforcement of IP judgments by the "Transparency of Japanese Law" Project, given that it was drafted as a proposal for domestic reform.³⁹

Additionally, reciprocity may still play a role in situations in which the CLIP Principles are used as a model for international or regional legislators. As already noted, the scope of application of international conventions is usually limited to reciprocal

³⁶ H.C. GUTTERIDGE, "Reciprocity in Regard to Foreign Judgments," 13 *Brit. Yb. Int'l L.* 49, (1932), at 66, considering that each country must be allowed to choose the countries on which it proposes to confer the privilege of reciprocal enforcement of judgments.

³⁷ See, e.g., R. BEARD, "Reciprocity...", *cit.*, p. 189.

³⁸ See K.R. MILLER, "Playground...", *cit.*, pp. 294-317.

³⁹ See T. KONO, N. TADA and M. SHIN, "Recognition and Enforcement of Foreign Judgments Relating to Intellectual Property," <http://www.tomeika.jur.kyushu-u.ac.jp/chizai/symposium/paper/009_09May09_Kono-Tada-Shin.pdf>, pp. 11-12 and Article 402(1)(vi) Proposal.

recognition and enforcement. This is a consequence of the typical model of treaty relationship under which international conventions are drafted as an exchange of commitments to the reciprocal advantage of the parties. Conventions in this field aim at creating a special regime that favors recognition of judgments. It seems acceptable that countries limit the application of that favorable scheme to countries that participate in the same framework. Hence, reciprocal treatment in these situations is a consequence of the limited territorial scope of application of the international convention. Only in the specific context of international conventions may it seem reasonable to use one of the arguments traditionally invoked in support of reciprocity, namely that it creates incentives for foreign countries to enter negotiations or adhere to a convention.⁴⁰

3. *Favor recognitionis*

10. The CLIP Principles have a specific provision to address the fact that many countries are part of a network of bilateral and multilateral treaties or belong to regional integration organizations that have enacted rules to facilitate mutual recognition of judgments. In this context, Article 4:103 CLIP Principles covers one important aspect of the relationship between the Principles and international, regional, or national instruments governing recognition and the enforcement of judgments. This provision is modeled on the rules establishing the so-called *favor recognitionis* principle in international conventions, such as Article VII.1 New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of 1958 and Article 26 Hague Convention on Choice of Court Agreements of 2005.⁴¹

Article 4:103 ensures that the provisions of Part 4 CLIP Principles shall not restrict the application of multilateral or bilateral agreements concerning the recognition and enforcement of judgments entered into by the state in which enforcement or recognition is sought, nor the rules of a regional integration organization if that country is a member state of the organization to the extent that all these provisions establish a more favorable regime for the recognition and enforcement of the judgment. The rationale of the provision is to enable the recognition and enforcement of foreign judgments to the greatest extent, by ensuring any interested party the possibility to avail itself of the rules applicable in the requested country if they provide a regime more

⁴⁰ F.O. BALLARD, "Turnabout is Fair Play: Why a Reciprocity Requirement Should Be Included in the America Law Institute's Proposed Federal Statute," 28 *Hous. J. Int'l L.* 199 (2006), pp. 233-234.

⁴¹ See also Article 23 Hague Convention on the Recognition and Enforcement of Decisions Relating to Maintenance Obligations of 1973; and Article 19 European Convention on Recognition and Enforcement of Decisions concerning Custody of Children and on Restoration of Custody of Children, Luxemburg, 20 May 1980.

favorable than the Principles. It is based on the idea that international cooperation in this field is aimed at making foreign judgments more easily enforceable. Additionally, this Article guarantees that the Principles are not an obstacle to further cooperation between nations in the field of recognition and enforcement. Future developments that go beyond what the Principles achieve would be covered by Article 4:103 and would prevail over the Principles.

III. EFFECTS OF JUDGMENTS

1. Judgment: Definition and classification

11. Part 4 of the CLIP Principles begins with the definition of judgment in Article 4:101. It is a very broad definition that encompasses any judgment given by a court of any state, whatever the judgment or the proceedings may be called by that state. It also includes writs of execution and the determination of costs or expenses by an officer of the court, which in some countries are decisions of the registrar. This definition is modeled on Article 32 Brussels I Regulation.⁴² Additionally, under Article 4:801 CLIP Principles, a settlement to which a court has given its authority shall be recognized and enforced under the same conditions as judgments.⁴³

The concept of judgment is to be understood broadly and applied in a flexible way to the heterogeneous decisions in the IP field. It covers appealable judgments, provisionally enforceable orders (see V, *infra*), and also judgments rendered in default of appearance. The term judgment covers orders for the payment of money, orders for the transfer and delivery of property, orders regulating the conduct of the parties, and orders declaring the rights and liabilities of the parties, including negative declarations such as declarations on non-infringement of IP rights. By contrast, interlocutory decisions of a procedural nature are not covered.⁴⁴ As the experience of the Brussels I Regulation illustrates,⁴⁵ the uniform interpretation of this broad concept may raise some

⁴² For a similar definition, see Article 2 Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters of 1971 and Article 23 Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters of 30 October 1999.

⁴³ This approach is well-known from an international perspective, as illustrated by Article 58 EU Brussels I Regulation and Article 12 of The Hague Convention on Choice of Court Agreements of 2005.

⁴⁴ See P. NYGH and F. POCAR, "Report. Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters," Prel. Doc. No 11, August 2000, <<http://www.hcch.net>>, at 98-99.

⁴⁵ B. HESS, T. PFEIFFER and P. SCHLOSSER, *The Brussels I Regulation 44/2001 (Application and Enforcement in the EU)*, 2008, pp. 135-137.

difficulties concerning foreign decisions unknown in the requested state and borderline decisions between judicial proceedings and execution, although writs of execution and determination of costs are expressly included even when they are made separately from the decision on the merits in the principal case.

12. The term judgment in Article 4:101 covers both monetary and non-monetary judgments. The distinction between monetary and non-monetary judgments has important implications regarding the means of enforcement. In the context of IP litigation, both monetary and non-monetary judgments are very common. Money judgments are usually the result of the authority granted to the courts to order the infringer to pay damages to the rightholder.⁴⁶ Typical non-money judgments include injunctions prohibiting the production or marketing of goods or the use of protected subject matter, orders to surrender and deliver infringing goods, or other orders for specific performance.⁴⁷ Non-money judgments also comprise merely declaratory judgments, including negative declarations.

Traditionally, some legal systems, especially in the common law world, have been reluctant to admit the possibility of enforcing foreign non-money judgments⁴⁸ since enforceability of foreign *in personam* judgments under the common law was considered limited to judgments for a fixed or ascertainable sum of money.⁴⁹ However, in most jurisdictions, including the UK, Australia, and the U.S., a clear trend to disregard the common law rule and allow enforcement of only money judgments can be found in legislation,⁵⁰ and it is also widely accepted that the common law should be extended to make possible the enforcement of foreign non-money judgments.⁵¹

⁴⁶ See, e.g., Article 45 TRIPS Agreement and Articles 13 and 14 Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights (OJ L 195 of 02.06.2004, p. 16).

⁴⁷ See, e.g., Articles 44 and 46 TRIPS Agreement and Articles 10 and 11 Directive 2004/48.

⁴⁸ See, e.g., Comment b to § 481 Restatement (Third) of Foreign Relations Law of the United States (1987), stating that "judgments granting injunctions, declaring rights or determining status, and judgments arising from attachments of property, are not generally entitled to enforcement, but may be entitled to recognition."

⁴⁹ See, e.g., K.W. PATCHETT, *Recognition of Commercial Judgments and Awards in the Commonwealth*, 1984, pp. 104-105.

⁵⁰ See, e.g., R.F. OPPONG, "Enforcing Foreign Non-Money Judgments: An Examination of Some Recent Developments in Canada and Beyond," 39 *U.B.C. L. Rev.* 258 2006, at 276.

⁵¹ See the decision by the Supreme Court of Canada in *Pro Swing Inc. v. Elta Golf Inc.*, [2006] 2 S.C.R. 612, 2006 SCC 52, concluding that the "time is ripe to change the common law rule against the enforcement of foreign non-monetary judgments" (para. 64). Notwithstanding that conclusion, the decision dismissed the appeal against the decision that had reversed the initial decision granting the enforcement in Canada of the consent decree and the contempt order of the U.S. District Court enjoining the defendant from purchasing, marketing, or selling products bearing the mark of the claimant or confusingly similar variations. The dismissal was based on certain problems of the orders that were to be enforced, especially the different significance of a contempt order in the U.S. and Canada, and the unclear extraterritorial scope of the order that referred to a defendant that offered the infringing products over the

2. Effects of judgments and consequences of recognition

13. The possible effects of judgments may typically include *res judicata* or preclusive effects, so-called dispositive effects, and enforceability. *Res judicata* or preclusive effects refer basically to the binding effect of a judgment on subsequent litigation. A judgment has so-called dispositive effects to the extent that it creates, modifies, or dissolves a legal relationship or status. For instance, this is usually the case of a judgment that decides who is the initial owner of an invention or who is the owner of a patent, and also of a judgment terminating a contract between the parties. Finally, a judgment is enforceable inasmuch as it enables recourse to public coercive force if needed to allow one party the relief granted to it by the judgment. Injunctions ordering a party to desist from an infringement and decisions condemning one party to pay compensation to the other are typically enforceable decisions.

Additionally, judgments as public documents may serve as evidence of a fact in future litigation. However, that possible use is not a specific effect of judgments as such and raises issues common to other foreign public documents. Therefore, the CLIP Principles assume that the evidential use of judgments as public documents in subsequent litigation fall within the law of evidence and is to be determined in accordance with the law of the forum in which the foreign judgment is invoked as evidence. Hence, the CLIP Principles have no provisions on the evidential use of foreign judgments.

14. The possible consequences of recognition of a foreign judgment may vary between jurisdictions and also depending on the category of the judgment and the kind of effect whose recognition is sought. The two opposing approaches as to possible effectiveness of foreign judgments after recognition are represented by the doctrines of extension of effects (*Wirkungserstreckung*) and equalization of effects (*Gleichstellung*). According to the doctrine of extension of effects, the consequences of the judgment in the state of destination are the same effects that such a judgment has in the legal system of origin. By contrast, under the equalization of effects doctrine, the effects after recognition are those of a similar judgment if rendered in the country of destination and hence the law of the requested state is determinative as to the scope of *res judicata*. In practice, however, both doctrines are to a certain extent mixed and rules of the two

Internet and to a trademark that was protected only in the U.S. The dissenting opinion argues how these issues could have been addressed without refusing the enforcement of the U.S. judgment (paras. 103-121).

systems involved applied. In particular, the extension of effects of the legal system of origin normally applies only to the extent that they are compatible with the legal system of the requested state (*Kumulationstheorie*). Under this approach, in line with the extension of effects doctrine, a judgment cannot have greater effects in the requested state than it would have in the state of origin, but there is the additional limit that the judgment cannot produce in the requested state greater effects than similar local judgments would.⁵²

In this connection, the CLIP Principles state the basic criteria that in order to be recognized, a judgment must have in the state of origin the effect whose recognition is sought in the requested state (Article 4:102 (2)), and that the effect of the judgment is determined by the law of the state of origin, although acknowledging that the requested court may interpret the judgment in regard to its subjective, territorial, and substantial scope (Article 4:102 (3)). Furthermore, in order to be enforceable abroad, a judgment must be enforceable in the state of origin⁵³ (Article 4:102 (4)). Hence, the effects that the judgment can have in the state of recognition are in principle limited by its effects in the country of origin. This conclusion does not rule out that legal and procedural constraints in the requested state may affect the available remedies, especially to the extent that enforcement of injunctions is at stake, since enforcement takes place in accordance with the law of the requested state.

3. *Res judicata* and preclusive effects

15. *Res judicata* as a general term referring to the ways in which one judgment will have a binding effect on another (*materielle Rechtskraftwirkung*) or to the fact that judicial decisions which have become definitive after all appeals have been exhausted or the time to appeal has expired can no longer be called into question (*formelle Rechtskraft*) is known in most jurisdictions. Concerning the principle of *res judicata* and the need to respect the rules of procedure conferring finality on a decision in order to

⁵² See, e.g., H. SCHACK, *Internationales... cit.*, pp. 277-279. Even in the context of free circulation of judgments, in the EU the *Kumulationstheorie* seems to prevail; see ECJ Judgment of 28 April 2009, C-420/07, *Apostolides*, para. 66; and Opinion of Advocate General Darmon of 9 July 1987 in *Hoffmann v. Krieg*, Case 145/86, para. 20 citing G.A.L. DROZ, *Compétence judiciaire et effets des jugements dans le marché commun*, 1972, p. 276. In its recent Judgment in *Apostolides*, para. 66, the ECJ stated: "...although recognition must have the effect, in principle, of conferring on judgments the authority and effectiveness accorded to them in the Member State in which they were given (Judgment of 4 February 1988 *Hoffmann*, paragraphs 10 and 11), there is however no reason for granting to a judgment, when it is enforced, rights which it does not have in the Member State of origin (see Jenard Report, p. 48) or effects that a similar judgment given directly in the Member State in which enforcement is sought would not have."

⁵³ See, e.g. Article 38(1) Brussels I Regulation, and ECJ Judgments of 29 April 1999, Case C-267/97 *Coursier*, para. 23; and 28 April 2009, C-420/07, *Apostolides*, para. 66.

ensure stability of the law and the sound administration of justice, the ECJ has stressed the great importance, both for the Community legal order and for the national legal systems of the principle of *res judicata*.⁵⁴ Indeed, the general principle that disputes must come to an end by means of a final decision that excludes further re-litigation of the same subject matter between the same parties is also widely accepted from a broader international perspective. However, significant differences as to the preclusive effects of judgments between the procedural laws of the rendering country and the country of recognition are frequent. Indeed, the objective and subjective scope of *res judicata* varies across different legal systems, and doctrines such as collateral estoppel or issue preclusion in the U.S. are not known as such in other countries. Therefore, from a comparative perspective the meaning and scope of *res judicata* is subject to significant variation.

