

July 19, 2017

John J. KIM,
Assistant Legal Adviser
U.S. Department of State
2201 "C" Street, N.W.
WASHINGTON, DC 20520
Kimmjj@state.gov

Joseph Matal
Acting Under Secretary of Commerce for Intellectual Property and
Acting Director of U.S. Patent and Trademark Office
U.S. Patent and Trademark Office
600 Dulaney St., Madison West, 10th Fl.
Alexandria, VA 22314
OfficeoftheUSPTODirector@USPTO.GOV

Maria Pagan
Deputy General Counsel
Office of the United States Trade Representative
600 17th Street, NW
Washington, D.C. 20508
mpagan@ustr.eop.gov

RE: Draft Convention on the Recognition and Enforcement of Foreign Judgments
Relating to Civil or Commercial Matters

Dear Mr. Kim, Mr. Matal and Ms. Pagan:

Further to your Request for Comments and Notice of Public Meeting on a Preliminary Draft Convention on the Recognition and Enforcement of Foreign Judgments Currently Being Negotiated at The Hague Conference on Private International Law (81 Fed. Reg. 81741, November 18, 2016), the American Intellectual Property Law Association (AIPLA)¹ and the Pharmaceutical Research and Manufacturers of America (PhRMA) are providing the following views on whether patents should be included within the scope of the Draft Convention on the Recognition and Enforcement of Foreign Judgments Relating to Civil or Commercial matters

¹This letter adds to comments AIPLA submitted in response to the Federal Register notice on January 17, 2017. While those comments referred to all forms of intellectual property, including patent, trademarks, copyright and trade secret, this letter focuses on the Draft Convention as it relates to patents only.

(Draft Convention). Having further considered the February 2017 version of the Draft Convention, we believe patents should be excluded from the scope of the convention.

AIPLA is a national bar association of approximately 13,500 members who are primarily lawyers engaged in private or corporate practice, in government service, and in the academic community. AIPLA members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly or indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law, as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping to establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public's interest in healthy competition, reasonable costs, and basic fairness.

PhRMA represents leading biopharmaceutical innovators in the United States. PhRMA member companies and the more than 850,000 women and men they employ across the country are devoted to inventing, manufacturing and distributing valuable medicines that enable people to live longer, healthier and more productive lives. The U.S. biopharmaceutical industry is the world leader in medical research – producing more than half the world's new molecules in the last decade. In 2015 alone, the industry supported 4.5 million American jobs, produced over \$1 trillion in economic output for the United States and invested almost \$60 billion in research and development for new medicines. Innovators in this critical sector depend on strong intellectual property protection and enforcement at home and abroad.

We question whether the Draft Convention adequately takes into account the particular territorial nature of patent rights and whether it sufficiently respects the established international framework within which patent law functions. Among the specific concerns that AIPLA and PhRMA have about including patents within the scope of the Draft Convention are the following:

- 1) Whether the Draft Convention takes into consideration that the scope of patentable subject matter differs from State to State, and whether a requested State would be required to enforce a judgment of infringement with respect to an invention that is unpatentable in that State. The issues that this lack of clarity raises are considerable. For example, it leaves open the possibility that a State would be required to enforce a judgment even if that State had previously rejected a patent application or invalidated a previously granted patent for the same invention. Similarly, it raises the possibility that the Draft Convention would require a court to enforce a judgment for infringement when the acts that gave rise to the judgment were not infringing acts in the requested State. The failure of the Draft Convention to address those and similar issues is compounded by the language of the Draft Convention itself. Draft Article 4(2) provides that “there shall be no review of the merits of the judgment given by the court of origin.” It is not inconceivable, therefore, that the Draft Convention would require U.S. courts to enforce judgments that are contrary to U.S. law.

