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"The Hague Conference's Proposed Judgments Convention: Issues and Implications for Electronic Commerce and Intellectual Property Disputes"

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1. Introduction

When new forms of commercial activity are used to create or protect commercial opportunities, we naturally look towards national, and where appropriate regional or international, laws to protect property rights, assert contractual rights and regulate those activities in a general way. In recent years, the increasing prevalence of intellectual property rights and the onset of electronic commerce have demonstrated this more so than other commercial activities. [2] It is well known that electronic commerce facilitates commercial activity between parties in either the same of different jurisdictions to each other by means of computer networks or electronic mail. [3] Non-governmental and governmental organisations alike have been challenged in recent years to formulate and implement (as far as possible) laws and procedures to facilitate electronic commerce amongst developed countries. [4]. It is no secret that this reactionary relationship is a consequence of both the novelty and frequency of the commercial activity in combination with the constant technological developments that drive electronic commerce activity forward. In some instances, states have simply chosen to adapt existing legal principles. Alternatively some states have introduced specific regulatory guidance on preliminary matters as contract formation (such as the OECD and the EU), the scope of electronic commerce activity (the EU) privacy and on specific issues such as security and privacy, payments, distance selling and tax (other noteable EU initatives). In other areas of on-line activity, the application and relevance of certain laws have yet to be considered.

2. The Interaction Between International Private Law, Intellectual Property and Electronic Commerce Activity

Both intellectual property and electronic commerce activities impinge upon traditional notions of international private law. International private law is a branch of private law that regulates disputes between parties where a foreign element is present. [5] It does this in three ways. First, it provides rules of jurisdiction, i.e which court is most appropriate to hear a dispute. Secondly, it provides choice of law, or "applicable law", rules. These rules determine what substantive laws will apply to the dispute. Thirdly, in order to give effect to judgments obtained from one state in the courts of another, international private law provides rules on the recognition and enforcement of judgments.

The last century has demonstrated that the development of international private law rules is no longer the remit of national courts or legislators. In that time, the role, membership and work of the Hague Conference on Private International Law has become more prevalent.[6] In recognising this role, the Hague Conference noted in 1997 that

"The need for international trade, the ever-growing interrelation of international economic activities and their greater complexity in comparison with the situation which existed thirty years ago, call for a new structure of international litigation than arbitration cannot furnish as and by itself. In addition, the ever more frequent occurrence of mass tort actions in matters of products liability, environment or banking, to cite but a few examples, calls for truly international solutions. Indeed, it is not infrequent that several courts are simultaneously requested to adjudicate in actions arising from the same facts or juridical acts. Likewise, some courts have developed an extensive understanding of their international jurisdiction. To tackle these situations, a legal standard collectively created by States within the ambit of the Hague Conference, seems to be the most adequate solution." [7]

Many states already have defined international private rules for intellectual property matters where a foreign element is involved. With the exception of the Member States of the European Union, few have considered the necessity to develop in one way or another international private rules for commercial activities generated by means of electronic commerce. One of the most recent projects of the Hague Conference on Private International Law is seeking to do just that, but on a global scale.

The Hague Conference's proposal for a worldwide Convention on jurisdiction and the recognition of judgments (hereafter referred to as the "draft Convention" [8]) has implications for many areas of commercial activity. Intellectual property matters, such as copyrights, patents and trademarks as well as electronic commerce activities, including consumer contracts conducted on-line, are most certainly affected. This paper will consider the proposals put forward by the Hague Conference and question whether the proposed Convention is an appropriate mechanism to provide international jurisdiction rules for these intellectual property and electronic commerce disputes.

