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Recommended Citation

Miguel Asensio, Pedro de and Trimble, Marketa, "International Law Association's Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines"): Recognition and Enforcement" (2021). *Scholarly Works*. 1343.
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International Law Association's Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines"): Recognition and Enforcement

by **Pedro de Miguel Asensio and Marketa Trimble**

Abstract: This section of the the chapter "Recognition and Enforcement" of the International Law Association's Guidelines on Intellectual Property and Private International Law ("Kyoto Guidelines") establishes the conditions under which the effects of judgments rendered in a country may be extended to foreign jurisdictions. It seeks to favor international coordination and legal certainty by facilitating the cross-border recognition and enforcement

of judgments relating to IP disputes. The Guidelines are based on a broad concept of judgment with restrictions concerning judgments not considered final under the law of the State of origin as well as certain provisional measures. The main provision of this section lays down the list of grounds on which a requested court must refuse to recognize and enforce a foreign judgment.

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Recommended citation: Pedro de Miguel Asensio and Marketa Trimble, Kyoto Guidelines: Recognition and Enforcement, 12 (2021) JIPITEC 74 para 1

32. Object of Recognition and Enforcement

1. A foreign judgment may be recognized and enforced in accordance with this part of the Guidelines.
2. If a judgment is still subject to appeal in the State of the rendering court, or if the period for launching ordinary review has not expired in that State, the requested court may stay the recognition and enforcement until the appeal is decided or the period expires, or may make it a condition of the recognition and enforcement that the party seeking it provide security.
3. Provisional and protective measures adopted without prior hearing of the adverse party

and enforceable without prior service of process to that party shall not be recognized or enforced.

See as reference provisions

§§ 401(1), (2), and (4), 402, 411(1), 412(1), 413(1) ALI Principles
 Arts 4:102(1) and (5), 4:301(2), 4:801 CLIP Principles
 Arts 402, 403 Transparency Proposal
 Arts 405, 408 Joint Korean-Japanese Principles

Short comments

- 1 Guideline 32 provides for the recognition and enforcement of foreign judgments as defined in Guideline 2. Guideline 32, together with Guidelines 33-35, applies to both recognition and enforcement irrespective of whether the requested court decides

on them in separate proceedings or in a single proceeding. It applies also to situations in which recognition requires no special procedure. The aim of the Guidelines is to achieve the maximum degree of recognition and enforcement of foreign judgments while providing adequate safeguards to the requested States. Matters of recognition and enforcement not covered by the Guidelines, particularly those regarding procedure, are to be governed by the laws of the requested State. Such domestic rules should not undermine the effectiveness of the Guidelines.

- 2 Guideline 32 provides for two exceptions to the general rule. The exception in paragraph 2 is discretionary and concerns foreign judgments that are or may still be subject to an appeal in the State of origin. Hence, it refers to judgments not considered final under the law of the rendering State. Such judgments might or might not be enforceable in the State of origin. Since non-final judgments may be revised in the State of origin, particular safeguards have to be provided. In cases involving non-final judgments the requested court has three options: (1) follow the general rule and recognize and enforce the judgment; (2) stay the recognition and enforcement proceeding until the appeal is decided in the State of the judgment's origin or until the period for filing of an appeal expires; or (3) recognize and/or enforce the judgment but require security from the party seeking the recognition and/or enforcement.
- 3 Under the mandatory exception in paragraph 3 the requested court must not recognize and/or enforce provisional and protective measures if the rendering court issued the measures without a prior hearing of the respondents and the enforcement is to occur without notice to the respondent. This provision is intended to ensure adequate protection of the right to be heard. Judgments issued without notice to the respondent that are not provisional and protective measures are addressed in Guideline 34. Guideline 34 also lists additional grounds for non-recognition and non-enforcement of foreign judgments.

Extended comments

Hypothetical 1

A obtains a judgment against B from a court in State X for copyright infringement that B committed in X. A then files for the recognition and enforcement of the judgment in a court of State Y – the State of B's habitual residence. Provided that all provisions of this part of the Guidelines are satisfied, Y's court should recognize and enforce the judgment.

Hypothetical 2

A obtains a judgment against B from a court in State X for copyright infringement that B committed in X. A then files for the recognition and enforcement of the judgment in a court of State Y – the State of B's habitual residence. B objects because under X's law, B could still appeal the judgment in X's courts. Y's court requires that A provide security if A wants the court to proceed while X's judgment may still be appealed in X. After A provides security, the court in Y recognizes X's judgment and enforces the judgment against B. As an alternative, Y's court may decide to stay the recognition and enforcement until the appeal is decided or the period for launching ordinary review expires.

Recognition and Enforcement of Judgments

- 4 Guideline 32(1) states the fundamental rule for recognition and enforcement, which is guided by the objective of achieving maximum recognition and enforcement of foreign judgments. The rule applies to both recognition and enforcement, and applies irrespective of whether a court decides on only one or both of them and irrespective of whether a court decides on them in a single proceeding or in two separate proceedings. It applies also to situations in which recognition requires no special procedure, such as situations in which recognition of a foreign judgment may be raised as an incidental question in judicial proceedings.
- 5 Guideline 32(1) does not define the term "judgment"; the definition of "judgment" is in Guideline 2, which defines judgments broadly so as to include a variety of decisions such as judgments, decrees, orders, and court-approved settlements. Guideline 32(1) is not limited to judgments that are considered "final"; Guideline 32(2) addresses issues that may be associated with a lack of finality of foreign judgments. Guideline 33 addresses the extent of the effects that foreign judgments should have in the requested State.
- 6 The following terminology is adopted in Guidelines 32 – 35: The term "foreign" refers to a judgment originating in a State other than the State where recognition and enforcement are sought. The State where the judgment is rendered is called the "State of origin." The jurisdiction in which recognition and enforcement is sought is called the "requested State".

