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Cross Border Litigation

**Introduction to International Civil Procedure
& Patent Litigation**

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Introduction

What is Cross-Border Litigation?

The **internal market** has brought ever-increasing opportunities for commerce, connecting people, products and businesses throughout Europe.

With free movement of goods & people, however, comes **increased legal**, regulatory, political, cultural, financial and reputational **complexity**.

Disputes arising in this context tend to be equally complicated, often involving **multiple proceedings** advancing at the same time in different jurisdictions.

Whereas cross-border litigation is the rare exception in general private law matters, but it is the rule in **patent litigation**.

... Lawyers are expected to anticipate and address legal or regulatory hurdles in advance!

What is Cross-Border Litigation?

Institutional Perspective = International Civil Procedure

All rules which adapt and modify national procedural rules to cope with a foreign element

Parties' Perspective = Procedural Strategy

A freedom allowing for a bundle of choices influencing the efficiency and result of litigation

I. Institutional Perspective (*morning session*)

- A. Introduction to International Civil Procedure
- B. Jurisdiction: General Rules (Brussels Regulation)
- C. Jurisdiction: European Patents (EPC, UPC)
- D. Leading Cases on Jurisdiction (ECJ)

II. Parties' Perspective (*afternoon session*)

- E. How to & Reasons for Forum Shopping
- F. Procedural Strategy & (Abusive) Practices
- G. Summary

A. Introduction to International Civil Procedure

1. The Concept of International Civil Procedure
2. Regulatory Needs of Cross Border Litigation
3. Legal Sources
4. Summary: Practical Relevance

B. Jurisdiction: General Rules (Brussels I^{bis})

1. The Innovation of the Brussels Convention
2. Scope of Application
3. Determining Jurisdiction
4. The Main Heads of Jurisdiction
5. Ranking Order
6. Summary

C. Jurisdiction: European Patents (EPC, UPC)

1. Brussels Regulation as Common Ground
2. The EPC-Protocol
3. The Jurisdiction under the Upcoming UPC
4. Effects of Opt-In / Opt-Out
5. Summary

D. Leading Cases of the ECJ

1. Scope of Application: *Owusu v Jackson*
2. Contracts: *Falco Privatstiftung v Lindhorst*
3. Torts: *Fiona Shevill v Press Alliance*
4. Spider in the Web Doctrine: *Roche v Primus*
5. Nullity Issues: *GaT v LuK*
6. Cross Border Injunctions: *Solvay SA v Honeywell*
7. Summary

E. Forum Shopping

1. Motive of Forum Shopping
2. Primacy: Determining International Private Law
3. Interdependency of Procedural & Substantive Law
4. Differences of Procedural Schemes
5. Race to the Courthouse
6. Summary

F. Procedural Strategy: (Abusive) Practice

1. Negative Declaratory Relief Action
2. Service of Documents
3. Taking of Evidence
4. Abusive Practice
5. Summary

G. Summary:

1. Take Home Message
2. Internet Resources
3. Further Reading

A. Introduction to International Civil Procedure

1. The Concept of International Civil Procedure
2. Regulatory Needs of Cross Border Litigation
3. Legal Sources
4. Summary: Practical Relevance

A. Introduction to ICP

I. The Concept of International Civil Procedure

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– The Starting Point of International Cooperation

Starting point: Judiciary system is a core area of national sovereignty:

- All acts are restricted to national territory
- Each state decides on its own whether and to which extent it exercises jurisdiction regarding foreign citizens
- Formal equivalence, but substantial difference of legal rules

A. Introduction to ICP

I. The Concept of International Civil Procedure

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– International Civil Procedure (ICP)

ICP pertains to all procedural issues which result from a cross-border element of litigation (**foreign element**), such as

- the parties involved in litigation
- the matter in dispute

ICP is **not**

- international law, but national law for international matters
- a consistent body of law but separate rules modifying the regular procedure

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I. The Concept of International Civil Procedure

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– The Concept of Private International Law (PIL)

The rules of PIL determine which of several legal orders connected to matters having a foreign element will apply in the particular case.

Terminology

- Conflict of Laws: ICP + PIL
- PIL in a narrow sense: rules determining the applicable law

Mind the differentiation between PIL and

- Uniform Law, e.g. CISG, CESL, CTMR
- Law relating to foreigners, e.g. TRIPS

A. Introduction to ICP

I. The Concept of International Civil Procedure

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– The *lex fori* Principle

- **Applicable Procedural Law:**

every court always applies its own procedure law

(Germany: ZPO, France: NCPC, GB: CPR; + UPC: RoP)

- **Applicable Private International Law:**

every court always determines the applicable law according to its own PIL

(European Union: Rome-I-Regulation; Switzerland: IPRG)

- **Substantive Law:**

every court as a general rule is willing to apply the substantive law of another country

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I. The Concept of International Civil Procedure

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– Common Denominator of ICP & PIL

Principle of equality of legal orders

According to traditional doctrine the decision which forum has jurisdiction or which substantive law is applicable must be decided solely on the basis of the **strength of the connecting factor** with the matter in issue.

By contrast, the purported quality of the respective legal orders is (should be) irrelevant.

Accordingly, the better law approach is not a valid argument!

⇒ Mind: EU-law displays a tendency to materialize the ICP & PIL-regime

A. Introduction to ICP

I. The Concept of International Civil Procedure

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– Aims of ICP & PIL

Ideal of ICP:

- procedural economy
- uniform decisions

Ideal of PIL:

- application of the law with the closest connection
- legal certainty & predictability

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I. The Concept of International Civil Procedure

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– Differences between ICP and PIL

Territorial Scope of Application

- ICP: differentiation between EU- and third state matters remains necessary
- PIL: PIL takes a universal approach

Addressee of Rules:

- ICP: state courts
- PIL: courts and parties (including arbitration?)

Substantive Differences: (e.g. scrutiny of foreign acts & law)

- ICP: recognition and enforcement of an adjudicated matter, scrutiny restricted to *ordre public*
- PIL: application of foreign law by sovereign act of courts, full *ordre public*-control

A. Introduction to ICP

I. The Concept of International Civil Procedure

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– Differences between ICP & PIL

Academic Difference (Interpretation)

- **ICP:** in case no specialized head of jurisdiction is available the general rule (*actor sequitur forum rei*) is applicable
- **IPR:** no residual rule

Practical Difference

- **ICP/Brussels-I:** the rules on jurisdiction, recognition and enforcement can rely on 40 years of practice; their development has been driven by the ECJ
- **PIL /Rome-I:** despite its predecessors to date there is no relevant body of judicature establishing common principles

A. Introduction to ICP

2. Regulatory Needs of Cross Border Litigation

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– Cross Border Litigation

Relevant Foreign Elements

Facts concerning the **parties**:

- Foreign domicile and/or citizenship
- No command of language of the forum
- Assets abroad
- Lack of funding

Facts concerning the **matter in dispute**:

- Place of conclusion of contract, place of accidents or similar
- Available documents or other evidence located abroad / in foreign language
- Matter governed by foreign law

A. Introduction to ICP

2. Regulatory Needs of Cross Border Litigation

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– Regulatory Needs

Steps of civil litigation:

- **Seizing the court:** international jurisdiction
- **Summoning the defendant:** service of documents
- **Admissibility/legitimate interest:** effect of foreign proceedings
- **Oral hearing:** language; translation
- **Finding the facts:** taking of evidence; discovery
- **Judgment:** recognition and enforcement
- **Allocation of costs:** legal aid

⇒ Which rules are necessary to remedy these problems?

⇒ Interests concerned?

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2. Regulatory Needs of Cross Border Litigation

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– International Jurisdiction

Public interests:

- Adjudication of matters with substantial input on national territory
- Protection of citizens against protruding; exorbitant jurisdiction

Parties interests:

- Claimant: access to justice
- Defendant: not to be summoned before an inconvenient court

Practical needs:

- Preventing conflicting competence
- Case management; equal distribution of case load

⇒ **Specific and accepted rules on international jurisdiction**

A. Introduction to ICP

2. Regulatory Needs of Cross Border Litigation

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– Service of Documents

Public interests:

- Reserving service of documents as a sovereign act
- Ensuring right to a fair trial

Parties interests:

- Claimant: Efficient and fast service in order to institute proceedings
- Defendant: Right to a fair defence

Practical needs:

- Computation of time & translation
- Cooperation between (postal) judicial services & courts

⇒ **Balance of interests: safeguards against unjustified default judgments**

A. Introduction to ICP

2. Regulatory Needs of Cross Border Litigation

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– Admissibility / Legitimate Interest

Public interests:

- Procedural efficiency
- Respect of court judgments; preventing circumvention

Parties' interests:

- Claimant: right to choose forum
- Defendant: possibility of efficient defence; not to be sued twice

Practical needs:

- Determining the date proceedings were instituted (*lis pendens*)
- Information and cooperation between seized courts

⇒ **Coordination of parallel proceedings**

A. Introduction to ICP

2. Regulatory Needs of Cross Border Litigation

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– Oral Hearing

Public interests:

- Court must conduct proceedings according to its own law & language
- Preserving fundamental concepts of civil litigation

Parties interests:

- Claimant: access to information; no overly cumbersome burden of proof
- Defendant: privileges; protection against self-incrimination

