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Our ref: (VK/TIPS)

Attorney-General's Department
4 National Circuit
BARTON ACT 2600By email: Hagueproject@ag.gov.au

Dear Project Team

Hague Judgment Project – Recognition of Foreign Judgments

The Queensland Law Society (**QLS**), through its policy committees, takes an active role in observing and from time to time commenting on proposals regarding the implementation of laws at state and federal level.

QLS is the peak professional body for the State's legal practitioners. We represent and promote over 13,000 legal professionals, increase community understanding of the law, help protect the rights of individuals and advise the community about the many benefits solicitors can provide. The QLS also assists the public by advising government on improvements to laws affecting Queenslanders and working to improve their access to the law.

This response has been compiled with the assistance of the QLS Technology and Intellectual Property Committee (**TIPS**) that recently considered the Public Consultation Paper issued by the Commonwealth Attorney General's Department (AG) in March 2018 in relation to the recognition and enforcement of foreign judgments titled "Hague Conference Judgment Project" (the **Paper**).

The Paper raises 10 questions which are responded to in the Schedule *in seriatim* following the Executive Summary.

Thank you for the opportunity to provide comments. If you have any queries regarding the contents of this letter, please do not hesitate to contact our Senior Policy Solicitor, Vanessa Krulin by phone on (07) 3842 5872 or by email to v.krulin@qls.com.au.

Yours faithfully

Ken Taylor
President

SCHEDULE

Executive Summary:

The Society's submission relates predominantly to issues relating to the application of the proposed arrangements in the Paper. The Society takes the view that:

- A more streamline and efficient method of enforcement of monetary judgments should be implemented, particularly if Australia's trading partners the United States and the People's Republic of China are contracting parties to the Convention.
- The application of the Convention to non-monetary judgments in intellectual property matters is contrary to the patent, trade mark and design regimes which allow for the identification of foreign countries in which to extend their intellectual property (IP) rights.¹ The ability to not nominate such a country under those IP conventions and yet have the ability to enforce non-monetary claims such as injunctive relief to prevent the manufacture of infringing product, circumvents those regimes and provides de-facto protection in situations where under the IP conventions there are no rights reserved.

The case against the inclusion of non-monetary judgments is highlighted where the requested country is also a country selected by the IP owner as a country in which it has also sought registration of its patent, trade mark or design. To include the non-monetary claims in the Convention in respect of those countries would effectively circumvent the process of enforcement the IP owner has in that country. Further if a non-monetary judgment could be recognized in the requested country what prevents the recognition of an order for revocation of the IP right in the State of origin applying to the rights in the requested State? This is clearly wrong.

- The copyright regime is distinguishable. The international conventions, particularly the Berne Convention, do not require registration in Australia nor impose an election of nominated countries. Copyright first published or authored in a Convention country may be enforced in a foreign jurisdiction (a Convention country) according to the laws of the Convention country as if the author were a national of that Convention country.²
- In so far as IP rights are concerned:
 - Monetary awards for infringement, which comprise any award for compensatory loss as well as any additional damages or damages punitive in nature, have no meaningful distinction from other monetary awards and should be included in the proposed regime.

¹ Paris Convention for the Protection of Industrial Property 1883 (as amended on September 28, 1979) (Designs); Patent Co-operation Treaty 1978 (as amended) (Patents); The [Madrid System](#) for the International Registration of Marks is governed by the Madrid Agreement 1891 and the [Protocol relating to that Agreement](#), concluded in 1989.

² The Berne Convention for the Protection of Literary and Artistic Works (as amended on September 28, 1979) Articles 2, 3 and 5.

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- Non-monetary orders in a final judgment in relation to patents, designs and trademarks cannot have the benefit of the draft Convention even if it is only limited to those countries where they have already by registration in the foreign country extended their rights under the relevant patent, trade mark and design conventions.

The reason being that it gives rise to an inequity. The IP rights holder cannot have the benefit of a relief upon a finding of infringement such as an injunction in the foreign country and where the respondent is not able to have the an equal right to seek recognition and enforcement of an order for revocation arising from a challenge to the validity of the IP right in the State of origin.