1 CLIP Principles comment 4:102.C13 on p. 403. Cf. § 401(2) ALI Principles; Article 402 Transparency Proposal.

Judgments Subject to an Appeal in the State of Origin

7 Guideline 32(2) allows for the recognition and/or enforcement of foreign judgments that either are or might be subject to an appeal in the State of origin.² Periods during which and the extent to which judgments may be appealed vary among jurisdictions, as does the definition of when a judgment is considered to be final. Finality of a judgment is governed by the law of the State of origin. Guideline 32(2) adopts a flexible approach by giving the requested court three options; the requested court, based on its own law, will decide which of the three options is best suited to its own procedural system and the circumstances of the particular case: recognition and enforcement, a stay of recognition and enforcement, or recognition and enforcement subject to the requesting party's providing security. Guideline 32(2) does not dictate what factors the requested court must or should consider when deciding on which of the three options to adopt. A consideration that the requested court may take into account is whether the pending or possible appeal in the State of origin might change the foreign judgment.³

8 None of the three options exclude the possibility that the decision of the requested court may have to be revised if an appeal in the State of origin reverses or changes the original judgment. Under the first option, when the requested court recognizes and/or enforces an appealable foreign judgment, the requested court should have some procedure available to adjust the resulting circumstances based on the new judgment. Under the second option, when a proceeding is stayed, no conflict with a later appellate judgment should arise. Under the third option, when security is provided, any later adjustments to the original judgment will be supported by the security that the requested court imposes on the party that has requested the recognition and enforcement of the judgment.⁴

Ex Parte Provisional and Protective Measures without Service of Process

9 Guideline 32(3) prohibits the recognition and enforcement of *ex parte* provisional and protective measures that are to be enforced without prior notice to the respondent.⁵ This provision is intended to ensure adequate protection of the right to be

heard in cross-border situations. The provision does not interfere with the possibility of a State to provide for *ex parte* measures as a tool for the enforcement of intellectual property rights; the provision only excludes cross-border recognition and enforcement of such measures. Hence, only courts that are closest to the particular circumstances should issue *ex parte* provisional and protective measures in accordance with national procedures. If such measures are issued *ex parte* and are to be enforced without a respondent being served prior to enforcement, the measures must not be recognized and/or enforced by a court in another State.

10 The term “service of process” refers to specific forms of service of process that international agreements on service of process require.⁶ For a measure to be recognized and enforced, the enforcement of the measure is to occur with notice to the respondent, and a respondent must be served a reasonable time before enforcement in the requested court in order to give the respondent an opportunity to object to the measure. Service of process must be directly to the respondent; a public announcement on a court's official notice board or on a court's website will not suffice.

11 Guideline 32(3) concerns *ex parte* provisional and protective measures that are to be enforced without notice. Other provisional and protective measures are subject to the following Guidelines 32 – 35, as are any other “judgments” that are defined in Guideline 2.⁷ Judgments issued without notice, other than *ex parte* provisional and protective measures, are also subject to Guidelines 32 – 35, and a lack of notice in instances of these judgments is addressed in Guideline 34.

33. Effects of a Foreign Judgment

The effects of a foreign judgment, including its enforceability, in the requested State shall to the extent possible be the same, and under no circumstances greater, than in the State of origin.

See as reference provisions

§ 401(3) ALI Principles

Art 4:102(2) – (4) CLIP Principles

Art 404 Transparency Proposal

² Article 4:102(5) CLIP Principles.

³ 408 Joint Korean-Japanese Principles; ALI note f on § 401.

⁴ Article 403(4) Transparency Proposal.

⁵ Article 4:301(2) CLIP Principles; Article 402(ii) (in general) and Transparency Article 403(1) Transparency Proposal.

⁶ E.g., the Hague Convention on Service of Process.

⁷ See Article 4:101 CLIP Principles; § 401(4) ALI Principles; Article 405 Joint Korean-Japanese Principles. ALI limits court jurisdiction to issue provisional and protective measures only to a court in the territory for which intellectual property rights at issue are registered or “in which tangible property is located.” § 214(2) ALI Principles.

Short comments

- 12 Guideline 33 requires that the requested court, when it recognizes and/or enforces a foreign judgment, ensures that the effects of the recognition and/or enforcement do not exceed the effects that the judgment has in the State of origin, or would have had in the State of origin were the judgment enforced there. The Guideline is phrased generally in order to cover all types of procedural effects, including claim preclusion (*res judicata*), issue preclusion (collateral estoppel), and enforceability. If the judgment is not enforceable under the law of the State of origin, it may not be held enforceable in the requested State.