In fact, the term *res judicata* has been avoided in the text of both the European instruments on recognition and of the ALI Principles. The reason given in the Jenard Report for that omission is that under the 1968 Brussels Convention, judgments given in interlocutory proceedings and *ex parte* may be recognized, and those judgments do not always have the force of *res judicata*.⁵⁵ The ALI Principles acknowledge that the term *res judicata* has different meanings in different places and hence use the words enforcement, recognition, and preclusive effect to cover the whole range of possible consequences of a judgment.⁵⁶ The CLIP Principles do not mention *res judicata*, since so-called *formelle Rechtskraft* is not a requirement for recognition and enforcement,⁵⁷ but preclusive or *res judicata* effects are a basic component of the effects of a judgment whose recognition may be sought in accordance with Article 4:102 (2).

16. In most countries sharing the common law traditions, judgments are granted broad preclusive effects in comparison with the situation in other jurisdictions. In the U.S., issue preclusion, also known as collateral estoppel, prevents a party and its privies from re-litigating questions of fact or law which were actually litigated and determined in a prior suit, even if the later suit involves a different claim or cause of action.⁵⁸ Even

⁵⁴ .See, with further references, ECJ Judgment of 6 October 2009, Case C-40/08, *Asturcom*, paras. 36-38, confirming that due to the lack of Community provisions on this issue, the rules implementing the principle of *res judicata* are a matter for the national legal orders of the member states.

⁵⁵ P. JENARD, "Report on the Convention on jurisdiction and the enforcement of judgments in civil and commercial matters," OJ C 59 of 05.03.1979, p. 1, at p. 44.

⁵⁶ See Reporters' Notes to § 401 ALI Principles.

⁵⁷ See V, *infra*.

⁵⁸ In the U.S., the law of *res judicata* covers two main branches, known as claim preclusion and issue preclusion. Claim preclusion prohibits a later suit based on the same cause of action which was asserted in the first suit that resulted in a final judgment on the merits. The preclusive effect of

within the common law countries, the name of the doctrines on *res judicata* and their effects vary, especially the scope of issue preclusion and the extension of *res judicata* to unlitigated or undisputed issues.⁵⁹

At any rate, the Anglo-American concept of *res judicata* is broader than the preclusive effect granted to a judgment in other countries, such as most countries in continental Europe and Latin America. In these countries the preclusive effect of a judgment is limited to a later suit that is identical with the previous judgment in object, cause, and parties. In addition, the effects are restricted to the dispositive part of the judgment and do not extend to the grounds. The identities of object and cause are similar to the identity of cause of action in the Anglo-American model. By contrast, the effects resulting from collateral estoppel, which preclude re-litigation of issues in a suit on a different cause of action, are not covered by the concept of *res judicata* in those other countries.⁶⁰ Most countries outside of the Anglo-American legal tradition do not consider judgments as precluding the re-litigation of just any issue litigated and decided in a prior suit, and *res judicata* effects extend only to matters expressly declared in the dispositive part of the judgment, rather than to the reasons or the fact determinations on which the decision is based.⁶¹

Furthermore, the precise scope of *res judicata* may be decisively influenced by the meaning of concepts such as "cause of action," "final decision on the merits," or "actually litigated" in the relevant domestic system. Moreover, although *res judicata* effects are usually limited to the parties in the proceedings and certain related persons, the determination of the persons who are so closely related to a party as to be bound by the judgment and of who may benefit from it varies across the different legal systems.

17. It is not a goal of the CLIP Principles to provide a general solution to the difficulties raised by these differences in the national legal systems, and therefore national considerations on the possible effects of foreign judgments that go beyond the minimum standards provided for by Article 4:102 may be compatible with the

the judgment covers all issues that might have been litigated. See, e.g., P.A. TRAUTMAN, "Claim and Issue Preclusion in Civil Litigation in Washington," 60 *Wash.L.Rev.* 805 (1985), pp. 805-842.

⁵⁹ Issue estoppel in England seems to be both broader and narrower in scope than in the U.S. In England it may preclude issues that were never actually litigated and decided but it is limited only to later suits between the same parties or privies and a non-party cannot invoke issue preclusion against one who was a party. See R.C. CASAD, "Issue Preclusion and Foreign Country Judgments: Whose Law?" 70 *Iowa L. Rev.* 53 (1984-1985), 62-63.

⁶⁰ Comparing the situation between some Latin American countries and the U.S., see R.C. CASAD, *Civil Judgment Recognition and the Integration of Multiple-State Associations*, 1981, p. 46.

⁶¹ See W.J. HABSCHEID, "Rechtsvergleichende Bemerkungen zum Problem der materiellen Rechtskraft des Zivilurteils," *Mélanges C. Fragistas*, vol. I, 1966, pp. 529-566, at 545; and R.C. CASAD, "Issue...", *cit.* at 55 and 64-65.

Principles. It seems noteworthy that when a foreign judgment is recognized in England under the traditional common law rules, the preclusive effects recognized to the foreign judgment are typically the same conferred to a judgment rendered by an English court and recognition is subject to the fulfillment of requirements similar to those applied for an English judgment to become *res judicata*. This approach favors the application of the so-called doctrine of equalization of effects, which is in line with the English common law traditional preference that recognition implies treating judgments that have been recognized as conclusive as English judgments. At any rate, such treatment is connected to the fact that recognition is subject to the verification that the foreign judgment has the same characteristic as an English judgment producing the relevant effects.⁶²

However, the so-called *Kumulationstheorie* seems to provide a balanced approach to solving these issues, especially in light of the grounds for non-recognition established in the CLIP Principles. When the foreign court gives more preclusive effect to a judgment than the effect that would be given to it in the country where recognition is sought, it may be acceptable for the latter country to preclude re-litigation to the extent resulting from the foreign law, provided that such an approach undermines neither the position of those affected by the recognition nor basic principles or public policies of the country of recognition, since the prevailing criterion is that the judgment can not produce in the requested State greater effects than similar local judgments would. When the foreign court gives less preclusive effect to a judgment than the country of recognition, in principle the judgment is to be given only the effects that may be accorded to it under the law of the rendering court. As noted earlier, the basic criterion should be that a foreign judgment may not have greater effect in the country of recognition than in the rendering country. A different approach may undermine the expectations of the parties involved and the safeguards resulting from the procedural rules applied to litigation in the rendering court.⁶³ Indeed, to the extent that the country of recognition has broader rules on preclusion than the country of origin (for instance, because only under the law of the country where recognition is sought does such a judgment preclude re-litigation as to matters actually not litigated) restraint should be exercised by the recognizing court.⁶⁴

⁶² By contrast, foreign judgments recognized in England under Brussels I Regulation and international conventions are not subject to that approach and the recognizing court has the opportunity to consider the appropriate legal system by which to verify the *res judicata* effects of the foreign judgment; see P. BARNETT, *Res Judicata...* cit., at pp. 38-39.

⁶³ H. SCHACK, *Internationales...* cit., pp. 278-279 and pp. 315-316.

⁶⁴ See R.C. CASAD, "Issue...", cit., at 74-75, considering that before applying the doctrine of collateral estoppel to judgments rendered in countries where such concepts are unknown, a U.S. court must satisfy itself that the party to be bound had fair opportunity and incentive to litigate in the foreign court the issue sought to be precluded from re-litigation in the U.S.

18. Under the U.S. doctrine of issue preclusion, a judgment may affect subsequent litigation to a greater extent than the consequences of *res judicata* in many other countries, as illustrated by the use of that doctrine to resolve issues raised in suits relating to U.S. patents based on the determination of similar issues in foreign judgments on foreign counterpart patents. In *Vas-Cath Inc. v. Mahurkar*,⁶⁵ the U.S. District Court for the Northern District of Illinois recognized a Canadian judgment on a Canadian patent and precluded litigation in the U.S. concerning a U.S. patent of the same issues decided in the Canadian litigation with respect to the Canadian patent. The court based its decision on the similarity of U.S. and Canadian laws on the relevant issue. However, in general terms the Federal Circuit has a very negative position and rejects attempts to rely on foreign decisions concerning foreign patents to preclude litigation in U.S. courts on the same issues of the corresponding U.S. patents, considering that foreign patent judgments do not present the same issues as U.S. patent disputes.⁶⁶

Territoriality of IP rights may play a significant role as an obstacle to the extension to other states of the preclusive effect of a foreign judgment on a local IP right. Because of the application of the *lex protectionis*, infringing claims that refer to protection in different countries would be decided under diverse laws. In this connection, U.S. courts have stated that differences in patent laws and in language of patents prevent issue preclusion to the extent that the claims refer to the protection of patents of different countries,⁶⁷ and that also differences in the copyright laws of the countries involved may exclude collateral estoppel.⁶⁸

A broad application of claim preclusion and issue preclusion in the context of massive schemes of infringement also poses significant risks of excessively restricting

⁶⁵ 745 F. Supp. 517, 520 (N.D. Ill. 1990), rev'd on other grounds, 935 F.2d 1555 (Fed. Cir. 1991).

⁶⁶ See, for example, *Medtronic, Inc. v. Daig Corp.* (789 F. 2d 903 (Fed. Cir. 1986)) and *Cuno Inc. v Pall Corp.* (729 F. Supp. 234, 235 (E.D.N.Y. 1989)) and, with further references, J.P. MURAFF, "Issue Preclusion – Recognizing Foreign Judgments in United States Patent Infringement: A New Approach," 26 *J. Marshall L. Rev.* 627, 654-659 (1993); and D.R. MARSH, "The Preclusive Effect of Foreign Country Patent Judgments in the United States," 27 *N.Y.U. J. Int'l L. & Pol.* 484 1994-1995, at 484-485. They do not address the possibility, which might be compatible with more restrictive doctrines of *res judicata* and modern conceptions of jurisdiction, of accepting the preclusive effect of a foreign judgment concerning exactly the same patent, national or foreign, at subsequent U.S. litigation.

⁶⁷ See *Cuno, Inc. v. Pall Corp.*, 729 F. Supp. 234 (1989) (Weinstein, J).

⁶⁸ See *Computer Assocs. Int'l, Inc. v. Altai, Inc.*, 126 F.3d 365, (2d Cir. 1997), cert. denied, 523 U.S. 1106 (1998), stressing the implications of the subtle differences between French and U.S. copyright law. However, see *Leo Feist, Inc. v. Debmar Publ'g Co.*, 232 F. Supp. 623 (E.D. Pa. 1964), giving issue preclusion in an infringement copyright action brought in the U.S. under copyright law to a finding by an English court under English copyright law that defendant had not copied.

parties' access to justice in the digital age,⁶⁹ as illustrated by *Bouchat v. Champion Products, Inc.*⁷⁰ Modern technologies and litigation strategies for the protection of IP rights render increasingly common disputes in which a large number of persons are accused of infringing several rights based on what may be different causes of action. The application of *res judicata* doctrines may in practice be determinative as to the impact of a judgment to foreclose litigation founded on interrelated but different bases for liability and damages against several participants in an allegedly massive infringement. From an international perspective, the broad preclusive effects granted to some of these judgments under U.S. law might not be recognized in their integrity in countries having more restrictive notions of *res judicata*.

19. A different issue is raised by the fact that legal systems give different answers with respect to the impact of patent invalidation on *res judicata* of prior judgments on infringement of the subsequently annulled patent.⁷¹ In some countries, such as Italy and Spain, the issue is regulated by statute, providing that infringement decisions based on the validity of a registered IP right that have become *res judicata* are typically not affected by a subsequent declaration of invalidation of the patent (or other IP subject to registration) to the extent that they have been enforced prior to the declaration of invalidity.⁷² The same position prevails in other national systems, such as the United Kingdom and France, according to case law.⁷³ By contrast, countries with a split jurisdiction for infringement and invalidity, in particular Germany and Japan, seem to be more favorable to the possibility of a retrial of a previous infringement dispute based on the later invalidation of the relevant patent, and consider that the retroactive effect of a revocation or a decision on invalidity allows for a reopening of past infringement proceedings.⁷⁴

⁶⁹ See M.B. BYARS, "Bouchat v. Bon-ton Department Stores, Inc.: Claim Preclusion, Copyright Law, and Massive Infringements," 21 *Harv. J. L. & Tech.* 631 (2007-2008).

⁷⁰ 327 F. Supp. 2d 537, 544 (D. Md. 2003). Applying traditional rules of claim preclusion, the court held that the downstream defendants were precluded from denying their infringement of the plaintiff's copyright, but it also granted defendant's motions to preclude the plaintiff from seeking any damages from them. The Court of Appeals affirmed in *Bouchat v. Bon-ton Department Stores, Inc.*, 506 F.3d 315, 332 (4th 2007), *cert denied*, 76 U.S.L.W. 3568 (U.S. Apr. 21, 2008) (No. 07-153).

⁷¹ See C. HEATH, "Wrongful Patent Enforcement – Threats and Post-Infringement Invalidation in Comparative Perspective," 39, *IIC*, 2008, 307, at 316-320.

⁷² See Article 77 Italian Industrial Property Code; Article 114(2) of the 1986 Spanish Patent Act; Article 54(2) of the 2001 Spanish Trademark Act; and Article 55(3)(a) Regulation 207/2009 on the Community trade mark.

⁷³ See C. HEATH, "Wrongful..." *cit.*, at 316-317.

