

**International Trademark Association**

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Alan C. Drewsen
Executive Director

October 19, 2001

Director of the United States Patent and Trademark Office
Box 4
United States Patent and Trademark Office
Washington, DC 20231

Attention: Ms. Velica Steadman

**Re: Comments on Draft Convention on Jurisdiction and Foreign
Judgments in Civil and Commercial Matters**

Dear Ms. Steadman:

The International Trademark Association ("INTA") appreciates the opportunity to respond to the request for comments on the current draft of the proposed Hague Convention on Jurisdiction and Enforcement of Foreign Judgments in Civil and Commercial Matters ("Convention") published in the Federal Register on August 20, 2001 (66 Fed. Reg. 43575).

INTA is a 123 year-old worldwide membership organization, representing over 4,000 members in 150 countries. It is the largest organization devoted exclusively to the support and advancement of trademarks and related concepts of intellectual property as critically important to effective international commerce. INTA's membership includes major corporations, mid-size and start-up companies, intellectual property and general practice law firms, service consultants and academic institutions that are concerned about trademark issues.

INTA has participated in the meetings on the Convention held earlier this year in Geneva, Ottawa, and Edinburgh and participated also in the Diplomatic Conference on the Convention held in The Hague last June. We have been able to see at first hand the excellent work on the Convention that Jennifer Lucas of the United States Patent and Trademark Office and Jeffrey Kovar of the United States Department of State have done under very difficult circumstances. INTA wishes to thank them, and all of the other members of the United States delegation, for their efforts in this regard.

Before addressing the specific issues on which comments were requested, INTA would note that the current Convention has resolved an issue about which we raised serious concerns last year. The exclusivity provisions of former Article 12.4 are no longer limited to marks required to be registered. As a result, the provisions now apply to United States marks both registered and unregistered and to well-known marks, which are not required to be registered under Article 6bis

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of the Paris Convention. Absent this change, the courts of any State would have been able to determine the validity and right to registration of a United States mark or a well known mark. We are pleased that the Convention now affords the benefits of exclusivity, which we consider critical, to foreign and domestic owners of United States marks and well-known marks.

Our comments on the specific issues listed in the Federal Register notice are set out below.

1. What are your experiences in having judgments involving intellectual property from one jurisdiction recognized in a foreign court?

INTA has no comment on this issue.

2. Are uniform rules for international enforcement of judgments desirable?

Uniform rules for international enforcement of judgments would be desirable, but not at the cost of measures that would endanger trademark rights.

3. Would the elimination of "tag" or general "doing business" jurisdiction have any impact on intellectual property owners' ability to protect their rights either domestically or internationally?

INTA has no comment on elimination of "tag" jurisdiction. INTA believes, however, that maintaining the availability of general "doing business" jurisdiction is of critical importance to foreign and domestic owners of trademarks in the United States. United States courts have been exercising "doing business" jurisdiction over defendants since 1945, when the United States Supreme Court held in International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945), that "due process requires only that in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend 'traditional notions' of fair play and substantial justice." Since then, it has been a fundamental tenet of United States law that a person will be held available to answer any claims against him in a forum when he has purposely availed himself of the business opportunities present in that forum, whether or not he has organized his affairs in such a way as to have a physical establishment in the forum.

Under International Shoe and its progeny, United States courts exercise two kinds of "doing business" jurisdiction over foreign defendants, general and specific. Specific "doing business" jurisdiction can be exercised when the defendant has minimum contacts with the forum and the action arises out of those contacts. The generally accepted test for specific jurisdiction asks whether the defendant has purposefully availed himself of the privilege of conducting business in the forum and whether the exercise of jurisdiction is reasonable. General "doing business" jurisdiction can be exercised when the defendant has continuous and systematic general business

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contacts with the forum, rendering him subject to suit there for any claim, whether or not related to his contacts.

"Doing business" jurisdiction may be exercised over foreign defendants who have never been physically present in the United States but who meet these tests. "Doing business" jurisdiction also may be exercised over foreign defendants who have acted here through United States agents. If the foreign defendant is using a United States agent to conduct the full array of marketing and servicing activities that the foreign defendant ordinarily would perform if he were located in the United States, the agent's activities may be sufficient to support the exercise of either general or specific "doing business" jurisdiction over the foreign defendant.