Extended comments**Hypothetical 1**

A obtains a judgment against B from a court in State X for copyright infringement that B committed in X. A then files for the recognition and enforcement of the judgment in a court of State Y – the State of B’s habitual residence. Before Y’s court decides on the recognition and enforcement of X’s judgment, the judgment is rendered unenforceable in X. Y’s court should deny recognition and enforcement of X’s judgment.

Hypothetical 2

A sues B in a court of State X for infringement of copyright based on B’s making available of infringing works on the internet. X’s court grants A an injunction that is limited to X’s territory. Subsequently, A files in a court of State Y – the State of B’s habitual residence – for recognition and enforcement of the judgment. Y’s court recognizes X’s judgment but enforces it only as to X’s territory by requiring that B use geo-blocking to prevent the enjoined activity only in X and not outside of X or globally.

Effects of the Recognized and Enforced Foreign Judgment

- 13 Under Guideline 33 the effects of the recognized and enforced foreign judgment must not be greater than the judgment’s effects are or should be in the State of origin. The effects of a foreign judgment under Guideline 33 are to be understood broadly in order to cover all types of procedural effects, including claim preclusion (*res judicata*), issue preclusion (collateral estoppel), and enforceability. The scope of the effects may have substantive, territorial, and temporal dimensions.⁸ For example, remedies will

concern certain activities or assets of the defendant; remedies will be limited to the territory of the State of origin, to the territory of a different State, to the territory of multiple States, or they will be global; remedies will be permanent (e.g., a permanent injunction) or temporary (e.g., an ongoing royalty to be paid until the patent expires).

- 14 The law of the State of origin determines the scope that the foreign judgment is intended to have and thus defines its effects.⁹ The law of the requested State governs the scope of the recognized and enforced judgment, including the extent of the judgment’s preclusive effect in the requested State.¹⁰
- 15 The requested court must assess whether the effects in the requested State will be the same or smaller than the effects in the State of origin. Guideline 33 prohibits the effects from being greater in the requested State than in the State of origin. The Guideline prefers identical effects, and accepts smaller effects in the requested State as an alternative only if identical effects cannot be achieved. Legal and procedural constraints may restrict the remedies available in the requested State.
- 16 Smaller effects should be reserved for exceptional cases, primarily when it is not possible – either physically or legally – to achieve identical effects in the requested State. Guideline 35 allows the requested court to adapt the foreign judgment to achieve effects that are as close to identical to the effects in the State of origin as is possible. For example, if the rendering court, based on the substantive law of the State of origin, awards extraterritorial profits for sales of infringing products in the requested State¹¹ and the same profits are also subject to a domestic judgment in the requested State concerning the parallel intellectual property right in the requested State, the requested court may reduce the remedies awarded by the foreign judgment to prevent a duplication of the award of profits. Similarly, any potential territorial overlap of a foreign-issued

in Article 402).

⁸ Article 4:102(3) CLIP Principles; Joint Korean-Japanese Principles, notes on p. 152 (addressing territorial effects under the provision on partial recognition and enforcement

⁹ ALI Principles Comment d on § 401, p. 169; Article 4:102(3) CLIP Principles.

¹⁰ § 401(3) ALI Principles; Article 4:703(3) CLIP Principles (“Enforcement takes place in accordance with the law of the requested State and to the extent provided by such law.”) and comments 4:102.C08 and C09 on pp. 400–401.

¹¹ E.g., United States Court of Appeals, *L.A. News Service v. Reuters Tel. Intern. Ltd.*, 149 F.3d 987 [9th Cir. 1998]; United States Court of Appeals, *L.A. News Service v. Reuters Tel. Intern. Ltd.*, 340 F.3d 926 [9th Cir. 2003]; United States Court of Appeals, *WesternGeco LLC v. ION Geophysical Corp.*, 138 S.Ct. 2129 [Fed. Cir. 2018].

injunction with another injunction that is a domestic injunction may be remedied by adapting the foreign judgment or by awarding an alternative remedy, such as damages, under Guideline 35(3).¹²

- 17 The extent of the effects of a judgment may be explicit or implicit. For example, with respect to territorial scope of a measure, the rendering court may state in a judgment the States that are covered by the court's injunction; or the rendering court might not specify for which States it issued the injunction, in which case the injunction's scope may be implied from the national laws that the rendering court applied in its proceedings. The requested court should focus on explicit scope of measures but should also consider their implicit extent when necessary.

34. Grounds for Non-Recognition and Non-Enforcement

1. A court shall not recognize and enforce a foreign judgment if:

- a) such recognition or enforcement would be manifestly incompatible with a fundamental public policy of the requested State;
- b) the proceedings leading to the judgment were manifestly incompatible with the fundamental principles of procedural fairness of the requested State;
- c) the judgment was rendered by default where
 - (i) the defendant to the proceeding was not adequately and timely notified of the proceeding, or
 - (ii) the defendant was deprived of an adequate and meaningful opportunity to present its case before the rendering court;
- d) the judgment is inconsistent with a prior judgment rendered in the requested State that has preclusive effect;
- e) the judgment is inconsistent with an earlier judgment given in another State between the same parties and having the same cause of action, provided that the earlier judgment fulfils the conditions necessary for its recognition in the requested State;

- f) the rendering court exercised jurisdiction in violation of the rules of jurisdiction under these Guidelines.