⁷⁴ *Ibid.* at 317-320. In Japan patentees that execute certain interim injunctions have been regarded as acting negligently and held liable for damages where a patent is later invalidated; see Decision of the Tokyo High Court of 31 January 2005 *Nisó K.K. v. Mishin Kizai K.K.*, 39 *IIC*, 2008, p. 359. However, the practical consequences of these different approaches may not be as intense as they

From an international perspective, it can be noted that under the CLIP Principles the courts of the country of protection have exclusive jurisdiction in disputes having as their object the validity of any IP right protected on the basis of registration, and that only decisions rendered by those courts may affect the validity of those rights as against third parties (Article 2:401 CLIP Principles). In principle, previous decisions on the infringement of any of those rights will only be affected by invalidity decisions given in the country of protection. The prevailing view that a request for recognition may not go further than the original judgment and that the effects that the judgment can have in the state of recognition are limited by its effects in the country of origin may be determinative in these situations. The limitations of the legal system of origin (and country of protection) as regards the effects of the invalidity decision on previous infringement judgments should in principle be respected in third countries when recognizing the non-validity judgment.

4. Scope of injunctions

20. Under Article 4:102(3) CLIP Principles, the court in the state of recognition shall interpret the judgment in regard to its subjective, territorial, and substantial scope and take into account any change of circumstances. This interpretation should in principle not result in enforcement beyond the limits of *res judicata* in the legal system of origin and the procedural rules of the enforcing country. Additionally, Article 4:102(3) is subject to the prohibition on substantive review of Article 4:601. This provision sets forth the basic principle that recognition and enforcement shall be decided without reviewing the substance or merits of the foreign judgment. This criterion is common to almost all international, regional, and national systems of recognition and enforcement, since it results from the separation of judicial systems and the essence of recognition and enforcement.⁷⁵ Under this criterion, consideration of the

appear. For instance, to the extent that restrictions to the retroactive effect of the invalidity decisions cover only infringement decisions that have become *res judicata* (Art. 114(2)(a) Spanish Patent Act), provisionally enforceable injunctions that were enforced would not benefit unless a final and conclusive decision had already been rendered. Additionally, restrictions to the retroactive effect of invalidation apply only with limitations; for instance, under Art. 114(2)(a) Spanish Patent Act they apply without prejudice to compensation for damages when the owner of the patent acted in bad faith. In this connection, it can be noted that under Article 55.3 Community trade mark Regulation this restriction to the retroactivity of the non-validity judgment applies without prejudice to provisions on compensation for damage caused by negligence or lack of good faith and to unjust enrichment.

⁷⁵ See, e.g., Article 12 Hague Convention on the Recognition and Enforcement of Decisions Relating to Maintenance Obligations of 1973; Article 27 Hague Convention on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in Respect of Parental Responsibility and Measures for the Protection of Children of 1996; Article 36 Brussels I Regulation; Article 24.2 Japanese Civil Execution Act; Article 27.3 Swiss Federal Act of Private International Law of 1987; Article 23.2

merits of foreign judgments is limited to the verification of the grounds for non-recognition, especially to ensure it does not infringe public policy.

In connection with Article 4:102(3), it is remarkable that compared to judgments for a fixed sum of money, the recognition and enforcement of foreign non-money judgments may raise specific difficulties and demand additional involvement by the authorities of the destination country. That is especially the case when injunctive relief is ordered. With respect to IP litigation it can be noted that the TRIPS Agreement establishes a comprehensive set of remedies (Articles 45-48) that influences that the remedies admitted in a given country are usually rather similar or at least not completely unfamiliar in other jurisdictions. Difficulties may arise in cases in which the kind of relief granted in the foreign judgment is unknown or is not available in the country where recognition or enforcement is sought. To overcome possible difficulties, it seems appropriate to grant a remedy available in the enforcing country that is functionally or substantially equivalent to the one awarded in the foreign judgment because it fulfils the object sought by the foreign order.⁷⁶

The requirements under which injunctions, preliminary or permanent, are issued and the sort of relief granted depend on the law applicable to the infringement by the rendering court, and significant divergences may exist as to those requirements that evolve in the national legal systems.⁷⁷ In this context, the content of the foreign injunction, construed under a foreign law, as to when, where, and how the defendant must do or abstain from doing something may require interpretation or adaptation to new circumstances (for instance, as a result of succession of parties or modifications of corporation scheme after the judgment was rendered). The courts of the country where enforcement is sought may have to assess the scope of the order and limit its territorial reach or its impact on third parties. In particular, the territorial scope of injunctive relief may need interpretation in situations concerning the use in ubiquitous media of subject matter protected by territorial rights.⁷⁸

21. In case of relief concerning Internet activities, it may be especially important to safeguard the interests of third parties in foreign countries who can be affected by the enforcement of the order in certain situations, as illustrated by the notorious German

Belgian Code of Private International Law of 2004; and Article 121(1) Bulgarian Code of Private International Law of 2005.

⁷⁶ R.F. OPPONG, "Enforcing..." *cit.*, at 268.

⁷⁷ As to the grant of injunctions against alleged patent infringements in the U.S., see *eBay Inc. v. MercExchange, LLC*, 546 U.S. 1029 (2005), and B. PETERSEN, "Injunctive Relief in the Post-eBay World," 23 *Berkeley Tech. L.J.* 194 (2008).

⁷⁸ See *Pro Swing Inc. v. Elta Golf Inc.*, [2006] 2 S.C.R. 612, 2006 SCC 52, paragraphs 52-58.

decision in the *Hotel Maritime* case concerning trademark use in Internet activities.⁷⁹ Hence, some room for discretion when securing compliance in the enforcing country seems justified provided that it does not amount to re-litigation of the issues that the foreign judgment decided and it does not create an inappropriate assumption of jurisdiction over the dispute.⁸⁰ Article 4:102(3) concerns only the interpretation of the foreign judgment. As regards control of the territorial scope of injunctions, account must be taken of the fact that verification of the jurisdiction of the rendering court (Article 4:201)⁸¹ shall be relevant to control enforcement in third countries.

In Article 2:601, the CLIP Principles intend to reconcile the basic criterion that an injunction may only prohibit the infringer's behavior insofar as it produces its infringing effects in a country or several countries whose law has been applied in the judgment⁸² with the practical need to adapt that rule with respect to infringements committed through ubiquitous media. This issue is related to the territoriality of IP rights, but it is also very much a question of power to adjudicate. Hence compliance with the standards established in Part 2 of the Principles becomes a precondition for recognition and enforcement.

In the Internet context, the displaying, offering for sale, or download of a product protected by IP might be legal in some countries of reception but not in others. Under such circumstances, a court's injunction must only encompass the illicit part of the behavior, and the infringer must be allowed to continue his legal Internet activities or be able to adapt his Internet presence without the right holder having the possibility to prevent him from doing so on the basis of the original judgment. Verification of jurisdiction or even public policy (Article 4:401) if necessary may be invoked to refuse the recognition of the foreign injunction to the extent that its territorial scope effects grossly exceed the territorial scope of the laws applied to the infringement, unfairly undermining the activities of the defendant in territories in which they are completely legal.

⁷⁹ *Bundesgerichtshof* Judgment of 13.10.2004, *JZ*, 2005 at 736-738 and comment by A. OHLY, at 738-740.

⁸⁰ R.F. OPPONG, "Enforcing..." *cit.*, at 285, arguing that doubts about the scope of an injunction resulting from lack of clarity of the foreign judgment should be resolved in favor of the party against whom enforcement is sought.

⁸¹ See VI, *infra*.

⁸² On the implications of this idea to limit enforcement abroad of decisions on unfair competition, see W.E. LINDACHER, "Die internationale Dimension lauterkeitsrechtlicher Unterlassungsansprüche: Marktterritorialität versus Universalität," *GRURInt*, 2008, 453, at 456.

IV. RECOGNITION AND ENFORCEMENT: PROCEDURAL ASPECTS

22. The CLIP Principles acknowledge the well-known conceptual distinction between recognition and declaration of enforceability. That distinction does not affect the conditions applicable since the grounds to deny recognition are the same that apply when the declaration of enforceability is at issue. The only additional requirement is that in order to be enforceable, a judgment must be enforceable in the state of origin. Although a foreign judgment cannot be enforced unless it is previously recognized, recognition has significance outside the enforcement context because a foreign judgment also must be recognized in order to be given preclusive effect or to produce in the requested state its so-called dispositive effects regarding the creation, modification, or termination of a legal relationship or situation.

In contrast with recognition, enforcement means that the courts of the destination country will take the necessary steps to give one party the relief granted to it by the foreign judgment, having recourse to public coercive force when needed. The possibility to enforce a foreign judgment normally requires a previous declaration of enforceability by the courts of the enforcing country. In particular, the grant of enforceability is typically subject in the different systems to a specific procedure, usually referred to as *exequatur* in some European and Latin American countries and registration in some common law countries.⁸³

23. Under the CLIP Principles, recognition and declaration of enforceability may differ as to the procedure, in line with the prevailing comparative and international approach. Article 4:702(1) establishes that foreign judgments shall be recognized by operation of law and without any special procedure being required. By contrast, the enforcement of the foreign judgment may be subject to a special procedure (Article 4:703).⁸⁴ Hence, the CLIP Principles follow the criterion of so-called automatic

⁸³ See, e.g., P.KAYE. *Civil Jurisdiction and Enforcement of Foreign Judgments*, 1987, pp. 1338-1343.

⁸⁴ Provisions similar to the rules of Article 4:702 and Article 4:703 CLIP Principles may be found, e.g., in Articles 23(1), 24, 26 and 28 Hague Convention on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in Respect of Parental Responsibility and Measures for the Protection of Children of 1996. See also Article 33 Brussels I Regulation; Section 6 Uniform Foreign-Country Money Judgments Recognition Act (2005); and § 99 Restatement (Second) of Conflict of Laws, concerning enforcement. This clear distinction is well known in the Japanese system, where a foreign judgment may be recognized without any formality or special procedure and it is automatically entitled to recognition if the judgment meets the conditions set out in Article 118 of the Code of Civil Procedure. Article 24 of the Japanese Civil Execution Act requires a special action that the party seeking to enforce a foreign judgment must bring in order to obtain a decision granting its enforcement that will be awarded if the foreign judgment fulfils the requirements for recognition; see N. TADA, "Enforcement...." *cit.*, pp. 78-79.

recognition and mere recognition as such does not require any specific proceeding in the requested state. Automatic recognition means that foreign judgments may take effect *ipso iure* whenever recognition is invoked as an incidental question or as a main question before a competent authority of the recognizing country. "Automatic recognition" only refers to the possibility of recognition without a specific procedure, but recognition is subject to the same requirements as a declaration of recognition adopted in a specific procedure.

Recognition not subject to a specific procedure means that any interested party may invoke recognition as an incidental question in the course of other proceedings or as a defense. For instance, when recognition is sought only to invoke the *res judicata* effects of the foreign judgment in order to block subsequent proceedings in a new forum, the request for recognition can be submitted to the court in which the new action is pending. The court competent in the subsequent proceedings can recognize the foreign judgment if it meets the conditions for recognition.

Additionally, automatic recognition means that no special recognition procedure is required for updating the records of the registries of a state on the basis of a foreign judgment that meets the requirements to be recognized. The authority in charge of the registry shall control whether the recognition conditions are met in the process of deciding on the registration. An example may illustrate this.

Example: In a dispute concerning the ownership of certain trademark rights, the courts of country Z have ruled that A is the owner of a trademark registered in country Y. Under an automatic recognition scheme, A is entitled to apply directly to the authority in charge of the registry in Y to amend the records on the basis of the foreign judgment. That authority shall determine whether the decision meets the requirements for recognition,⁸⁵ and if it does the records shall be amended without any special procedure for recognition being required.

24. Additionally, any interested party may bring an action for a decision that the judgment be recognized or not. Under these circumstances, the new proceedings have as their object the recognition or non-recognition of the foreign judgment. Under the Principles, procedural rules on that specific issue are left to the law of the requested state (Article 4:702), although Article 4:701 establishes that recognition and enforcement procedures shall not be unnecessarily complicated or costly, or entail

⁸⁵ Discussing non-finality of the foreign judgment as a ground for non-recognition in these situations, see V, *infra*; and on the verification of the jurisdiction of the rendering court with respect to foreign judgments regarding the ownership of IP rights, see VI, *infra*.

unreasonable time limits or unwarranted delays, based on the general obligations imposed by Article 41(2) TRIPS Agreement.

Therefore, the procedural law of the state in which recognition is sought applies to the methods by which any interested party may request a declaration of recognition in a special procedure in cases where recognition of a judgment is itself the principal issue, there being no other proceedings involved. The CLIP Principles establish that such a declaration is not necessary to obtain recognition but acknowledges that in limited circumstances a party may have a legitimate interest in obtaining a formal declaration of recognition or non-recognition.

Litigation in one country of activities carried out through ubiquitous media makes this possibility more significant than ever before. Although not concerned with the exploitation of IP rights, the litigation before the U.S. courts and their controversial decisions in the notorious case involving *Yahoo! Inc.* and *La Ligue contre le racisme et l'antisémitisme*⁸⁶ offer a good example of how a party defeated in a foreign country may be interested in obtaining a decision declaring that the foreign judgment cannot be recognized or enforced in the forum country.

25. In line with the usual approach of international instruments on recognition and enforcement, the CLIP Principles only cover issues regarding recognition and declaration of enforceability. Under Article 4:703 CLIP Principles, the law of the requested state determines the methods by which a foreign judgment is declared enforceable. Such a declaration may be refused only for one of the reasons set out in Part 4 of the Principles: the grounds for non-recognition and the lack of enforceability of the judgment in the rendering country. An action to obtain a declaration of enforceability of a foreign judgment is to be distinguished from an application for the enforcement process itself. The possibility to enforce a foreign judgment follows from the declaration of enforceability (recognition) of the relevant judgment. The basic criterion is that once the foreign judgment becomes enforceable in the requested state it has to be treated as a judgment of the requested state and hence the law of the enforcing country applies to the execution process.