It has become clear over the course of Convention negotiations that one of the main goals, if not the main goal, of many States is the prohibition and elimination of "doing business" jurisdiction, especially general "doing business" jurisdiction. INTA is strongly opposed to these efforts and would be strongly opposed to any Convention that did not include "doing business" jurisdiction on the "white list." A Convention that included "doing business" jurisdiction on the "gray list," rendering judgments grounded on such jurisdiction unenforceable under the Convention, is not an acceptable alternative.

There are many reasons why "doing business" jurisdiction, and particularly general "doing business" jurisdiction, is valuable to trademark owners. Without general "doing business" jurisdiction, the United States Trademark Trial and Appeal Board might be unable in many instances to exercise jurisdiction over foreign owners of trademark applications and registrations in opposition and cancellation proceedings. Without general "doing business" jurisdiction, owners of United States marks might be unable in many instances to obtain relief, particularly preliminary injunctive relief, against infringers and would-be infringers. Consider these examples:

Example 1: X, a Swiss company, has applied under Lanham Act sections 1(b) and 44 for registration of KEBS for shoes. X has sold shoes in the United States for years under the X mark but has never sold shoes here under the KEBS mark. The application is published for opposition and comes to the attention of Y, the owner of United States registrations of KEDS for shoes. Y files an opposition to registration of KEBS by X and also files suit against X in federal district court for infringement and dilution. X contests jurisdiction in both proceedings, arguing that the opposition and the suit cannot be based on specific "doing business" jurisdiction because neither relates to its sales of shoes here under the X mark and cannot be based on general "doing business" jurisdiction because the Convention has outlawed the exercise of such jurisdiction. The court and the Board agree; Y cannot maintain the actions despite the clear threat to its trademark rights and likely consumer confusion. Y will have to wait until a substantial number of KEBS shoes arrive in the United States to take action against X, and if the shoes are shipped into the United States by a third party distributor, Y may never be able to take action against X.

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Example 2: X, a Swiss company, has done business in the United States for years under the X mark. X also owns a United States registration of the mark Z that issued three years ago under section 44. Y, a United States company, discovers that X has never used its Z mark in the United States. Y wants to use and register the Z mark in the United States and files an action against X in federal district court for a declaratory judgment that the Z registration is invalid and that use by Y of the Z mark will not infringe any rights of X. X contests jurisdiction, arguing that specific "doing business" jurisdiction cannot be exercised because it has never used the Z mark in the United States and general "doing business" jurisdiction has been outlawed. The court agrees; Y cannot wait for a cancellation action to be resolved by the Board and must change its plans.

Example 3: X, a Swiss company, manufactures watches for third parties who sell them in the United States and other countries under third party marks. Y, owner of the TIMEX mark in the United States and other countries, learns that TIMEZ watches made by X are being sold in the United States. Y files suit for infringement against X in federal district court. X contests jurisdiction, arguing that specific "doing business" jurisdiction cannot be exercised since the TIMEZ watches were made for Z, a Panamanian company, and general "doing business" jurisdiction has been outlawed by the Convention. The court agrees; Y is once more out of luck.

It is important to note that in each of the instances described above, Y has incurred significant legal fees for jurisdictional arguments. One of the significant benefits of general "doing business" jurisdiction is that foreign companies who do substantial amounts of business in the United States know that they are subject to suit here and do not generally argue the point when they are sued. If general "doing business" jurisdiction is outlawed, it is reasonable to assume that almost any suit against a foreign defendant will entail expensive and prolonged arguments over jurisdiction. The cost of such litigation will increase significantly; the outcome of such litigation will be uncertain for a long time.

INTA believes that the draft Convention offers no benefits to trademark owners that would outweigh the harm caused by elimination of "doing business" jurisdiction. INTA therefore is strongly opposed to Article 18.2.e, which puts general "doing business" on the prohibited "black list," and to other provisions of the draft Convention that would permit specific but not general "doing business" jurisdiction. Such provisions include paragraph 1 of Alternative A to Article 6, Article 9.1, and Article 10.2.

4. What effect, if any, could this Convention have on an owner's ability to enforce its intellectual property rights for uses over the Internet?

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Trademark rights historically have been territorial, stopping at the borders of the State in which they arose. The Internet has no borders and recognizes none. The conflict between territorial trademark rights and the extraterritorial Internet is obvious and presents serious issues that the Convention neither addresses nor resolves. It is now, and always has been, possible for X to own the mark ZEBRA for computers in State A and Y to own the same mark for the same goods in State B. If X uses its ZEBRA mark on the Internet, has X infringed the rights of Y in the ZEBRA mark in State B? And if Y uses its ZEBRA mark on the Internet, has Y infringed the rights of X in State A?