- 2. A court may decline to recognize and enforce a foreign judgment if the rendering court designated the applicable law in violation of the rules in Guidelines 20 – 24 protecting creators, performers and employees.
- 3. In assessing the rendering court's jurisdiction, the requested court is bound by the findings of fact made by the rendering court in the original proceeding.
- 4. Without prejudice to such review as may be necessary for the application of Guidelines 33 and 34, the requested court shall not review a foreign judgment as to its merits.

See as reference provisions

§§ 401 – 403 ALI Principles

Arts 4:201 – 4:601 CLIP Principles

Art 402 Transparency Proposal

Arts 401, 406, 407 Joint Korean-Japanese Principles

Short comments

- 18 Guideline 34(1) lists the mandatory grounds on which a requested court must refuse to recognize and/or enforce a foreign judgment. The list is exhaustive, and a requested court must not refuse recognition and/or enforcement on a ground that is not listed in Guideline 34. Under the Guidelines no reciprocity is required for recognition and enforcement of foreign judgments. Any one of the grounds listed in Guideline 34(1) will suffice for non-recognition and/or non-enforcement. The first three grounds concern public policy and fundamental due process requirements. The fourth and fifth grounds address conflicts with prior judgments that are inconsistent with the foreign judgment that is subject to the recognition and/or enforcement request. The sixth ground is a jurisdictional filter; it requires that the rendering court follow the rules of jurisdiction in the Guidelines.
- 19 Guideline 34(2) provides a discretionary ground for non-recognition and non-enforcement. It allows the requested court to deny recognition and enforcement if the rendering court did not respect the provisions of Guidelines 20 – 24 on the choice of applicable law protecting creators, performers and employees.
- 20 Guidelines 34(3) and (4) require that the requested court respect the findings of fact made by the rendering court and that the requested court not review the foreign judgment on the merits. The only exceptions to the prohibition against review

¹² § 412(1)(b) ALI Principles.

on the merits are under circumstances in which the requested court needs to assess the intended effects of the foreign judgment for the purposes of Guideline 33, and when the requested court needs to assess the applicability of one of the grounds for non-recognition and/or non-enforcement listed in Guideline 34.

Extended comments

Hypothetical 1

A sues B in a court of State X for copyright infringement that B committed in State Z. X's court renders a judgment against B for infringement that B committed in Z. A files in a court of State Y – the State of B's habitual residence – for recognition and enforcement of the judgment. Y's court should deny the recognition and enforcement because, under these Guidelines, X's court did not have jurisdiction over B in this case.

Hypothetical 2

A obtains a judgment against B from a court in State X for copyright infringement that B committed in X. A then files for the recognition and enforcement of the judgment in a court of State Y – the State of B's habitual residence. However, a court in State Y earlier rendered a judgment declaring that B did not infringe A's copyright in Y and X. Y's court will not recognize and enforce X's judgment because X's judgment is inconsistent with the prior judgment rendered in Y that has preclusive effect.

Public Policy Exception

- 21 Public policy as an exceptional device preventing recognition and enforcement of judgments is widely recognized in national and international regimes.¹³ Only a manifest incompatibility with a principle, value, or right regarded as fundamental should justify the application of the ground in Guideline 34(1)(a). “Public policy” in general is not defined in the Guidelines; the term “public policy” is broad¹⁴ and also amorphous – each State will have a different understanding of its public policies and which of them are fundamental, and the understanding may develop over time.

13 Cf. § 403(1)(e) ALI Principles (referring solely to “the public policy”); Article 4:401(1) CLIP Principles (referring solely to “the public policy”); Article 402(3) Transparency Proposal (mandating the denial of recognition and enforcement when a judgment and its proceedings are “contrary to the public policy in Japan”).

14 Article 401(1)(iii), notes on p. 151, Joint Korean-Japanese Principles.

- 22 The public policy ground in Guideline 34 should be used only in exceptional circumstances.¹⁵ The incompatibility must be manifest and public policy covers only fundamental values, principles and rules of the requested State.¹⁶ Mere differences in substantive laws should not suffice for the public policy exception to apply.¹⁷ Similarly, an error in law that does not constitute a breach of an essential rule of the requested State should not suffice.¹⁸ The already high degree of harmonization of intellectual property rights should have eliminated many differences among national intellectual property laws, but differences persist, and at least some of the differences may arise from differences in fundamental public policies.¹⁹

- 23 The public policy ground is to be assessed according to the effects that the recognition and/or enforcement would have in the requested State. The cause of action's repugnancy to the public policy of the requested State is not to be evaluated by the requested court;²⁰ any repugnancy of the cause of action would play a role only if the repugnancy were translated into effects that the judgment would have if it were recognized and/or enforced in the requested State. Similarly, procedural issues in the rendering court will not be considered by the requested court under Guideline 34(1)(a); Guideline 34(1)(b) is designed to prevent the recognition and/or enforcement of a foreign judgment rendered in proceedings that were incompatible with the fundamental principles of procedural fairness of the requested State.