3. Basis of The Draft Convention

The Hague Conference's proposed Convention seeks to ensure that judgments in "civil and commercial matters" derived from Contracting States are capable of being recognised and enforced in other Contracting States. Civil and commercial matters are not defined in the draft Convention. However, according to Report of the Special Commission by Nygh and Pocar (hereafter the "Nygh and Pocar Report") such matters are likely to be determined in an "autonomous manner" [9] and probably subject to a "liberal interpretation". [10] The drafts of the proposed Convention provide rules for the recognition and enforcement of judgments as well as rules of jurisdiction. These rules of jurisdiction seek to ultimately facilitate the recognition and enforcement of a judgment in a second country, without that second country having to consider the issue of whether the first country had jurisdiction to hear the case and issue the judgment. In this way, the draft Hague Convention models the Brussels Convention on Jurisdiction and the Recognition and Enforcement of Judgments. [11] The Brussels Convention has formed the basis for rules of jurisdiction and the recognition and enforcement of judgments in civil and commercial matters throughout Europe for over thirty years until the Brussels 1 Regulation replaced it last month. The draft Hague Convention differs from the Brussels Convention in a number of respects. Firstly, the Brussels Convention applied to civil and commercial matters where a defendant was domiciled in a European Member State. The proposed Hague Convention has the potential for global application and in certain matters, the defendant does not have to be domiciled in a Contracting State for jurisdiction to be established (with the exception where bases of jurisdiction are deemed to be exorbitant). Secondly, in order the facilitate the recognition and enforcement of judgments throughout Europe, EU Member States agreed on a Convention providing rules for both recognition and jurisdiction in civil and commercial matters. The proposed draft Convention appears to mirror that objective as has been drafted as a *mixed* Convention. It has been argued that the possibility of reaching agreement on one definitive set of global jurisdiction rules was highly unlikely and unrealistic. [12] Accordingly, the decision was taken after a number of Special Commission meetings to provide different rules of jurisdiction throughout the Convention. However, agreement has yet to be achieved on both the extent and content of the jurisdiction rules in the Convention. Indeed, Von Mehren reiterated recently that

"The degree of consensus required for a global convention on jurisdiction and recognition to be successful can only be achieved if its scope is more modest and its provisions more tolerant to differences in practices and values than could any convention largely based on the conceptions, aspirations, and approaches embodies in the Special Commission's Preliminary Draft." [13]

The present draft Convention (issued June 2001) includes different bases for the application of certain jurisdiction rules. Firstly there are jurisdiction rules that must be applied (subject to public policy grounds) by all Contracting States. These are often referred to as the "mandatory rules" or "white list" rules. Secondly, there are specified rules of jurisdiction that are not to be applied by the Contracting States to the Convention. These have become known as "black list rules". From a practical point of view, these rules are often the grounds of jurisdiction found in some countries that are deemed to be exorbitant. A well cited example is the United States test of "doing business". Such a rule enables a defendant to be subject to the US courts' jurisdiction if it can be demonstrated that the defendant is "doing business" in that jurisdiction. Recognition and enforcement of judgments obtained by the application of such exorbitant rules would not usually be permitted in other countries on grounds of public policy. The last proposed ground of jurisdiction would give Contracting States the discretion whether or not to apply certain other rules of jurisdiction within their national laws. Not surprisingly, these rules are known as "grey list" rules. According to the Nygh and Pocar Report, [14] recognition and enforcement of these rules will "depend on the national law of the State addressed". A consequence of such rules may be that parties are more likely to consider forum shopping for the jurisdiction most favourable to them. [15] Therefore, the manner in which such rules are approved and adopted into the Convention will ultimately determine whether a Contracting State has jurisdiction over a dispute; secondly, whether parties seek to select the forum on that basis, and thirdly whether the judgment obtained is capable of being recognised and enforced in another Contracting State under the Convention.

3.1 Previous Efforts at a Worldwide Jurisdiction and Judgments Convention

This is not the first occasion that the Hague Conference has considered and worked on the issue of globally harmonizing jurisdiction and judgments. The Hague Conference's original attempt at introducing a worldwide judgments Convention took place in the late 1960's-. At that time, the Convention (Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters, concluded in 1971, hereafter `the 1971 Convention' [16]) sought to facilitate the recognition and enforcement of judgments at international level. However, Contracting States were still required to enter into their own bi-lateral agreements with each other in order to give effect to the 1971 Convention. Needless to say, the 1971 Convention was not a success. The Hague Conference has acknowledged that the failure of the 1971 Convention was predominantly attributed to its scope. The Rapporteur Catherine Kessedjian stressed that

"(A)s a single Convention, the 1971 Hague Convention was only concerned with the recognition and enforcement of foreign judgments, and not how international jurisdiction ought to be established." [17]

Professor Kessedjian continues that

" for the majority of litigators...the first priority is to ascertain which court has international jurisdiction to adjudicate initially on the merits of the case." [18]

This explanation goes some way to explain the reason why the Hague Conference now favours the scope and application of the Brussels Convention as a "double Convention", providing both rules of jurisdiction and of recognition and enforcement. The 1971 Convention was only ever applicable between Cyprus, The Netherlands and Portugal. Indeed the "failure" of the Hague Conference's attempt at that time was highlighted by Von Mehren [19] in his commentary on the Hague Conference's decision to work on an international convention on jurisdiction and enforcement of

judgments. Later, the United Kingdom and the United States attempted to negotiate a bilateral Convention on jurisdiction and the recognition of judgments. However, UK insurance companies expressed concerns regarding the cost of having to enforce excessive awards and punitive damages obtained from US judgments. [20]

3.2 A (US) Proposal for a Worldwide Jurisdiction and Judgments Convention

Since the Hague Conference's last attempt in 1971, no international organization has sought to propose global rules of jurisdiction and which rules should apply to determine how judgments ought to be recognized and enforced in other countries. However, by 1992 this was the change. The United States made a request to the Hague Conference to consider placing on their agenda work for an international Convention on jurisdiction and judgments. The proposals to commence work in this area were accepted and a first draft was published in October 1999 (the October 1999 draft).

