U.S. Federal Courts and Foreign Patents: Recent Decisions Affecting the Global Harmonization of Patent Law

The U.S. Court of Appeals for the Federal Circuit recently held that a U.S. district court did not possess subject matter jurisdiction over the alleged infringement of a foreign patent. The case of Voda v. Coris Corp., concerned several patents owned by Dr. Jan Voda, a cardiologist who invented and patented a catheter for coronary angioplasty. Believing that Cordis Corp. infringed his U.S. patents, Voda brought suit in the Federal District court for the Western District of Oklahoma. Voda ultimately obtained a large damages award from the trial court based upon Cordis' willful infringement of his U.S. patent. Voda also sought, however, to assert patents on the same invention that he had procured in Britain, Canada, France, and Germany.

There was no question that the court had jurisdiction to hear his claim of infringement of his U.S. patents. The interlocutory appeal to the Federal Circuit, however, concerned whether his claims of foreign infringement could be adjudicated on a consolidated basis under the discretionary power of Federal courts to hear "supplemental" claims within the same "case of controversy" as those under the courts' original jurisdiction. See 28 U.S.C. 1367 (the "supplemental jurisdiction statute"). Voda asserted that supplemental jurisdiction over the foreign patents was proper, and that exercising such jurisdiction would be fair and efficient for both litigants.

Writing for the majority, Judge Gajarsa concluded that the district court abused its discretion. The court turned first to the Paris Convention for the Protection of Industrial Property, and observed that although the Convention contained no express provision allocating jurisdiction to hear patent infringement claims, there nonetheless existed an inferred a principle that one jurisdiction should not adjudicate the patents of another. In response to Voda's claims that "the trend of harmonization of patent law" supports a consolidated adjudication in one court, the Judge Gajarsa noted:

Regardless of the strength of the harmonization trend, however, we as the U.S. judiciary should not unilaterally decide either for our government or for other foreign sovereigns that our courts will become the adjudicating body for any foreign patent with a U.S. equivalent 'so related' to form 'the same case or controversy.' Cf. F. Hoffman-La Roche Ltd. v. Empagran S.A., 542 U.S. 155, 166-67 (2004) (finding "no convincing justification" for providing such subject matter jurisdiction in antitrust context). Permitting our district courts to exercise jurisdiction over infringement claims based on foreign patents in this case would require us to define the legal boundaries of a property right granted by another sovereign and then determine whether there has been a trespass to that right... .Based on the international treaties that the United States has joined and ratified as the 'supreme law of the land,' a district court's exercise of supplemental jurisdiction could undermine the obligations of the United States under such treaties, which therefore constitutes an exception circumstances to decline jurisdiction."

Judge Newman responded with a thoughtful dissent, noting generally that courts routinely apply foreign law, and specifically that courts from other nations have adjudicated claims of foreign patent infringement. Judge Newman also found that no treaty prohibited one national court from resolving private disputes that involve foreign patent rights.

Commentators have reacted to this decision. Professor Jay Thomas thoughtfully writes at Opinion Juris that:

"Voda v. Cordis represents a lost opportunity for the Federal Circuit to ameliorate the burdens of costly, piecemeal patent litigation faced by innovators and the world's judicial systems alike. The majority's holding is more narrow than may be initially apparent, however. The majority stressed that jurisdiction under § 1367(c) is an area of discretion, and that different results might obtain 'if circumstances change, such as if the United States were to enter into a new international patent treaty or if events during litigation alter a district court's conclusions regarding comity, judicial economy, convenience, or fairness.' . . . For now, innovative industries should recognize that although technology knows no borders, the extent of federal jurisdiction over multinational patent disputes may indeed be constrained by courts uncomfortable with the prospect of adjudicating such cases."

This decision presages additional developments, and increased interest, in the extrateritoriality of national patent laws. For example, the United States Supreme Court will hear argument next month in *Microsoft v. AT&T*, a case concerning the scope of a federal law that prohibits the export of unassembled component parts for overseas assembly of a product that would, if made or used in the U.S., infringe a U.S. patent. Veteran Supreme court heavyweights Theodore Olson and Seth Waxman will spar over whether that provision applies to software copied abroad from a master disk supplied from the United States. AT&T has submitted that Microsoft "supplied" an AT&T code to foreign computer manufacturers "with the intent that those companies would pay Microsoft a royalty each time they combined that code with other components that would infringe an AT&T patent if made or used in the United States." Microsoft contends that this result would create a campaign to stretch U.S. patent laws to reach international dealings in software. Interestingly, the United States as amici curiae argues for a territorial limitation of U.S. patent law and asserts that AT&T's remedy "lies in obtaining and eforcing foreign patents, and not in attempting to extend U.S. patent law to overseas activities." Comments on this case, as well as some of the parties' briefs and a related podcast, can be found on the SCOTUSblog, and also on Law.com.