- 2) The Draft Convention provides in Article 26(1) that its provisions should be interpreted “so far as possible to be compatible with other treaties....” Insofar as the Draft Convention does not require full compliance with the network of treaties (TRIPS, NAFTA, Paris, PCT, PLT, bilateral agreements) that set procedural and substantive standards of protection for patents, the convention raises the specter that a requested State may be required to enforce a judgment that contravenes treaty law. The Draft Convention also leaves unanswered the question whether the courts of a requested State would have jurisdiction to review the conformity of a judgment with the terms of a treaty. If the Draft Convention were interpreted to limit that jurisdiction, a court of a requested State might be forced to choose between violating the terms of the Draft Convention or violating the terms of an IP treaty.
- 3) The question of jurisdiction raises other issues, in particular with respect to U.S. law. In the absence of implementing legislation, it is unclear whether federal or state courts would have jurisdiction to enforce judgments under the Draft Convention. The convention also ignores the issue of geographic jurisdiction. As a matter of constitutional law, the need to determine what minimum contacts, if any, would be required to bring an enforcement action before a particular court is crucial. It would also appear that forum shopping could become an issue unless clear guidelines were in place.
- 4) The Draft Convention provides that a foreign judgment is enforceable only if it was issued by a court. However, in some countries (Germany, for example), infringement actions are bifurcated and the question of infringement is determined by a court, but the question of validity is determined by an administrative body. Such systems are not addressed in the Draft Convention. As a result, it is unclear whether the Draft Convention would prevent a judgment of infringement from being enforced before an administrative body has ruled on validity or whether the convention grants the court of a requested State the power to refuse to enforce a judgment because an administrative body in the State of origin has determined the patent to be invalid or has not yet issued its determination.
- 5) The U.S. is one of the few jurisdictions that provides jury trials in patent infringement cases; in the vast majority of States, judges rule on patent matters. The Draft Convention does not distinguish between the two types of trials, but as jury trials occasionally come under criticism by countries that do not provide for them, it is potentially troublesome that the Draft Convention fails to expressly provide for equal treatment of judgments rendered by juries and judges, respectively.
- 6) Draft Article 12 would provide that non-monetary remedies are not enforceable under the Draft Convention. There is broad disparity in the amount of monetary damages that States award. Monetary damages tend to be minimal in many States compared to the size of damages in countries like the U.S., and monetary damages in the U.S. tend to be greater than in any other State.

The Draft Convention is silent with respect to the size and scope of damage awards, but geographical differences may pose serious challenges to the operation of the convention. For example, a court in a State that tends to grant large awards may consider it contrary to public policy to enforce a monetary judgment that it considers grossly insufficient, just as a court in a State that tends to grant small awards may consider it contrary to public policy to enforce a monetary judgment that it considers excessive.

- 7) Article 5(1)(k) provides that a judgment on the infringement of “a patent... or similar right...” falls within the scope of eligibility of the Draft Convention. Some States provide for the grant of utility models or design patents (which could be considered a “similar right”), while many others do not. The broad language of Article 5(1)(k) thus raises the issue of whether the Draft Convention would require a State to enforce a foreign judgment for infringement of a utility model or a design patent when the requested State does not provide for those types of rights. Would, for example a judgment for infringement of a U.S. design patent be enforced in an EU country, which grants registered design rights but not design patents? Similarly, would a U.S. court be required to enforce a Chinese judgment for utility model infringement although the U.S. does not grant utility model protection? Unfortunately, the Draft Convention does not provide clear responses to these important questions.
- 8) The Draft Convention is particularly troublesome because extraterritorial enforcement of patent rights has not traditionally played a role in the international patent system. While a considerable number of treaties broadly define those inventions eligible for patents, patent enforcement is considered a matter of national law. The principle of independence of patents is enshrined in the Paris Convention, infringement litigation takes place on a State-by-State basis, the Patent Cooperation Treaty expressly provides that substantive conditions of patent law are to be determined by each State, and States do not give full faith and credit to the patent determinations of other States. It is therefore worrisome that, without due deliberation and consideration for the particular patent issues at stake, the Draft Convention may significantly impact long-standing patent law principles.
- 9) AIPLA and PhRMA believe that many of the foregoing concerns would be expressed by other organizations and entities in the United States and abroad that have an expertise in and thus, an interest in the proper protection and enforcement of patent rights, should they be consulted on this matter. We feel that the considerations of these complex issues would benefit from more time and additional outreach to informed and invested patent system stakeholders, both in the United States and other industrial countries with mature patent systems. Our current sense is that this exercise would conclude that patent judgments should be expressly excluded from the scope of applicability of the Draft Convention.

In sum, AIPLA and PhRMA are concerned that the risks and unintended consequences of granting recognition of foreign judgments in patent infringement matters will outweigh any potential benefit. AIPLA and PhRMA therefore believe that patents should be excluded from the

scope of applicability of the Draft Convention, and asks the U.S. to advocate for the adoption of draft Article 2(1)(1), which is currently in square brackets in the text of February 17, 2017.

We thank you for allowing AIPLA and PhRMA the opportunity to provide these comments.

Sincerely,



Mark L. Whitaker
President
American Intellectual Property Law
Association

Chris Moore
Deputy Vice President, International Affairs
Pharmaceutical Research and Manufacturers
of America

CC: Timothy SCHNABEL
Attorney-Adviser
Office of the Legal Adviser
U.S. Department of State
schnabeltr@state.gov

Shira Perlmutter
Chief Policy Officer and Director for International Affairs
U.S. Patent and Trademark Office
Shira.Perlmutter@USPTO.GOV

John J. Strickler
Chief Counsel for Negotiations, Legislation and Administrative Law
Office of the U.S. Trade Representative
John.Strickler@ustr.eop.gov

Elizabeth Kendall
Acting Assistant USTR for Innovation and Intellectual Property
Office of the U.S. Trade Representative
Elizabeth.L.Kendall@ustr.eop.gov