Practical needs:

- Power of the court over foreign parties
- Adjustment to the applicable substantive law

⇒ International harmonization; balance of openness and control (ordre public)

A. Introduction to ICP

2. Regulatory Needs of Cross Border Litigation

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– Taking of Evidence

Public interests:

- Preventing intrusion on sovereignty
- Respect of privileges

Parties interests:

- Claimant: cost & time efficient access to relevant information
- Defendant: protection against self-incrimination

Practical needs:

- Cooperation between courts
- Knowledge on foreign privileges

⇒ Respecting different concepts; implementation of minimum standards

A. Introduction to ICP

2. Regulatory Needs of Cross Border Litigation

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– Recognition & Enforcement

Public interests:

- Consistency of the legal order
- Assuring compliance with fundamental values (*ordre public*)

Parties interests:

- Claimant: Efficient enforcement without *revision au fonds*
- Defendant: Right to a fair hearing

Practical needs:

- Determinateness of judicial order
- Modification of means of enforcement

⇒ **Formal procedure implementing balance between appreciation & control**

A. Introduction to ICP

2. Regulatory Needs of Cross Border Litigation

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– Costs & Legal Charges

Public interests:

- Cost recovery for the judiciary system
- Access to justice / legal aid

Parties interests:

- Claimant: Predictability of legal costs / no frustration of access to justice
- Defendant: chance of reimbursement in case of unfoundedness

Practical needs:

- Calculation of costs / corresponding rules on reimbursement of lawyer's fees
- Basis of calculation for income / neediness for legal aid

⇒ **Accepting the difference & consistency of rules**

A. Introduction to ICP

3. Legal Sources

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– Types of Legal Sources

International Civil Procedure (ICP) is the body of rules which take heed of the specific needs of cross border litigation.

➤ **International Treaties**

- Multilateral treaties, e.g. Hague Conventions on Taking of Evidence
- Bilateral agreements, e.g. Friendship, Commerce and Navigation Agreements

➤ **General EU-law**

- Regulations, e.g. Brussels Regulation
- Directives, e.g. Legal Aid Directive

➤ **European Patent Law**

- EPC-Protocol
- **+ UPC, Rules of Procedure**

➤ **National Law**

- Statutes on Private International Law & Procedure, e.g. Swiss IPRG
- Domestic civil procedure law, e.g. French NCPC, German ZPO

A.Introduction to ICP

3.Legal Sources

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– EU Law

➤ International Civil Procedure (ICP)

- **Brussels I Regulation:** on international jurisdiction, recognition and enforcement in civil and commercial matters
- **Service Regulation:** on the service of documents in civil and commercial matters
- **Evidence Regulation:** on the cooperation of the courts of the Member States on the taking of evidence
- **Insolvency Regulation:** on jurisdiction and applicable law in the case of insolvency
- **Legal Aid Directive:** establishing minimum common rules relating to legal aid for cross-border disputes

⇒ Mind: EU is a true copycat. Most regulations are modifications and improvements of the Hague Conventions

A. Introduction to ICP

3. Legal Sources

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– International Instruments & EU-Law

As rules have to a large extent been harmonized by the Hague Conference or the EU it is necessary to distinguish genuine international matters and internal market cases:

- **International Matters:** International Agreements to which Non-Member-States are parties take precedence over both EU-law and national law.
- **Internal Market:** The internal relation of EU-Members is always governed by EU-law, even if they are Members of international conventions.
- **Multistate Matters:** Whether a case with connecting factors to Member States and Non-Member-States is governed by international or EU-law in practice depends on which court is seized.

⇒ **Mind: the scope of application may differ with regard to treaties/regulations issued by the same body and based on the same competence**

A. Introduction to ICP

3. Legal Sources

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– EU-Law & National Law

Within their respective scope of application European Regulations take precedence over both international instruments and national law

International instruments therefore are only applicable if there is either

- no corresponding European legislation
- EU-Regulations are not applicable by virtue of an explicit exception
- there is a dominant cross-border-element to a non Member State
- the cross-border element concerns DK, GB, IRL (Member State ≠ EU!)

Examples:

- Abuse of process
- Dispute between French and German court on validity of an arbitration clause
- Choice of court agreement between an Austrian and a German party on US-court
- Taking evidence in Denmark for proceedings in Germany

A. Introduction to ICP

4. Summary

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– The Concept of ICP

- There is **no consistent body of rules** on cross-border litigation, but rather single rules on the most relevant situations
- According to the *lex fori*-**principle** each court applies its own procedural law and PIL-rules
- **Efficient judicial protection & international accord of decisions** can only be achieved by coordination of ICP & PIL
- **Parallels:** concurring basic values, similar terminology and structure, such as connecting factors, favouring coincidence of forum and law
- **Differences:** function and scope of application, *ordre public*-scrutiny

A. Introduction to ICP

4. Summary

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– Regulatory Needs & Legal Sources

- Cross-Border-Litigation is characterized by a **foreign element**, which may regard the parties involved or the subject matter concerned
- Cross-Border-Litigation has to take heed of **specific interests & practical needs**: balancing the parties' interests and making judicial cooperation work
- **Relevant issues** are: jurisdiction, service of documents, parallel proceedings, language issues, taking of evidence, recognition & enforcement
- The relevant rules may either be harmonized by **multilateral treaties** (Hague Conference), **bilateral trade & friendship agreements** or **EU-law**. Remaining gaps must be filled by national civil procedure law
- From the perspective of the EU **internal-market-law takes precedence** over international treaties and domestic law and by virtue of the ECJs extensive interpretation leaves little room for traditional ICP

A.Introduction to ICP

4.Summary

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– Basic Principles of Traditional ICP

- **Principle of Territoriality**

Procedure law is part of the body of public law. The scope of application of its rules and the force of its acts is restricted to the respective sovereign territory.

- **Principle of Equality**

as long as there is no manifest proof to the contrary it is deemed that all states provide for an equally qualified legal system and a fair and sound judiciary.

- **Principle of Reciprocity**

as a general rule all states attribute the same powers and leeway for action to other states which they claim for themselves. Foreigners thus enjoy the same privileges which nationals of the forum would enjoy in their respective home country.

B. Jurisdiction: General Rules (Brussels Regulation)

1. The Innovation of the Brussels Convention
2. Scope of Application
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4. The Main Heads of Jurisdiction
5. Scrutiny & Exceptions
6. Summary

B. International Jurisdiction

I. The Innovation of the Brussels Convention

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– Legal Sources on International Jurisdiction

➤ International Agreements

- Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters 1971
- Hague Convention on Choice of Court Agreements 2005
- Specific sectoral agreements, e.g. Art. 31 CMR
- EPC Protocol

➤ EU Law

- Brussels Regulation on Jurisdiction, Recognition and Enforcement (Recast 1215/1212 as amended on February 26th 2014)
- UPC

➤ National Law

- PIL Statutes (CH); Civil Procedure Code (Germany), Code de Procedure Civile (France); Jurisdiction and Judgements Act (Great Britain)

B. International Jurisdiction

I. The Innovation of the Brussels Convention

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– Convention double

- The **traditional concept of international jurisdiction** is
 1. every state by virtue of its sovereign power decides whether or not it exercises jurisdiction.
 2. International cooperation only comes into play on the level of recognition and enforcement of foreign awards (*ex post*).
 - Full faith and credit clause
 - Bi- or multilateral agreements on recognition and enforcement
- The **modern approach**
 1. anticipates that long-arm jurisdiction is the most prominent obstacle for recognition and therefore harmonizes the rules on attributing jurisdiction (*ex ante*).
 2. On the basis of generally acceptable heads of jurisdiction it allows for a more generous and liberal approach to recognition of foreign acts.
 - Uniform system of jurisdiction
 - Restriction of non-recognition to an enumerative list of a right to refusal

B. International Jurisdiction

2. Scope of Application

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– Scope of Application

Delineation according to subject matter

➤ **Jurisdiction:**

The Brussels Regulation is applicable in case at least **one** court of a Member State is competent to hear the case, i.e. even if the cross-border-element refers to a non Member State

➤ **Coordinating Multiple Proceedings:**

general rule: parallel proceedings pending before courts of different Member States
+ **Brussels Recast**: specific rules regarding Non Member States

➤ **Recognition and Enforcement:**

The Brussels Regulation is applicable if the judgment seeking recognition has been issued by the court of a Member State in another Member State.

B. International Jurisdiction

2. The Scope of Application

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– The Brussels Regulation

- **Scope of Application**
Art. 1
+ Art. 1-3
- **Jurisdiction**
Art. 2-23 + Art. 31
+ Art. 4-25 + Art. 35, (+ UPC: 71 a, b)
- **Coordination of Multiple Proceedings**
Art. 27-30
+ Art. 29-34, (+ UPC: 71c)
- **Recognition and Enforcement**
Art. 32-56
Art. 36-57, (+ UPC 71d)

B. International Jurisdiction

2. The Scope of Application

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– Brussels Rules on Jurisdiction

- **Subject matter:**
 - civil- and commercial matters
- **Territorial/personal scope of application**
 - defendant's seat or domicile in Member State (Art. 4)
 - extension to specific commercial contracting parties domiciled abroad (Art. 9 Abs. 2, Art. 15 Abs. 2, Art. 18 Abs. 2)
 - exception (=independent of domicile/seat): exclusive jurisdiction, Art. 24
 - choice of court agreement +Art. 25
- **Temporal scope of application**
 - Brussels Regulation: March 1st 2001 (Art. 76)
Recast January 10th, 2015 (+Art. 81)

B. International Jurisdiction

3. Determining Jurisdiction

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– The Attribution of Jurisdiction under the Brussels System

International jurisdiction determines whether the courts of a particular state are in their entirety attributed jurisdiction to hear a particular case (**delineation of competence**).