- 24 Requested courts may use the public policy ground to refuse to recognize and/or enforce certain types of remedies, for example punitive damages, if the requested State considers such damages to be penal in nature and therefore not recognizable and enforceable in the requested State.²¹ However, under Guideline 35 the requested court will assess

15 CLIP Principles comment 4:401.C04 on pp. 432-433.

16 Article 4:404(1) CLIP Principles and comment 4:401.C02 on p. 432.

17 See CJEU, C-38/98, EU:C:2000:225 – *Renault*, paragraphs 30-34. CLIP Principles comment 4:401.C05 on p. 433.

18 In the EU context, see CJEU, C-681/13, EU:C:2015:471 – *Diageo*, paragraph 52.

19 CLIP Principles comment 4:401.C07 on p. 434.

20 See ALI Principles comment c on § 403 on p. 175 (“[T]he enforcement court should consider only the outcome of litigation...”).

21 Article 407 Joint Korean-Japanese Principles.

whether at least a portion of the judgment may be recognizable under the Guidelines, or whether the judgment may be adaptable under Guideline 35; if possible, the requested court will recognize and enforce the remainder of the judgment or adapt the judgment.²² In some instances the requested court may hold that the territorial scope of the judgment makes the judgment manifestly incompatible with a fundamental public policy of the requested State;²³ in such cases the requested court will deny recognition and/or enforcement under Guideline 34(1)(a) and consider if it may be possible to adapt the judgment under Guideline 35. In some requested States the protection of consumers or employees as weaker parties may stem from fundamental public policies that will be reflected in requested courts' decisions not to recognize and enforce judgments of rendering courts that do not satisfy a requested State's internationally mandatory rules that are based on these fundamental public policies.²⁴

Procedural Fairness

- 25 Under Guideline 34(1)(b) the requested court will use its own standard of "fundamental principles of procedural fairness" to determine whether the rendering court, in the proceedings that led to the issuance of the foreign judgment, proceeded in a manner that is "manifestly incompatible" with the requested State's principles.²⁵ "Procedural fairness" is to be interpreted broadly; it covers due process requirements, such as timely notice and opportunity to defend.²⁶ The ground also covers instances in which the proceeding of the rendering court does not meet the standard because of serious systemic problems in the judicial system of the State of origin, such as lack of an impartial judiciary,²⁷ or lack of integrity of the rendering court (e.g., fraud, bribery).²⁸

Default Judgments

- 26 Under Guideline 34(1)(c) default judgments are not to be recognized and enforced when either (a) there was no adequate notice to the defendant of the proceeding in the rendering court,²⁹ or (b) the defendant had no adequate and meaningful opportunity to present its case before the rendering court.³⁰ Other default judgments will be recognized and enforced unless there is another ground for their non-recognition and non-enforcement.³¹ *Ex parte* provisional and preliminary measures to be enforced without notice will not be recognized and/or enforced under Guideline 32(3).

Prior Judgments

- 27 Guidelines 34(1)(d) and (e) address situations in which one or more prior judgments exist that are inconsistent with the foreign judgment that is requested to be recognized and enforced. Paragraph (d) concerns the scenario in which the requested court faces two judgments – a foreign judgment and an earlier judgment from the requested State (a "domestic judgment"). If the domestic judgment has preclusive effects, the requested court will give preference to the domestic judgment and decline to recognize and enforce the later foreign judgment.³² The requested court will apply its own law to determine whether the domestic judgment has preclusive effects vis-à-vis the foreign judgment; the Guideline does not set a standard for *res judicata*.³³
- 28 Paragraph (e) concerns the more complex scenario in which the requested court faces two foreign judgments – a judgment for which recognition and/or enforcement is sought, and another foreign judgment that pre-dates the judgment that the requested court is asked to recognize and enforce. The choice of judgment that has priority will have policy implications: Giving priority to the judgment first issued rewards the party that filed a lawsuit first and penalizes the party that attempted to circumvent the first judgment by obtaining a conflicting second judgment. Giving priority to the judgment issued later rewards the party that pursued its rights diligently by filing the second

22 Article 407 Joint Korean-Japanese Principles (calling for the recognition and enforcement of an "amount of compensatory damages" if the "punitive damages or similar monetary relief manifestly exceed ... compensatory damages").

23 CLIP Principles comments 4:401.C12 and C13 on pp. 436-437.

24 See Article 4:204 CLIP Principles.

25 See Article 4:401(2) CLIP Principles.

26 Article 4:501(1) CLIP Principles.

27 § 403(1)(a) ALI Principles.

28 § 403(1)(b) and (d) ALI Principles.

29 § 403(1)(c) ALI Principles; Article 401(1)(ii) Joint Korean-Japanese Principles; Article 402(ii) Transparency Proposal.

30 § 403(1)(d) ALI Principles.

31 Article 401(1)(ii) Joint Korean-Japanese Principles; Article 402(ii) Transparency Proposal.

32 Article 402(5) Transparency Proposal; Article 4:501(3) CLIP Principles.

33 Cf. Article 406(1) Joint Korean-Japanese Proposal.

lawsuit; it penalizes the party that filed the first lawsuit but then failed to argue *res judicata* in the second proceeding.³⁴ The Committee opted for the first-in-time rule; though the choice is not without controversy, the Committee believes that this is the better rule within the framework of the Guidelines.