Most legal systems distinguish between monetary and non-monetary enforcement based on the claim to be satisfied.⁸⁷ Monetary enforcement consists mainly in the neutral liquidation of the debtor's assets and depends on the debtor's solvency. Money judgments are usually enforced by imposing a levy on the debtor's assets. Non-monetary enforcement depends upon indirect mechanisms to restrain the resistance of

⁸⁶ 433 F.3d 1199, 1200 (9th Cir. 2006).

⁸⁷ On the application of the CLIP Principles to non-money judgments, see III.1, *supra*.

the debtor or to impose negative consequences on him for his failure to comply.⁸⁸ Non-money judgments and specific performance have a great significance in IP litigation, in particular to enforce injunctions ordering a party to desist from an infringement. Legal systems have created different mechanisms to overcome the problems raised by the enforcement of their own non-money decisions. Such mechanisms include money penalties, such as coercive fines, *astreintes*, substituted performance of not strictly personal acts, coercive detention, and, in the common law world, the institution of contempt of court.

Comparative studies have shown structural differences between national systems even within Europe concerning issues such as the qualification and the organization of the enforcement organs or the distribution of proceeds.⁸⁹ Under Article 4:703(3) CLIP Principles, all these issues are left to the legislation of the enforcing country and no specific provisions have been adopted. Therefore, the procedural law of the enforcing country determines issues such as the following: organs of enforcement, including the judicial or administrative nature of enforcement; modes of enforcement of money and non-money judgments; methods of coercion (such as a levy on assets or garnishment); the possibility of the cumulative employment of several types of monetary enforcement; the relevant time for the conversion of the foreign currency in which the judgment was expressed into the domestic currency; sanctions against non-compliance with enforceability; the consequences of irregular enforcement; and the level of intervention by the courts as an ultimate guarantee of legality.⁹⁰

V. FINALITY OF THE JUDGMENT AND PROVISIONAL MEASURES

26. The prevailing situation in many national systems is that only final and conclusive foreign judgments can be recognized and that a judgment meets that requirement when there is no possibility of an appeal because no further appeal is possible or the time for filing an appeal has elapsed. Provisional orders and interim decisions do not meet that requirement and cannot be recognized in those systems.⁹¹

⁸⁸ K.D. KERAMEUS, "Enforcement Proceedings," *Int. Enc. Com. Law*, vol. XVI, ch. 10, p. 5.

⁸⁹ See the national reports contained in P. KAYE, *Methods of Execution of Orders and Judgments in Europe*, 1996; and B. HESS, "Study on making more efficient the enforcement of judicial decisions within the European Union: Transparency of a debtor's assets, attachment of bank accounts, provisional enforcement and protective measures," Study No. JAI/A3/2002/02, pp. 8-9, available at <http://ec.europa.eu/civiljustice/publications/docs/enforcement_judicial_decisions_180204_en.pdf>.

⁹⁰ On these issues, from a comparative perspective, see K.D. KERAMEUS, "Enforcement..." *cit.*, pp. 8-12.

⁹¹ See, for instance, in South Korea, S.H. LEE, "Foreign..." *cit.*, p. 116.

Indeed, many instruments establish that the foreign judgment must be final and conclusive or have the effect of *res judicata* under the law of the rendering country.⁹²

However, the understanding of finality and conclusiveness in international instruments and from a comparative perspective remains controversial given the differences between legal systems as to the point in time when a decision acquires the effect of *res judicata*. As already noted, according to Article 4:102(2) CLIP Principles, in order to be recognized, a judgment must have in the state of origin the effect whose recognition is sought in the requested state. In common law countries *res judicata* typically arises when the judgment on the merits cannot be reconsidered by the same court in ordinary proceedings, even though the decision may be subject to appeal. Hence, the term final, even as a condition for recognition and enforcement, is understood in a very flexible way.⁹³ By contrast, in some civil law countries a judgment may only be considered final and produce the preclusive or binding effect of *res judicata* (*materielle Rechtskraftwirkung*) when it is no longer subject to ordinary forms of review (*formelle Rechtskraft*).⁹⁴

27. Under the CLIP Principles, it is not necessary that the foreign judgment should have become final and conclusive to be recognized or enforced. The law of the country where the judgment was rendered establishes whether it is final and conclusive because it determines if it is possible to appeal and the effects of an appeal. However, the Principles do not impose finality in the restrictive sense in which it is usually used in civil law countries (*formelle Rechtskraft*) as a requirement for recognition or enforcement, which is coherent with the position adopted concerning the possibility to enforce provisional measures in Section 3 of Part 4 of the Principles.

As has been noted earlier, enforcement (declaration of enforceability) is only possible to the extent that the foreign judgment is enforceable in the state of origin

⁹² See, e.g., Section 3.2 Uniform Foreign-Country Money Judgments Recognition Act (2005); and Article 25(2) Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters of 30 October 1999.

⁹³ See, e.g., the Comment to § 481 Restatement (Third) of Foreign Relations Law: "A final judgment is one that is not subject to additional proceedings in the rendering court other than execution. That a judgment is subject to appeal or to modification in light of changed circumstances does not deprive it of its character as a final judgment."

⁹⁴ However, finality in this restrictive sense is not necessarily a requirement for recognition and enforcement; see Articles 38(1), 46(1) Brussels I Regulation. See also H. GAUDEMÉTALLON, *Compétence et execution des jugements en Europe*, 3rd ed., 2002, p. 298; and, K. KERAMEUS, in U. MAGNUS and P. MANKOWSKI (eds), *Brussels I Regulation*, 2007, at pp. 636-637, noting that no particular degree of procedural maturity is required since the decisive element is that the law of the country of origin confers the foreign judgment the effects that are to be expanded to the requested state and hence a judgment provisionally enforceable in the member state of origin may be provisionally enforced in another member state.

(Article 4:102(2)). Legal systems determine a point in time at which judgments are enforceable and to what extent judgments that are still subject to appeal may be enforced. Different approaches can be found in civil law and common law concerning the time at which judgments become effective. The prevailing approach in civil law countries has traditionally been that regular enforceability depends on *res judicata* or exhaustion of the methods of appeal. By contrast, the basic approach in common law systems is that all final judgments are effective from the day of pronouncement or entry in the civil docket regardless of the availability of methods of appeal against them.⁹⁵ This trend to favor the availability of enforcement for decisions of first-instance courts is becoming more common in a comparative perspective. In this connection, some systems in which regular enforceability is only possible once some or all methods of appeal available have been exhausted, accept that judgments may become provisionally enforceable before, by operation of law, or by judicial declaration. Those cases raise similar issues to those posed by all situations in which the enforceable judgment may be revised on appeal, such as the possibility of staying provisional enforceability or making enforcement subject to a security; and the liability of the claimant in case a judgment was vacated on appeal after having been enforced. At any rate, the basic principle in the enforcement context remains that only judgments that are enforceable under the law of the country of origin may be enforced in foreign countries.

28. Specific safeguards have been introduced in paragraph 5 of Article 4:102 CLIP Principles for those situations in which the judgment entitled to enforcement or recognition is subject to appeal in the country of origin. These safeguards apply to all provisional, interim, or interlocutory judgments. According to this provision, in case an ordinary appeal against the judgment has been lodged in the state of origin, or if the time limit for seeking ordinary review has not expired, recognition or enforcement may be postponed or refused, although a refusal based on that reason does not prevent a subsequent application for recognition or enforcement (Article 4:102(5)). The flexible approach of Article 4:102(5) may be of particular practical significance due to the different approaches in national legal systems as to the possibility to recognize or enforce judgments that are still subject to ordinary forms of review.

Given that refusal of recognition and enforcement is admitted, less intense restrictions, such as imposing certain securities on the enforcing party, are also compatible with the Principles. In particular, refusing recognition of a foreign judgment that is still subject to appeal seems appropriate in situations in which recognition is

⁹⁵ K.D. KERAMEUS, "Enforcement...", *cit.*, pp. 19-26.

pursued before a registry with a view to updating its records on the basis of the foreign judgment (a possibility discussed at IV, *supra*).⁹⁶

29. Provisional and protective measures adopted by a foreign court can be recognized and enforced under the CLIP Principles (Article 4:301). Part 4 does not contain its own concept of provisional and protective measures because it rests on the definition established in Article 2:501(4), which makes clear that such a concept covers the kind of measures that are particularly important in IP matters, such as orders to prevent an infringement, to preserve relevant evidence, and to seize goods or assets. It is a broad concept that encompasses the measures referred to in Article 50 TRIPS Agreement.⁹⁷

Article 4:301 CLIP Principles establishes two specific limitations. This provision allows only cross-border enforcement of provisional measures adopted by a court having jurisdiction over the merits in accordance with the relevant provisions of Part 2 of the Principles. Therefore, provisional measures ordered by the courts of another country, even under the specific rule on jurisdiction over provisional and protective measures of the Principles, shall not be enforceable. This criterion is in line with the one adopted in the European instruments on unitary industrial property rights⁹⁸ and it is also similar to the position that was adopted in the Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters of 30 October 1999 (Article 23(b) in connection with Article 13).

The second limitation is that 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. This provision is based on the interpretation of the Brussels Convention made by the ECJ in *Denilauler*⁹⁹ and seems to be in conformity with the ground for non-recognition established in Article 4:501(1)

⁹⁶ Although in a very different context, Regulation (EC) No 2201/2003 of 27 November 2003 concerning jurisdiction and the recognition and enforcement of judgments in matrimonial matters and the matters of parental responsibility (OJ L 338/1 23.12.2003) imposes such a restriction in Article 21(2); see T. RAUSCHER in T. RAUSCHER (Hrsg.), *Europäisches Zivilprozeßrecht Kommentar*, 2nd ed., 2006, p. 987.

⁹⁷ C. HEINZE, *Einstweiliger Rechtsschutz im europäischen Immaterialgüterrecht*, 2007, pp. 72-129.

⁹⁸ See Article 103.2 Council Regulation (EC) No 207/2009 of 26 February 2009 on Community trademarks (OJ L 78, 24.3.2009, pp. 1-42, p. 25); and Article 90 Regulation (EC) 6/2002 of 12 December 2001 on Community designs (OJ L 3, de 5.1.2002, pp. 1-24).

⁹⁹ ECJ Judgment of 21 May 1980, 125/79, *Denilauler*. In this connection see also *EMI Records Ltd. v. Modern Music Karl-Ulrich Walterbach GmbH*, [1992], Q.B. 115, [1992] 1 *All E.R.* 616, refusing enforcement in the UK of a German injunction restraining the defendant from reproducing or distributing a musical recording because the order had been adopted *ex parte* without prior notice to the defendant.

CLIP Principles, since the document which instituted the proceedings was not notified to the defendant in sufficient time and in such a way as to enable her or him to arrange for her or his defense.¹⁰⁰

Such an approach seems especially justified when designing a scheme that may be applicable to decisions rendered by countries all over the world, and it does not prevent the establishment of a more liberal approach between countries that belong to a regional integration organization or agree on a convention. In these cases the so-called *favor recognitionis* principle would allow the application of the most favorable regime in accordance with Article 4:103 CLIP Principles. It can be noted that although Article 50(2) TRIPS Agreement establishes that courts shall have the authority to adopt provisional measures *inaudita altera parte* where appropriate, it does not impose on member states an obligation to recognize foreign decisions adopted under these circumstances. Given the paramount importance of ensuring adequate protection to the rights of the defendant, it seems justified to exclude enforcement of those foreign provisional measures in an instrument such as the CLIP Principles. However, if the measure is confirmed after the defendant has been served with the judgment and been given the opportunity to appear and seek its discharge in due time, it may be enforceable abroad.¹⁰¹

VI. VERIFICATION OF THE JURISDICTION OF THE RENDERING COURT

1. Standard of review

30. Among the grounds for non-recognition of foreign judgments, the review of the international jurisdiction of the judge of origin plays an essential role in the scheme of the CLIP Principles. By virtue of that requirement, the enforcing court reviews

¹⁰⁰ Although in the context of the Brussels I Regulation, the Dutch Supreme Court has considered that the ground for non-recognition of Article 34(2) does not apply in situations in which the defendant did not have to be summoned; see *Hoge Raad*, 20 June 2008, No. R07/124HR; LJN: BD0138, *German Graphics Graphische Maschinen GmbH v. Van der Schee*, available at < <http://zoeken.rechtspraak.nl> >.

