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Director of United States Patent
And Trademark Office
Box 4
Washington, D.C. 20231

ATTN: Elizabeth Shaw

Re: Verizon Comments on Hague Convention on Jurisdiction

Dear Ms. Shaw:

Verizon Communications is pleased to have the opportunity to provide comments to the United States Patent and Trademark Office on its Request for Comments on the Hague Conference Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters ("Draft Convention"). By way of background, Verizon Communications, which was formed after the merger of Bell Atlantic and GTE, is one of the largest telecommunications companies in the world. Verizon has an extremely large global intellectual property portfolio, consisting of thousands of trademarks, patents and copyrights. We are especially appreciative of the PTO's active role in analyzing the Draft Convention and studying its impact on U.S. laws and the ability of U.S. intellectual property owners to enforce their rights.

The PTO's RFC requests comments on the effect of the Draft Convention on U.S. intellectual property laws. Verizon must clarify from the outset that it has significant concerns with the Draft Convention's treatment of jurisdiction as a whole and its effect of disrupting the predictability of conducting global business and electronic commerce. Some of those concerns are raised in an October 30, 2000 letter from the U.S. Council of International Business (of which Verizon is a member) to Madeleine Albright, a copy of which is attached hereto. That letter raised a variety of concerns, including issues related to jurisdiction over sellers and consumers for actions in contract, actions in tort,

employment issues and exclusive jurisdiction in **the intellectual property field.** The Department of State outlined many of these same overall concerns in a September 10, 2000 letter from Jeffrey Kovar to Alasdair Wallace of the U.K., who works with the Secretary General of the Hague Conference. Hence, we note that even if the problems with the intellectual property related provisions are ultimately corrected, the remaining problems are also so heavily tilted against existing U.S. jurisdiction practices that we cannot support the Draft in its current form.

The comments that follow, however, deal solely with our concerns in the intellectual property field. In particular, Article 12 of the Draft Convention diverges wildly from the existing system of national intellectual property laws by creating "exclusive jurisdiction" in the one Contracting State, in which a party litigates actions that "have as their object" the registration, validity, nullity, revocation and infringement of patents, trademarks, designs or other similar rights required to be deposited or registered with the State. This new, exclusive jurisdiction rule does not apply to litigation that arises as "incidental questions".

It is important note at the outset that although there are various global treaties and conventions dealing with intellectual property laws, there is no one international global copyright, patent or trademark law. Intellectual property laws generally are still created nationally and such laws are enforced locally by their respective national courts. These national intellectual property laws may differ on what may constitutes a registerable trademark, what may be copyrightable subject matter or the subject of patent protection. In the trademark area, many countries, including the United States, generally avoid enforcing judgments or adjudicating disputes outside their jurisdiction. In the U.S., courts have defined the rule succinctly: "[When] trademark rights within the United States are being litigated... in an American court, the decisions of foreign courts concerning the trademark rights of the parties are irrelevant and inadmissible." *Vanity Fair Mills, Inc. v. Eaton Co.*, 234 F.2d 633, 639 (2d Cir. 1956); *Fuji Photo Film Co. v. Shinohara Shoji Kabuskiki Kaisha*, 754 F.2d 591, 599 (5th Cir. 1985).

Article 12(4) specifically encourages international forum shopping and a "jurisdiction grab." Jurisdiction is awarded to the contracting State in which a party files simply files suit attacking the validity of a registration, or claiming infringement or nullity of patents, trademarks, designs and "other similar rights" (which remains to be defined and could vary according to national laws). This rule would allow a party with whom one party has a dispute (related or unrelated to intellectual property) to take advantage of forum shopping to grab exclusive jurisdiction. The scenarios discussed below are just some examples of how this new jurisdiction grab actually increases litigation, changes U.S. law and provides considerable business uncertainty for U.S. intellectual property owners.

Scenario #1: Company X, in located in the United States sends a cease and desist letter to Company Y in Country Y alleging that Company Y is infringing Company X's trademark or patent rights in the U.S. Company X alleges that Company Y is using its trademark or patent in an active website and soliciting customers in the U.S. which results in a likelihood of customer confusion. Company Y sues Company X in its home country and alleges that Company X's trademark registration or patent in Country Y is invalid or has been abandoned for nonuse. Company Y has just moved exclusive jurisdiction of the dispute outside the United States. Company X must now defend the validity of its mark or patent in Country Y, where it is likely at a legal disadvantage. Company X can only hope that the court in the Country Y correctly applies U.S. trademarks or patent laws to its own initial cause of action against Company Y.

Scenario #2: Company X located in the U.S. sends a cease and desist letter to Company Y located in Country Y alleging that Company Y has breached its contract with Company X in the US. Company Y immediately files suit in Country Y alleging that Company X's patent or trademark is invalid. These scenarios differ from the case where a company faces the risk of a declaratory judgment action from a cease and desist letter. This is because Company Y is able to move the entire dispute to the jurisdiction of a court outside the United States. Under the Draft Convention's Article 12(6), Company Y's intellectual property infringement claim may not be considered an "incidental question." In the United States, Company Y's claim would be considered a valid counterclaim that could arguably be relevant and related to the original claim.