- 29 Guideline 34(1)(e) gives preference to the earlier judgment, but only if the earlier judgment could be recognized and enforced in the requested State under the Guidelines.³⁵ Therefore, if the earlier judgment was obtained by fraud, for example, or is in conflict with the jurisdictional rules of the Guidelines, the requested court will give preference to and recognize and enforce the later judgment.
- 30 The earlier foreign judgment need not be formally recognized and enforced in the requested State in order for it to serve as a basis for non-recognition and/or non-enforcement of the later foreign judgment. But if the earlier foreign judgment had previously been formally recognized in the requested State, the earlier foreign judgment is to be treated as a domestic judgment, and any conflict with a later foreign judgment will be assessed under Guideline 34(1)(d).³⁶
- 31 The inconsistency of judgments may be at the level of *res judicata*; for example, a judgment of infringement in the first litigation and a later judgment of invalidity in the second litigation of the same right that was held to be infringed in the judgment from the first suit will be inconsistent.³⁷ While not just any difference between the effects of two judgments will automatically make the judgments inconsistent,³⁸ some differences will make the judgments inconsistent.

Rules of Jurisdiction

- 32 Guideline 34(1)(f) creates a jurisdictional filter by requiring that for recognition and enforcement the

34 Under the “last-in-time” rule, the last judgment will generally prevail. The rule applies, for example, to sister state judgments under the law of the State of New York. See Supreme Court of the State New York, *Byblos Bank Europe, S.A. v. Sekerbank Turk Anonym Syrketi*, 885 N.E.2d 191 [C.App. N.Y. 2008]. However, even under New York law, “the last-in-time rule ... need not be mechanically applied when inconsistent foreign State judgments exist.” *Id.*, 193.

35 Article 4:501(4) CLIP Principles; Article 406(2) Joint Korean-Japanese Principles.

36 CLIP Principles comment 4:501.C18 on pp. 452-453.

37 CLIP Principles comment 4:501.C20 on p. 453.

38 CLIP Principles comment 4:501.C20 on p. 453.

rendering court follow the rules of jurisdiction under the Guidelines.³⁹ Guideline 34(1)(f) thus reinforces the functioning of the system under the Guidelines because it provides an incentive to apply the grounds of jurisdiction so that the resulting judgment will be recognizable and/or enforceable under the Guidelines.

- 33 Only if the rendering court’s exercise of jurisdiction was in violation of the Guidelines will there be grounds for non-recognition and non-enforcement. The requested court will recognize and enforce the foreign judgment even if the rendering court’s exercise of jurisdiction was not supported by a jurisdictional ground under the Guidelines if another ground of jurisdiction under the Guidelines would have been applicable.⁴⁰ Guideline 16 provides a list of insufficient grounds for jurisdiction which are relevant when applying the jurisdictional filter in the context of recognition and enforcement. Moreover, to the extent that the requested court must assess foreign judgments on the merits to determine if there is an alternative ground for jurisdiction, Guideline 34(4) allows the requested court to do so.

The Discretionary Ground Concerning Choice of Applicable Law

- 34 Guideline 34(2) provides a discretionary ground for non-recognition and non-enforcement. It allows the requested court to decline recognition and enforcement if the rendering court did not respect the rules in Guidelines 20-24 on the choice of applicable law protecting creators, performers and employees. This ground of non-recognition is intended to prevent circumvention of the protective rules on choice of law concerning creators, performers and employees where the circumvention is a result of a choice of forum agreement granting jurisdiction to the courts of a State not applying such protective rules.
- 35 The Guidelines only envisage the review of the choice of law rule applied by the rendering court in 34(2). In exceptional circumstances, in particular, in situations where the court of origin manifestly undermined the territoriality of intellectual property rights and disregarded the *lex loci protectionis* criterion in violation of the provisions on applicable law of the Guidelines, recourse to public policy under Article 34(1)(a) could become relevant.

39 See § 401(1)(a) ALI Principles (compliance with the Principles in general), 402, and 403(1)(f) – (h) and (2); Articles 4:201 and 4:301(1) CLIP Principles; Article 401(1)(i) Joint Korean-Japanese Principles; Article 402(i) Transparency Proposal.

40 See CLIP Principles comment 4:201.C08 on p. 412.

The Rendering Court's Findings of Fact and the Merits of the Foreign Judgment

- 36 The principles of legal certainty and judicial economy underscore Guidelines 34(3) and (4). Findings of facts made by a rendering court and the rendering court's decision on the merits should not become the subject of re-evaluation by the requested court.⁴¹ It is expected that parties will have adequate opportunity to ensure that the rendering court makes correct findings of fact and determines the merits of the case correctly. If the rendering court's procedure does not allow the parties to ensure this level of fairness, the procedure will disqualify the foreign judgment from recognition and enforcement on the basis of Guideline 34(1)(b).
- 37 The requested court will rely on the facts as they were established by the rendering court,⁴² and the requested court will not conduct any new or additional fact finding. Even when the requested court conducts a review of the merits under the limited circumstances listed in Guideline 34(4), the requested court will conduct its review based on the facts as established by the rendering court.⁴³
- 38 If the requested court conducts a review of the merits it will do so from the position of the rendering court, including a consideration of the rendering court's rules of procedure, such as the rendering court's choice-of-law rules, if any. A review of the merits by the requested court is permitted only in the circumstances listed in Guideline 34(4), which are (a) when the requested court needs to assess the effects that the foreign judgment is intended to have for purposes of Guideline 33, and (b) when the requested court needs to determine whether any grounds for non-recognition and/or non-enforcement apply under Guideline 34.⁴⁴ Under Guideline 34(1)(f), the requested court may have to assess the facts of a case to determine whether the rendering court's exercise of jurisdiction was in compliance with the jurisdictional rules of the Guidelines.⁴⁵