¹⁰¹ Recently the Dutch Supreme Court held enforceable under the Brussels I Regulation a German decision on the determination of costs based on a provisional measure that had been granted *ex parte*, given that both decisions had been served on the defendant who had the opportunity to challenge them after service; see the judgment of the *Hoge Raad* of 7 November 2008, No. 07/12641; LJN: BD7568 available at < <http://zoeken.rechtspraak.nl> >, that emphasizes the conformity of this approach with the case law of the ECJ in *Denilauler* and in *Maersk* (ECJ, 14 October 2004, case C-39/02). At any rate, with respect to measures ordered without the defendant being summoned to appear, the 2009 Report from the Commission on the application of the Brussels I Regulation concludes that it is not entirely clear whether such measures can be enforced on the basis of the Regulation if the defendant has the opportunity to contest the measure subsequently, COM(2009) 174 final, p. 8.

whether the original court exercised jurisdiction in a manner considered appropriate in the recognizing country. In this respect, the CLIP Principles resemble to a certain extent the prevailing approach in so-called pure double conventions. Contrary to single conventions, double conventions cover both jurisdiction and recognition rules.¹⁰² In that kind of instrument, unification of jurisdiction provisions among member states may be decisive to limit the scope of jurisdiction review in the recognition stage. As illustrated by the Brussels Convention, unification of jurisdiction rules makes recognition and enforcement easier between the countries involved,¹⁰³ although the double nature of the Brussels system has traditionally been imperfect¹⁰⁴ since some bases of jurisdiction of the different domestic legal systems of the member states remain applicable under the unified system.¹⁰⁵ The Brussels I Regulation cannot be a direct model for the Principles regarding the scope of verification of jurisdiction given the distinct nature and functions of the Principles from those of the Regulation.¹⁰⁶

A distinction is also made between mixed conventions and pure double conventions.¹⁰⁷ Mixed conventions establish grounds of jurisdiction that are predicaments to recognition in all member states and grounds of jurisdiction that are prohibited. A judgment rendered under a prohibited ground of jurisdiction shall not be recognized in other member states. Member states have freedom to decide about recognition of judgments based on grounds of jurisdiction other than those expressly admitted or prohibited. In pure double conventions, member states are required to adopt certain grounds of jurisdiction, and to the extent that the rendering court based its jurisdiction on any of those grounds it shall be considered that the original court's jurisdiction meets the standards required for its recognition and enforcement in other

¹⁰² Hague Conference on Private International Law, "Note on the Recognition and Enforcement of Decisions in the Perspective of a Double Convention with Special Regard to Foreign Judgments Awarding Punitive Damages or Excessive Damages," Prel.Doc. No 4, 1996, at 4-6 (available at <<http://www.hcch.net>>).

¹⁰³ J. KROPHOLLER, *Europäisches Zivilprozessrecht*, 5th ed., 1996, pp. 348-349.

¹⁰⁴ See, e.g., T. KRUGER, *Civil Jurisdiction Rules of the EU and their Impact on Third States*, Oxford, 2008, pp. 395-396.

¹⁰⁵ ECJ Opinion 1/03 of 7 February 2006, paragraph 148, establishing that Article 4.1 of Brussels I Regulation forms part of the system implemented by that Regulation and contains a reference to the legislation of the member state before whose court the matter is brought.

¹⁰⁶ Under the Brussels I Regulation the international jurisdiction of the court of the member state of origin is reviewed only exceptionally (Art. 35). This instrument has been developed in the specific framework of the EU and its objective of establishing an area of freedom, security, and justice. In this context, mutual trust in the administration of justice in the Community and in the application of Community instruments by the courts of the member states influences the recognition and enforcement scheme.

¹⁰⁷ See in the context of the Hague Conference project on jurisdiction, recognition, and enforcement of foreign judgments in civil and commercial matters, A.T. VON MEHREN, "Enforcing Judgments Abroad: Reflections on the Design of Recognition Conventions," 24 *Brook. J. Int'l L.* 17 (1998-1999), at 19.

member states. However, the resemblance between the Principles and the approach of double conventions is not without limitations, since the Principles are aimed also at being a model for national legislators as stated in their Preamble.¹⁰⁸

31. Section 2 of Part 4 CLIP Principles is devoted to "Verification of Jurisdiction." Its basic criterion is that judgments based on jurisdictional rules which conflict with the Principles are excluded from recognition and enforcement. Under Article 4:201(1), "A judgment shall not be recognized or enforced if there is no ground of jurisdiction under Part 2 of the Principles which would have allowed the foreign court to assert its jurisdiction." Recognition is not subject to the direct application by the rendering court of the jurisdiction grounds established in the Principles. Furthermore, the Principles do not require the enforcing country to verify that the rendering court had jurisdiction to adjudicate under the laws of its own state.¹⁰⁹ It is sufficient that the foreign court would have had in principle jurisdiction under the Principles. Inconsistency of proceedings in the foreign court with a forum selection clause may be a ground for non-recognition, provided that the defendant did not participate in the proceedings before the foreign court and did not submit to its jurisdiction.

The indirect application of the jurisdictional rules of Part 2 to recognition and enforcement¹¹⁰ determines that some restrictive criteria applied in national domestic systems as to the verification of the jurisdiction of the rendering court would not be an obstacle to enforcement under the Principles. The 2008 decision of the High Court (England) in *Lucasfilm v. Ainsworth*¹¹¹ offers an example of an approach more

¹⁰⁸ At any rate, a provision has been included in the Principles to open the possibility for a flexible approach in cases in which the foreign judgment has been rendered in a country that applies the Principles. Even if it is true that it cannot be expected that in typical situations courts will apply the Principles as such, it is clear that to the extent that the Principles are used as a model for legislators it may happen that in practice the rules applied are those of the Principles. To facilitate recognition and enforcement of foreign judgments, a sort of presumption of conformity has been introduced in Article 4:201 (2): "If the court of origin applied the Principles, it shall be presumed that the foreign judgment does not conflict with the rules established in Part 2."

¹⁰⁹ Although such a requirement applies in some systems (see § 482(1)(b) Restatement (Third) of Foreign Relations Law), it is related to the fact that between states of the U.S., full faith and credit requires the enforcing court to look to the law of the rendering state to determine if the judgment is void for lack of jurisdiction, but such a requirement does not seem appropriate in the case of judgments rendered in foreign countries (see § 104 and § 105 Restatement (Second) of Conflict of Laws and Section 4(b)(2) and 5 Uniform Foreign-Country Money Judgments Recognition Act (2005)).

¹¹⁰ A similar approach has been made explicit in some recent national codifications of private international law, such as the Italian Act of Private International Law of 31 May 1995 (Article 64(1)(a)) and the Venezuelan Act of Private International Law of 1998 (Article 53 (4)).

¹¹¹ *Lucasfilm Ltd, Star Wars Productions Ltd, and Lucasfilm Entertainment Co. Ltd v Andrew Ainsworth and Shepperton Design Studios Ltd* [2008] EWHC 1878. See G. PRATT, "Lucasfilm v Ainsworth: The English strike back (A review of the enforceability of US IP judgments, and the justiciability of US IP claims, in England)," *Journal of Intellectual Property Law & Practice*, 2009, pp. 434-438.

restrictive than the one resulting from the Principles. The High Court decided that a U.S. judgment on an IP infringement claim was not enforceable in England because the U.S. court could not be regarded as having jurisdiction for the purposes of recognition and enforcement. The High Court held that for the rendering court to have proper jurisdiction it is necessary that the defendant submitted to the jurisdiction of the foreign court or was physically present within the jurisdiction of the rendering court when the proceedings were instituted. Under the interpretation made of physical presence, that requirement was not met by a U.S. judgment on U.S. copyright infringement claims in a situation in which the defendant had advertised goods for sale on his website in U.S. dollars and included shipping prices for the U.S., had advertised in a magazine distributed primarily in the U.S., and sold a material number of goods in the U.S. By contrast, Article 2:202 CLIP Principles and the relevant provisions of Part 2 in connection with Article 4:201 would lead to the conclusion that the rendering court might be regarded as having jurisdiction for the purposes of recognition under those circumstances.

32. From the wording of Article 4:201 CLIP Principles it is clear that some grounds of jurisdiction used in certain systems are not sufficient, such as jurisdiction founded solely on the document instituting the proceedings having been served on the defendant during his temporary presence in the rendering country, or jurisdiction based only in the presence within the country of origin of property belonging to the defendant not directly related to the dispute. However, it was not deemed necessary to expressly mention in the Principles the grounds of jurisdiction that are not acceptable,¹¹² because given the connection of this provision with Part 2 of the Principles the standard of review seems detailed enough. Additionally, considering the potential application of the Principles to judgments coming from any country in the world, it could not be a closed list.

The CLIP Principles do not impose a self-contained regime in which the standard of review of the foreign court jurisdiction is to be identical to the jurisdictional provisions of the Principles. Hence judgments that are based on jurisdictional rules other than those contained in the Principles are not *a priori* excluded from recognition under the Principles. The approach underlying Article 4:201 is flexible and commands the authorities of the country where recognition is sought to assess the circumstances under which the rendering court assumed jurisdiction. The scheme adopted in the Principles differs from those national systems that apply the so-called mirror-image

¹¹² An example of that kind of provision in national legislations can be found in 25 § 1 (8) Belgian Code of Private International Law of 2004.

principle to verify the jurisdiction of the rendering court ("indirect jurisdiction"). Therefore, the CLIP Principles support the view that the standards to assess the jurisdiction of the rendering court need not be identical with the "direct jurisdiction" rules of the requested state. This approach is increasingly accepted from a comparative perspective, as illustrated by the current situation in Japan.¹¹³

33. Under Article 4:201 CLIP a standard of equivalence applies and the proximity between the dispute and the rendering court must be equivalent to the connections that may provide direct jurisdiction under Part 2. Therefore, it cannot be ruled out that judgments formally based even on grounds of jurisdiction incompatible with Part 2 of the Principles may be enforceable to the extent that the rendering court would have had jurisdiction under the Principles due to the existence of other connections between the dispute and the country of origin. This may be the situation where the law of the country of origin includes some excessive grounds of jurisdiction and the rendering court founded on one of them its jurisdiction but other more relevant connections with that country are also present.

*GlobalSantaFe Corp. v. Globalsantafe.com*¹¹⁴ may be an example of such a situation.¹¹⁵ This decision came after a South Korean court refused to enforce a previous U.S. judgment ordering the transfer of a domain name. The original action was brought before the U.S. court because hours after the claimants had announced their decision to merge into an entity to be named GlobalSantaFe Corporation, the defendant – a South Korean citizen resident in South Korea – registered the domain name globalsantafe.com with a South Korean registrar. Based on the Anticybersquatting Consumer Protection Act (ACPA),¹¹⁶ the U.S. court determined that it could exercise jurisdiction because the entity that administers the entire ".com" registry is located in Virginia and ordered the transfer of the domain name. Granting jurisdiction to U.S. courts over any domain name

¹¹³ See N. TADA, "Enforcement...", *cit.*, p. 85, referring to the Judgment of the Japanese Supreme Court of 28 April 1998 granting the enforcement of a Hong Kong judgment. The Supreme Court stated that "whether the rendering court has international jurisdiction is to be determined in accordance with principles of justice and good reasons, basically applying the jurisdiction provisions of the Japanese Code of Civil Procedure, and taking into account the circumstances of each case, from the viewpoint of whether or not it is proper for Japan to recognize the foreign judgment." An English summary of the judgment may be found in *The Japanese Annual of Int'l L.*, 42, 1999, pp. 155-158.

¹¹⁴ 250 F. Supp. 2d 610 (E.D. Va. 2003).

¹¹⁵ Discussing the case, see P.S. BERMAN, "Choice of Law and Jurisdiction on the Internet - Towards a Cosmopolitan Vision of Conflict of Laws: Redefining Governmental Interests in a Global Era," 153 *U. Pa. L. Rev.* 1819 (2004-2005), at 1823-1829.

¹¹⁶ Anticybersquatting Consumer Protection Act, Pub. L. No. 106-113, § 3002, 113 Stat. 1501A-545, 1501A-545 (1999), codified at 15 U.S.C. § 1125(d) (2000). The ACPA provides *in rem* jurisdiction over a domain name wherever that name is registered and where the overall domain name registry is located.

dispute only because the central registry is located in the U.S. seems excessive and in typical situations does not meet the standards of Part 2 CLIP Principles. Once the U.S. court had issued its order, the defendant filed an application in the District Court of Seoul seeking an order preventing the South Korean domain name registrar from transferring the domain name. The South Korean court considered that the jurisdiction of the U.S. court was improper and granted the injunction. The claimant returned to the U.S. court that granted an additional order directing the entity that controls the central registry to cancel the infringing domain. Notwithstanding the excessive nature of the ACPA provision on which the U.S. court based its jurisdiction, the connections of this particular case with the U.S. were very close. In particular, the defendant deliberately chose the name of the U.S. corporation in order to take advantage of the confusion immediately after its creation had been announced; hence his actions were aimed at the U.S., and the registration of the name of the new U.S. corporation based in the U.S. had substantial effect and was directed to the U.S.¹¹⁷ Under these circumstances, Article 2:202 of the Principles would have allowed the U.S. court to assert its jurisdiction and hence verification of jurisdiction should have not been an obstacle to the recognition of the initial U.S. judgment under the Principles.

2. Exclusive jurisdiction

34. Articles 4:201 and 4:202 in combination with Article 2:401 ensure that a judgment that conflicts with the exclusive jurisdiction provisions of the CLIP Principles shall not be recognized or enforced. Hence, the interpretation and scope of the exclusive jurisdiction rules are decisive not only directly to allocate competence to the courts but also indirectly because due to their mandatory character they may decisively influence non-recognition of foreign judgments. A judgment which falls foul of the provisions on exclusive jurisdiction does not benefit from the system of recognition and enforcement under the Principles. The scope of exclusive jurisdiction in Article 2:401 is more restrictive than the one prevailing in most legal systems, including the interpretation made by the ECJ of Article 22(4) Brussels I Regulation in the *GAT* judgment.¹¹⁸ Article 2:401(2) excludes from the scope of exclusive jurisdiction the disputes in which validity or registration arises in a context other than by principal claim or counterclaim to the extent that the resulting decisions do not affect the validity or registration of those rights as against third parties.

¹¹⁷ See P.S. BERMAN, "Choice...", *cit.*, at 1873-1874.

¹¹⁸ ECJ Judgment of 13 July 2006, C-4/03, *GAT*.

Article 4:202 establishes that recognition and enforcement of a foreign judgment may not be refused on the ground that in the proceedings before the court of origin the validity or registration of an IP right registered in a state other than the state of origin was challenged, provided that the recognition and enforcement produces effects only between the parties. This approach facilitates the adjudication before the courts of a single country of infringement claims in cases in which validity is incidentally challenged because it makes possible the cross-border enforcement of decisions rendered in these situations.