Brussels system follows the **continental system of fixed jurisdiction**:

- jurisdiction is determined ex ante on the basis of established connecting factors
- no analogues application (legal certainty and predictability come first)
- jurisdiction is not compromised in case the underlying rationale does not justify exercise under the specific circumstances
- the plea of *forum non conveniens* is inadmissible

B. International Jurisdiction

3. Determining Jurisdiction

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– Types of Jurisdictional Venues

Connecting Factors:

- **relating to the parties** (rationale: protection of interests)
 - defendant's seat/domicile (general jurisdiction)
 - seat of the weaker party (consumer, policy holder, employee)
- **relating to the subject matter** (procedural economy)
 - place of performance (contract)
 - place where a harmful event occurred (tort)
 - place where the property is situated (rights in rem)
 - place where a register is administrated (real and intellectual property)

⇒ The general rule (*actor sequitur forum rei*) serves as residual rule!

B. International Jurisdiction

3. Determining Jurisdiction

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– General Jurisdiction (Art. 4)

Principle: *actor sequitur forum rei*

Jurisdiction is determined according to the seat/domicile, nationality is irrelevant

Domicile/seat will be determined:

- natural persons: +Art. 62
- juridical persons: + Art. 63

Advantage: comprehensive dispute resolution

Art. 4 has a broad scope of application and in general allows all claims against one defendant to be brought before the same court, unless there is exclusive jurisdiction (see +Art. 24)

B. International Jurisdiction

3. Determining Jurisdiction

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– Special Jurisdiction (Art. 7 et seq.)

Justification for specific heads of jurisdiction:

the relevant connecting factor is the subject matter (**proximity**)

- in the interest of the claimant as they allow to rely on the place of actual contact with the defendant
- serve the interest of predictability
- are exceptions from the general rule which have to be interpreted narrowly (ECJ 2002, I-1699 – Besix)
 - ⇒ counter-exception: protective venues, Art. 10-23

Practical Relevance in Commercial Disputes:

- Art. 5 No. 1 (Art. 7 Nr. 1): place of performance
- Art. 5 No. 3 (Art. 7 Nr. 2): harmful event
- Art. 6 No. 1, 3 (Art. 8 Nr. 1, 3): joinder, counterclaim

B. International Jurisdiction

3. Determining Jurisdiction

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Place of Performance: Art. 7 No. 1

A person **domiciled in a Member State** may be sued in another Member State:

(1) (a) in **matters relating to a contract**, in the courts for the **place of performance** of the obligation in question;

(b) for the purpose of this provision and unless otherwise agreed, the place of performance of the obligation in question shall be:

—in the case of the **sale of goods**, the place in a Member State where, under the contract, the goods were delivered or should have been delivered,

—in the case of the **provision of services**, the place in a Member State where, under the contract, the services were provided or should have been provided;

(c) if point (b) does not apply then point (a) applies;

⇒ Mind: **Art. 7 No. 1** is identical to the former Art. 5 No. 1

B. International Jurisdiction

3. Determining Jurisdiction

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– Jurisdiction in the Place of Performance

Checklist:

- Is it a contract?
every voluntary obligation, cf. ECJ 2002 – Tacconi
including unilateral promise, cf. ECJ 2005 – Engler/Janus
- Sale of goods or for services?
qualification depending on national law, cf. ECJ – Falco Privatstiftung
- Place of performance?
of the obligation in question (!), cf. ECJ 1977 – Tessilli /Dunlop

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Example Contract for Services

Facts:

F a franchisor, with his place of business in Lyon,
wants to sue his franchisee G, a German company located in Osnabrück,
for damages in consequence of defective performance.

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Example Contract for Services

Facts:

F a franchisor, with his place of business in Lyon,
wants to sue his franchisee G, a German company located in Osnabrück,
for damages in consequence of defective performance.

Assessment:

1. Which venues may be available? Art. 4 or Art. 7 No. 1
2. Sale or service? No
3. Place of performance? depends on substantive law
4. Which substantive law is applicable? Art. 4 I e) Rome-I-Regulation = right of franchisee = Germany
5. Where is the place of performance for the obligation in question?
Performance, § 269 f. German Civil Code: seat of the debtor (Germany)
6. Result: F has to sue G in Germany

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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Place of Harmful Event: Art. 7 No. 2

A person **domiciled in a Member State** may be sued in another Member State:

(2) in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event **occurred or may occur**;

⇒ Mind: **Art. 7 No. 2** is identical to the former Art. 5 No. 3

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Jurisdiction in the Place of the Harmful Event

Rationale: A compromise

- both the offender and the victim by their presence at the place of the harmful event have created some proximity (connecting factor) to the place where the harmful event occurred
- attributing jurisdiction fosters on-site findings

The concept of harmful event

- which has occurred (claims for damages)
- which may occur (forbearance)
 - Patent infringement
 - Trademark infringement
 - Copyright infringement
 - Unfair competition

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Place Where the Harmful Event Occurs

- **Place where the act is committed = real cause**
including acts of co-perpetrators
- **Place where the detriment occurs = damage resulted or impending**
only primary damage of the good/interest protected by law is relevant,
whereas secondary damages and consequential loss are irrelevant
cf. ECJ 1991– Dumez France/Helaba;
- **Distance torts:** Claimant can choose between place of performance of the act
causing the harm and the place where the damage has occurred
cf. ECJ 1977, 493 – Mines de Potasse
recently confirmed by ECJ 2009 – Zuid-Chemie

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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Joinder, Art. 8

A **person domiciled in a Member State** may also be sued:

- (1) where he is **one of a number of defendants**, in the courts for the place where any one of them is domiciled, provided the claims are so **closely connected** that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings;
- (3) on a **counter-claim** arising from the same contract or facts on which the original claim was based, in the court in which the original claim is pending;

⇒ Mind: **Art.8 No. 1 and 3** are identical to the former Art.6 No. 1 and 3

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Counterclaims, Art. 8 No. 3

Rationale:

Joining action and counter-claim is efficient.

The exception from the general rule of fixed and predictable jurisdictional venue is justified by the fact that the claimant of the main action has chosen the present venue. Accordingly it is assumed to be acceptable.

- wording requires that the opponent has his seat in a Member State
- cannot be applied by analogy to a claimant from a Non-Member-State

Practical Relevance:

- Contracts: Counterclaim for invalidity of contract
- Intellectual property: Nullity of IP-right

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Protective Venues

Specific heads of jurisdiction aim at the protection of the weaker party

- insurance policy holder, **Art. 10-16**
- consumer **Art. 17-19**
 - provided that the contracting partner was (or should have been) aware that he is contracting with a consumer,
cf. ECJ 2005 – Gruber/BayWaAG
- Employee **Art. 20-23**

Relevance for commercial practice:

- trans-border consumer sales (choice of law will be ineffective)
- employment contracts (validity contracts, unfair terms, non-disclosure-agreements)

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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Choice of Court Agreement, Art. 25

1. If the parties, **regardless of their domicile**, have agreed that a court or the courts of a Member State are to have jurisdiction to settle any disputes which have arisen or which may arise in connection with a **particular legal relationship**, that court or those courts shall have jurisdiction, unless the agreement is null and void as to its substantive validity under the law of that Member State. Such jurisdiction shall be **exclusive** unless the parties have agreed otherwise. The agreement conferring jurisdiction shall be either:

- (a) in writing or evidenced in writing;
- (b) in a form which accords with practices which the parties have established between themselves; or
- (c) in international trade or commerce, in a form which accords with a usage of which the parties are or ought to have been aware and which in such trade or commerce is widely known to, and regularly observed by, parties to contracts of the type involved in the particular trade or commerce concerned.

⇒ Mind: +**Art. 25** substantially differs from the former Art. 23

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Choice of Court Agreement, Art. 25

A choice of court agreement has two distinguishable effects:

Prorogation: it establishes the jurisdiction of a court which under the general rules (objective connecting factors) would not have jurisdiction.

Derogation: it withdraws the jurisdiction from a court which according to the rules of law would be competent to hear the case.

Practical relevance: mandatory rules restricting choice of law usually only prohibit derogation, whereas an additional venue in favor of the weaker party is acceptable.

Practical Relevance:

- international contracts
- company agreement

⇒ **Mind: An exclusive choice of court agreement may amount to a tacit choice of law under Art. 3 Rome-I/Art. 14 Rome-II!**

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Choice of Court Agreements, +Art. 25

Streamlining the Brussels Regulation with the Hague Convention

A valid choice of court agreement requires

- ~~at least one party has to be domiciled in a Member State~~
- a particular legal relationship
- formal requirements (writing or similarly verifiable)
- no exclusion by virtue of Art. 13, 17 or 22

⇒ Mind: If parties domiciled in a EU-Member State opt for a court in a Non-Member-State the requirements for substantive validity will be determined by the substantive law of the chosen forum

B. International Jurisdiction

4. The Main Heads of Jurisdiction

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– Example: Simple Forum Selection Clause

This contract is governed by the laws of Germany and any dispute shall be finally resolved by the German courts.