Insolvency and the Conflict of Laws: A Review of English Cases in 2006

Andrew McKnight (Salans) has written written his annual review in the *Journal of International Banking Law and Regulation* on **legal developments during 2006 of interest to practitioners in the insolvency and conflict of laws fields** (*J.I.B.L.R. 2007, 22(4)*). Here's the abstract:

This, the second part of a two part article, examines legal developments during 2006 of interest to practitioners in the insolvency and conflict of laws fields.

Reviews the UK adoption of the Model Law on Cross Border Insolvency 1997, the range of issues examined by the Court of Appeal in Manning v AIG Europe UK Ltd and other case law on topics including common law assistance in foreign insolvency proceedings, cross border insolvencies, transactions at an undervalue, administration expenses, court powers to determine a state's entitlement in a bank account, jurisdiction agreements, sovereign immunity, conflict of laws rules concerning tortious issues and international arbitration.

Cases referred to: Cambridge Gas Transport Corp v Official Committee of Unsecured Creditors of Navigator Holdings Plc [2006] UKPC 26; [2006] 3 W.L.R. 689 (PC (IoM)); HIH Casualty & General Insurance Ltd v Axa Corporate Solutions (formerly Axa Reassurance SA) [2002] EWCA Civ 1253; [2002] 2 All E.R. (Comm) 1053 (CA (Civ Div)); Manning v AIG Europe UK Ltd [2006] EWCA Civ 7; [2006] Ch. 610 (CA (Civ Div)); AY Bank Ltd (In Liquidation), Re [2006] EWHC 830; [2006] 2 All E.R. (Comm) 463 (Ch D (Companies Ct)); Svenska Petroleum Exploration AB v Lithuania (No.2) [2005] EWHC 2437; [2006] 1 All E.R. (Comm) 731 (QBD (Comm)); Trafigura Beheer BV v Kookmin Bank Co (Preliminary Issue) [2006] EWHC 1450; [2006] 2 All E.R. (Comm) 1008 (QBD (Comm)); Harding v Wealands [2006] UKHL 32; [2006] 3 W.L.R. 83 (HL).

CLIP papers on Intellectual Property in Brussels I and Rome I Regulations

The European Max-Planck Group for Conflict of Laws in Intellectual Property (CLIP) is a group of scholars in the fields of intellectual property and private international law that was established in 2004 with the aim of drafting a set of principles for conflict of laws in intellectual property and to provide independent advice to European and national law makers. It is funded by the Max-Planck Society.

Two very interesting papers recently released by CLIP have been published on the website of *Max Planck Institute for Comparative and International Private Law (Hamburg)*.

The purpose of the first document ("Exclusive Jurisdiction and Cross Border IP (Patent) Infringement - Suggestions for Amendment of the Brussels I Regulation") is to provide input for the report to be prepared by the Commission on the functioning in practice of the Brussels I Regulation, and to submit proposals for its amendment (see Art. 73 of the Regulation).

It deals with adjudication of foreign IP rights at a European level, as resulting from the well-known judgments of ECJ of 13 July 2006 (*GAT*, case C-4/03, and *Roche*, case C-539/03): the Group analyses the jurisdictional issues related to adjudication of foreign IP rights involving validity as an incidental matter (the *GAT* problem) and to claims against multiple defendants (the *Roche* problem). It strongly criticises the outcome of the two decisions, as it "weaken[s] the position of the rightholders and clash[es] with the aim of establishing a genuine European justice area":

In consequence of ECJ judgments [...] it appears no longer feasible for a national court to allow for consolidation of claims against a person infringing parallel intellectual property rights registered in different Member States, and/or to accept a joinder of claims against multiple defendants engaged in concerted actions. It is feared that this will entail considerable impediments for an efficient enforcement of intellectual property rights, in particular of patents.

