From: James Love, CPTech  
Date: 30 March 2004  

To: Members of Study Group on Enforcement of Judgments, Secretary of State Advisory Committee on Private International Law  

Re: Contracts that restrain competition or impede the transfer of technology  

Version 1  

1.3 g) anti-trust or competition matters, including but not limited to cases where a member country has determined that a licensing practice is an abuse of intellectual property rights having an adverse effect on competition."

Version 2  

"1.3 g) anti-trust or competition matters, including but not limited to cases alleging that a licensing practice is an abuse of intellectual property rights having an adverse effect on competition."

CPTech is concerned that the proposed Hague Convention on Jurisdiction has been repositioned to introduce sweeping changes in international contract law, making nearly all contractual choice of court provisions automatic and enforceable, undermining national discretion on a number of sensitive and controversial policy issues. This, combined with the very strong provisions regarding enforcement of foreign judgments is a recipe for a new round of bold forum shopping.

In the current draft, all judgments regarding contract and license disputes over intellectual property would have very strong enforcement measures. The treaty would "salamii" slice certain aspects of intellectual property disputes, so that litigation over validity of all non-copyright registered rights (patents, trademarks, plant breeder rights, sui generis database rights, rights in traditional knowledge, etc) would always be held in the country of registration, unless they were "incidental" to the main litigation, but litigation over infringement, the scope of claims, the fairness of the contracts and other provisions would be in the foreign courts, with very strong enforcement measures for the foreign judgments.

The European Union is asking for a special "carve out" that would automatically give the European courts exclusive rights on all community intellectual property rights cases,
including not only validity but also infringement or scope of rights/claims. But for the rest of the world, the Hague Convention changes would be very important.

We have asked for a number of changes in the Convention, including for example our request in a separate note that the Convention exclude matters involving parallel trade or the exhaustion of rights. The following is an elaboration of our request that the Convention recognize the problem of anti-competitive practices in contractual licenses. I draw your attention to Article 40 of the TRIPS, which is attached below. It says that [WTO] "Members agree that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology," and further, that "Nothing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market."

We ask that the proposed Convention recognize this issue, and provide that in cases where a member determines that licensing practices constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market," the Convention would not apply. This could be given effect by modifying Article 1, paragraph 3, g), to read as follows:

1.3 g) anti-trust or competition matters, including but not limited to cases where a member country has determined that a licensing practice is an abuse of intellectual property rights having an adverse effect on competition."

Alternatively, one might prefer the following approach:

"1.3 g) anti-trust or competition matters, including but not limited to cases alleging that a licensing practice is an abuse of intellectual property rights having an adverse effect on competition."

I think it is important that the Convention seek balance to protect consumer interests, as is the case for the TRIPS. Thank you for considering this proposal. James Love, CPTech

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1. Members agree that some licensing practices or conditions pertaining to intellectual property rights which restrain competition may have adverse effects on trade and may impede the transfer and dissemination of technology.

2. Nothing in this Agreement shall prevent Members from specifying in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market. As provided above, a Member may adopt, consistently with the other provisions of this Agreement, appropriate measures to prevent or control such practices, which may include for example exclusive grantback conditions, conditions preventing challenges to validity and coercive package licensing, in the light of the relevant laws and regulations of that Member.

3. Each Member shall enter, upon request, into consultations with any other Member which has cause to believe that an intellectual property right owner that is a national or domiciliary of the Member to which the request for consultations has been addressed is undertaking practices in violation of the requesting Member's laws and regulations on the subject matter of this Section, and which wishes to secure compliance with such legislation, without prejudice to any action under the law and to the full freedom of an ultimate decision of either Member. The Member addressed shall accord full and sympathetic consideration to, and shall afford adequate opportunity for, consultations with the requesting Member, and shall cooperate through supply of publicly available non-confidential information of relevance to the matter in question and of other information available to the Member, subject to domestic law and to the conclusion of mutually satisfactory agreements concerning the safeguarding of its confidentiality by the requesting Member.

4. A Member whose nationals or domiciliaries are subject to proceedings in another Member concerning alleged violation of that other Member's laws and regulations on the subject matter of this Sectionshall, upon request, be granted an opportunity for consultations by the other Member under the same conditions as those foreseen in paragraph 3.