35. Nevertheless, in practice, this criterion seems only applicable when the rendering country has enacted the CLIP Principles or similar rules as to the scope of exclusive jurisdiction on validity and registration disputes. Otherwise, the rendering court will usually decline its jurisdiction as regards validity even in cases in which validity is incidentally challenged. However, it is noteworthy that even under the *GAT* doctrine of a broad scope of exclusive jurisdiction (extending to "all proceedings relating to the registration or validity of a patent, irrespective of whether the issue is raised by way of an action or a plea in objection"), a trend has developed to make such exclusive jurisdiction compatible with the possibility to recognize foreign judgments covering the adjudication of infringement claims concerning IP rights registered in the requested state even if the validity of the IP right has been incidentally challenged by the alleged infringer before the foreign court.¹¹⁹

Given that the provisions of the Principles on exclusive jurisdiction are future oriented and do not reflect the currently prevailing situation in national systems and international conventions, it seems appropriate to stress that incidental validity challenges of foreign IP rights may not be an obstacle for recognition and enforcement of judgments even in countries that apply a broader scope of exclusive jurisdiction than the model advocated by the Principles. In this connection it seems possible to consider that, regardless of an incidental validity challenge, certain infringement proceedings do not relate to the registration or validity of a patent in the meaning of the *GAT* ruling, since the judgment does not take any decision on those issues.¹²⁰ Even in countries

¹¹⁹ See P.A. DE MIGUEL ASENSIO, "Cross-Border Adjudication of Intellectual Property Rights and Competition between Jurisdictions," *AIDA*, vol. XVI, 2007, pp. 105-154, at 143-145, 150; also available at <http://eprints.ucm.es/7828/>.

¹²⁰ Particularly significant in this respect, especially in reacting against abusive incidental validity challenges, may be the fact that existing registered IP rights are to be taken for valid and effective as long as they have not been declared invalid by the competent court; see, e.g., Article 99(1) and (2) Regulation (EC) No 207/2009 on Community trademarks. In U.S. patent litigation, there is also a presumption of validity that requires that a patent be proven invalid by "clear and convincing evidence," *Tate Access Floors, Inc. v. Interface Architectural Res., Inc.*, 279 F.3d 1357, 1367 (Fed. Cir. 2002).

adhering to a broader scope of exclusive jurisdiction than the one proposed in the Principles, such as the current situation within the EU after *GAT*, infringement decisions concerning IP rights of the requested state that are existing and have not been cancelled should be recognized and enforced in that country regardless of the incidental validity challenge before the rendering court (at least inasmuch as a non-validity challenge is not pending before the court of the requested country).

36. The interpretation of the scope of exclusive jurisdiction under Part 2 of the Principles is determinative of the meaning of Articles 4:201 and 4:202 as a ground for non-recognition. The rationale behind the exclusive jurisdiction established in Article 2:401 CLIP Principles rests on the close connection of certain disputes with the public proceedings that determine the existence of the exclusive right and with the functioning of the public registries involved. The scope of the exclusive jurisdiction must be limited to what is essential to achieve its purposes. Therefore, not all disputes that may result in decisions that can be the basis for changes in the records of the registries of a state fall within the exclusive jurisdiction of the courts of the respective state. Judgments on some of those issues may not be concerned with the registration, grant, or the validity of the IP right as such. Only judgments that interfere in the functioning or operation of the public registry may be deemed to have as their object the registration of the right. As the ECJ put it, when a dispute does not itself concern the validity or the existence of the deposit or registration, there is no special reason to confer exclusive jurisdiction.¹²¹

For instance, a foreign judgment on the entitlement or the ownership of an IP right subject to registration does not conflict with the exclusive jurisdiction of the courts of the country of registration. Indeed, the jurisdiction granted by Article 2:205 CLIP Principles ("Entitlement and ownership") to the courts of the state where the right exists is not exclusive and may not be invoked in connection with Articles 4:201 and 4:202 as a ground for non-recognition, to the extent that neither the validity of the IP right nor the legality of its registration were disputed by the parties.¹²²

Given that the existence of copyright and related rights is not subject to registration, the exclusive jurisdiction of Article 2:401 does not refer to them. However, many countries have established optional copyright registration mechanisms that set up a public record of copyright claims and provide some advantages to copyright owners, such as establishing *prima facie* evidence in court of the validity of the copyright and of

¹²¹ ECJ Judgment of 15 November 1983, 288/82, *Duijnste*, paras. 23-25.

¹²² *Ibid.*, paras. 26-27, stressing the distinction between disputes concerning the right to a patent (not falling within the exclusive jurisdiction of Article 22(4) Brussels I Regulation) and disputes concerning the registration or validity of a patent which are covered by the exclusive jurisdiction.

the facts stated in the register. In this respect, under the rationale of Article 2:401 it may be appropriate to conclude that foreign judgments resulting from proceedings which have as their object the validity or legality of entries in these public registers cannot be recognized in the country where the registry is kept.¹²³

3. Other provisions

37. Article 4:204 CLIP Principles refers to the verification of jurisdiction concerning rules protecting consumers or employees and is connected with Article 2:101. The CLIP Principles do not contain specific jurisdictional provisions aimed at protecting weaker parties, but acknowledge that a significant number of legislations include protective and mandatory rules on jurisdiction concerning consumers and employees.¹²⁴ According to Article 2:101, the provisions of Part 2 of the CLIP Principles on jurisdiction are to be applied without prejudice to specific jurisdictional rules of the forum protecting consumers and employees. Hence, national protective jurisdictional provisions prevail over the rules of the Principles and these allow for the application of national provisions in these fields.

Due to the lack of common jurisdictional standards on these issues in Part 2, the CLIP Principles adopt a flexible approach regarding recognition. Under Article 4:204, recognition and enforcement may be refused if the judgment is manifestly incompatible with specific jurisdictional rules protecting consumers or employees in the state of recognition. The Principles assume that national policies and rules in this area differ widely, as illustrated by the difficulties of reaching a consensus in these areas at the international level.¹²⁵ On account of the different national consumer and employee protection statutes, Article 4:204 is drafted widely in order to give courts flexibility in deciding whether to recognize and enforce. However, Article 4:204 makes it clear that this ground for non-recognition is to be interpreted restrictively, because it requires that

¹²³ In the framework of the Brussels I Regulation, Article 22(3) that grants exclusive jurisdiction to the courts of the member state in which the register is kept seems to cover proceedings having as their object the validity of entries in copyright registers; see P.A. DE MIGUEL ASENSIO, "Cross-Border...", *cit.*, at 136.

¹²⁴ See, e.g., Articles 15-21 Brussels I Regulation.

¹²⁵ On the insurmountable problems posed by the drafting of rules on consumer contracts in the negotiations at the Hague Conference on the proposed Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, see, e.g., L. SILBERMAN, "Comparative Jurisdiction in the International Context: Will the Proposed Hague Judgments Convention be Stalled?" *52 DePaul L. Rev.* 319 (2002), at 325; and M. KELLER, "Lessons for The Hague: Internet Jurisdiction in Contract and Tort Cases in the European Community and the United States," *23 J. Marshall J. Computer & Info. L.* 1 (2004) at 69. The 2005 Convention on choice of court agreements does not apply to consumer and employment contracts (Article 2.1).

the foreign judgment is "manifestly incompatible" with the specific jurisdictional rules protecting consumers or employees in the state of recognition.

38. Under Article 4:203, when reviewing the jurisdiction of the rendering court, the authority of the requested state shall be bound by the findings of fact on which the original authority based its jurisdiction. Therefore, the requested court is not allowed to re-examine the relevant facts. This provision aims at avoiding duplication and waste of resources and is common to most international instruments dealing with the recognition and enforcement of foreign judgments.¹²⁶

Article 4:203 makes it clear that the requested court shall be bound only by the findings of fact of the original court for the purpose of examining jurisdiction according to Articles 4:201 and 4:202. This is a limitation of the preclusive effect of the foreign judgment under this provision. The limitation is intended to ensure that the foreign court's determination of facts on which its jurisdiction is based shall not be binding in other circumstances, in line with the current situation in those legal systems which do not have a concept of issue preclusion in their *res judicata* doctrine.

VII. Substantive public policy

1. Scope and nature

39. Public policy as a ground for non-recognition is present in the different international conventions and national legislations in this field.¹²⁷ Article 4:401 CLIP Principles refers to substantive and procedural public policy in separate provisions. Although in some conventions substantive and procedural public policy are mixed in the same provision¹²⁸ and some international, regional, and national instruments do not include a specific reference to procedural public policy, it has been considered appropriate to deal with substantive and procedural public policy in different provisions.

¹²⁶ See, e.g., Article 35(2) Brussels I Regulation; Article 9 Hague Convention on the Recognition and Enforcement of Decisions Relating to Maintenance Obligations of 1973; Article 25 Hague Convention on Jurisdiction, Applicable Law, Recognition, Enforcement and Co-operation in Respect of Parental Responsibility and Measures for the Protection of Children of 1996; and Article 27(2) Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters of 30 October 1999.

¹²⁷ See, e.g., Article 34(1) Brussels I Regulation, and Article 118(3) Japanese Code of Civil Procedure.

¹²⁸ See Article 9(e) 2005 Convention on Choice of Court Agreements, and Article 5(1) Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters of 1971.

This approach is also a feature of many national systems.¹²⁹ Common to both provisions [Article 4:401 (1) and (2)] is that the incompatibility with the public policy of the requested state has to be manifest. This wording stresses the exceptional nature of public policy in tune with the prevailing approach in international instruments and national legislations.¹³⁰

40. According to the first paragraph of Article 4:401, recognition or enforcement is not possible to the extent that it would be manifestly incompatible with the public policy of the requested state. The application of public policy as a ground for non-recognition is limited to situations in which the violation can be easily ascertained by the requested court. This restriction makes it easier to avoid a review of the substance or merits of the foreign judgment, in line with the prohibition established in Article 4:601 CLIP Principles, when applying the public policy exception.¹³¹

Mere differences in substantive law do not give rise to a manifest incompatibility with the essential fundamental principles and values of the requested state. Further, under the Principles, recognition is not to be refused on the sole ground that the court of origin applied a law other than that which would have been applicable under the private international law of the state in which recognition is sought. The text of the provision reflects that the duty of the requested authority is to verify whether extension of the relevant judgment effects to the country of recognition would be contrary to public policy, but not to decide in general on the compatibility of the foreign judgment as such with the public policy of the country of recognition.¹³²

Although public policy is typically a national defense, based on the basic values and fundamental principles of a national legal system, the exceptional nature of the substantive public defense in IP litigation must be reaffirmed based on the significant level of international harmonization in this field, resulting mainly from the TRIPS Agreement and the conventions administered by WIPO. Additionally, religious differences do not have such a strong impact on the structure and basic principles of IP

¹²⁹ See Article 25 § 1 (1) and (2) Belgian Code of Private International Law of 2004; Articles 5 and 53(5) Venezuelan Act of Private International Law of 1998; section 4(b)(1), 4(c)(2) and 4(c)(3) Uniform Foreign-Country Money Judgments Recognition Act (2005); § 482(1)(a) §482(2)(d) Restatement (Third) of Foreign Relations Law and § 403(1)(a), (b), (c), (d) and (e) ALI Principles. A similar approach can be found in Article 28(1)(c) and (f) Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters of 1999.

¹³⁰ See, e.g., Article 34(1) Brussels I Regulation; Article 23 (a) Regulation (EC) 2201/2003; Article 5.1 Hague Convention on the Recognition and Enforcement of Decisions Relating to Maintenance Obligations of 1973; Article 27(1) Swiss Federal Act of Private International Law of 1987; Article 64(1)(g) Italian Act of Private International Law of 31 May 1995; and Article 117.5 Bulgarian Code of Private International Law of 2005

¹³¹ ECJ 28 March 2000, Case C-7/98, *Krombach*, para. 37.

¹³² P. JENARD, "Report...", *cit.*, p. 54.

litigation as in family law and other areas of the law. For instance, with respect to Islamic law, the prevailing view is that there is no serious conflict between the principles and objectives of Shari'a and modern mechanisms for protecting IP as presented in international treaties.¹³³

Notwithstanding the degree of international harmonization achieved in this field, IP disputes may affect significant public interests in sensitive areas in which basic values differ across different jurisdictions. For instance, scope of patent protection may have strong consequences on the availability of products necessary to meet health and safety needs. Restrictions on the patentability of bio-technological inventions are usually intended to safeguard human dignity and additional ethical values. This may lead to refuse the enforcement of a foreign judgment concerning the protection of bio-technological inventions that are regarded as contrary to such basic values of the country in which enforcement is sought. The mandatory nature of moral rights of authors may also be an obstacle to the enforcement in some countries of foreign judgments disregarding such rights.¹³⁴ Also, cultural policies may be deeply influenced by copyright protection. Interaction between some fundamental rights and IP protection may also raise difficulties as to the application of public policy to the extent that such fundamental rights vary across nations. *Sarl Louise Ferand Int'l v. Viewfinder*¹³⁵ illustrates how competing interests between the copyright laws and the rights protected by the First Amendment in the U.S. may also raise public policy concerns. The decision of the Court of Appeals offers an example of some of the consequences of the restrictive and exceptional nature of public policy. In particular, the Court of Appeals noted that the fact that the foreign judgment found copyright infringement under foreign law on a subject matter that is not copyrightable in the U.S. does not make the foreign judgment contrary to public policy.¹³⁶ The ECJ has also considered that discrepancies between the country of origin and the enforcing country as to the subject matter that may be protected by intellectual property rights do not allow recourse to the clause on public policy of the Brussels I Regulation unless the differences amount to a manifest breach

¹³³ See, e.g., H.A. RASLAN, "Shari'a and the Protection of Intellectual Property: The Example of Egypt," 47 *IDEA* 497 2006-2007, 554, discussing how only some minor IP issues, especially some forms of licensing agreements, may create difficulties as to their compatibility with Shari'a.