- Although copyright does not have a system internationally as patents, trademarks and designs, where registration in a foreign country may be applied for, international convention in respect of copyright provides that the law of the Convention country where copyright is sought to be enforced will dictate the determination, not the country of the author's habitual residence or the place of first publication.

In such a case, the Society submits, to include the recognition and enforcement of non-monetary judgments in copyright cases in the Convention would circumvent the process of a determination of the copyright under the laws of the Convention country as provided by the Berne Convention.³ The Convention would, contrary to Berne, effectively determine the rights by injunction for example, where the proper process under Berne is to initiate an action in the requested State (if it is a Berne Convention country).

QUESTIONS RAISED BY THE PAPER

Q1. Have you experienced any problems with seeking to recognise or enforce a foreign judgment? If so, what have the main problems been? What are the benefits for Australian parties in the recognition and enforcement of foreign judgments abroad, and what are the risks for Australian parties if foreign judgments are recognised and enforced in Australia or overseas?

The benefit for Australian and other parties to the Convention will be that it will introduce an element of greater certainty as to the enforcement of the judgment. Presently, the location of the assets required to satisfy a monetary judgment may be in one or more foreign countries, where each country's private international law principles will determine whether the judgment will be recognised and enforced. In the United States for example, this will depend on the local law of each U.S. State. A uniform response for example, to a judgment in the U.S. would remove the uncertainty of identifying a State's local law as to recognition and enforcement.

In the case of intellectual property rights, as these are generally territorial in nature, the option to commence a proceeding in the foreign country where the assets are located, is not

³ The Berne Convention Article 5.

available unless the country has been nominated as a country the patent, trade mark or design rights have been extended to under the relevant treaty and protocol. That observation does not apply to copyright, as will be discussed below, due to the principle of national treatment in the Berne Convention where the copyright owner may initiate enforcement proceedings in a Convention country applying the legal principles of that country governing copyright. Generally speaking, this is not by reason of registration but by the fact of the habitual residence of the author or the country of the first publication of a work in a Convention country.

In relation to the consideration identified in the Paper⁴ as to the incidental exposure of foreign judgments being enforced against Australians, this should be a neutral consideration. The Society considers where there is a more efficient, less expensive method to enforce judgments in contracting states, then a necessary consequence of that benefit will be the exposure of Australian defendants to enforcement of foreign judgments.

Q2. Have you encountered issues and/or inconsistencies with the current regimes for recognition and enforcement of either Australian judgments in foreign countries or foreign judgments in Australia? If so, please provide details.

The Society makes no submission on this question. Members of TIPS have of course encountered, even before judgment in fact before instituting proceedings, the prospect that a potential licensee or considered infringer does not appear to have assets, particularly real property assets, in the jurisdiction.

Q3. What are your views on the scope of the draft Convention? Are there any civil or commercial matters that are currently in scope that raise concerns? In particular, do you have any views on those matters in bracketed text, ie privacy/unauthorised public disclosure of information relating to private life; and/or intellectual property [and analogous matters]?

(a) What are your views on the scope of the draft Convention?

The Society notes that intellectual property is presently excluded from the scope of the draft Convention pending further consideration and negotiation.⁵

The Society's reasons supporting an application of the Convention to monetary matters arising from IP judgments are expanded upon in response to Questions 7 and 8.

(b) Are there any civil or commercial matters that are currently in scope that raise concerns?

The matters presently described in Article 1 do not raise any matters of concern to the Society.

(c) In particular, do you have any views on those matters in bracketed text, ie privacy/unauthorised public disclosure of information relating to private life; and/or intellectual property [and analogous matters]?

⁴ The Paper [1.6].

⁵ The Paper [4.3] page 14.

As indicated, the Society will more fully set out its submission as to the application of the Covenant to the recognition and enforcement of judgments relating to intellectual property rights in response to Questions 7 and 8.

Q4. What are your views on the jurisdictional bases for recognition and enforcement? Do any of the currently proposed bases cause concern?

The Society makes the following submission on the basis that the exclusion of IP presently identified in Article 2 [1(m)] will be removed.