35. Partial and Limited Recognition and Adaptation

1. If a foreign judgment contains elements that are severable, one or more of them may be separately recognized and enforced.
2. If a foreign judgment awards non-compensatory, including exemplary or punitive, damages that are not available under the law of the requested State, recognition and enforcement may be refused if, and only to the extent that, the judgment awards damages that do not compensate a party for actual loss or harm suffered and exceed the amount of damages that could have been awarded by the courts of the requested State.
3. If a judgment contains a measure that is not known in the law of the requested State, that measure shall, to the extent possible, be adapted to a measure known in the law of the requested State that has equivalent effects attached to it and that pursues similar aims and interests.
4. If a foreign judgment includes a decision concerning the validity of a registered intellectual property right and the rendering court is not a court of the State of registration, the decision on the validity shall be effective only between the parties to which the foreign judgment pertains.

See as reference provisions

§ 411(2), 412(1)(b), 413 ALI Principles
 Arts 4:102(6), 4:202, 4:402, 4:703(3) CLIP Principles
 Art 404 Transparency Proposals
 Arts 402 – 404, 407 Joint Korean-Japanese Principles

Short comments

- 39 To achieve the maximum degree of recognition and enforcement, Guideline 35 provides for partial recognition and/or enforcement and for partial or full adaptation of judgments so that if judgments or parts of judgments cannot be recognized and/or enforced, either at least some parts of the judgments, or entire judgments with adaptation, can be recognized and/or enforced. If the grounds for non-recognition and non-enforcement in Guideline 34, or limitations on recognition and/or enforcement in Guidelines 32(2) and (3), apply to parts of a foreign judgment, the remainder of the judgment may be recognized and/or enforced, and Guideline 35 will facilitate a partial recognition and/or enforcement. Guideline 35 also provides for adaptations so that foreign judgments or their parts may be adjusted to be enforceable in the requested State.

41 See Article 4:601 CLIP Principles; Article 401(2) Joint Korean-Japanese Principles, notes on p. 152.

42 See Joint Korean-Japanese Principles, notes on pp. 151-152.

43 See Article 4:203 CLIP Principles.

44 See § 403(3) ALI Principles.

45 See Article 401(2) Joint Korean-Japanese Principles, notes on p. 151.

Extended comments

Hypothetical 1

A sues B in a court of State X for copyright infringement in X. X's court issues a judgment and awards A enhanced statutory damages because of B's willfulness. Subsequently, A asks a court in State Y – the State of B's habitual residence – to recognize and enforce X's judgment against B. The law in Y does not provide for statutory damages or for punitive or enhanced damages. Y's court recognizes X's judgment and enforces X's judgment up to the amount that Y's court considers to be compensatory, which in the view of Y's court includes not only damages but also litigation costs.

Hypothetical 2

A sues B for patent infringement in State X. X's court issues a judgment in which the court orders B to pay damages and to apologize publicly. The public apology must follow specific rules in X; it must be oral and it must be televised. Subsequently, A asks a court in State Y – the court of B's habitual residence – to recognize and enforce X's judgment. Y's court (a) recognizes X's judgment, (b) serves and enforces the part of the judgment concerning damages, and (c) adapts the order of public apology to correspond to a type of order known in Y – an order to have the judgment published in a major daily newspaper at B's expense.

Severability

- 40 The Guidelines prefer maximum recognition and enforcement; if part of a foreign judgment cannot be recognized and/or enforced, for example because of the public policy exception formulated in Guideline 34(1)(a), the remainder of the judgment should be, whenever possible, severed and recognized and/or enforced separately under Guideline 35(1).⁴⁶ A denial of recognition and enforcement of part of a judgment should not automatically result in a denial of recognition and/or enforcement of the entire judgment.⁴⁷

Non-Compensatory Damages

- 41 If a rendering court awards non-compensatory damages, and the law of the requested State considers such damages to be penal in nature and therefore unrecognizable and unenforceable in the requested

State, under Guideline 34(1)(a) the requested court will not recognize and enforce the damages. Even if an award of non-compensatory damages is not manifestly incompatible with the public policy of a requested State, and there is therefore no ground to deny recognition and enforcement of the judgment under Guideline 34(1)(a), Guideline 35(2) allows a requested State to deny recognition and enforcement purely because such types of damages are not available in the requested State. However, in both cases a requested court may deny recognition and/or enforcement only as to the amounts that exceed the amounts that could have been awarded by the requested court.⁴⁸

- 42 A requested court will apply its own law to determine what parts of damages awarded by a rendering court are to be considered compensatory. When assessing a compensatory amount, the requested court might, if such determination is consistent with its own law, include amounts such as attorneys' fees and other litigation costs.⁴⁹ The fact that a rendering court designates a certain part of damages as "compensatory," "statutory," "exemplary," or "punitive" should have no effect on the decision of a requested court.⁵⁰ Also, a rendering court's designation of damages as "compensatory" does not require a requested court to find such damages to be non-penal in nature; the requested court may still find such damages to be penal in nature if the damages exceed an amount that the requested court would consider to be compensatory.⁵¹