⇒ Recommended improvements?

B. International Jurisdiction

4. The Main Heads of Jurisdiction

61

– Exclusive Jurisdiction, Art. 24

Internationally mandatory venues, which rule out

- any contractual deviation (Art. 25)
- resort to the general venue of jurisdiction (Art. 4)
- replacing a lack of jurisdiction by entrance of appearance (Art. 26)

⇒ Compliance may be reviewed even in recognition and enforcement proceedings!

B. International Jurisdiction

4. The Main Heads of Jurisdiction

62

– Registration or Validity of IP-rights, **Art. 24 No. 4**

Applicable to all intellectual property rights which are issued by an intellectual property office (registered IP-rights), such as patents, trademarks and designs.

It does not apply to copyright law, which accrues by the act of creation (*ipso iure*).

With regard to genuine Community IP-rights there are more specific rules in the respective EU-Regulations, but they in substance repeat the same rule:
a Community IP-right can only be revoked by a Community Court.

⇒ This rule forces a claimant who wants to invalidate a bundle of identical IPRs to bring several parallel proceedings in different jurisdictions!

B. International Jurisdiction

5. Scrutiny and Exceptions

63

– Analogous Application in Favour of Non-Member-States?

Dispute whether the *principle of reciprocity* commands that we apply the same rule in favor of Non-Member-States. In this case the exclusive jurisdiction of third country would prevail over the general or specific heads of jurisdiction.

Predominant opinion:

- problem was discussed but rejected in the course of the recast
- contravenes the system of fixed venues
- violates the right of access to justice

⇒ **Mind:** In case the claim is pending before the courts of a Non-Member-State this must be respected under the new +Art.33,34.

B. International Jurisdiction

5. Scrutiny and Exceptions

64

– Entering Appearance, Art. 26

Basic Rule: In case the defendant enters an appearance before the court without contesting jurisdiction any lack of jurisdiction is cured (except Art. 24).

Requirements

- due service of document instituting proceedings
- pleading on substance
- no infringement of exclusive jurisdiction
- weaker party has been instructed on its right to contest jurisdiction

⇒ In case the defendant defaults the court has to verify jurisdiction of its own motion (Art.28)

B. International Jurisdiction

5. Scrutiny and Exceptions

65

– forum non conveniens

Problem:

May a court refuse to adjudicate a claim for which it is obviously not qualified?

Doctrine of *forum non conveniens*

developed by *common law* and allows a court to decline jurisdiction in a particular case if it holds another court to manifestly better suited to decide the subject matter.

Continental system

The system of fixed jurisdictional venues only requires that the court in general is apt to decide issues of such kind, but does not require that the rationale applies to each specific case (legal security comes first)

⇒ **Choice of Court Agreement between a US-citizen and an Estonian company on sales contract concerning Chinese patent in favour of Düsseldorf?**

B. International Jurisdiction

5. Scrutiny and Exceptions

66

– Residual Jurisdiction

Unwritten Head of Jurisdiction?

It is argued that in case the Brussels Regulation does not offer any jurisdictional venue within the EU a union citizen should be entitled to rely on national law to fill the gap.

- because public international law (such as international covenant of European Convention on Human Rights) obliges each state to warrant access to justice (*deni de justice*)
- because some states explicitly provide for residual jurisdiction in favour of their citizens (Switzerland, Austria, France)

Requirements:

1. Relevant connecting factor pointing towards the forum
2. Legitimate interest of legal protection
3. Enforcement in a Non-Member-State is impossible or unbearable

B. International Jurisdiction

5. Scrutiny and Exceptions

67

– Local and Functional Jurisdiction

Basic Rule

- Brussels Regulation **in general** only determines international jurisdiction of the courts of a particular Member State
- Which of several courts has jurisdiction has to be determined by national law
- Exception: forum selection clause / tort law

⇒ Mind the flying venue, Art.7 No.2

B. International Jurisdiction

6. Summary

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– The Core Points on Jurisdiction

- The **main legal source** on international jurisdiction is the Brussels Regulation 2001.
Its recast is applicable since January 2015.
- The Brussels Regulation relies on **fixed jurisdiction**. It provides for different venues which serve the interest of the parties and/or procedural economy.
- In order to determine the jurisdiction **different types of jurisdictional heads** have to be distinguished.
- Both the basic rule and the specific venues require that the defendant has his seat or domicile in a Member State
- Choice of court agreement and exclusive jurisdiction are independent of the parties' domicile.
- The requirement of the defendant being located in a Member State under Art. 7 Brussels Regulation is repealed in favour of a broader jurisdiction of the UPC!

B. International Jurisdiction

6. Summary

69

– The Core Points on Jurisdiction

- In practice the different strength of jurisdictional heads requires to tick the boxes backwards:

1. exclusive jurisdiction
2. semi-mandatory jurisdiction (consumer, employee, policy holder)
3. explicit or tacit choice of court
4. specific/general jurisdiction
5. entrance into appearance

⇒ If there are several heads of jurisdiction the claimant may choose.

C. Jurisdiction: European Patents (EPC, UPC)

1. Brussels Regulation as Common Ground
2. The EPC-Protocol
3. The Jurisdiction under the Upcoming UPC
4. Effects of Opt-In / Opt-Out
5. Summary

C. Jurisdiction European Patents

I. Brussels Regulation as Common Ground

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– Brussels Regulation as Starting Point

➤ Protocol on EPC

- *lex specialis* for patent vindication issues
- uses similar concept and language
- takes precedence over Brussels Regulation
- main difference: scope of application

➤ Unified Patent Court Agreement

- *lex specialis* for infringement and revocation issues
- explicitly refers to Brussels Regulation
- jurisdiction of UPC regulated in amended Brussels Regulation
- main difference: long-arm jurisdiction

C. Jurisdiction European Patents

2. The EPC Protocol

72

– Disputes on Right to the Grant of a European Patent

- **General Rule:** *actor sequitur forum rei*
 - jurisdiction is based on the seat of the defendant (Art. 2)
 - lacking such, it is the seat of the claimant based in a Contracting State (Art. 3)
- **Exception:**
 - disputes between employee and employer will be litigated at the usual place of employment (Art. 4)
 - choice of court agreements are respected unless they discriminate employees (Art. 5)
- **Residual Jurisdiction**
 - courts of Germany (Art. 6)

C. Jurisdiction European Patents

3. Jurisdiction under the UPC

73

– Jurisdiction of Unified Patent Court

➤ International Jurisdiction

- conferred by Brussels Regulation / Lugano Convention
- Art. 31 UPC explicitly refers to Brussels Regulation / Lugano Convention

➤ Subject Matter Jurisdiction

- Conferred by Art. 32 UPC

➤ Patents Concerned

- exclusive jurisdiction for Unitary Patents
- bundle patents: based on choice of claimant/patentee (patent by patent)

C. Jurisdiction European Patents

4. Jurisdiction under the UPC

74

– UPC as court of a Member State

Art. 71a Brussels Regulation

1. For the purposes of this Regulation, a court common to several Member States (a "common court") shall be a court of a Member State when, pursuant to the agreement establishing it, it exercises jurisdiction in civil and commercial matters within the meaning of this Regulation.
2. For the purposes of this Regulation, the following shall each be a common court:
 - (a) the Unified Patent Court
 - (b) the Benelux Court

Practical Consequence:

If any UPC-MS has jurisdiction under the Brussels regime this will be shifted to the UPC **as such**, without regard to where the respective chamber sits!

C. Jurisdiction European Patents

4. Jurisdiction under the UPC

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– Long-Arm-Jurisdiction

Art. 71b Brussels Regulation

The jurisdiction of a common court shall be determined as follows:

1. ... where, under this Regulation, the courts of a UPC-Member State have jurisdiction ...
2. Where the defendant is not domiciled in a Member State, and this Regulation does not otherwise confer jurisdiction over him, the provisions of Chapter II shall apply as if the defendant was domiciled in a Member State.
3. Where ... no court of a Member State has jurisdiction under this Regulation, the defendant may be sued in the common court if
 - property is located in a UPC-Member State
 - value of such property is not insignificant
 - the dispute has a sufficient connection with a UPC Member State

⇒ Mind the conceptual difference in comparison to the CTMR

C. Jurisdiction European Patents

4. Effects of Opt In / Opt Out

76

– Opt-In / Opt-Out

Transitional Period

- Opt Out is available only for bundle patents
- As long as no claim is pending before the UPC
- Requires declaration at EPO and payment of fee

Practical Difference UPC v. National Courts

- UPC is an exclusive jurisdiction limiting the risk of torpedo actions
- UPC has far reaching jurisdiction for revocation and infringement for all
UPC-CS + competence for infringements in Non-UPC and Non-EU-States!
- UPC extends to defendants situated in third countries (i.e. Non-EU/EEA-States)

⇒ The UPC substantially extends the obligation to appear before a foreign court

C. Jurisdiction European Patents

5. Summary

77

– Jurisdiction for Patent Disputes

- The rules on jurisdiction for **patent vindication** are regulated by a EPC Protocol, which takes precedence over the Brussels/Lugano system.
- Patent vindication claims as a general rule can be brought at the **seat of the defendant**, but subsidiary jurisdiction safeguards a venue in a EPC-CS.
- The **UPC is interlinked with the Brussels Regulation**. The Brussels Regulation governs international jurisdiction, the UPC allocates the local jurisdiction.
- The division of the UPC into local, regional and central chambers enlarges the **risk of being sued abroad**.
- The new rules in Art. 71b et sequ. **broaden jurisdiction** in favour of the UPC.