¹³⁴ See D. Moura Vicente, "La propriété intellectuelle en droit international privé", *R. des C.*, 335 (2008) p. 422.

¹³⁵ *Sarl Louis Ferand Int'l v. Viewfinder, Inc.*, 406 F. Supp. 2d 274, 285 (S.D.N.Y. 2005), vacated, 489 F.3d 474 (2d Cir. 2007).

¹³⁶ *Viewfinder*, 489 F.3d at 480 n.3. The Court of Appeals supported in this connection the view of the district court that copyright laws are not "matters of strong moral principle" but rather represent "economic legislation based on policy decisions that assign rights based on assessments of what legal rules will produce the greatest economic good for society as a whole." *Viewfinder*, 406 F.Supp. 2d at 281.

of a fundamental principle of the legal order of the country in which enforcement is sought.¹³⁷

2. Punitive damages

41. Article 4:402 CLIP Principles includes a specific provision as to the enforceability of decisions awarding non-compensatory damages in jurisdictions where civil liability is considered essentially compensatory. In the U.S., punitive damages do not have a compensatory nature since their main goal is to punish and prevent future wrongdoing. This situation reflects significant differences between the social systems of the countries concerned, including the reliance on administrative control vis-à-vis private litigation to regulate hazardous conduct.¹³⁸ The rationale behind Article 4:402 is that also in situations affecting diverging principles on the purposes and function of the liability system, public policy as a ground to refuse recognition should be restrictively constructed.

The trend to rationalize and restrict the award of punitive damages in the legal systems that admit this category, as illustrated by U.S. practice,¹³⁹ may contribute to reducing the gap with other legal systems. In this regard, it is important to note that punitive damages are remedies under private law. Additionally, in civil law countries, examples can be found of institutions in which certain civil liability rules have additional functions, such as discouraging certain activities in the future, as illustrated by provisions on the extent of civil liability resulting from environmental damage.¹⁴⁰ Moreover, given that in many jurisdictions compensatory damages may cover non-monetary damage and that the costs related to litigation are commonly awarded to the

¹³⁷ See ECJ 11 May 2000, Case C-38/98, *Renault*, paras. 30-34, establishing that a foreign judgment recognising the existence of an industrial property right in body parts for cars, and enabling the holder of that right to prevent third parties from manufacturing, selling or exporting to a country that does not recognise the existence of such rights in spare parts for cars should not be considered to be contrary to public policy in this country.

¹³⁸ Hague Conference on Private International Law, "Note on the Recognition ...," *cit.* p. 16.

¹³⁹ See the notorious U.S. Supreme Court decisions in *BMW of North America v. Gore* *BMW of North America, Inc. v. Gore*, 517 U.S. 559 (1996); *State Farm Mutual Automobile Insurance Co v. Campbell et al.*, 538 U.S. 408 (2003); and *Philip Morris v. Williams* 549 U.S. 346 (2007).

¹⁴⁰ See, e.g., M. LÓPEZ DE GONZALO, "Punitive damages e ordine pubblico," *Riv.dir.int.pr.proc.*, 2007, p. 77, at 82-83. It is remarkable that although U.S. courts award punitive damages in tort actions, they do not allow punitive damages for breach of contract even if the contract includes a liquidated damages clause. By contrast, in many jurisdictions that generally limit liability to compensatory damages, contractual clauses aimed at compelling the breaching party to pay extra-compensatory damages are enforceable; see C. CALLEROS, "Punitive Damages, Liquidated Damages, and *Clauses Pénales* in Contract Actions: A Comparative Analysis of the American Common Law and the French Civil Code," 32 *Brook. J. Int'l L.* 68 (2006-2007). However, the contractual nature of these clauses implies significant divergences with the interests involved in punitive liability.

successful claimant, it may happen that the amount of punitive damages awarded by a U.S. court may not always go grossly beyond the amount a court in a country whose liability system is compensatory would grant the plaintiff in the same dispute.¹⁴¹

42. Courts in several jurisdictions not having punitive damages, such as Germany,¹⁴² Italy,¹⁴³ Japan,¹⁴⁴ and South Korea,¹⁴⁵ have considered that recognition and enforcement of foreign judgments imposing punitive or similar damages may be contrary to public policy, at least to the extent that they exceed the amount of the actual damage to be compensated. In other legal systems not having punitive damages, the situation seems to be similar even in those cases in which courts have reflected a more favorable attitude to the recognition of foreign judgments awarding punitive damages. In Spain, the Supreme Court declared enforceable a U.S. judgment imposing punitive damages against a Spanish company in a dispute concerning the infringement of IP rights.¹⁴⁶ Although the Court held that the category of punitive damages is not *per se* repugnant to Spanish public policy, the result was influenced by the circumstances of the case. The Court highlighted that the underlying interests protected by U.S. law were not unknown to Spanish law, and reviewed the proportionality of the amount awarded that was deemed to reflect the defendant's intentional and egregious conduct in violating the plaintiffs' IP rights.¹⁴⁷

¹⁴¹ F. BLUMER, "Jurisdiction and Recognition in Transatlantic Patent Litigation," *Tex. Intell. Prop. L. J.*, vol. 9, 2001, 329, at 385-386.

¹⁴² *Bundesgerichtshof* decision of 4 June 1992 (Case IX ZR 149/91, ZIP 1992, 1256, 1261-1262).

¹⁴³ *Corte di Cassazione*, judgment No. 1183 of 19 January 2007, *Riv.dir.int.pr.proc.*, 2007, p. 781; and *Corte d'Appello di Venezia*, judgment of 15 October 2001, *Riv.dir.int.pr.proc.*, 2002, p. 1021.

¹⁴⁴ In its judgment of 11 July 1997, the Supreme Court of Japan denied the enforcement of a Californian judgment as contrary to public policy. Stating that the Californian punitive damage system has a clear purpose of punishment, the Court regarded it as incompatible with the basic principles of the Japanese system of compensatory damages. The Court denied the enforcement of the part of the judgment ordering punitive damages but granted the enforcement as to the award of compensatory damages. For an English summary, see *The Japanese Annual of Int'l L.*, 41, 1998, pp. 107-109.

¹⁴⁵ In a decision of 10 February 1995, 93 *Ga Hap* 19069, the East Branch of Seoul District Court held that because a punitive damage award has a feature of criminal sanction it might violate the public policy of Korea where only compensatory damages for torts are allowed. Considering the principle of proportionality, only part of the amount awarded in the U.S. judgment was recognized. However, in appeal the Seoul High Court (Decision of 18 September 1996, 95 *Na* 14840) and the Supreme Court of Korea (Decision of 9 September 1997, *Da* 47517) considered that the U.S. judgment was not an award of punitive damage but a merely compensatory unliquidated damage award and hence it did not violate Korea's public policy; see S.H. LEE, "Foreign..." *cit.*, at 122-123.

¹⁴⁶ Decision (Auto) of the Spanish Supreme Court of 13 November 2001 (Exequatur No. 2039/1999), JUR 2002/608, *AEDIPr*, 2003, 914-919. For an English translation, see S.R. JABLONSKI, "Translation and Comment: Enforcing U.S. Punitive Damages Awards in Foreign Courts - A Recent Case in the Supreme Court of Spain," 24 *J.L. & Com.* 225 (2005), at p. 231.

¹⁴⁷ It seems reasonable to foresee that in other cases public policy may impose only a partial recognition of U.S. judgments awarding punitive damages, so that enforcement would be limited to the amount of damages that are acceptable under Spanish law; see F. RAMOS ROMEU, "Litigation

43. Under the CLIP Principles, recognition and enforcement of a judgment may only be refused if, and only to the extent that, the judgment awards damages that do not compensate a party for actual loss and exceed the amount of damages that could have been awarded by the courts of the state where enforcement is sought if the same events had been adjudicated in this country (Article 4:402). The approach adopted modeled on Article 11 Hague Convention on Choice of Court Agreements of 2005¹⁴⁸ requires a comparison both as to the function and as to the amount of the sums awarded. The second paragraph of Article 4:402 makes amounts aimed at covering costs and expenses relating to the proceedings significant to that comparison.¹⁴⁹ This approach reflects the trend to assume that refusal to recognize judgments imposing punitive damages is mainly a reaction against the excessive amount of money awarded.¹⁵⁰

VIII. PROCEDURAL PUBLIC POLICY

44. Only if the specific foreign proceedings leading to the judgment were manifestly incompatible with fundamental principles of procedural fairness of the requested state is the foreign judgment regarded by the CLIP Principles as contrary to public policy (Article 4:401(2)). The basic standards of the right to a fair trial or due process are determinative of the content of the public policy defense as a ground for non-recognition. In Europe the development of common standards as to the right of fair trial under Article 6 European Convention on Human Rights (ECHR) has important consequences in the area of recognition and enforcement of judgments.¹⁵¹

Under the Shadow of an Exequatur: The Spanish Recognition of U.S. Judgments," 38 *Int'l Law* 945(2004), at 968; and S.R. JABLONSKI, "Translation . . .," *cit.*, at 230.

¹⁴⁸ S. LUGINBÜHL and H. WOLLGAST, "Das neue Haager . . .," *cit.*, at 216-217.

¹⁴⁹ For a similar approach, see § 411 ALI Principles.

¹⁵⁰ Within the uniform EU rules on applicable law, paragraph 32 of the Preamble of Regulation (EC) No 864/2007 of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) (OJ L 199, 31.7.2007, p. 40) refers to the possibility that provisions of the applicable law awarding non-compensatory exemplary or punitive damages of an excessive nature be regarded as contrary to the public policy of the forum depending on the circumstances of the case and the legal order of the forum. Also the ECJ in its judgment of 13 July 2006, C-295/04 to C-298/04, *Manfredi* seems to have adopted an ambivalent position on punitive damages.

¹⁵¹ See H. MUIR WATT, "Evidence of an Emergent European Legal Culture: Public Policy Requirements of Procedural Fairness under the Brussels and Lugano Conventions," 36 *Tex. Int'l L.J.* 539 (2001) pp. 539-554, pp. 549-552; J.D. GONZÁLEZ CAMPOS, "Reconocimiento y ejecución de decisiones judiciales extranjeras y respeto de los derechos humanos relativos al proceso," *Homenaje a J.A. Carrillo Salcedo*, 2005, pp. 695-716; E. GUINCHARD, "Procès équitable (Article 6 CESDH) et droit international privé," A. NUYS and N. WATTÉ (eds.), *International Civil Litigation in Europe and Relations with Third Status*, pp. pp. 199-245, pp. 214-232; and J.J. FAWCETT, "The Impact of Article 6(1) of the ECHR on Private International Law," *ICLQ*, 2007, pp 1-48, at 44.

A contracting state of the ECHR may infringe Article 6 by enforcing a foreign judgment that has been obtained in conditions which constitute a breach of that Article. In light of the case law of the European Court of Human Rights (ECtHR) and especially its judgment in *Pellegrini*, the right to a fair trial under Article 6.1 ECHR demands a review of whether the proceedings before the foreign court that rendered the judgment which is to be recognized fulfilled the guarantees of Article 6.¹⁵² In its recent judgment in *Saccoccia v. Austria*, the ECtHR expressly held that the applicability of Article 6 ECHR extends to "proceedings relating to the execution of a foreign court's decision, provided that the decision in question concerned a civil right or obligation."¹⁵³ In its decision on inadmissibility of 29 April 2008 in *McDonald v. France*, the ECtHR reaffirmed the view that in cases concerning recognition and enforcement of foreign judgments the ECtHR verifies the lawfulness of the procedure followed before the foreign courts from the standpoint of Article 6 ECHR.¹⁵⁴ The ECJ when applying Article 34(1) Brussels I Regulation has acknowledged that in determining procedural public policy, guidance is to be found in the jurisprudence of the ECtHR.¹⁵⁵

45. From an international perspective, fundamental principles of procedural fairness may comprise basic standards of independence and impartiality of the court and its judges; procedural equality of the parties, including equal treatment and reasonable

¹⁵² *Pellegrini v. Italy*, Judgment of 20 July 2001, para. 40; and *Maumousseau et Washington v. France*, Judgment of 6 December 2007, para. 96, available at <http://www.echr.coe.int/echr/Homepage_EN>. Although *Pellegrini* referred only to the control of the enforcement of judgment originating from the courts of a country that is not a contracting state of the ECHR, it seems reasonable to consider that the ECHR imposes a similar obligation to deny recognition of a judgment that emanates from the courts of another contracting state if the foreign proceedings did not fulfill the guarantees of Article 6 ECHR.

¹⁵³ *Saccoccia v. Austria*, Judgment of 18 December 2008, para. 62. At any rate, in *Saccoccia* the Court considered that in exequatur proceedings courts may dispense from holding a hearing, since all they have to do is examine whether the conditions for granting execution have been met.

¹⁵⁴ With respect to the rules on indirect jurisdiction as a ground for non-recognition, the ECtHR added that it examines the rules in force in the contracting states to make sure they did not infringe any of the rights protected by the ECHR. In this connection, the ECtHR held that the refusal to authorize the execution of a United States court's judgments in France based on the exemption of French nationals from the jurisdiction of foreign courts provided for by the French Civil Code, amounted to an interference with the applicant's right to a fair hearing. However, the ECtHR decided the inadmissibility of the application because a person should not complain about a situation they had helped to bring about by their own inaction, and the applicant did not appeal against the French court's decision dismissing his petition but instead turned to the U.S. courts that rendered the judgment that he later intended to enforce in France, *McDonald v. France* (No 18648/04), Decision of 29 April 2008. A summary of this decision of non-admissibility may be found in ECtHR, "Information Note on the Court's case law," No. 110, July 2008, at pp. 30-31 <<http://www.echr.coe.int/echr/NoteInformation/en>>.