In order to avoid such a result, the Group proposes a number of **amendments to Art. 6 (1)** of Brussels I Regulation (introduction of a paragraph clarifying the concept of "risk of irreconcilable judgments" and, in case, adoption of the "spider in the web" rule for actions against groups of companies engaged in coordinated activities) **and to Art. 22 (4)** (insertion of a specific provision related to incidental claims on validity or registration of IP rights, with *inter partes* effects).

The second paper contains the Group's comments on the specific provision on **contracts relating to intellectual and industrial property rights** (Art. 4 (1) (f)) introduced by the European Commission in its Rome I Proposal. In the framework of general criticism towards the adoption of a list of fixed connection points in Art. 4 (see extensively the detailed article-by-article "Comments on the

Commission's Proposal" of Max Planck Institute for Comparative and International Private Law), the Group denounces risks of inconsistencies of the proposed regime for intellectual property in the field of franchise and distribution agreements, and possible overlappings with provisions set out in Art. 4 (1) (g) and (h).

The paper further analyses the amendments to Art. 4 (1) (f) proposed in the Draft Report currently under examination in the European Parliament Committee on Legal Affairs. The Group welcomes the more flexible approach taken by the Draft Report in Art. 4, but still advocates the deletion of any special rule on contracts relating to IP rights:

The Group recommends the following approach:

- The European legislator should not introduce a rule on the law applicable to contracts relating to intellectual property rights in Art. 4 of the future Rome I-Regulation.
- Should the European legislator prefer to insert such a rule in Art. 4, this rule should be drafted as a presumption and not as a fixed rule. Therefore, the future Art. 4 (1) (f) should rather be based on the European Parliament's Rome I-Draft Report and not on the Commission's Rome I-Proposal [...].

Both documents can be downloaded here. Highly recommended.

Rejecting Renvoi: Iran v Berend

BAILII has just published the intriging judgment in *Iran v Berend* [2007] **EWHC 132 (QB)**, which was handed down last Thursday (1 February 2007).

The case concerned a fragment of an Achaemenid limestone relief, believed to originate from the first half of the fifth century B.C in Persepolis (see some of the background to the dispute on Iran's Cultural Heritage News Agency website – be wary of the obvious bias, however.) Mme Denyse Berend allegedly

acquired title in the fragment after it was sold to her through an agent at a New York auction in October 1974. Mme Berend attempted to sell the fragment at auction in July 2005, but Iran sought (and was granted) an injunction to prevent the sale.

The defendant, Berend, quite sensibly argued that, as the fragment is movable property, the English conflict of laws rules dictate that French law governs the question of title to the fragment, since the defendant obtained her title to it at a time when the fragment was in France (i.e. on delivery in November 1974). She would obtain it either by good faith or by prescription under Article 2262 of the French Code, on the basis that she had possessed it for more than 30 years.

The claimant, Iran, sought to argue that the English court should not simply apply French domestic law, but should apply also the French conflict of law rules, i.e. the English court should apply the doctrine of *renvoi*. The claimant argued that a french court would apply an exception to the *lex situs* rule, and apply Iranian law (as the law of the state of origin), which would in turn demand return of the fragment.

So what of renvoi in English law? Eady J. stated:

Whether or not it should apply in any given circumstances is largely a question of policy. To take examples, it has been applied most frequently in the context of the law of succession; on the other hand, it is not applied in the fields of contractual relations or tort. It seems that the modern approach towards renvoi is that there is no over-arching doctrine to be applied, but it will be seen as a useful tool to be applied where appropriate (i.e. to achieving the policy objectives of the particular choice of law rule): see e.g. Raiffeisen Zentralbank Österreich AG v Five Star Trading LLC [2001] QB 825, at [26]-[29], per Mance LJ; Neilson v Overseas Projects Corporation of Victoria Ltd [2005] HCA 54, High Court of Australia (see Reid Mortensen's excellent article in the Journal of Private International Law on Neilson)

Eady J. analysed the crumbs left by various decisions on other forms of property on whether or not the court should accept a renvoi. Ultimately, it seems, weight was given to the following passage in Dicey, Morris & Collins:

As a purely practical matter it would seem that a court should not undertake

the onerous task of trying to ascertain how a foreign court would decide the question, unless the advantages of doing so clearly outweigh the disadvantages. In most situations, the balance of convenience surely lies in interpreting the reference to foreign law to mean its domestic rules

Eady J. found particular solace in the judgment of Millett J. in *Macmillan v Bishopsgate Investment Trust plc (No3)* [1995] 1 WLR 978:

...it seems from the context to be clear that Millett J was endorsing an established policy in English law of choosing the lex situs in the sense of domestic law. Otherwise it would hardly make sense for the judgment to reject the doctrine of renvoi. I can find no reason to differ from Millett J and to hold, for the first time, that public policy requires English law to introduce the notion of renvoi into the determination of title to movables.