Unknown Measures

- 43 A rendering court's judgment may include injunctions and other measures ("measures") that are unknown to the legal system of the requested State. A requested court may deny recognition and enforcement of such measures on public policy grounds under Guideline 34(1)(a) if circumstances call for the application of the ground. Guideline 35 provides for an additional scenario in which a measure is not manifestly incompatible with a requested State's fundamental public policy but the measure does not exist in the law of the requested

46 Article 4:102(6) CLIP Principles; Article 402 Joint Korean-Japanese Principles; Article 404(1) Transparency Proposal.

47 Article 4:703(3) CLIP Principles ("Enforcement takes place in accordance with the law of the requested State and to the extent provided by such law").

48 § 411(2) ALI Principles; Article 4:402(1) CLIP Principles. See examples of judgments granted by courts in Germany, Italy, Japan, and Spain that are mentioned in CLIP comment 4:402.C05 on p. 444.

49 § 411(2) ALI Principles and comment e on § 411 on p. 189; CLIP Article 4:402(2).

50 § 411(1) ALI Principles. Cf. ALI Principles note b on § 411 on p. 188.

51 CLIP Principles comments 4:402.C07 and C.08 on p. 445.

State.⁵² Such unknown measures may present insurmountable enforcement difficulties – either immediately (a measure cannot be implemented) or in the future (e.g., a requested court has no means to achieve the effective enforcement of a measure in the future).

- 44 The unavailability of a particular measure that is ordered by a rendering court should not automatically result in the denial of recognition and/or enforcement of an entire judgment.⁵³ Rather, a requested court may under Guideline 35(3) identify a measure that is available under the requested State's law, has equivalent effects when compared with similar measures in the foreign judgment, and pursues goals similar to the goals of the measure in the foreign judgment; the requested court may then replace the foreign-ordered measure with the requested State's measure.
- 45 The adaptation under Guideline 35(3) should be based on a requested court's assessment of the particular circumstances; the adaptation should not be a mechanical exercise in which the requested court ignores the circumstances of the particular case. While replacing one foreign measure with a particular similar measure in the requested State might be suitable in some cases, the same adaptation might not work in other cases. In some cases a requested court may award monetary relief in lieu of enforcing a measure ordered by a rendering court if no measure with equivalent effects is available in the requested State.⁵⁴ The requested court may use this provision to adapt global injunctions to measures available in the requested State.⁵⁵

Decisions on the Validity of Registered Rights

- 46 Guideline 35(4) concerns decisions on the validity of intellectual property rights, but only if three conditions are met: (1) the decision is in a judgment as defined in Guideline 2; (2) the decision concerns a registered intellectual property right, such as a patent, a registered trademark, or a registered design; and (3) the rendering court is not a court of the State where the right was registered or granted. Guideline 35(4) covers such decisions, regardless of whether they invalidate the intellectual property right or confirm its validity.⁵⁶

- 47 Guideline 35(4) attaches only *inter partes* effects to such decisions, meaning that the decisions are binding only for the parties to the particular dispute.⁵⁷ The judgments do not result in cancellation of the grant or registration or removal of the intellectual property rights from the registries; validity decisions under Guideline 35(4) affect only the relations between or among the parties in the dispute.
- 48 Rights are considered to be “registered” only if a registration or grant is necessary for the right to vest. An optional registration does not convert unregistered intellectual property rights into registered rights; for example, the fact that unregistered well-known marks or copyrights may be registered in some States does not convert the rights into registered rights if registration is not required for the existence of the rights in the State.⁵⁸
- 49 Other decisions on the validity of intellectual property rights made in judgments that are defined in Guideline 2 will be recognized and enforced and will have *erga omnes* effects,⁵⁹ namely: (1) A validity decision concerning an unregistered intellectual property right, such as copyright, regardless of which State's court rendered the decision; and (2) a validity decision concerning a registered intellectual property right if the decision was rendered by a court in the State where such right was granted or registered. Decisions on validity that are not included in judgments, such as preliminary assessments of patent validity that are not included in judgments, are not subject to recognition and enforcement under the Guidelines.
- 50 Issues associated with circumstances under which an intellectual property right is found to be invalid after the right had been found to be infringed are to be governed by national laws unless they fall within the scope of the Guidelines.⁶⁰

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52 CLIP Principles comment 4:703.C05 on p. 465.

53 Cf. Article 403 Joint Korean-Japanese Principles.

54 ALI Principles comment d on § 412 on pp. 191-192.

55 CLIP Principles comment 4:102.C10 on pp. 401-402.

56 Cf. § 413(2) ALI Principles; Article 404 Joint Korean-Japanese Principles.

57 Article 404(2) Transparency Proposals..

58 Under U.S. law, copyright registration is required to file a copyright infringement lawsuit and for other purposes, but it is not a condition of the existence of copyright, which vests automatically upon the fixation of a work in a tangible medium of expression.

59 See § 413(1) ALI Principles; Article 4:202 CLIP Principles.

60 CLIP Principles comments 4:202.C07 – 4:202.C09 on pp. 419-420.

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