

Submission by Professor Dan Jerker B. Svantesson

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to the Attorney-General's Department in response to

Public Consultation Paper of March 2018

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Summary of major points

In our view:

- While the goals of the proposed *Judgments Project* are commendable, enforcement difficulties paradoxically work as important safeguards preventing the excessive reach of content laws that do not enjoy international harmonisation.
- Where judgments rendered in defamation disputes are excluded, it is difficult to see how judgments rendered in the context of 'privacy/unauthorised public disclosure of information relating to private life' possibly could be kept within the scope of the proposed *Judgments Project*.
- Article 5(1)(d) dealing with 'establishment' needs to provide more details as to how it will be applied in practice.
- The focus on 'place of performance' in Article 5(1)(g) ought to be reconsidered.
- Given Australia's comparatively broad definition of consumers, there is potential for a mismatch between what is dealt with as consumers under Australian law and what is likely to be treated as consumers under the Convention (Article 5(2)).
- A forward-looking document such as the proposed Convention must address the issue of 'scope of jurisdiction'.
- The translation requirement outlined in Article 13(4) will effectively work as a cost-based barrier to the recognition and enforcement of judgments in some situations.
- The contemplation of issues related to intellectual property law cases should be welcomed but it requires inclusion of rather detailed provisions in the text of the Convention; alternatively, these issues could be addressed in a separate protocol associated with the Convention.
- The basis for the recognition and enforcement of judgements in cases related to the infringement of intellectual property rights need to be expanded in order to correspond to international court practice (Article 5(3)).
- Although Article 6(3) is generally acceptable, parties should be also able to resolve their global disputes over the validity of registered intellectual property rights *inter se* by choosing to adjudicate them in the country other than where the right was granted.
- Reservations found in Articles 5(3)(a) and 5(3)(b) ("unless the defendant has not acted ...") needs further clarification and justification.
- Injunctive relief should be an enforceable remedy in the intellectual property cases (Article 11).

1. Introduction

1. We welcome the initiative taken by the Attorney-General's Department to seek input through the *Public Consultation Paper* of March 2018. A solid public consultation is clearly necessary given the societal implications associated with the proposed Hague Conference *Judgments Project*.

2. These submissions are intended to be made public.

3. These submissions deal only with a selection of particular issues.

4. The Convention is a significant initiative with the potential to provide real benefits. We are generally supportive of the structure and approach adopted, as well as of the goals pursued. However, some additional work is needed, and we will here try to bring attention to the areas we think may be improved, and areas in need of further clarification.

2. The desirability of efficiency in recognition and enforcement

5. As noted in the Consultation Paper (para 1.3), the draft convention on the recognition and enforcement of judgments has four main goals:

- i. to enhance access to justice;
- ii. to reduce the costs of legal processes involved in cross-border dealings;
- iii. to streamline legal processes involved in cross-border dealings; and
- iv. to help address associated risks.

6. There can be no doubt that there is a need for improved procedures for the recognition and enforcement of foreign judgments, and the increase in cross-border interaction sparked by the Internet is an important reason for that need. At the same time, we must not lose sight of the fact that enforcement difficulties paradoxically are important for the functioning of the Internet – they work as a safeguard preventing the excessive reach of content laws that do not enjoy international harmonisation.

7. To see the importance of this, we need only imagine what would happen if every law of every country in the world was enforced against any content we post online. What would be left online? Not much.

8. The fact that the proposed *Judgments Project* is limited to 'civil or commercial matters' mitigates this concern to a degree. However, we must not underestimate the creativity of the regimes that seek to limit freedom of expression.

9. Thus the reality is that, while the goals of the proposed *Judgments Project* are commendable as such, it is crucial that appropriate restrictions are placed on the

situations in which foreign judgments are recognised and enforced under the Convention.

3. Article 2(1)(l) – Privacy / unauthorised public disclosure of information relating to private life

10 Article 2(1)(k) excludes defamation from the scope of the Convention. While such an exclusion has both advantages (eg avoids having to tackle a particularly controversial area) and disadvantages (eg a missed opportunity to tackle a particularly controversial area), it is not in brackets and this exclusion is presumably now beyond discussion.