As a result, Eady J. held, "I determine the first question in favour of the Defendant. I hold that, as a matter of English law, **there is no good reason to introduce the doctrine of** *renvoi* and that title to the fragment should thus be determined in accordance with French domestic law."

A sigh of relief all round, then. French domestic law was unequivocal that Mme Berend was entitled to the fragment, and so she succeeded. Eady J. did, however, go on to ask whether a French court would have applied Iranian law for the "sake of completeness". Just to rub it in, Eady J. found he was not so persuaded. One wonders whether there will be any further appeal from Iran, although after Mr Justice Eady's judgment they must be *fairly* discouraged.

<u>Update</u>: We have been told that the possibility of an appeal by Iran is *extremely* unlikely.

Many thanks to Derek Fincham (University of Aberdeen) for the story and his excellent write-up over on the Illicit Cultural Property blog.

Last Issue of Revue Critique de Droit International Privé

The last issue of one of the two French leading journals of international private law, the *Revue Critique de Droit International Privé* (2006), was released last week. In addition to several case commentaries, it contains three articles. Unfortunately and contrary to previous practices, the *Revue* does not provide any abstract for any of them, even in French.

The first article is from Dr. Hunter-Henin from UCL. Its title is "Droit des personnes et droits de l'homme : Combinaison ou confrontation" (Family Law and Human Rights: Can They Go Along or Do They Exclude Each Other?). I am grateful to her for providing me with the following abstract:

Developments in European Family Law via EC Regulations or fequent recourse to the right to respect for private and family life under article 8 of the European Convention on Human Rights have increased individual freedom. However, the concepts of personhood, family and personal status have as a result lost some of their meaning and permanence.

This article first examines the process by which personhood and the traditional personal connecting factor in French Private International Law – nationality – have both lost most of their substance.

It then purports to suggest ways in which the Human Rights' discourse and the benefits of EU Regulations may blend with rather than trump traditional values of Private International law, thus ensuring better predictability of individual judicial outcomes and narrowing the current widening gap between European and non European countries.

The author of the second article is Michael Wilderspin from the European Commission. Its title in French is "La compétence juridictionnelle en matière de litiges concernant la violation des droits de propriété intellectuelle. Les arrêts de la Cour de Justice dans les affaires C-4/30, GAT c. LUK et C-539/03, Roche Nederland c. Primus et Goldberg" (Jurisdiction in Disputes Involving the Infringement of Intellectual Property Rights. The Decisions of ECJ in Cases

C-4/30, GAT c. LUK and C-539/03, Roche Nederland c. Primus et Goldberg).

The authors of the third article are Dr. Jault-Seseke and Dr. Robine from Rouen University Law Faculty. Its title in French is "L'interprétation du Règlement $n^{\circ}1346/2000$ relatif aux procédures d'insolvabilité, la fin des incertitudes ?" (The construction of Regulation $n^{\circ}1346/2000$ on Insolvency Proceedings: the End of Uncertainties?). An English abstract should be made available by authors and posted soon.

Conference: Contract Damages - Domestic and International Perspectives

[Although not strictly on private international law, we believe this might be of interest - especially in view of the superstar lineup]

CONFERENCE: CONTRACT DAMAGES: DOMESTIC AND INTERNATIONAL PERSPECTIVES

School of Law, University of Birmingham, 28-29 June 2007

The conference will bring together academics, practitioners, arbitrators and judges to discuss contract damages from a wide variety of perspectives. The first day of the conference is dedicated to the examination of damages in the context of the common law, and the second day will focus on international contract and commercial law instruments.