The Society notes relevantly the terms of Article 5(1)(l)(i) as follows:

- (l) [T]he judgment ruled on a counterclaim –
- (i) to the extent that it was in favour of the counterclaimant, provided that the counterclaim **arose out of the same transaction or occurrence as the claim;**
 - (ii) ... (Emphasis added)

Counterclaims in IP matters usually are concerned with the revocation of the IP right/s which is/are the basis of the infringement action.⁶ Although there may be an award of costs in favour of the cross-claimant, there is no provision for an award of damages. The cross-claim for revocation of the IP right cannot be said to have arisen “out of the same transaction or occurrence as the claim.” Although in the majority of cases of IP infringement proceedings, a cross claim is filed challenging the validity of the IP right, that is a matter of practice not legally viewed as an automatic legal consequence of the infringement action.

The position is therefore that Article 5 would not recognise a counterclaim which lead to a judgment revoking the right because it did not arise out of the same transaction or occurrence.

Is that problematic? The Society considers it is not and does not give rise to any need to vary Article 5 to accommodate cross-claims for revocation of IP rights.

The enforcement of a judgment given as a result of a cross-claim or counterclaim which is non-monetary in nature, such as a declaration that the IP right is invalid or an order that the trade mark, patent or design rights be revoked in the State of origin, should have no *direct* bearing on the existence of that IP right even where it is registered in the requested State.

A judgment on the validity of the IP right in the State of origin should not provide a “whole of world” position on the validity of the IP right in Convention countries other than the State of origin.

In relation to *non-monetary* aspects of a judgment, there should be therefore no distinction of whether the non-monetary judgment relates to relief granted upon as finding of infringement or a relief upon a finding of invalidity arising from a counter claim. This is because both seek to extend the rights, beyond those granted by international convention, of the:

- Plaintiff to obtain relief for infringement in the State of origin.

⁶ *Patents Act* 1990 (Cth) s.138; *Trade Marks Act* 1995 (Cth) s.88; *Designs Act* 2003 (Cth) s.93.

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- Defendant to challenge the validity of the patent, trade mark or design right in the State of origin.

There is however, a monetary award capable of being granted by counterclaim. The statutory regimes expressly provide that it is unlawful to threaten to initiate proceedings for infringement, even though it may honestly be believed that infringement is occurring.⁷

The relief which may be granted include the recovery of damages sustained by the applicant as a result of the threats.⁸

In *Bell v Steele (No 3)* [2012] FCA 246 Collier J awarded artist and film maker Richard Bell \$147,000 in damages for unjustified threats of copyright infringement under the *Copyright Act* 1968, s.202, calculated on the basis of lost opportunities to sell his art works and associated products.

In *World of Technologies (Aust) Pty Ltd v Tempo (Aust) Pty Ltd* [2007] FCA 114 at [158] Jessup J awarded the respondent the sum of \$213,059.96 by way of damages for unjustified threats of infringement proceedings, under the *Designs Act* 2003, s.77.

The Society considers that as a counterclaim, an action for unjustified or groundless threats would come within the description which arose out of the same transaction or occurrence as the claim, presumably for infringement.

Groundless threats however are usually a pre-emptive strike in response to a threat of infringement. The Society has considered Article 5 and submits:

- There is no *obvious* category in Article 5(1) for a judgment for monetary relief based on a groundless threats action.
- A groundless threats action may be considered to be an analogous matter within the meaning of Article 5(1)(m).
- There may be an argument that by making the threat in the State of origin, the defendant to the groundless threats action has submitted to the jurisdiction within the meaning of Article 5(1)(e).

However as Article 5(1)(e) requires that the defendant expressly consented to the jurisdiction of the court “in the course of the proceedings”, it is not in its present form available to a plaintiff under a groundless threats action because the argument that the threat is a submission to the jurisdiction is before the proceeding is commenced and therefore not in the course of the proceeding.

QLS submits that a provision should be inserted into Article 5 to make clear that an award of damages arising from a groundless threat action is recognised and enforceable under the Convention.

⁷ *Copyright Act* 1968 (Cth), s.202, s.202A; *Patents Act* 1990, ss.128–132; *Trade Marks Act* 1995 (Cth), s.129; *Designs Act* 2003 (Cth) ss.77–81.

⁸ For example the *Designs Act* s.77(1)(c).

