

**Comments submitted by the  
Software & Information Industry Association  
On the IP Aspects of the proposed Hague Convention  
October 19, 2001**

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In re:

Request for Comments on Draft Convention on  
Jurisdiction and Foreign Judgments in Civil and Commercial Matters  
U.S. Patent & Trademark Office (USPTO)  
[Federal Register: August 20, 2001 (Volume 66, Number 161)]  
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The Software & Information Industry Association ("SIIA") very much appreciates the opportunity to comment again on the proposed Hague Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters. Our comments focus on the intellectual property aspects of the current Draft from the perspective both of substantive IP law and of "IP firms" operating globally.

SIIA is the principal trade association of the software and information content industry and currently represents 1,000 high-tech companies in 44 countries. Our members develop, market and use software and electronic content for business, education, consumers, the Internet, and entertainment. They create and develop new and valuable software and software-related inventions that they seek to protect through the patent system. They also use patented software and software-related technologies in their regular business operations, and license or purchase patented software and software-related technologies from third parties. Whether small, medium or large in size, the global nature of each of their businesses requires them to operate across national borders and in a variety of legal contexts.

SIIA members also depend on effective efforts to eradicate copyright piracy. These efforts often require civil tort suits (and administrative remedies) to enforce existing legal rights. Our members also depend on effective contractual remedies, including the effective enforcement of judgements that promote international trade, commerce and innovation.

The scope of SIIA and its members' interests is not limited to the United States, and in many cases these interests reflect the growing number of small and medium size enterprises that are benefiting from the tremendous opportunities the Internet provides to reach new global markets. Most of our members have offices in foreign countries and virtually all of them do business in other countries.

In our prior submission to PTO last January, we asked three key questions to evaluate both the concept and specific proposal being discussed at the time:

- First, as a general matter, would a convention that could provide an effective framework to ensure that judgments of U.S. courts can be enforced in foreign jurisdictions be a useful contribution to a global, predictable legal environment?
- Second, does the particular multilateral approach under discussion in the latest draft proposal provide a more predictable, uniform global framework to conduct business transactions whether in the off-line or on-line world?
- Third, is the current draft heavily weighted against current and well-established U.S. legal theories so that, even if the Treaty facilitated the effective enforcement of judgments by US courts, the result would be limited?

In general, our view remains that a convention could provide an effective framework. Such a convention should not exclude nor carve out intellectual property, but would have to be consistent with US and international norms for the enforcement of judgements in this and other areas. Such a convention would have to ensure that judgments of U.S. courts are enforced in foreign courts. In this respect, we remain concerned that, with regard to answering Question 3 above, the current text would not permit that goal to be met.

As to the second question, it is still not clear to us that the current draft provides a predictable, uniform global framework to conduct business transactions in either the off-line or on-line world. We reach this conclusion based not only on the lack of consensus on many of the provisions, but also on the continuing presence of Article 37 relating to this proposed Convention's relationship to other regional arrangements.

There are a number of reasons to support the conclusion that this latest draft is not ready for final consideration by delegates:

- First, the empirical evidence that could guide the USG and other delegates remains wholly inadequate. We fear that the discussions are resulting in the proverbial "solution in search of a problem". On the whole, based on the experience of our members, we have not been able to catalogue significant experiences that could contribute to the need for a proposal like that under consideration. Therefore, it is important that USG and other delegates understand that the ultimate merits of the proposal are based entirely on prospective benefits, not retrospective experience. Inevitably, this requires a complex and detailed assessment of the "costs" and "benefits" emerging from the changes required by the proposal which, to date, has been absent.
- Second, the breadth of the draft, dealing with consumer and business parties, in areas as far ranging as torts, consumer contracts and employment, remains unwieldy. A more focused approach dealing with only with the business-to-

business transaction environment should be considered at this stage of the discussion. We strongly encourage the USG and other delegates to narrow the scope and treatment of the proposal to those affecting businesses-to-business and business related aspects of enforcement of judgments.<sup>1</sup> By narrowing the scope of the draft Convention, in all likelihood, it would then not be necessary to treat issues of intellectual property separately in the Treaty.