⇒ **UPC is great for strong patents, but a risk for weak ones.**

D. Leading Cases of the ECJ

1. Scope of Application: *Owusu v Jackson*
2. Contracts: *Falco Privatstiftung v Lindhorst*
3. Torts: *Fiona Shevill v Press Alliance*
4. Spider in the Web Doctrine: *Roche v Primus*
5. Nullity Issues: *GaT v LuK*
6. Cross Border Injunctions: *Solvay SA v Honeywell*
7. Summary

D. Leading Cases ECJ

I. Scope of Application

79

Owuso v. Jackson

Mr Owuso domiciled in UK brought a lawsuit against Mr. Jackson domiciled in the UK

⇒ **Problem?**

Is the Brussels Regulation applicable although the case is devoid of a cross-border element to another Member State?

Ruling

The Brussels Regulation is also applicable in cases where the parties before the courts of a contracting State are domiciled in the same State and the litigation between them has certain connection with a third State but not with another Member State.

- ⇒ All cross-border cases with a connecting factor to the EU come under EU-law
- ⇒ No room for application of International Treaties
- ⇒ No room for forum non conveniens

D. Leading Cases ECJ

2. Contracts

80

Falco Privatstiftung

A licensor in Austria sues a licensee in Germany based on Art. 7 No. 1 (place of performance).

⇒ Problem?

Is a licence contract a contract for services?

Ruling

The concept of services implies at the least that the party who provides the services carries out a particular activity in return for remuneration.

Interpretation has to take heed of former case law under Brussels Convention and parallel legal instruments, such as Rome-I.

⇒ Practical Consequence

Very narrow interpretation of "services".

In order to determine place of performance you have to rely on the rules of private international law.

D. Leading Cases

2. Contracts

81

– License Contracts: Delineation Between Art. 4 (1) and (2)

Problem of Qualification

License contracts in some Member States are qualified as service contracts whereas they are considered as mixed contracts in other Member States. This would undermine the uniform application of the Rome Regulation.

Solution: autonomous qualification

License contract is qualified as a separate type of contract. This in particular is based on the draft Rome-I-Regulation, which in Art. 4 (1) lit f. contained a particular rule:

Art. 4 (1) Draft Regulation 2005

(f) a contract relating to intellectual or industrial property rights shall be governed by the law of the country in which the person who transfers or assigns the rights has his habitual residence;

D. Leading Cases ECJ

3. Torts

82

Fiona Shevill

A resident of the UK is injured by a libel published in the French Newspaper France Soir, which was distributed mainly in France, but also in other EU-Member States.

⇒ **Problem?**

Where did the harmful event occur?

Ruling

May bring an action before the courts of the Contracting State of the place where the publisher has his establishment or before the courts of each contracting state in which the publication was distributed and where the victim claims to have suffered injury to his reputation. The latter may rule only in respect of the harm caused in the State of the court seised.

⇒ **Practical Consequence**

Internet: With regard to forbearance you can literally choose which of the 28 Member States you like best.

If you commercially act in the EU you have to answer to claims in all Member States.

D. Leading Cases ECJ

4. Spider in the Web

83

Roche v. Primus und Goldenberg

Primus and Goldenberg, domiciled in the US, are the proprietors of EP No 131 627. On 24 March 1997, they brought an action before the Rechtbank te s'-Gravenhage against **Roche Nederland BV**, a company established in the Netherlands, and **eight other companies in the Roche group** established in the United States of America, Belgium, Germany, France, the United Kingdom, Switzerland, Austria and Sweden ('Roche and Others'). The applicants claimed that those companies had all infringed the rights conferred on them by the EP **by a uniform strategy**.

⇒ Problem?

Can all members of the group of companies be sued before a common court?

Ruling

Art. 6 no. 1 (now Art. 8 No. 1) must be interpreted as meaning that it does not apply in EP infringement proceedings involving a number of companies established in various Member States in respect of acts committed in one or more of those States even where those companies, which belong to the same group, may have acted in an identical or similar manner in accordance with a common policy elaborated by one of them.

⇒ Practical Consequence

The infringement of a bundle patent in several Member States will not qualify as the same action. In case of a frivolous defendant it cannot be enforced in one step. This will be one major advantage of the Unitary Patent.

D. Leading Cases ECJ

5. Nullity Issues

84

GaT v. LuK

The German Company GAT sued LuK, which also has its seat in Germany, before the Regional Court of Düsseldorf. It requests the court to state that the Claimant has not infringed any patents of its competitor and that – by the way – any such patents are invalid.

The Düsseldorf court exercised jurisdiction with regard to the respective German and French patents.

⇒ **Problem?**

Can a German court (implicitly) decide on the validity of a French patent?

Ruling

Art 16 Brussels Convention (now Art. 24 no. 4) is to be interpreted as meaning that the rule of exclusive jurisdiction laid down therein concerns all proceedings relating to the registration or validity of a patent, **irrespective** of whether the issue is raised by way of an action or a plea in objection.

⇒ **Criticism:** „Whatever one may think about the forum shopping argument the fact remains that a court that can only pronounce a desired judgment by means of *in*completely citing and *in*correctly interpreting a Convention will not enhance the confidence in its decisions. [...] In general it seems the ECJ does not understand much of IP.“ Hoynd, FS Reimann (2009), 197, 204

⇒ **Problem:** The decision is wrong from an academic point of view, but the only means in order to prevent conflicting judgments. ECJ should have applied Art. 30 instead.

⇒ **Practical Consequence:** Nullity Torpedo

D. Leading Cases ECJ

6. Interim Measures

85

Solvay SA v Honeywell

In March 2009, Solvay, proprietor of EP 0 858 440, brought an action in the Rechtbank 's-Gravenhage for infringement of the national parts of that patent, as in force in DK, IRL, G, LUX, AUT, P, FL, SE, LIE and CH, against Honeywell for marketing a product HFC-245 fa, manufactured by Honeywell International Inc. and identical to the product covered by that patent.

In December 2009 Solvay also lodged an interim claim against the Honeywell companies, seeking provisional relief in the form of a cross-border prohibition against infringement.

⇒ **Problem?**

In the interim proceedings, Honeywell raised the defence of invalidity of the national parts of the patent concerned **without, however, having brought or even declared their intention** of bringing proceedings for the annulment of the national parts of that patent.

Ruling

Art. 6 no. 1 (now Art. 8 no. 1) must be interpreted as meaning that a situation where two or more companies established in different Member States, in proceedings pending before a court of one of those Member States, are **each separately accused** of committing an infringement of the same national part of a European patent, is capable of leading to 'irreconcilable judgments' resulting from separate proceedings as referred to in that provision.

Art. 22(4) (Now Art. 24 No. 4) must be interpreted as not precluding, the application of Article 31 (now 35) of that regulation.

⇒ **Practical Consequence**

Gat/LuK and Roche v. Primus in essence were confirmed. But the nullity argument does not hinder provisional measures.

D. Leading Cases ECJ

6. Summary

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– Interpretation of EU Regulations

To assure a uniform interpretation of EU-law in all Member States the respective legal instruments have to be construed as self-standing instruments;

- Uniform interpretation assures that basic values may are not counteracted by referral to different national laws (secondary fragmentation).
- Construction of a term used in EU-legislation should rely on similar terms in other legal instruments or by recourse to traditional means of interpretation:
 - Wording: check other language versions
 - Systematic construction: the entire legal instrument (including recitals) and other Community instruments for related areas
 - Historic construction: legislation materials, green books and white books
 - Teleological interpretation: principle of *effet utile*

⇒ For a good example of systematic interpretations cf. ECJ – Falco Privatstiftung

D. Leading Cases of the ECJ

7. Summary

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– The ECJs Bottom Line

- There is large and valuable **body of case law** on the interpretation of the Brussels Regulation.
- The Brussels Regulation relies on a **fixed system of jurisdiction**, which will be available even if in the specific case the choice is not backed up by the respective rationale.
- The scope of applicability extends to cases with a connecting factor to a **Non-Member-State**.
- The interpretation of **Art. 7 No. 1** is broad but regularly relies on a **conflict of laws assessment**, which – as a general rule – can be solved by Art. 4 Rome-I-Regulation.
- The interpretation of **Art. 7 No. 2** grants the claimant a broad choice between several competent courts.
- **Art. 8** on joinder is applied only very restrictively.
- Gaps in jurisdictional flexibility may be evened out by **provisional measures**.

⇒ **Mind: The ECJ remains quite stubborn giving priority to legal certainty!**

Frustrated by Imperfection?

Every deficiency of procedural law broadens the margin for procedural strategy.