Q5. What are your views on the grounds for refusing recognition or enforcement? Do any of the currently proposed grounds cause concern?

Article 7 sets out the full extent by which recognition and enforcement may be refused. Article 7(1)(g) appears to say that recognition and enforcement of an IP right may be refused if the infringement of the IP right judgment was determined on a law other than the law of the State of origin.

This is consistent with the Society's position that infringement actions or validity challenges in countries other than a proceeding in the country in which the IP right was given, which includes a proceeding in a country where the IP rights have been registered by virtue of an international convention, are invalid.

QLS stresses that whilst Example 14 is correct in its result that a proceeding in the Netherlands cannot determine the infringement of a Greek patent, this is not a matter of discretion as suggested by the pre-ambles to Article 7, but rather is a fundamental aspect of the patent, trade mark and design regimes and the international conventions providing for registrations in foreign countries.

The Society submits that even in the case of copyright, where there was for example a US author, the infringement prosecuted in the Australian court would lead to a judgment determined in accordance with the laws of the State of origin.

Q6. What are your views on damages, costs and/or other provisions in the draft Convention?

The Society has expressed the view in these submissions that damages of a compensatory nature and those titled additional damages which are punitive in nature should not be distinguished for the purpose of the Convention.

In IP cases the difference may be critical. For example:

- In *Leica Geosystems Pty Ltd v Koudstaal (No 3)* [2014] FCA 1129 Collier J ordered that the first respondent shall pay to the applicants:
 - compensatory damages for infringement of the applicants' copyright pursuant to [s 115\(2\)](#) of the [Copyright Act 1968](#) (Cth), and breach of the first respondent's employment agreement, and compensation for breach of the first respondent's equitable obligation of confidence, in the sum of \$1.00.
 - The first respondent shall pay to the applicants additional damages for infringement of the applicants' copyright, pursuant to [s 115\(4\)](#) of the [Copyright Act 1968](#) (Cth), in the sum of \$50,000.
- In *Halal Certification Authority Pty Limited v Scadilone Pty Limited* [2014] FCA 614 Perram J awarded \$10 nominal damages and \$91,000 additional damages.
- In *Truong Giang Corporation v Tung Mau Quach (aka John Quach) And Others* [2015] FCA 1097, Wigney J awarded:
 - compensatory damages assessed in the sum of \$3,000; and
 - additional damages under s 126(2) of the *Trade Marks Act 1995* (Cth) assessed in the sum of \$50,000.

- In *Vertical Leisure Limited & Anor v Skyrunner Pty Ltd & Anor* [2014] FCCA 2033 (Driver J, 5 September 2014) Driver J awarded an amount for loss of profits. His Honour considered that it could be conservatively estimated that the respondents had sold at least 160 counterfeit poles which equated to a total lost profit of \$44,800: [29]. His Honour went on to award \$300,000 for additional damages under the *Copyright Act*.

In relation to costs the Society considers that these should be also dealt with as a monetary aspect of the judgment and should be included in the Convention as a monetary award recognized and enforceable in intellectual property matters. Using the parallel of compensatory damages and additional damages, the Society submits that costs also should not be distinguished between standard and indemnity costs.

Q7.

(a) Should intellectual property matters be included or excluded in the draft Convention (see Article 5(3) and Article 2, respectively)?

Monetary judgments

The Society has received divergent views from members with respect to the treatment of judgments affixing damages, and whether an Australian court should retain a degree of discretion (as provided for in Article 10 of the current draft) with respect to the enforcement of a monetary amount – particularly where the damages afforded are punitive or exemplary in nature.

Some practitioners are of the view that the removal of any discretion on the part of Australian courts may lead to the enforcement of punitive or exemplary damages in Australia which are significantly higher than the compensatory orders resulting from similar matters litigated in this country (such as, but not limited to, those awarded by US juries). On this basis, it has been suggested that consideration ought to be given to retaining the discretion of the court, as set out in the current drafting of Article 10 or, if that discretion is not to be retained, mentioning excessive punitive or exemplary damages awards as an example of when the public policy discretion in Article 7(1)(c) might be exercised. Concepts such as proportionality, it has been suggested, might also be used to qualify the discretion in Article 10 in order to achieve a more balanced approach.