¹⁵⁵ ECJ 28 March 2000, Case C-7/98, *Krombach*, para. 44; ECJ 2 May 2006, Case C-341/04, *Eurofood IFSC Ltd*, para. 65. The ECJ has expressly recognized that the right to be notified of procedural documents and the right to be heard occupy an eminent position in the organization and conduct of a fair legal process; see ECJ 2 May 2006, Case C-341/04, *Eurofood IFSC Ltd*, para. 66.

opportunity for litigants to assert or defend their rights and avoidance of any kind of illegitimate discrimination; due notice and the right to be heard; the right of the parties to engage a lawyer; a reasoned explanation of the essential basis of the judgment; and prompt rendition of justice.¹⁵⁶ However, the consequences and restrictions resulting from these principles and their interpretation may vary significantly between different legal systems. For instance, rendering judgments by default without trial and without giving additional reasons is a well-established practice in some countries but may be regarded as a violation of the right to a fair trial in other systems.¹⁵⁷

With respect to IP litigation it is noteworthy that Part III TRIPS Agreement has been the basis for an important approximation of national procedural laws regarding the means of enforcing IP rights. TRIPS is a source of international standards implemented in the legislation of the contracting states that may contribute to reducing the number of situations in which procedural public policy is an obstacle to recognition and enforcement in IP litigation. For instance, Article 42 TRIPS Agreement lists some basic features that civil procedures concerning the enforcement of IP rights must have in order to qualify as fair and equitable. These include the right of defendants to timely and written notice containing sufficient detail; the possibility of the parties of being represented by independent legal counsel; the avoidance of overly burdensome requirements concerning mandatory personal appearances; and the right of the parties to substantiate their claims and to present all relevant evidence.

46. Because of the exceptional nature of public policy, the existence of differences between the procedural law of the country of origin and that of the requested country is not determinative to refuse enforcement inasmuch as such differences do not decisively affect in the case concerned fundamental procedural fairness and do not undermine essential principles of the system in which enforcement is sought. In this respect, significant differences may be found between common law systems and civil law systems, but they may not affect fundamental principles of procedural fairness, to the extent that the legal systems involved provide sufficient guarantees for a fair and impartial trial.¹⁵⁸

For example, it seems appropriate to consider that a civil judgment based on a jury verdict should not in principle be regarded as contrary to public policy in countries

¹⁵⁶ On the progressive development of international standards on those issues, see ALI/UNIDROIT Principles of Transnational Civil Procedure, adopted by the American Law Institute (ALI) in May 2004 and by the International Institute for the Unification of Private Law (UNIDROIT) in April 2004, *Unif. L. Rev.* 2004-4, 758.

¹⁵⁷ G. CUNIBERTI, "The Recognition of Foreign Judgments Lacking Reasons in Europe: Access to Justice, Foreign Court Avoidance, and Efficiency," *57 ICLQ* (2008), pp. 25-52.

¹⁵⁸ See F. BLUMER, "Jurisdiction...," *cit.* p. 399.

that do not use civil juries. Also, differences with respect to the availability of discovery devices between the country of origin and the requested country should not be an obstacle to the enforcement of the judgment.¹⁵⁹ Finally, procedural public policy objections based on the fact that the evidential and other legal standards used by the rendering court in a default judgment do not meet the standards for a decision on the merits in the requested country should only be a ground for non-recognition if they were manifestly incompatible with the criteria applied to default judgments in the requested state and basic principles of procedural fairness prevailing in that state.

IX. Other grounds for non-recognition

47. Article 4:501 CLIP Principles includes other grounds for non-recognition. Its first paragraph refers to the situations in which the document which instituted the proceedings was not notified to the defendant in sufficient time and in such a way as to enable him to arrange for his defense. The provision controls the respect in the court of origin of the rights of defense of the defaulting defendant by proper summons in adequate time. Hence, it typically applies to default judgments not covering those situations in which the defendant entered an appearance and presented his case without contesting notification in the court of origin, provided that the law of the state of origin permitted notification to be contested. A similar ground for non-recognition may be found in many international and bilateral conventions and in the domestic legal systems of many countries, although the exact wording of these provisions and the interpretation of some terms have traditionally been controversial, as illustrated by the origins and interpretation of Article 27.2 Brussels Convention and 34.2 Brussels I Regulation.¹⁶⁰ Given the presence of Article 4:501(1), the public policy clause of Article 4:401 normally applies with regard to procedure in situations in which the breach does not refer to the initial service of the document that instituted the proceedings.¹⁶¹

¹⁵⁹ See HAAS, U., "Zur Anerkennung US-amerikanischer Urteile in der Bundesrepublik Deutschland," *IPRax*, vol. 21, 2001, 195, at 199; and Reporter's Note 1 to Section 403 ALI Principles. In Germany, see the *Bundesgerichtshof* decision of 4 June 1992 (*ZIP* 1992, 1256, 1261-1262), considering that the fulfillment of far-reaching pre-trial discovery procedures and the lack of recovery of attorney's fees to the successful party in U.S. litigation do not amount to a violation of the German procedural public policy exception in the field of recognition.

¹⁶⁰ J. NEWTON, *The Uniform Interpretation of the Brussels and Lugano Conventions*, Oxford, 2002, pp. 437-518; and the ECJ Judgment in *Apostolides*, paras. 72-80.

¹⁶¹ However, the procedural public policy exception is broader and covers situations in which there has been a violation of the right to a fair trial in connection with the service of the document which instituted the proceedings, even though the judgment was not rendered in default of appearance, J.J. FAWCETT, "The Impact...", *cit.*, at 29.

The standard of review under Article 4:501(1) CLIP Principles is neither the internal law of the state in which the judgment was given nor that of the requested country. The focus rests on the verification that the defendant was notified of the proceedings in a way that did not hinder his right of defense, that he received actual knowledge of the proceedings, and that he was given the opportunity to defend himself.¹⁶² Process serving not undertaken in accordance with a treaty on judicial cooperation to which the country of origin and the enforcing country are parties does not necessarily make recognition contrary to Article 4:501(1). This solution rests on the idea that control of the acts of communication in the framework of recognition is aimed at ensuring the effective judicial protection of the defendant.¹⁶³ Hence, where the defendant has received actual knowledge of the existence and the content of the suit brought against him in sufficient time and in such a way as to enable him to arrange for his defense, there is no justification for refusing recognition on the basis of this ground. Under this regime, it is in the defendant's best interests to appear in court and to defend himself in any foreign jurisdiction to the extent that he is notified in a way that enabled him to get proper knowledge of the commencement of the action with sufficient time to prepare his defense, especially when the jurisdiction of the forum is based on a ground that meets the standards of Article 4:201 as to the verification of jurisdiction. At any rate, from the practical perspective, it seems reasonable to advise any party who may be interested in the future enforcement of the judgment abroad to ensure that service is through a method admitted in the future requested state, to avoid possible risks of non-recognition given the current state of the law in many countries.

Article 4:501(1) is in line with Article 9(c)(i) Hague Convention on Choice of Court Agreements of 2005,¹⁶⁴ that is also modeled on Article 34(2) Brussels I Regulation. A similar approach can be found in other instruments, such as Section 4(c)(1) Uniform Foreign-Country Money Judgments Recognition Act (2005).

¹⁶² As to the creation of international standards guaranteeing due notice to the defendant and the right to be heard, see Principle 5 of the ALI/UNIDROIT Principles of Transnational Civil Procedure, *cit.*, p. 768.

¹⁶³ This progressive approach is in agreement with the interpretation made of this requirement in some national systems. In this connection, when accepting the enforcement of a U.S. judgment concerning the infringement of IP rights, the Spanish Supreme Court concluded that the fact that the act of notice and summons was not done through the mechanisms contemplated in the Hague Convention on the Service Abroad of Judicial Documents of 15 November 1965 – as Spain and the U.S. are parties to that Convention – was not a reason to deny recognition given that the defendant had clear knowledge of the suit advanced in the U.S. See Decision (Auto) of the Spanish Supreme Court of 13 November 2001, *AEDIPr*, 2003, p. 917.

¹⁶⁴ However, the Principles do not include a provision like Article 9(c)(ii) Hague Convention on Choice of Court Agreements of 2005, which adds as a ground for non-recognition that notification to the defendant in the requested state was made "in a manner that is incompatible with fundamental principles of the requested State concerning service of documents." Under the Principles these situations will usually be covered by the procedural public policy provision.

48. An additional ground for non-recognition established in Article 4:501 (2) CLIP Principles refers to the situations in which proceedings between the same parties and having the same cause of action are pending before a court of the requested state, provided that those proceedings were the first to be instituted. Since this ground for non-recognition is limited to the situations in which the proceedings in the country where recognition is sought were the first to be instituted,¹⁶⁵ this provision must be read in connection with Article 2:706 CLIP Principles that sets forth the relevant criteria to determine the time when a court is deemed to be seized. Additionally, Section 7 of Part 2 on coordination of proceedings and especially Article 2:701 on congruent proceedings establish means to coordinate congruent proceedings commenced in the courts of different states with a view to avoid the risk of inconsistent judgments. Article 4:501 (2) applies only to situations in which proceedings brought in the court first seized should have prevailed under Article 2:701. If the proceedings in the court first seized have come to a judgment, Article 4:501 (3) shall apply regardless of which court had priority under Article 2:701.

Indeed, incompatibility of the foreign judgment with a judgment given in the requested state between the same parties is the third ground for non-recognition established in Article 4:501. In order to guarantee the rule of law in the enforcing country a judgment rendered in that state must prevail over the foreign conflicting judgment regardless of which suit was filed earlier and which judgment was given earlier. Concerning this ground of non-recognition, different approaches can be found in international conventions and national systems as to whether the judgment given in the state addressed has to have become *res judicata* or if it is sufficient for the judgment to be final and conclusive at that stage of procedure. In line with the approach taken in the Brussels I Regulation,¹⁶⁶ the wording used in the Principles is flexible on that issue that is to be decided by the court in which recognition is sought.

A similar ground for non-recognition is envisaged in case a conflict arises between two incompatible foreign judgments concerning the same parties and having the same cause of action to the extent that the recognition of one of those judgments has already been declared in the requested state. Under Article 4:501(4) the judgment that has been recognized always prevails. In situations in which none of the conflicting

¹⁶⁵ Many international conventions on recognition and enforcement as well as national legislations follow this approach: Article 5(3) Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters of 1971; Article 28(1)(a) Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters of 1999; and Article 27(2)(c) Swiss Federal Act of Private International Law of 1987.

¹⁶⁶ P. JENARD, "Report...", *cit.*, p. 45.

foreign judgments has already been recognized, the judgment that was given earlier prevails. These two provisions under (3) and (4) reflect criteria that have achieved significant acceptance from a comparative perspective.¹⁶⁷

49. The grounds for non-recognition are enumerated exhaustively in Part 4 of the CLIP Principles, and no other checks may be used to control recognition of foreign judgments. Recognition and declaration of enforceability may be refused only for one of the reasons set out in Part 4 of the Principles. Therefore, other checks that may apply in some systems cannot be used in the scheme of the Principles. For instance, application by the rendering court of a law other than that which would have been applicable under the choice-of-law rules of the country of recognition cannot be by itself a reason to refuse recognition. Additionally, as already noted, no control is established in order to refuse recognition based on reciprocity.

Although the CLIP Group discussed the introduction of a ground for non-recognition, referring to fraud in connection with procedure, it was decided finally not to introduce it. Fraud has traditionally occupied a special place as a defense in common law¹⁶⁸ and a provision refusing recognition in cases in which the foreign judgment has been obtained by fraud is found in many international conventions.¹⁶⁹ However, fraud provisions in the field of recognition are typically aimed at providing a defense against situations in which a fraudulent action by the prevailing party deprived the other party of a reasonable opportunity to defend its case.¹⁷⁰ To the extent that one of the parties, typically the defendant, was deprived of such an opportunity in the original proceedings, recourse to the provision on procedural public policy seems sufficient to refuse recognition.¹⁷¹

¹⁶⁷ They are based on similar rules such as Article 5(3) Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters of 1971; Article 9(f) and (g) Hague Convention on Choice of Court Agreements of 2005; Article 34(3) and (4) Brussels I Regulation; Article 22(c) and (d) Regulation (EC) 2201/2003; § 482(2)(e) Restatement (Third) of Foreign Relations Law; Section 4(c)(4) Uniform Foreign-Country Money Judgments Recognition Act (2005); Article 27(2)(c) Swiss Federal Act of Private International Law of 1987; Article 28(1)(b) Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters of 1999.

¹⁶⁸ See, e.g., J. NEWTON, *The Uniform...*, *cit.*, p. 417.

¹⁶⁹ See, e.g., Article 9(d) Convention on Choice of Court Agreements of 2005 or Article 5(2) Hague Convention on the Recognition and Enforcement of Decisions Relating to Maintenance Obligations of 1973

¹⁷⁰ See, e.g., Comment to Section 4 Uniform Foreign-Country Money Judgments Recognition Act (2005), that in 4(c)(2) includes fraud as a ground for non-recognition.

¹⁷¹ See, e.g., M. STÜRNER, "Inländischer Rechtsschutz gegen ausländische Urteile," *RabelsZ*, 2007, pp. 597-643, pp. 624-625. Indeed, a significant number of cases where the public policy exception of Article 34.1 Brussels I Regulation has been raised refer to the allegation of fraudulent behavior, B. HESS, T. PFEIFFER and P. SCHLOSSER, *The Brussels I...*, *cit.*, pp. 141-144.