The answers to these questions are not found in the Convention, because they are determined by national substantive law. The Convention does, however, have the potential to subject the owners of marks used on Internet web sites, as well as Internet service providers, to liability in jurisdictions in which they may not now be subject to suit. The tort provisions of former Article 10 are of particular concern in this regard. INTA believes that these tort provisions warrant careful reexamination in the Internet context.

5. Is exclusive white list jurisdiction needed for infringement actions involving patents, trademarks, and/or copyrights?

INTA has no comment on exclusivity in respect of actions for infringement of patents and copyrights. However, white list exclusivity in respect of actions for infringement of trademarks is of critical importance to trademark owners. INTA therefore supports Alternative A to former Article 12.4, which extends the exclusivity provisions of the Article to trademark infringement claims. Under Alternative A, the courts of the State in which rights in a mark arose would have exclusive jurisdiction to determine whether the mark has been infringed.

We recognize that extending exclusivity to infringement claims will deprive trademark owners of the ability to consolidate multinational infringement claims in one court, but there are countervailing considerations. One such consideration is the frequency with which invalidity is raised as a defense to trademark infringement. Since all of the proposed versions of former Article 12.4 would vest exclusive jurisdiction to determine trademark validity in the State in which rights in the mark arose, an invalidity defense to a multinational infringement claim would render the advantages of consolidation negligible. An example may illustrate this. If X brings an action against Y in State A for infringement of the ZEBRA mark in States A, B, C, and D, Y may raise the invalidity of X's ZEBRA registrations in States B, C, and D as a defense. Since the validity of each ZEBRA registration can be decided only by the State that granted the registration, the action in State A will have to be stayed while separate actions in States B, C, and D are brought to determine the validity of X's ZEBRA registration in each State. When the cost of these actions and the time they would require is factored into the analysis, we believe that X would have been better off, or at least no worse off, filing separate infringement actions against Y in States A, B, C, and D.

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Perhaps more importantly, consolidation is not a one-way street. A Convention that permitted Cartier to consolidate multinational infringement claims in a French court also would permit a pirate in Chad who had obtained a CARTIER registration there to consolidate worldwide infringement claims against Cartier in a Chad court. And a white list judgment invalidating CARTIER trademark rights worldwide would have to be enforced worldwide.

To our members, who include the world's major trademark owners, the risk of such a judgment vastly outweighs the potential benefits of consolidation. Given the hostility of many States to foreign companies in general and to multinationals in particular, and given further the prevalence and cleverness of pirates, the risk is real. The only benefit of consolidation is lower legal fees, and we do not believe any trademark owner would trade lower legal fees for lost or irreparably weakened trademark rights.

6. Should non-exclusive white list jurisdiction apply, per proposed Article 12(6), to matters that otherwise would be covered by Article 12 when they arise as incidental questions in proceedings that do not have as their object the grant, registration, abandonment, revocation or infringement of a patent or trademark?

INTA has no comment on the need for nonexclusive "incidental question" jurisdiction in respect of patents but is firmly opposed to the "incidental question" exception to the exclusivity provisions of Articles 12.4 and 12.5 in the proposed Article 12.6 because it creates an unnecessary and dangerous loophole in those provisions. We note that Prof. Nye, one of the rapporteurs of the draft Convention, could find no cases in any Commonwealth country in which trademark validity or infringement arose as an incidental question. A leading Canadian firm, Gowling LaFleur Henderson, updated Prof. Nye's research with the same results – no Canadian case could be found in which trademark validity or infringement arose as an incidental question. Likewise, we have been unable to find any such cases in the United States. During discussion of this issue, no such case was cited by any participant.

It is important to note that the "incidental question" exception would come into play only in multinational disputes. It would not come into play in a dispute between a trademark licensor and a single-State licensee, because the licensee would be in the same State as the licensed mark. It could come into play in a dispute between a trademark licensor and a multi-State licensee, but trademark licenses are rarely granted for more than one State. Moreover, since the licensee would be raising defenses of invalidity to a claim of nonpayment of royalties, the "incidental question" exception would benefit the licensee at the expense of the licensor. Our members – major trademark owners – have no interest in creating a mechanism for their licensees to avoid their legitimate obligations.

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7. If you responded yes to Question 6, should the court's decision regarding the incidental question have preclusive effect in a court of other Contracting States? What about courts in the same Contracting State?

Having answered Question 6 in the negative, no answer to this Question is required.