In contrast, the Society has also received feedback which contends that an award of damages, whether compensatory or punitive in nature, are a fixed amount and bear no relevant distinction from the enforcement of a judgment debt. As it stands, Australian IP regimes give the Court discretion to award punitive, as opposed to compensatory damages, and Australian courts have made clear that there is no relationship between compensatory damages and additional or punitive damages. The fact that exemplary damages are not generally available for contractual breaches is not a point to distinguish IP cases where there is a punitive aspect to the judgment, and as such, it is submitted that to allow the foreign country or Australia to have a discretion whether to allow these damages which it may consider go beyond compensating the applicant/plaintiff, is to undermine the judgment of the court of the State of origin before whom was all the admissible evidence and made findings based on that evidence. It is the strong recommendation of some practitioners that the Convention is extended to include monetary elements of judgments which relate to IP matters, including awards arising from

compensatory and/or additional damages awarded for infringement of IP rights, and for damages arising from a judgment in respect of groundless threats of IP infringement. On this basis if discretion is allowed, the practical result is that there will be a reluctance to seek to enforce a judgment if the discretion as drafted remains, as there will be concern that time and expenses will be incurred in such a case only to find the additional damages aspect (the proportionally greater aspect of the judgment) not recognised.

In recognition of these divergent views, the Society raises these issues for the Project Team's consideration but makes no recommendation.

Non-monetary judgments

The Society cannot recommend extension of the Convention to the non-monetary elements of judgments in patent, trade mark and design cases to foreign countries, even if the requested State is a country where the plaintiff/applicant has before the date of the judgment been granted registration of the relevant IP right.

The Society considers that to allow the non-monetary judgments to be recognised and enforced in the requested State impermissibly creates a de-facto extension of the rights granted to IP rights holders of patents, trade marks and designs, without the due process and scrutiny applications for international registration in the selected foreign countries undergo.

In short it is an unlawful extension of the monopoly granted in the State of origin to circumvent the processes of registering the patent, trade mark and/or design right in a foreign country, by seeking to rely on the Convention proposed to provide a vehicle to enforce its rights in that foreign country.

The Society considers that where such a plaintiff has rights in the foreign country where the judgment is being sought to be recognised and enforced, the plaintiff must proceed to take enforcement action in that foreign country based on the IP right granted in that country and not avoid that process by seeking to have the judgment in the State of origin enforced in the requested State.

Similarly, it is not appropriate to have a revocation of registration order for a trade mark in the State of origin recognised to remove a valid grant of the trade mark rights under international convention (the Madrid System) in the requested State.

(b) To what extent should the circulation of intellectual property judgments be treated differently to that of other judgments under the Convention?

The Society repeats that monetary aspects of a judgment in an IP infringement case whether compensatory in nature or an additional amount not compensatory but punitive in nature, is a quantified amount. The award should not be examined as to its composition but accepted that it is a liquidated amount. As such it does not differ from an amount awarded as a result of a debt claim. The Society therefore submits that monetary awards arising from IP infringement actions and awards for groundless threats as stated above, should not be treated differently from other judgments for liquidated amounts.

The Society refers to its submission in response to the first part of Question 7, designated as 7(a). Non-monetary aspects of judgments in IP matters, cannot be included in the Convention because to do so would create an avenue circumventing the process of

election and registration in foreign countries under the international conventions. An action for infringement or an application for revocation of the granted right may only be commenced in the State of registration of the IP right and can only affect the registration with that jurisdiction and not be used as a method to achieve what would have required a proceeding in the country of registration.

Copyright differs from the international conventions in patents, trade marks and designs. In Australia for example there is no system of registration as a pre-requisite to a grant of copyright. Rights of enforcement are granted amongst Convention countries to the Berne Convention based on the habitual; residence of the author or the place of first publication.

Once this is established, there is a right to take enforcement action in that convention country in accordance with the law of that Convention State not the State of authorship.

Notwithstanding the copyright regime is not like that of patent, trade marks and designs, it also in respect of non-monetary aspects of judgments should not be entitled to circumvent the process of enforcing copyright in accordance with the law of the convention country not the country in which the author resided or the work was first published.