- Third, the evolving nature of the Internet and electronic commerce as a borderless medium for communicating and conducting business progresses even as delegates struggle with texts and concepts. Similarly, the jurisdictional rules relating to the Internet and electronic commerce within many of the negotiating states are evolving. Our members believe that it would be unwise, in many circumstances, to hinder the natural evolutionary process currently underway within the U.S. and other negotiating states via establishing fixed rules through an international convention. It is also significant that, taken as a whole, business-to-business transactions on the Internet dominate (relative to business-to-consumer, government-to-consumer or even consumer-to-consumer). This empirical point further suggests the appropriateness of limiting the scope of the work underway to the business environment.

We would like to highlight several additional areas where the lack of progress and/or consensus point to the premature status of the proposal.

In our prior comments, we noted that Article 6, under which buyers of goods may sue wherever the goods or services were received in whole or in part, or wherever the contract was performed, remains troubling. Article 6 remains confusing and it is difficult to evaluate whether our concerns have been answered. We note that Article 6 is limited to cases where consumers are NOT a party (see also Article 7).

In many instances it will be impossible for a seller to determine where the buyer or user of a digitized product (even if such buyer or user is a business or commercial entity) is located at the time of the sale or use or where performance of the electronic contract took place. In an Internet-based transaction, in particular, application of this standard would potentially subject a company to jurisdiction in unexpected countries. For instance, when an Internet Software Vendor ("ISV") makes its products or services available to users through an Application Service Provider ("ASP") business model, the ISV may not immediately know (or ultimately ever determine) the specific identities of users or where they are located. Under the ASP model, users of such software could give one address as their billing address, but may access and use the software products or related services from any location in the world through access to the Internet. That jurisdiction, which may never be disclosed to the seller, could become the place where

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<sup>1</sup> We call to the attention of the USG and other delegations that such a scope would be consistent generally with other Treaties developed by the Hague Conference. See also Vienna Sales Convention and UNCITRAL Model Law on Electronic Commerce. See also Uniform Electronic Transaction Act (UETA) developed by the National Conference of Commissioners on Uniform State Law (NCCUSL) and the EU's Electronic Commerce Directive (noting annex stipulations).

disputes are litigated. In short, ISV's and other software and content providers could find themselves being sued anywhere their products and services can be found or accessed.<sup>2</sup> In short, the full impact of electronic commerce and its affect on business models and relationships needs to be fully considered as Article 6 is reviewed for possible consensus.

With regard to Article 10, and in light of our strong recommendation that the scope of the proposal be limited to enforcement of judgments involving business-to-business disputes and transactions, the purpose and specifics of this Article need more careful examination. Keep in mind the purpose of the draft Convention: to address unsettled questions of enforcement of judgements in foreign courts. It is not meant to resolve issues of substantive law. This is true not only in torts generally, but also in the area of intellectual property law. SIIA agrees with others that excluding intellectual property from the scope of the entire treaty would do nothing to address many of the reasons for the lack consensus on the draft Convention and why it is not ready for final consideration. This assessment of Article 10, as well as Article 12, in light of our recommendations for proceeding further is consistent with our concern for not carving out intellectual property from treatment in the proposal.

SIIA also noted in our prior comments that Article 13(2) refers to "property." It is not clear whether this reference to "property" includes intellectual property. If this provision includes intellectual property, then it raises problems in determining where intellectual property is considered to be located, particularly when it may be used on the Internet. The same issue arises in paragraph 18.2(a).

We also note that Article 8 (dealing with employment contracts) and Article 37 (treatment of other regional arrangements) were not even discussed at the last meeting. Both of these provisions remain extremely troubling in the context of Intellectual Property and for the entire treaty and may not be appropriate to include in a proposal hat is narrowed as we recommend.

SIIA thanks the USG delegation, again, for its consistent efforts to receive input from a variety of sectors as the process of developing the Proposal has taken place. The USG delegation has been a model for outreach to stakeholders and civil society in preparing for discussions. More than any other governmental participants in the deliberations, they have effectively raised the complex issues of electronic commerce and the Internet in the context of the proposal.

As indicated at the beginning, SIIA is not opposed to a treaty addressing enforcement of judgments. In light of our analysis above, however, the most viable approach would be to step back, narrow the focus to the B-to-B environment, and make sure that in any final effort, U.S. judgements would be respected in foreign courts.

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<sup>2</sup> The analysis in this paragraph is predicated on Article 6. If evaluated in light of Article 7, our concerns are magnified greatly.