Speakers include:

- Professor Daniel Friedmann (Tel-Aviv)
- Professor Andrew Burrows (Oxford)
- Professor Stephen Smith (McGill)

- Professor Peter Jaffey (Brunel)
- Professor Anthony Ogus (Manchester)
- Professor Stephen Waddams (Toronto)
- Professor David McLauchlan (VUW)
- Professor Charles Proctor (Bird & Bird)
- Dr Harvey McGregor QC (Hailsham Chambers)
- Mr Adam Kramer (3 Verulam Buildings)
- Mr Ralph Cunnington (Birmingham)
- Professor Ingeborg Schwenzer (Basel)
- Professor Michael Joachim Bonnell (Rome)
- Professor Ole Lando (Copenhagen)
- Professor Alastair Mullis (UEA)
- Professor Jan Ramberg (Stockholm)
- Professor Alexander Komarov (Moscow)
- Professor Franco Ferrari (Verona)
- Professor Michael Bridge (UCL)
- Professor Michael Furmston (Bristol)

The conference will be held in the Business School at the University of Birmingham. There will be a conference dinner taking place at the Birmingham Botanical Gardens. Conference fee (including conference pack, buffet lunch, and drinks reception):

- Standard Rate (incl CPD): £200 two day package; £120 one day package
- Academic Rate: £130 two day package; £80 one day package
- Student Rate: £90 two day package; £55 one day package

Conference dinner tickets will cost £40 each. The event has been accredited for CPD (10.5 hours) by the Law Society and the Bar Council.

See the Conference Homepage for more information, online booking, and information on the sponsors.

Allocating Jurisdiction in Private Competition Law Claims Within the EU

Jonathan Fitchen (University of Wales Aberystwyth) has published an article in the new edition of the *Maastricht Journal of European and Comparative Law* on "Allocating jurisdiction in Private Competition Law Claims Within the EU" (*Maastricht J. 2006, 13(4), 381-401*). Here's the abstract:



Subscription information can be found here (there is a substantial discount for students). You can also obtain a single issue of the Journal for EUR 25.

Symposium: "International Litigation In Intellectual Property And Information Technology"

The symposium is organized by the *Unité de droit international privé* of the ULB (*Université Libre de Bruxelles*) in the framework of the project on "Judicial Cooperation in Matters of Intellectual Property and Information Technology", co-financed by the European Commission, and will take place in Brussels on Friday, March 2nd 2007.

It is a follow-up to an earlier roundtable, held in Heidelberg in late 2006 (a background paper prepared for the Heidelberg meeting can be found here; other interesting preliminary documents dealing with specific topics are available here). As stated on the symposium programme, a number of key issues related to cross-border IP litigation will be addressed, in the light of recent case-law of the

European Court of Justice (GAT and Roche judgments, on which a number of recent posts can be found on our website) and legislative proposals (Rome II Regulation):

How should the applicable procedural framework be organized to guarantee at the same time an effective protection of intellectual property rights and legal certainty? Which court has jurisdiction to entertain actions relating to foreign rights and/or relating to infringements perpetrated trough the internet? Is it still possible to consolidate proceedings relating to parallel IP rights after the decisions of the European Court of Justice in the GAT and Roche cases? What are the means to collect evidence located abroad in cross-border IP cases? What is the role and scope of preliminary and protective measures in IP international litigation?

For the full programme, the complete list of speakers and further information (including registration, free for students), see the project website and the downloadable leaflet.

New website of the Unité de D.I.P. - Université Libre de Bruxelles

On February 1st, 2007, the new website (in French) of the *Unité de droit international privé* (*Centre de droit privé*, *Faculté de Droit*) *de l'Université Libre de Bruxelles*, directed by Prof. Nadine Watté, has been launched online.

The site provides a complete coverage of the different sectors of conflict of laws and jurisdictions, with useful references to legal texts, literature and cases. A special attention is obviously dedicated to Belgian PIL and the development of EC action in this field (including short summaries of ECJ case-law on Brussels Convention and Brussels I Regulation). An older version of the site, whose content has not yet been transferred in the new one, can be found here.

An English Case on CPR r.6.20(5) and "In Respect of a Contract"

NIGEL PETER ALBON (T/A N A CARRIAGE CO) v (1) NAZA MOTOR TRADING SDN BHD (A company incorporated with limited liability in Malaysia) (2) TAN SRI DATO NASIMUDDIN AMIN [2007] EWHC 9 (Ch)

Summary: the words "in respect of a contract" in the CPR r.6.20(5) did not require that the claim arose under a contract; they required only that the claim related to or was connected with the contract.