11. Where judgments rendered in defamation disputes are excluded, it is difficult to see how judgments rendered – in the context of what the Convention text describes as 'privacy/unauthorised public disclosure of information relating to private life' – possibly could be kept within the scope of the proposed *Judgments Project*.

12. In other words, if there is a commitment to excluding defamation, it is only natural to also exclude related other areas of law such as data privacy and breach of confidence as they share fundamental characteristics with defamation.

13. In particular data privacy is emerging as an area of huge importance and the status of data privacy judgments must be carefully considered, both in the context of Article 2(1)(l) and in the context of Article 1(1) referring to 'civil or commercial matters'.¹

14. We are not convinced that the phrase 'privacy/unauthorised public disclosure of information relating to private life' quite captures the full scope of what we are dealing with here. 'Privacy' is not a term of art and it carries different meanings in different places. Furthermore, it is not difficult to imagine violations of data privacy rights that do not fit within the phrase 'unauthorised public disclosure of information relating to private life'; just consider data privacy violations stemming from unlawful collection and subsequent misuse of personal data, without that data being disclosed. A judgment rendered in such a matter may or may not fit within the 'privacy' exclusion, but certainly falls outside the exclusion for 'unauthorised public disclosure of information relating to private life'.

15. In this context, mention may be made of the approach taken in the EU's *Rome II Regulation* in which "non-contractual obligations arising out of violations of privacy and rights relating to personality, including defamation" are excluded. This wording may

¹ For a discussion of data privacy and private international law specifically, see eg: Maja Brkan, Data protection and European private international law: observing a bull in a China shop *International Data Privacy Law* (2015) 5 (4): 257-278

perhaps be 'too European' for an international convention, and the exclusion has been controversial and may not be maintained long-term.² However, as an approach to delineating the excluded areas, it may be better suited than simply making reference to defamation, unless of course there are specific reasons for excluding defamation while still including closely related areas.

4. Article 5(1)(d) – Establishment

16. Article 5(1)(d) makes reference to situations where the defendant maintains an establishment in the State of origin. In light of the CJEU's discussion of the concept of 'establishment' in its recent *Weltimmo* decision (C-230/14), it is necessary that the application of the concept of 'establishment' in the context of e-commerce be carefully considered. In other words, what level of activity is required for the conclusion that the defendant maintains an establishment in the State of origin? It should not be assumed that different states will apply the same test for this, and it would be useful for this matter to be addressed in some detail in the Convention text, or at least in the accompanying documents.

5. Article 5(1)(g) – Place of performance

17. Article 5(1)(e) makes reference to "the State in which performance of that obligation took place, or should have taken place". Ascertaining where the performance of certain e-commerce obligations take place or should take place is notoriously difficult, and can only be done by reference to legal fictions. For example, where does the performance take place where a person who lives in state A part of the year, but who spends part of the year in State B and works in and spends a lot of time in state C, subscribes to an online streaming service? In light of this type of difficulties, despite its standing in EU law, the wisdom of placing reliance on such a concept is questionable unless more guidance is provided.

6. Article 5(2) – Consumers

18. Article 5(2) refers to "a consumer contract". Given Australia's comparatively broad definition of consumers, there is potential for a mismatch between what is dealt with as consumers under Australian law and what is likely to be treated as consumers

² See eg Dan Svantesson, *The Rome II Regulation and choice of law in Internet-based violations of privacy and personality rights – on the wrong track, but in the right direction?*, *Austrian Review of International and European Law* 16 (2011, published 2014) pp. 275-297.

under the Convention. It would be inappropriate for the Convention to result in a narrower consumer protection in Australia.³

7. Scope of jurisdiction (beyond damages)

19. Article 10 looks to the nature of damages awarded by the original court. This is appropriate. However, similar concerns may arise in relation to other types of remedies. For example, there is a tendency at the moment for courts to take the view that, the only way you can comply with an order to remove access to Internet content in their respective country, is to remove the content globally. Where that approach is taken, there should be the option to refuse to recognise and enforce the judgment.

