

Comments of Verizon Communications on the Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters

Verizon Communications appreciates the opportunity to submit comments on the Hague Conference Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters (“Hague Convention”). Verizon had been looking forward to testifying at the pro Hearing on this matter and we were all saddened by the national tragedy, which forced the cancellation of the hearing.

Verizon Communications is one of the largest telecommunications companies in the world and has an extremely large global intellectual property portfolio, consisting of thousands of trademarks, patents and copyrights. We appreciate the efforts of Jeff Kovar, Jennifer Lucas and the entire U.S. delegation who have worked so hard to identify and negotiate all the difficult issues in the draft Convention. We have attempted to respond to many of the specific intellectual property-related questions raised by the pro in its Notice. We must make clear, however, that our problems with the Convention are much broader than the issue of intellectual property. We continue to have significant concerns with the draft Convention’s treatment of jurisdiction as a whole and its effect on U.S. businesses and the growth of global electronic commerce.. As a result, we have concluded that the best solution, at this time, would be to scale the Convention back dramatically to address only business-to-business contractual matters.

Although in theory, most large multi-national corporations, including Verizon could benefit from more uniform enforcement of judgments abroad, we have concluded that the significant problems that still plague the current draft outweigh any possible benefits. With the exception of some favorable movement on Article 12, we are disappointed that many controversial provisions still remain in the latest draft.

Article 12 is one provision where the draft has seen much improvement. We were pleased to see that Article 12 now covers both registered and unregistered trademarks, including famous marks. One of the key questions posed in the PTO Notice asks whether exclusive white list jurisdiction is needed for patents and trademarks. The purpose of the exclusivity provisions in Article 12 was to preserve the status quo by designating the country in which the trademark or patent rights arose, the exclusive right to make substantive determinations. In our view, if the Hague Convention was either abandoned or severely curtailed, there might no longer be any need for an Article dealing with exclusive rights. If, however, the Convention proceeds forward as planned, we clearly support the concept of exclusive jurisdiction for patents and trademarks. We strongly support the position of INTA in this regard. In particular, we support Alternative A in Article 12, which specifically covers infringement claims. We do not believe, however, that any exception should be included for “incidental questions” for trademarks. Both legal research and common sense fail to reveal any need for an incidental question exception in trademark law. The “incidental question” exception could serve as a loophole for infringers and cybersquatters to bypass the exclusivity provisions of Article 12.

If the exclusivity provisions of Article 12 are to have any teeth, Article 12 must be broad and should not be trumped by other Articles in the Convention. In Question 10, the notice inquires whether passing off, unfair competition, and cybersquatting actions should be covered under the exclusivity provisions of Article 12. We think the better course would be to amend the Convention to clarify that Article 12 cannot be trumped by Articles 10, 13 and many other conflicting Articles. For example, Article 10 now permits a cybersquatter to bring a tort action for unfair competition or a reverse domain name misappropriation action in any country in which the injury arose or may arise. Similarly, Article 13 allows the cybersquatter to seek an injunction against the legitimate trademark holder in any country of the world. This loophole undermines the certainty offered by the exclusivity provisions in Article 12 and simply encourages forum shopping and a jurisdiction grab.

Although the PTO Notice does not ask specific questions about Article 10 on torts, this is clearly one of the most troubling articles in the Convention. The best course, consistent with a Convention limited to B-2-B contracts, would be to delete Article 10 in its entirety. Despite the controversy, Article 10 (1) remains unbracketed, which incorrectly implies that this section is the subject of consensus. Verizon and many others have spoken at length about the problems with Article 10. I must clarify up front that Article 10 is not simply a service provider vs. content owner issue. In fact, in recent months, it has become clearer to all U.S. stakeholders - service providers, content owners and users

- that we can all be subject to baseless content-related tort suits in other countries for any number of tort claims such as hate speech, defamation, unfair competition and libel to name a few.

Article 10(1) would allow a plaintiff to bring a tort action against a defendant in any country of the world in which the injury arose unless the defendant establishes that it was not reasonably foreseeable that the act or injury could result in injury in that country. The entire Article is simply does not work when applied to electronic commerce. Any publisher or transmitter of a web page could be sued anywhere in the world simply because “injury arose” there by virtue of its being accessible over the Internet. Defendants would have difficulty proving the double negative -- that is was not reasonably foreseeable that injury would not occur in such country. Bracketed Article 10 (2), which creates a “frequent or significant activity” test or “directing activity test” does not work because each country is free to define significant or frequent activity. For Internet service providers, the very nature of transmitting and storing Internet packets, which travel around the globe, could be viewed as either “directing activity” or engaging in “frequent or significant activity.” Venzon is also opposed to bracketed Article 10(3), which forces the defendant to take steps to avoid acting or directing activity in a State. In the electronic commerce world, taking such “steps” can equate with blocking Internet sites, blocking access to groups of citizens, blocking access to entire countries or placing extensive disclaimers on one’s website.