Every gap bears the chance that your opponent has overlooked your potential advantages.

Its not worth complaining, if you know how to play the game.

E. How to & Reasons for Forum Shopping

1. The Concept of Forum Shopping
2. Primacy: Determining Private International Law
3. Interdependency of Procedural & Substantive Law
4. Differences of Procedural Schemes
5. Race to the Courthouse
6. Recognition & Enforcement
7. Summary

E. Forum Shopping

I. The Concept of Forum Shopping

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– The Definition of Forum Shopping

Starting Point

In case more than one court has jurisdiction for a specific case the claimant may choose before which court he institutes the proceedings.

Purpose of Rules attributing Jurisdiction

The availability of several courts having jurisdiction is not an accident, but a means of facilitate access to justice and to direct a legal dispute to the most appropriate forum.

Forum Shopping

The availability of several fora may tempt the claimant to choose a forum not because it is the most appropriate forum to litigate, but because it prompts the application of a set of procedural or substantive rules which impact on the result.

E. Forum Shopping

I. The Concept of Forum Shopping

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– Mechanism of Forum Shopping

Impact of the Forum on Adjudication of the Case

Despite the doctrine of equality, i.e. that all legal orders provide proper administration of justice and adjudication is of equal quality, the forum will impact on the decision

- applicable law
- applicable procedural rules
- scope of recognition & enforcement
- practical differences

⇒ Which procedural law and which PIL is applicable can only be influenced by a respective choice of the forum („package solution“)!

E. Forum Shopping

I. The Concept of Forum Shopping

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– The principle of *lex-fori*

Regardless of the connecting factors the case implies each court applies its own (international) civil procedure rules and its own conflict of law rules.

- **Basic Rule:** *lex loci regit processum*
justified by the natural interplay of procedure law and judiciary system
- **Scope of Application of *lex fori* Rule**
course of litigation, formal requirements/standing before the court & deadlines, evidence, costs & conflicts of laws
- **(Rare) Exceptions from *lex fori*-rule**
 - ability to be and act as a party
 - privileges

E. Forum Shopping

I. The Concept of Forum Shopping

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– Mechanism of Forum Shopping

Starting Point: *lex fori*

By choosing one of several competent fora the claimant can influence the starting point for the determination of the applicable procedure law
(+ *The same applies to the choice between UPC and national courts*)

Applicable Procedural Rules: As procedure is part of public law & strongly relies on the organization of the judiciary each court applies its own procedural laws.
(+ *a recurring argument in the discussion on the UPCs application before national courts*)

Scope of Recognition & Enforcement: The effect of any judgment will depend on its ‚nationality‘ (i.e. on the international treaties the respective forum has signed)

Practical Differences: Distance, language, duration, costs, legal culture, familiarity

⇒ **Many believe there is a *bias in favor of own nationals?***

E. Forum Shopping

2. Primacy of ICP

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– Interplay between ICP and PIL

The determination of the applicable law for logical reasons requires the prior determination of the forum. The conflict of law rules of the forum thus determine the law governing the case (*lex causae*)

- In the interest of procedural economy **streamlining forum and law** is advisable. Accordingly, ICP and PIL often use the same connecting factors.
- The informed claimant can **instrumentalize** the interdependency of ICP And PIL as a means of procedural strategy.

Example:

A French company transfers a standard essential patent in order to circumvent its FRAND obligation.

Which forum would you recommend?

E. Forum Shopping

2. Primacy of ICP

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– Choice of Law as a Through Hole?

Party Autonomy as a Starting Point: Art. 3 Rome-I, Art. 14 Rome-II

As a **general rule** parties may **choose the applicable law** and thereby could detach the choice of forum from the choice of law. However, the rules on choice of law contain some restrictions, which will – again – depend on the forum

- Regarding **contracts** with a weaker party even a valid choice of law cannot derogate from the rules protecting the weaker party
- Regarding **extra-contractual** obligations choice of law is strongly restricted: in general it must be concluded after the damage arose; in **IP-matters** it is ruled out.
- Independent of the subject the choice may be truncated
 - Lack of connecting element to another Member or Non-Member State, Art. 3 (3) and (4) Rome I; Art. 14 (2) and (3) Rome II
 - Overriding mandatory provisions of the forum, Art. 9 Rome-I, Art. 16 Rome-II
 - Public policy of the forum, Art. 21 Rome-I, Art. 26 Rome II

E. Forum Shopping

2. Primacy of ICP

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Freedom of Choice, Art. 3 Rome-I

- (1) A contract shall be **governed by the law chosen** by the parties. The choice shall be made expressly or clearly demonstrated by the terms of the contract or the circumstances of the case. By their choice the parties can select the law applicable to the whole or to part only of the contract.
- (3) Where **all other elements relevant** to the situation at the time of the choice are located in a country other than the country whose law has been chosen, the choice of the parties **shall not prejudice** the application of provisions of the law of that other country which cannot be derogated from by agreement.
- (4) Where **all other elements relevant** to the situation at the time of the choice are located in one or more **Member States**, the parties' choice of applicable law other than that of a Member State shall not prejudice the application of provisions of Community law, where appropriate as implemented in the Member State of the forum, which cannot be derogated from by agreement.

⇒ **Mind: Also see the restrictions in Art. 6 (consumers) and Art. 8 (employees)**

F. Forum Shopping

2. Primacy of ICP

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Overriding Mandatory Provisions, Art. 9 Rome-I

- (1) Overriding mandatory provisions are provisions the respect for which is regarded as crucial by a country for **safeguarding its public interests**, such as its political, social or economic organization, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to the contract under this Regulation.
- (2) Nothing in this Regulation shall restrict the application of the overriding mandatory provisions **of the law of the forum**.
- (3) Effect may be given to the overriding mandatory provisions of the law of the country where the obligations arising out of the contract have to be or have been performed, in so far as those overriding mandatory provisions render the performance of the contract unlawful. In considering whether to give effect to those provisions, regard shall be had to their nature and purpose and to the consequences of their application or non-application.

E. Forum Shopping

3. Interdependency of Procedural & Substantive Law

98

– Interchangeability of Procedural & Substantive Law

The distinction between *lex fori* and *lex causae* is based on the assumption that procedural rules are tied to the forum, whereas substantive law may be replaced by a foreign legal order.

However, in practice only organizational issues and competence are neutral, whereas many **procedural rules directly impact** on the outcome of the case.

Examples from comparative law:

- legal fiction \approx burden of proof
- entitlement to rendering accounts \approx order on evidence
- writing requirement \approx prohibition to use witnesses as proof of contract
- preclusion period \approx limitation of action

E. Forum Shopping

3. Interdependency of procedural & substantive law

99

– The Issue of Qualification

Application of the *lex fori* principle in theory requires a clear delineation between procedural and substantive law

In practice there is no uniform concept to distinguish the one from the other. Accordingly, there is a risk of either concurring rules or lacunas.

- Common Law / Civil Law:

Limitation of Action, cf. Tennessee Swap Case (Reichsgericht, Januar 4th 1882)

- Germany / Austria:

Production of Documents (Enforcement Directive)

⇒ Delineation of *lex fori* and *lex causae* should not be based on the legal instrument, but follow the purpose of the rule.

E. Forum Shopping

4. Differences of Procedural Schemes

100

– Characteristics of Procedural Schemes

National Procedural Rules

are characterised by the respective legislator's approach to a reasonable & time-efficient dispute resolution. Differences concern

- conduct of oral hearings
- availability and burden to produce evidence
- system of representation
- duration of proceedings
- availability of appeal (second and/or third instance proceedings)
- (provisional) enforceability
- availability of legal aid
- amount of costs and division between claimant/defendant

E. Forum Shopping

4. Differences of Procedural Schemes

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– Example: Application of Foreign Substantive Law

Starting Point *lex causae*:

Due to the harmonization of the rules on private international law within the EU (Rome.I, Rome-II) one may be tempted to think that the applicable law does not depend on the forum.

A major practical difference concerns who is in charge of determining the substance of the foreign law

- the judge on its own motion or the parties?
- what is the result in case it cannot be determined?

Practical Differences

- expert opinions or self-study
- judicial cooperation or individual commissioning of experts

E. Forum Shopping

4. Differences of Procedural Schemes

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– Example: Application of Foreign Substantive Law

➤ **Germany:**

a German court will apply foreign law on its own motion. The Federal Court has repeatedly stated that the application is not optional, but mandatory.

➤ **England:**

the parties have to state the substance of foreign law and in case of doubt provide evidence, because foreign law is treated as a mere fact.

➤ **France:**

French court in general apply foreign court on their own motion, but refuse to do so in the course of interim measures, as the ascertainment of the foreign law would hamper the aim of speedy response to the application.

⇒ **Mind: French and English courts resort to their own law to fill the lacuna!**

E. Forum Shopping

5. Race to the Courthouse

103

– Reasons for Parallel Proceedings

➤ Alternative jurisdiction

- is not necessarily a result of defective interpretation or faulty arrogation of jurisdiction but a necessary means of a system based on fixed heads of jurisdiction (procedural efficiency)
- right to choose between several equally convenient and appropriate for a facilitates access to justice

➤ Reasons a Claimant may Institute Parallel Proceedings

- insecurity regarding jurisdiction (e.g. preserve a time-limit)
- putting pressure on a defendant (e.g. seeking favourable settlement)

➤ Reverse Capacity (claimant/defendant)

- Both parties institute proceedings without knowledge of the other action
- Forum shopping

E. Forum Shopping

5. Race to the Courthouse

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– The concept of *lis pendens*

Mutual Trust

All jurisdictions are – by principle – of equal quality. Accordingly there is no legitimate interest to seize two different courts with the identical matter.