20. This connects to a bigger issue that the proposed Convention usefully could take account of – a matter that has been referred to as 'scope of jurisdiction'.⁴ Scope of jurisdiction relates to the appropriate geographical scope of orders rendered by a court that has personal jurisdiction and subject-matter jurisdiction.

21. Whether or not a court ought to recognise and enforce a foreign judgment depends, in part, on whether the court rendering the judgment has made a ruling with an appropriate geographical scope. This is a question that only will grow in importance, not least in the Internet context, and should not be overlooked in a forward-looking document such as the proposed Convention.

8. Article 13(4) – Translation as a barrier

22. The translation requirement outlined in Article 13(4) will effectively work as a cost-based barrier to the recognition and enforcement of judgments in some situations; that is, if the costs of the translation exceed the potential gain from having the judgment enforced, people will not pursue enforcement. This barrier may well be intentional, and in any case may be difficult to avoid; but its implications should be expressly acknowledged.

³ Dan Svantesson, The Choice of Courts Convention – How will it work in relation to the Internet and e-commerce?, *Journal of Private International Law* Vol 5 No 3 (2009); pp. 517-535).

⁴ Dan Svantesson, Jurisdiction in 3D – “scope of (remedial) jurisdiction” as a third dimension of jurisdiction, *Journal of Private International Law* Vol 12 No 1 (2016); pp. 60-76.

9. Intellectual property

23. While we welcome the Hague Conference attempt to address issues related to the recognition and enforcement of judgments in intellectual property (IP) law cases, it is doubtful that the structure adopted in the November 2017 Draft Convention adequately address the complexities of that area. To ensure that the diverse and complex IP law issues are adequately addressed may require provisions drafted at a level of detail that would be quite out of sync with the relatively general and succinct approach taken to other areas of law. This speaks against IP law matters being included in the Convention. Perhaps, the Hague Conference could contemplate addressing these issues in a separate Protocol to be associated with the more general Judgments Project?

24. Particularly in the context of globalization and digitization, there is an increasing need for more efficient adjudication and enforcement of international IP disputes. In the light of international practice and other proposals in the area, the provisions on this matter contained in the November 2017 Draft Convention are rather regressive.

25. In this context, we draw your attention to the fact that over the last decade there have been several international proposals developed by academics and practitioners that address the issues of IP and private international law. These issues have been addressed in the American Law Institute's *Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (ALI Principles)⁵, the European Max Planck Institute's *Principles on Conflict of Laws in Intellectual Property* (CLIP Principles)⁶ and their Asian counterparts Japanese *Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property*⁷ and Joint Japanese-Korean *Principles of Private International Law on Intellectual Property Rights*.⁸ Since 2011, the Committee on Intellectual Property and Private International Law at the International Law Association is working to merge the abovementioned proposals into a set of international guidelines on IP and private international law, and has made draft Guidelines available to public.⁹ The

⁵ [Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes \(The American Law Institute, 2008\)](#)

⁶ Available at <https://www.ip.mpg.de/en/research/research-news/principles-on-conflict-of-laws-in-intellectual-property-clip.html>

⁷ Japanese Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property", in: Basedow, Kono & Metzger(eds.), *Intellectual Property in the Global Arena* (Mohr Siebeck, 2010), pp. 394-402

⁸ Joint Japanese-Korean "Principles of Private International Law on Intellectual Property Rights of October 14, 2010", *The GCOE Quarterly Review of Corporation Law and Society* (2011), pp. 112 et seq

⁹ For more see <http://www.ila-hq.org/index.php/committees>

latter Committee includes several IP and private international law experts from Australia, including the authors of this submission. These international teams have collected vast amount of information about international IP disputes, law, cases and practices and based on this information developed forward looking proposals that aim at more efficient enforcement of IP rights in international disputes.