The applicants (N and X) applied for an order setting aside an order permitting the respondent (Y) to serve proceedings on them in Malaysia. Y had brought an action against N, a Malaysian company, and X, its main shareholder, arising from three agreements. In respect of the first agreement (the UK agreement), Y sought the recovery of alleged overpayments that he claimed had been made under an oral agreement whereby he would sell cars exported from Malaysia by N and be paid a share of the profits. As to the second agreement (the South African agreement), Y asserted the existence of an oral agreement under which N had agreed to pay him commission on cars sourced by him from South Africa and supplied to N in Malaysia. As to the third agreement (the expenses agreement), Y alleged that he had paid personal expenses of X in London amounting to just less than £200,000. The master acceded to Y's application, made without notice, for an order permitting him to serve proceedings on N and X in Malaysia.

Lightman J. held that (1) The master had been justified in granting Y permission to serve outside the jurisdiction in respect of the UK agreement. Y's claim in restitution was a claim "in respect of a contract" for the purposes of the CPR r.6.20(5). Those words did not require that the claim arose under a contract; they required only that the claim related to or was connected with the contract. Lightman J. stated (para. 26),

...in my judgment claims under Gateway 6.20(5) are not confined to claims arising under a contract. It extends to claims made "in respect of a contract"

and the formula "in respect of" (tested by reference to English law) is wider than "under a contract": see e.g. Tatum v. Reeve [1893] 1 QB 44. The provision in the CPR is in this regard deliberately wider than the provision in its predecessor RSC Order XI. In this regard, unlike Mr Nathan (counsel for the Defendants) I do not think that any assistance is obtained from the decision in Kleinwort Benson v. Glasgow City Council [1991] 1 AC 153 at 162 and 167. In that case the House of Lords was concerned with section 16 and 17 of the Civil Jurisdiction and Judgments Act 1982 which (subject to certain modifications) incorporated the Brussels Convention into the law of the United Kingdom. One modification effected to Title 11 of the Convention was to the following effect:

"5. A person domiciled in a part of the United Kingdom may, in another part of the United Kingdom, be sued: (1) in matters relating to a contract, in the courts for the place of performance of the obligation in question; ..."

In the context of the formula of words there used, and in particular the reference to the place of performance of the obligation in question, there is postulated the existence of a contract giving rise to an obligation of performance in the country whose courts are to have jurisdiction.

Accordingly the formula of words in CPR 6.20(5) "in respect of a contract" does not require that the claim arises under a contract: it requires only that the claim relates to or is connected with the contract. That is the clear and unambiguous meaning of the words used. No reference is necessary for this purpose to authority and none were cited beyond Tatum v. Reeve supra. If such reference were needed, I would find support in a passage which I found after I had reserved judgment in the judgment of Mann CJ in Trustees Executors and Agency Co Ltd v Reilly [1941] VLR 110 at 111:

Further, there could be no doubt that English law was the law with which the UK agreement was most closely connected. England was Y's habitual residence when he entered into the agreement, and the characteristic performance of the agreement was the provision of his agency services in England in return for which he was to be remunerated. Moreover, there was a serious issue to be tried, and the appropriate forum for the resolution of the disputes relating to the agreement was plainly England. Although there had been a number of defaults in disclosure by Y on the application for permission, that did not justify the setting aside of the

master's order. To take that course would be disproportionate and contrary to the overriding objective of dealing with the case justly. Y should, however, face a sanction in costs for the breaches of his disclosure obligations. (2) On the available evidence, it was clear that South African law was the proper law of the South African agreement.

Further, South Africa was the suitable forum for the resolution of the disputes between the parties. It would therefore be appropriate to set aside the master's order insofar as it related to that agreement. (3) As to the expenses agreement, although the requirements of each of the gateways in the CPR r.6.20 on which Y had relied were satisfied, he had been guilty of non-disclosures that went to the heart of the application, and the master had been sorely misled as to the merits in respect of two critical facts. It would therefore be appropriate to set aside the grant of permission to pursue any claims under the expenses agreement.

See the HMCS website for the full judgment.

Source: Lawtel.