8. What other registered intellectual property, if any, should be subject to the exclusive jurisdiction provisions?

INTA has not studied this issue in detail but our tentative answer would be none.

9. What other unregistered intellectual property, if any, should be subject to the exclusive jurisdiction provisions?

Again, we have not studied this issue in detail but our tentative answer would be none.

10. How should other intellectual property or related actions, such as passing off, unfair competition, cybersquatting and dilution complaints, be treated under the Convention?

In many countries, actions for passing off and unfair competition are the functional equivalents of actions for infringement in respect of unregistered marks. INTA believes that these actions should be subject to the exclusivity provisions of former Article 12.4, as should actions for dilution and cybersquatting. Permitting such actions to be brought in any State would open an unacceptable loophole in the exclusivity provisions that we consider to be essential for the protection of trademark owners.

11. Should provisional and protective measures be covered by the Convention, specifically excluded from the Convention, or left to current national law?

INTA recognizes that the future of Article 13, which deals with provisional and protective measures, is unclear. Our preference would be to exclude such measures specifically from the Convention, leaving them to current national law. If such measures are included within the scope of the Convention, it is critical that they be subject to the exclusivity provisions of former Article 12.4. The only courts that should be able to issue provisional and protective measures affecting rights in and the validity of a mark are the courts of the State in which rights in that mark arose. Since the second paragraph of Alternative A to Article 13 creates an express loophole in the exclusivity provisions of former Article 12.4, INTA is strongly opposed to this paragraph.

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12. Does the draft Convention affect in any way the substantive law that applies to an activity of any party with respect to intellectual property?

In theory, the draft Convention would not affect in any way the substantive law that governs actions involving intellectual property. In practice, however, INTA believes that the draft Convention would affect the substantive law governing trademark infringement actions if those actions were not subject to the exclusivity provisions of former Article 12.4. An action brought in State A for infringement of a mark in States A, B, C, and D is likely, as a practical matter, to be decided in accordance with the substantive law of State A. More concretely, if an action were brought in El Salvador for infringement of the ZEBRA mark in El Salvador, Mexico, the United States, and Brazil, we doubt that the courts of El Salvador would apply foreign substantive law to decide the matter. Application of domestic substantive law to a foreign infringement claim might well change its outcome, another reason why we firmly favor exclusivity in respect of such claims.

13. How will the draft Convention provisions affect traditional contractual freedom for parties to enter into agreements that typically designate choice of forum and law?

INTA has no comment on this issue.

14. Should jurisdiction over actions involving intellectual property be included within the scope of the Convention? If no, please explain which types of intellectual property should be excluded and why.

INTA has no comment on this issue in respect of patents and copyrights. In respect of trademarks, our answer is dependent on the terms of the Convention. If the final Convention mandates exclusivity for trademark infringement actions as well as actions to determine the validity of marks, has no loopholes to its exclusivity provisions, and maintains general "doing business" jurisdiction on the white list, we would be inclined to support inclusion of trademarks within the scope of the Convention. If the final Convention lacks any of these elements, we would support exclusion of trademarks from its scope.

15. Please identify any other potential concerns or advantages raised by the draft Convention and ways it might be modified to achieve an identified objective.

As discussed above, INTA regards exclusivity in matters of trademark infringement and validity as essential for the protection of the rights of trademark owners worldwide. In our view, anything less will put worldwide trademark rights at risk. The current draft of the Convention includes a number of potential loopholes to the exclusivity provisions of former Article 12.4 that should be eliminated. Thus, INTA strongly supports the bracketed language "[Subject to Article

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12],” in Article 15, Counter-claims. Without the bracketed language, a trademark owner who brings suit against a pirate in Chad for infringement of a Chad registration may become subject to a counterclaim for invalidation of trademark rights worldwide. The bracketed language is necessary to prevent an unacceptable loophole in the exclusivity provisions of former Article 12.4

To prevent other loopholes in the exclusivity provisions of former Article 12.4, INTA strongly supports the bracketed language at the end of Article 4.5, which renders a choice of court clause ineffective if it conflicts with the provisions of Article 12. For the same reason, INTA believes that the provisions of Articles 6, 10, 13, 17, and 21 should be expressly subject to the provisions of Article 12.

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Thank you very much for the opportunity to address the important and difficult issues raised by the draft Convention. Should any of our comments be unclear or require elaboration, please contact Ms. Judith Sapp who is heads the INTA Team on this issue. She can be reached by email at jsapp@prcti.com or by telephone at (207) 791-3257.

Sincerely,