26. The current IP-related provisions in the 2017 Draft Convention take a step back in comparison with established international practices, and lack clarity on some important points. For instance, article 5(3) establishes limited bases for recognition and enforcement of judgements in IP cases. In case of unregistered rights (copyrights, related rights, etc) it refers only to judgments that were given by a court in the State for which protection was claimed (art 5(3)(b)). This provision means that if the court adjudicates a case that involves a foreign copyright and, accordingly, applies foreign copyright law (i.e. a law of the state for which protection was claimed), a judgment in this case cannot be recognised and enforcement by a court in another country. At the same time, courts in several jurisdictions have showed willingness to adjudicate foreign copyright disputes,¹⁰ and there are no cogent reasons why such decisions should not be enforced in other countries. The abovementioned international proposals, including the International Law Association's draft Guidelines, follow a liberal approach and allow recognition and enforcement of judgements in relation to IP right infringements, despite the court by which the judgment was granted. Respectively, art 7(1)(g) of the 2017 Draft Convention allowing courts to reject the recognition and enforcement of judgements on the ground that the court applied foreign law to adjudicate the infringement is too restrictive.

27. The situation of registered IP rights (patents, registered trademarks, etc) is slightly more complicated due their strictly territorial nature. Therefore, art 6(a) of the 2017 Draft Convention is justified since it allows recognition and enforcement of judgments on the *validity* of an IP right only if the judgment was made in state in which the grant/registration of the right has taken place. However, the territorial nature of registered IP rights does not necessarily result in a need to apply the same strict standard as far as judgments involving the *infringement* of registered rights are concerned (see current wording in art 5(3)(a)). International patent infringement disputes often cover a number of jurisdictions and the American Law Institute, Max Planck Institute and other groups have suggested that parties should be able to have such disputes heard in one forum, without the need to adjudicate the case in each country separately. This would mean that it should be possible to adjudicate disputes over infringements of registered IP rights in the courts of the state other than where

¹⁰ See e.g. Penguin Group (USA) Inc. v. American Buddha, 640 F.3d 497 (2d Cir. N.Y. 2011); Lucasfilm Ltd v Ainsworth [2011] UKSC 39 (UK).

the rights have been granted but also, eg where the defendant has their place of residence.

28. Certainly such proceedings might become impossible in practice if the question of validity is raised. However, cases have been recorded where invalidity issue has been raised frivolously in order to undermine the plaintiff's choice of forum.¹¹ Therefore, the provision should make clear that frivolous challenges to validity should not be permitted to defeat a plaintiff's choice of forum by making the judgment in the case unenforceable under the Convention. In addition, parties should be able to resolve their global disputes *inter se*. As suggested in eg American Law Institute Principles, a judgment that includes a validity determination stipulated to apply only between the parties—and that will not affect the registration of the right and its validity *erga omnes*—should likewise be enforceable under the Convention.

29. Articles 5(3)(a) and 5(3)(b) have curious reservations 'unless the defendant has not acted in that State to initiate or further the infringement, or their activity cannot reasonably be seen as having been targeted at that State'. They closely resemble the wording in art 2:202 of CLIP Principles that deals with jurisdiction in IP infringement cases rather than recognition and enforcement. The meaning of this reservation in the context of the 2017 Draft Convention is not obvious and requires further clarification.

30. More generally, the practical usefulness of the 'targeting' requirement is doubtful. In many ways, the 'targeting' test is the legislator's dream and the judge's and lawyer's (or at least client's) nightmare – while it looks nice on paper, it provides precious little practical guidance, thereby undermining both predictability and fairness.

31. Last but not least, art 11 allows enforcement of judgments only to the extent that it rules on a monetary remedy. While monetary remedies might be important in IP cases, it is well known that proving damages in IP cases is often a difficult task, and the main attribute of IP rights has been a possibility to exclude others from exercising the right. National courts have begun to recognise this issue and to entertain actions to enforce injunctive relief.¹² All international proposals recommend that injunctive relief should be an enforceable remedy and it is suggested that the Convention takes this more liberal approach, at least as far as IP cases are concerned, while at the same time including appropriate safeguards against abusive use of injunctive relief.

¹¹ See, e.g., Case C-616/10, Solvay v. Honeywell, 2012 ECR 193 (CJEU).

¹² See, e.g. Elta v. Pro Swing, [2006] 2 S.C.R. 612 (Can.).