Procedural Efficiency

In order not to waste resources and prevent contradicting judgments the rules on ICP have to ensure that one dispute is only brought before one court and the result of this litigation is respected both in the forum and abroad.

How can you assure that the multitude of competent courts does not lead to multiple litigation?

E. Forum Shopping

5. Race to the Courthouse

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– Clash of Jurisdiction / Parallel Proceedings

- **Res iudicata** (Traditional international treaties)
 - Advantage: certainty that one (and only one) judgement is rendered
 - Disadvantage: waste of resources; race to the courthouse
 - Risk of conflicting judgements: Most countries give priority to their own courts
- **lis pendens** (Brussels Regulation, Hague Convention Choice of Courts)
 - Advantage: time & cost efficient; equal opportunities
 - Disadvantage: *race to the courthouse*, invites abusive practices (torpedo)
- **forum non conveniens** (*Common Law*)
 - Advantage: procedural economy; synchronization of forum and law
 - Disadvantage: uncertainty; risk that all competent courts refuse jurisdiction

E. Forum Shopping

5. Race to the Courthouse

106

– Art. 29 Brussels Regulation

Principle of Equality of all 28 Jurisdictions

Whichever court is seized first should adjudicate the matter and render a judgment, which then will be given effect throughout the entire area of freedom and justice.

Based on the principle of mutual trust it is left to the court first seized to decide whether it has jurisdiction.

- Problem of parallel proceedings is resolved by strict priority rule
- Adopts an internationally accepted solution (national law, Art. 31 CMR, Art. 6 HC)

Practical Problems:

1. When do two proceedings pertain to the identical matter?
2. Which point in time is decisive for determining priority?

⇒ Mind: **+Art. 31 (2)** contains a new rule relating to exclusive jurisdiction

E. Forum Shopping

5. Race to the Courthouse

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– 4 Requirements under the lis pendens Rule

Art. 29 Brussels Regulation

1. **brought in the courts of different Member States**
(mind extension of the system by treaties to DK, CH, FL and IS)
2. **involving the same cause of action**
does this include (negative) declaratory relief actions?
3. **between the same parties**
does this relate to formal or substantive identity?
4. **court first seized**
cf. Art. 32

E. Forum Shopping

5. Race to the Courthouse

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– Extending the Rule to Non-Member-States, +Art. 33

Brussels Recast streamlines *lis pendens* rule with Hague Convention 2005

Where jurisdiction is based on Art. 4, 7, 8 or 9 and proceedings are pending before a court of a third State at the time when a court in a Member State is seized of an action involving the same cause of action and between the same parties as the proceedings in the court of the third State, the court of the Member State may stay the proceedings if:

- it is expected that the court of the third State will give a judgment capable of recognition and, where applicable, of enforcement in that Member State; and
- the court of the Member State is satisfied that a stay is necessary for the proper administration of justice.

The court of the Member State shall dismiss the proceedings if the proceedings in the court of the third State are concluded and have resulted in a judgment capable of recognition and, where applicable, of enforcement in that Member State.

⇒ Mind: Norway, Island, Switzerland and Denmark do not qualify as third states!

E. Forum Shopping

5. Race to the Courthouse

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– Disadvantages of *lis pendens*-Rule

The *lis pendens* rule is based on mutual trust and the equality of all competent courts. Therefore the court first seized itself decides whether it has jurisdiction. All other courts have to stay their proceedings.

The ‘natural defendant’ may on purpose bring proceedings before an incompetent court relying on the fact that it will take the court a while to render a decision dismissing the claim.

Such – so called – **Torpedo actions** are particularly promising

- Jurisdictions with slow or overstrained judiciary
- Jurisdiction which have no connecting factor, as service, translation and assessment of the applicable law is time consuming
- Jurisdictions which are understood to favor own nationals

⇒ **Mind: Belgium, Poland and in particular Italy are typical Torpedo countries.**

E. Forum Shopping

6. Recognition & Enforcement

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– Recognition & Enforcement

Starting Point: Adjudication as Sovereign Act

According to the principle of territoriality the effect of every judicial decision is restricted to the respective Member State. Extra-territorial effect (**exequatur**) requires an application of the interested party to the requested jurisdiction.

Recognition proceedings serve the **interest of the public policy** of the requested state and **safeguard the fundamental rights** of the losing party.

Innovation of the Brussels Regulation

Replacing the principle of territoriality by the **principle of mutual trust** Art. 36. 39 turns the traditional approach upside-down. It states that a judgment given in a Member State shall be recognized in the entire EU without any special procedure. The **refusal of recognition** is the **rare exception** and has to be established by the party opposing recognition & enforcement.

E. Forum Shopping

6. Recognition & Enforcement

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– Grounds for Refusing Recognition

Art. 45 Brussels Regulation

On the application, the recognition of a judgment shall be refused:

- (a) if such recognition is **manifestly contrary to public policy** (ordre public)
- (b) where the **judgment was given in default of appearance**, if the defendant was not served with the document in sufficient time and in a way as to enable him to arrange for his defence.
- (c) if the judgment is **irreconcilable with a judgment** given between the same parties in the **Member State** addressed
- (d) if the judgment is **irreconcilable with an earlier judgment** given in another Member State or third State involving the same cause of action and the same parties
- (e) if the judgment conflicts with Sections 3, 4 or 5 of Chapter II where the **weaker party** was the defendant or (ii) Section 6 of Chapter II (**exclusive jurisdiction**).

E. Forum Shopping

6. Recognition & Enforcement

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– Enforcement of Foreign Judgments

Facilitated Enforcement

Every judgement can on application be enforced in every Member State

- **local jurisdiction:** court of the seat/domicile of the respondent or the place where assets are located, Art. 39 (2)
- **functional competence:** court of first instance
- **requirements:** provision of a copy of the judgement and a certificate according to Art. 54 verifying that it is enforceable in the Member State of origin.

If all requirements are met it will be enforced in an ex parte proceedings without scrutinizing any grounds of refusal (Art. 34, 35)

- subsequent **service** on the defendant (Art. 42)
- **enforcement action** will be governed by the respective national law

⇒ **Mind: Prior Service on defendant may put efficiency of enforcement at risk, as he is warned before assets can be attached.**

E. Forum Shopping

7. Summary

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– Forum Shopping

- The **term** *lex fori* refers to the acknowledged principle that each court applies its own procedural rules independent of which substantive law is applicable.
- Because the principle of *lex fori* extends to the conflict of laws rules it implies an **impact on the substance** of the decision.
- The **term forum shopping** refers to the strategical choice of one of several for a available.
- Forum shopping inter alia may be **motivated by the applicable procedural or substantive law** or practical differences.
- The **efficiency of forum shopping** is reinforced by the principle of **lis pendens**, which allows the party suing first to take the choice (race to the court house)
- The rule of *lis pendens* obliges the court second seized to **stay or dismiss** the proceedings, if both actions involve the same parties and the same cause of action.
- The **choice of an inconvenient** court can only by exception be invoked in enforcement & recognition proceedings (**weaker party, exclusive jurisdiction**)

⇒ **First come first served**

E. Forum Shopping

7. Summary

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– Forum Shopping: National Courts or UPC

- The decision whether to *opt in* **or** *opt out* of the UPC should be governed by the same reasons as forum shopping between national courts.
- By **opting into the UPC** you choose the entire package (lex fori, PIL, applicable substantive law & procedural rules). In particular you have to reckon that the choice has an **impact on the substance** of the decision.
- Differences may inter alia concern practical issues such as language, case management, time and costs required.
- **Possible advantages of UPC:** predictability concerning applicable law and procedure; procedure rules tailored to patent litigation, broad territorial scope of cognition, many issues contentious under national law are explicitly regulated
- **Possible disadvantages of UPC:** the competent chamber may be located in a different Member State, the broad scope of cognition also relates to nullity issues, there is no body of case law

⇒ “First come first served” is modified in favour of the rightholder

F. Procedural Strategy: (Abusive) Practice

1. Negative Declaratory Relief Action
2. Service of Documents
3. Taking of Evidence
4. Abusive Practice
5. Summary

F. Procedural Strategy

I. Negative Declaratory Relief Action

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Gubisch v. Palumbo

The questions arose in a dispute between Gubisch Maschinenfabrik KG, whose registered office is in Flensburg (Germany) and Mr. Palumbo, resident in Rome, relating to the **validity of a contract** of sale. Mr. Palumbo brought proceedings against Gubisch before the **Tribunale de Roma** for a declaration that his order had been revoked before it reached Gubisch for acceptance. In the alternative the plaintiff claimed that the contract should be set aside for lack of consent or its discharge because Gubisch had not delivered within the time-limit.

Gubisch objected that the Italian court lacked jurisdiction on the ground that it had already brought an action before the **Landgericht in Flensburg**, seeking **performance** by Mr. Palumbo under the contract.