Q8. If included in the draft Convention, what are your views on the scope of intellectual property rights as currently defined and categorised?

The Society's response is contained in the response to Question 7. In summary:

- The scope of the IP rights in the Convention should be limited to monetary aspects of IP rights which arise:
 - As awards in infringement proceedings.
 - As awards in unjustified threats proceedings (whether by initiating claim or cross-claim).
- Non-monetary judgments in IP proceedings should not be the subject of the Convention. The Society considers this would undermine the international conventions for reciprocal registrations amongst convention countries in patents, trade marks and designs.
- Copyright

Q9. Are the suggested discretionary safeguards in the draft convention adequate for intellectual property matters?

The Society does not agree that the ground contained in Article 7(1)(g) is capable of being a matter the subject of the discretion of the requested State. It is incapable of being entertained, it undermines and contravenes the system of international registrations in design, patent and trade mark and the procedure for enforcement in those foreign countries by reason of the registration.

QLS notes a further discretionary matter raised by Example 15. The Society has issue with the existence of a discretion in one of the circumstances in the example and with the utility of the word "targeted".

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This example refers to a copyright issue. The example theorizes firstly that the US court might apply Australian law. The Society considers that the reasoning in the example is erroneous. Firstly, the Berne Convention requires that the law to be applied where the author is habitually resident in Australia but the proceeding is in the US is US law.⁹

The Berne Convention specifically states that:

“(2) The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.” Emphasis added

The distinction is important because Article 7(1)(g) purports to give a discretion in a case where the court has no power to make such a determination. In the example, to enforce in Australia a judgment of a US court applying Australian law in relation to Australian copyright.

Example 15 has a second possibility. That is where the US court applied US law. The Society considers that is the appropriate course under the Berne Convention. In the example it is concluded that the judgment would not be eligible for recognition and enforcement (Article 5(3)(b)) if an Australian court considered that Harry’s actions were not targeted at the US.

QLS agrees with the discretion in this second scenario, but considers that the term “targeted” is vague and problematic. Presumably Harry controls his website. If that is the case, Harry is taken to have authorised the infringement by making available online the infringing work and by having the power and control to be able to stop the infringing conduct: *Pokémon Company International, Inc. v Redbubble Ltd* [2017] FCA 1541 at [49].

Similarly in *Universal Music Australia Pty Ltd v Cooper* [2005] FCA 972 at [76] Tamberlin J noted:

“It is the entitlement and role of the designer, operator and owner of a remote website to determine what is placed on that website and therefore what is the “content” of that website. If the content includes infringing copyright material, then the responsibility for that lies with the person or persons who place that material on the remote website and thereby make it available for transmission to the public. This is consistent with the ‘Digital Agenda Copyright Amendments: Exposure Draft and Commentary’ (February 1999).”

QLS considers that the term “targeted” connotes a positive intention in the example to target the US. Accordingly, it is problematic because the authorisation of the infringing conduct may not be the result of a targeted market but rather a reckless indifference where the infringing work was reproduced.

⁹ Berne Convention Article 5.

Q10.

(a) What are your views on the recognition and enforcement of monetary vs non-monetary judgments for infringement in intellectual property matters?

We refer to our response to questions 7 and 8 and repeats those submissions.

(b) Are there any other issues relating to intellectual property that should be addressed by the draft Convention?

The Society has identified the question of the monetary aspects of groundless threat actions as a matter not directly addressed by the draft Convention in relation to IP cases. The draft Convention deals exclusively with infringement and validity. The Society considers the reference to “analogous matters” in Article 2(1)(m) is vague. It is quite common for an infringement claim to add a contravention of the *Australian Consumer Law* contained in Schedule 2 of the *Consumer and Competition Act 2010 (Cth)*. Is an award of damages under the ACL an analogous matter because the misleading and deceptive conduct arose in connection with an infringing product?

Similarly, the defendant challenging the validity of the patent, trade mark or design may also claim a contravention of the ACL and claim damages. The ACL right is not an IP right but it seems artificial to suggest that the damages awarded for an IP right cannot be recognised yet the same amount if the plaintiff requests the award be made in respect of the ACL claim, will be recognised.