Scenario #3: Company X located in the U.S. discovers a cybersquatter located in another country who has taken, in bad faith, Company's X's trademark as a domain name for the purpose of confusing or diverting customers to the cybersquatter's website. Company X sues the cybersquatter under the U.S. Anticybersquatting Consumer Protection Act or initiates ICANN's Uniform Dispute Resolution Procedure using an approved dispute resolution provider. The cybersquatter can simply sidestep U.S. law and the ICANN procedures by claiming infringement of its domain name or otherwise challenging Company X's trademark in another country. The cybersquatter has successfully used Article 12 as the lever to avoid the jurisdiction of the U.S. courts and gain the upper hand. Country X's courts may have different trademark laws. Some countries have no adequate trademark laws. The same scenario undermines the ability of U.S. companies to use the "in rem" section of the U.S. Anticybersquatting Protection Act to sue the domain name itself - the thing - rather than the defendant if the defendant "cannot be found" in the United States. When the cybersquatter learns of the in rem suit, he or she simply files an action alleging infringement or seeking to cancel Company X's trademark in a more hospitable country, thereby bypassing U.S. law. This is another example of how Article 12 seriously undermines recent U.S. laws and the ability of intellectual property owners to enforce their rights on the Internet. Verizon strongly supported the passage of the Anticybersquatting Consumer Protection Act and would object to any rule that weakens the ability of the company to enforce its rights against cybersquatters. The problem of cybersquatting will likely become more serious in light of ICANN's decision to adopt seven new top-level domain names.

Scenario #4: Company X located in the United States is the owner of a common law mark and sues Company Y for infringement in the U.S. Company Y is the owner of the identical registered trademark in Country Y. Because Company Y is the owner of a registered trademark and asserts a claim of infringement of its registered mark as recognized by Article 12 (4), Company Y has just grabbed exclusive jurisdiction of the dispute. It is clear that the uneven treatment of common law and registered marks in Article 12 combined with the broad ability to sue for infringement to win exclusive jurisdiction undermines the protections afforded in the U.S. for common law marks.

The dramatic shift in principles of jurisdiction cannot be overcome by the parties' reliance on contractual terms. The Draft Convention takes away traditional contractual freedom for parties to enter into agreements that typically designate the choice of jurisdiction and law. Article 4 provides that the parties may enter into agreements designating a choice of jurisdiction, but such agreements are without effect if they conflict with the provisions of Article 12. Clearly, trademark and patent owners could no longer rely on contractual provisions to designate a choice of jurisdiction or law. Intellectual property owners would have no future certainty that such contractual provisions would be valid or enforceable if the other party brought an action challenging their trademark, patent, design or "similar rights" in another country. Even Article 5, which confers jurisdiction on a court when the defendant proceeds without contesting jurisdiction, allows the defendant to grab jurisdiction after the fact using the tools of Article 12 as the ruse.

Even assuming Article 12 were removed, the Draft Convention is still fatally flawed with respect to intellectual property enforcement due to the application of Article 10. Article 10, which defines jurisdictional rules for tort actions, currently applies to copyright actions and would apply to trademarks, patents and other intellectual property rights if Article 12 were removed. Article 10 provides for jurisdiction either in the State in which the act or omission causing injury occurred or in the State in which injury arose so long as the injury in that State was "reasonably foreseeable." Various U.S. federal and state courts and foreign courts, would likely have differing views on whether an injury was "reasonably foreseeable" when the defendant infringes a copyright, patent or trademark. The issue becomes more clouded when viewed in the context of electronic commerce. There would also be considerable uncertainty as to the plaintiff's right to damages against a foreign defendant under Article 10 (4) because the Draft limits damages to the place the suit was filed unless that place is also the plaintiff's habitual residence.

Articles 17 and 18 similarly undermine the ability of U.S. courts under existing laws to exercise broad jurisdiction under states' long arm statutes, along with the fundamental concept of "doing business." When a person is "doing business" in the United States and substantially avails himself of business opportunities in a state, that person may be subject to jurisdiction in the state. Article 18(1), however, limits jurisdiction in the cases where there is the absence of a "substantial connection between that State and the dispute". Article 18(2)(e) is also in conflict with the "doing business" concept under U.S. law by prohibiting jurisdiction where the defendant merely engages in commercial activity in the State. The requirement that the defendant's activities be either "reasonably foreseeable" under Article 10 or requiring that the dispute is directly related to the defendant's business activities in the State under Article 18 is in direct conflict with U.S. long arm jurisdiction and the concept of minimum contacts. The current split in U.S. case law regarding jurisdiction over Internet related intellectual property disputes and the focus on "active" or "passive" websites, will clearly become more uncertain as these fundamental principles of U.S. law are chipped away.

Verizon appreciates the opportunity to provide these comments and looks forward to working with the PTO on this very important issue. Please feel free to contact us at the number below if you have any further questions.

Sincerely,

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