ECJ Ruling

The concept of lis pendens pursuant to Art. 29 Brussels Regulation covers a case where a party brings an action before a court in a contracting state for the rescission of discharge of an international sales contract whilst an action by the other party to enforce the same contract is pending.

Practical Relevance:

- ⇒ Only the subject matter is relevant
- ⇒ Equality of Arms
- ⇒ Allows pre-emptive strikes by the natural defendant

F. Procedural Strategy

I. Negative Declaratory Relief Action

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Folien Fischer

Folien Fischer (Switzerland) manufactures and sells laminated paper goods. It distributes base material for continuous card forms inter alia in Germany. One of its subsidiaries holds several respective patents.

Ritrama (Italy) develops, produces and distributes various kinds of laminates and multilayer film. By letter of March 2007, Ritrama claimed that Folien Fischer's distribution policy was contrary to cartel law.

After receiving that letter, Folien Fischer brought an action before the Regional Court, Hamburg for a negative declaration stating that Folien Fischer was not obliged to desist from its sales practice nor to grant patent licences.

Subsequently Ritrama brought an action for performance and damages before the District Court, Milan.

ECJ Ruling

Art. 7 Nr. 2 must be interpreted as meaning that an action for a negative declaration seeking to establish the absence of liability in tort, delict, or quasi-delict falls within the scope of that provision.

Practical Relevance:

- ⇒ establishes a flying venue
- ⇒ allows a very broad choice of forum
- ⇒ interferes with the system of warning letters

F. Procedural Strategy

2. Service of Documents

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Leffler Chemie

Mr Leffler (Netherlands) applied to the President of the Arnhem Local Court by writ of 21 June 2001 for interim relief against Berlin Chemie, in order to recover goods taken by way of seizure by that company and to obtain an order prohibiting further such seizure. Berlin Chemie contested the application and, by order of 13 July 2001, the President of the Rechtbank refused to grant the form of order sought by Mr. Leffler, because the defendant had refused acceptance. .

Service of the writ on Berlin Chemie was effected in accordance with German legislation, but Berlin Chemie refused to accept the documents on the ground that they had not been translated into German.

ECJ Ruling

A proper construction of Article 8(1) of the Regulation leads to the result that in case the addressee of a document has refused acceptance on the ground that it is not in an official language of the Member State addressed or in a language of the Member State of transmission which the addressee understands, it is possible for the sender to remedy that by sending the translation requested.

Practical Relevance:

- ⇒ efficient, as refusing on formal matters does not improve defendant's situation establishes
- ⇒ In case of time pressure it is advisable to serve the writ without translation and during the process of service prepare for repetition
- ⇒ may be decisive for race to the courthouse

F. Procedural Strategy

3. Taking of Evidence

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Xpedys

On 22 November 2008, a freight train bound from Belgium to the Netherlands was derailed near Amsterdam. In 2009, a Belgian Court designated an expert, defining the scope of his task, most of which was to be carried out in the Netherlands. In the course of this investigation, the expert was to proceed to the scene of the accident in the Netherlands, and to all other places where he might be able to gather useful information in order to determine the causes of the accident, the damage suffered by the wagons and the extent of the damage.

The decision was challenged and maintained, that the expert may carry out his activities in the Netherlands only in accordance with the procedure laid down in Regulation No 1206/2001.

ECJ Ruling

The ECJ rules that Regulation No 1206/2001 applies as a general rule only if the court of a Member State decides to take evidence according to one of the two methods provided for by that regulation, in which case it is required to follow the procedures relating to those methods.

A national court wishing to order an expert investigation which must be carried out in another Member State is not necessarily required to have recourse to the method of taking evidence laid down in Articles 1(1)(b) and 17 of Regulation No 1206/2001.

Practical Consequence:

- ⇒ More favorable national rules remain in place!
- ⇒ By this means privileges of the forum the evidence is located may be circumvented.

F. Procedural Strategy

4. Abusive Practice?

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Canada Trust

In the early 1990s Castor Holdings, an investment company incorporated in Montreal, collapsed. Bankruptcy was opened in 1992 in Canada (loss \$ 1.5 billion) and proceedings initiated against the directors of the company for distributing \$ 15.5 million of dividends in 1991, in the suspect period.

In 1996 Daimler Chrysler Canada and its pension fund initiated proceedings against the directors. They claimed that their loss in the Castor bankruptcy was the result of wrongful conduct by the directors, including Stolzenberg (German) and Gambazzi (Swiss). Jurisdiction of the English courts was based on Stolzenberg's domicile in London. Warned that he would be served the writ he fled from London to Paris overnight; and on to his hometown (Germany).

In 1998 he brought a negative declaratory relief action in Darmstadt relying on limitation of action.

The Proceedings

The **English court** held that avoiding service amounted to an abuse of process and rendered a default judgment.

Enforcement proceedings were initiated in several states. The defendant's raised the question whether the default judgment was in breach of due process.

- **French** courts allowed enforcement;
- **Swiss** courts held it was contrary to *public policy*
- **Germany** held that it was irreconcilable with the negative declaratory relief judgment;
- **Italy** referred the question to the ECJ.

- ⇒ **Practical Consequence:** if available place of enforcement is good choice
- ⇒ **ordre public** may differ even within the EU
- ⇒ **abusive practice** may pay

E. Forum Shopping

6. Summary

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– Counter Measures

In case a party to a legal dispute assumes that its opponent may engage in tactical or even abusive manoeuvres the following measures may be considered:

- **Take precaution** not to raise his attention by sending a warning, proposing settlement proceedings, alternative dispute resolution
- **Reserve the forum** by bringing proceedings and as soon as the court is seized apply for a stay (in some jurisdiction there may be an automatic stay if the cost advancement is not paid)
- Choose the **defendant's local forum** to speed up service, omit the necessity of translation and ensure effective enforcement
- **Draft the claim broadly** to ensure that it will involve any potential counter-claim or negative declaratory relief
- **Seek interim relief** measures which counteract the delaying tactics
- Bring a plea of **abuse of process / application for striking out** in the forum sought by the opponent.

G. Summary

1. Take Home Message
2. Internet Resources
3. Further Reading

G. Summary

I. Take Home Message

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– Choice of Forum

Statistic evidence displays that most parties prefer the **forum at their doorstep** independent of the respective case and their role. Relevant factors are

- past experience
- accuracy in judicial decision-making
- familiarity with the legal system

This home sickness is irrational. A rational cost-benefit analysis would have to take into account which for a provides the framework for low risk and/or favorable result:

- risk/advantage of policing (red tape), rendering contractual agreement void
- availability of and access to evidence
- procedural efficiency, such as concurrence of forum and law
- amount and allocation of costs

G. Results

I. Take Home Message

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– Possible Advantages of Going Abroad

The harmonization of ICP by the EU to some extent detaches the choice of the forum from the choice of law. As a result going abroad may – for example – be more favourable than suing at the door-step:

- **Service of Document:** The rule on translation and computation of time is more generous than many national procedure rules.
- **Taking of Evidence:** By a request to another Member State the application of methods can be introduced which are not available at the main forum (e.g. cross-examination for German proceedings)
- **Legal Aid:** In some countries it is only available for natural persons, others reduce the matter in controversy, which serves as the basis for calculation costs.
- **Procedure Law:** The schemes on legal representation and costs may significantly differ (e.g. go to France with a weak case, litigate a strong one in Germany)
- **Applicable Law:** The conflict of law rules are largely harmonized, but differences remain with regard to *ordre public control* and whether they are **applied** *ex officio*.

G. Results

2. Internet Sources

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– Valuable Internet Resources

- <http://eur-lex.europa.eu/browse/summaries.html>
Summaries of EU legislation with hyperlinks to the current version.
- http://ec.europa.eu/justice/civil/index_en.htm
European Civil Justice Network contains relevant information on the legal systems of other EU Member States.
- http://www.hcch.net/index_de.php
Texts, reviews and status of participating states to all Hague Conventions
- www.lexology.com
Short summaries on current developments (law reform, judgments) sorted according to jurisdiction and field of interest
- <http://conflictoflaws.net/>
News and Views in Private International Laws

G. Results

3. Recommend Literature

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– Textbooks

Private International Law

- Peter Stone,
EU Private International Law (ICP & PIL) 2nd edition,
Cheltenham (2012)
- Richard Fentiman,
International Commercial Litigation,
2nd edition Oxford 2015
- James Fawcett/Paul Torremans,
Intellectual Property and Private International Law,
2nd edition Oxford 2011 (new edition upcoming 2016)

Rational Choice

- Eidenmüller (ed.),
Regulatory Competition in Contract Law and Dispute Resolution
Munich (2013)

G. Results

3. Recommended Literature

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– Current Articles

UPC / ICP & PIL

- Pedro De Miguel Asensio
Regulation No. 542/2014 and the International Jurisdiction of
the Unified Patent Court
IIC 2014, 868
- Richard Pinckney,
Understanding the transitional provisions of the Agreement on
the Unified Patent Court, EIPR 2015, 268
- Pierre Veron,
Extent of the Long-Arm Jurisdiction conferred upon the UPC
by Art. 71b (3) Brussels Regulation,
EIPR 2015, 588

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Your feedback and suggestions for improvement are welcome!