The dangers of Article 10 are illustrated in the timely but disturbing defamation case brought against Dow Jones in Australia for an allegedly defamatory article published and residing on a server in New Jersey. The judge found that Australia, as the place where the article was downloaded, had jurisdiction. The judge said:

“The applicant’s argument that it would be unfair for the publisher to have to litigate in the multitude of jurisdictions in which its statements are downloaded and read, must be balanced against the world-wide inconvenience caused to litigants, from Outer Mongolia to the Outer Barcoo, frequently not of notable means, who would be at enormous expense and inconvenience having to embark upon the formidable task of suing in the USA.”

Disturbingly, the decision actually cites to the draft Hague Convention. This decision shows why users, content owners and service providers are all potentially liable under Article 10. This case is not the only example of the dangers associated with Article 10. Courts in France and Germany have held that website publishers who published material residing on servers outside of those countries were guilty of defamation and hate speech because the material was merely accessible to citizens in those countries. In the Pro-C case, a Canadian court found a U.S. trademark owner liable for infringement merely because its mark was accessible to Canadian users even though the defendant did not direct any products or services bearing the mark to users in Canada. PTO Question 12 asked how the draft Convention affects substantive law with respect to intellectual property. These cases answer that question. Choice of forum is not always independent of the choice of applicable law. In fact, as we’ve seen in the Dow Jones and other cases,

the choice of forum often leads to a choice of that forum's laws - including laws that do not recognize First Amendment defenses or protections for publishers of electronic communications.

Verizon is also strongly opposed to Article 13 addressing provisional and protective measures. This Article allows any court "seized and having jurisdiction" to order any provisional and protective measures (such as injunctions), even where it does not have jurisdiction to determine the merits of the case. For the same reasons as Article 10, courts can apply their own laws, including issuing broad injunctions. In the Dow Jones case, for example, even if the court did not have jurisdiction to decide the defamation suit, it could enjoin Dow Jones from permitting access to the site to citizens of Australia. In many cases, there may not be a practical way to block access to certain countries or users without removing the content altogether. The same type of injunction could block the sale of valuable goods or services transmitted over the Internet. In conclusion, at this stage, we believe that the best course would be to remove Article 13 from the Convention.

Finally, we'd like to offer some brief comments on the notions of preserving contractual freedoms and the traditional concepts of "doing business jurisdiction." Question No. 13 in the Notice asks how the draft Convention affects traditional contractual freedom for parties to enter into agreements that designate choice of law or forum. Verizon does not support provisions in the Convention that undermine contractual freedom. For example, Alternative B in Article 7 states that choice of court clauses will be enforced only when

they are entered into after a dispute has arisen. Further, permitting any country to use a disconnection clause to circumvent the draft Convention will also diminish the concept of contractual freedom and undermine the uniform application of the Convention.

Finally, in response to Question No.3, any proposal in the draft Hague Convention that would eliminate traditional notions of “tag” or general “doing business” jurisdiction hurts all U.S. businesses and should be strongly opposed. As INTA has outlined at length in its testimony, “doing business” jurisdiction has been black letter law in the United States since the seminal Supreme Court case of *International Shoe Co. v. Washington*, 326 U.S. 310 (1945). The notions of exercising “minimum contacts” with the forum has been a critical method for U.S. businesses and IP owners to exert jurisdiction over both foreign and U.S. defendants conducting business activities within a state.

We appreciate the opportunity to provide these comments. In light of the hearing’s unfortunate cancellation, we of course remain available to answer any questions that the U.S. Delegation may have concerning this matter. We are hopeful that your continued hard work will result in a Convention that can resolve many of these difficult issues.

Respectfully,

A handwritten signature in black ink, appearing to read "Sarah Deutsch", written in a cursive style.

Sarah B. Deutsch

Vice President & Associate General Counsel

1515 N. Court House Rd, Suite 500

Arlington, VA 22201

(703) 351-3044