4. Provisions for Choice of court agreements, Contracts and IP Disputes in the 1999 Draft Hague Convention

4.1 The 1999 Draft

The scope of the 1999 draft Convention was contained in Article 1. The draft Convention was to apply to civil and commercial matters and excluded such matters in much the same way as the Brussels 1 Regulation and its predecessor, the Brussels Convention, did. Article 4 sets out the proposed rules on choice of court. [21] The 1999 draft Article 4 states that if jurisdiction is agreed between the parties, then that court shall have jurisdiction. Indeed, this choice appeared to be "exclusive" in Article 4. There was also a reference made to the selection of courts in non-Contracting States. In that instance, Article 4 required courts in Contracting States to either decline or suspend proceedings if the court in the non-Contracting States had not declined jurisdiction.

4.1.1 Intellectual Property and Electronic Commerce Matters

The draft Convention issued by the Hague Conference in October 1999 (hereafter the `1999 draft') made limited reference to intellectual property matters. Further, it did not make any specific reference to electronic commerce matters. Article 12 provided rules of "Exclusive Jurisdiction" which determined, *inter alia*, the jurisdiction for the registration, validity or nullity of patents, trademarks, designs or other similar rights as follows,

Article 12 Exclusive Jurisdiction

1. In proceedings which have as their object rights in rem in immoveable property or tenancies of immoveable property, the courts of the Contracting State in which the property is situated have exclusive jurisdiction, unless in proceedings which have as their object, the tenant is habitually resident in a different State.

2. In proceedings which have as their object the vailidity, nullity or dissolution of a legal person, or the vailidity or nullity or the decisions of its organs, the courts of a Contracting State whose law governs the legal person have exclusive jurisdiction.

3. In proceedings which have as their object the validity or nullity of entries in public registers, the courts of the Contracting State in which the register is kept have exclusive jurisdiction.

4. In proceedings which have as their object the registration, validity, [or] nullity [, or revocation or infringement,] of patents, trade marks, designs or other similar rights required to be deposited or registered, the courts of the Contracting State in which the deposit or registration has been applied for, has taken place or, under the terms of an international convention, is deemed to have taken

place, have exclusive jurisdiction. This shall not apply to copyright or any neighbouring rights, even through registration or deposit of such rights is possible.

5. In relation to proceedings which have as their object the infringement of patents, the preceding paragraph does not exclude the jurisdiction of any other court under the Convention or under the national law of a Contracting State.

6. The previous paragraphs shall not apply when matters referred to therein arise as incidental questions." [22]

Article 12 of the 1999 draft deemed that "the courts of the Contracting State in which the deposit or registration has been applied for, has taken place, or under the terms of an international convention, is deemed to have taken place" has exclusive jurisdiction. Such a provision seemed to illustrate the territorial nature of IP rights generally. The proposals for jurisdiction rules for determining the validity of such IP rights was justified [23] as it would be expected that for the incidental question of the validity of an IP right to be determined, a court would first have to consider whether it had jurisdiction to hear such a matter. However, the matter is different when the *infringement* is alleged in one country of an IP right obtained in another country. Here, it would have to be assumed that the court of the country where the infringement is alleged to have occurred has jurisdiction to hear a dispute regarding an IP right not obtained within its jurisdiction. In order to acquire that jurisdiction, surely the court where the infringement is alleged to have taken place would firstly have to consider the incidental question of the *validity* of the IP right alleged to have been infringed before the question of infringement itself could be addressed. The question has therefore become whether the conjoined issues of validity and infringement ought to be separated for the objective of the draft Convention.

The Nygh and Pocar Report confirmed that

"(T)he most troublesome question considered by the Special Commission was how to define the proceedings concerning intellectual property rights which are to be taken into consideration. The desirability of exclusive jurisdiction for proceedings relating to the validity of the rights is beyond debate, but it is not certain that it is equally desirable for proceedings concerning infringement of these rights." [24]

Since that report, the antagonism between recognizing the validity of intellectual property rights and the actual infringement of those rights has continued. This is by no means surprising given the `territorial' basis of intellectual property rights. Indeed, if infringement of an intellectual property right obtained in one country is alleged to have taken place in another country, it is not clear whether it should be expected that action against the individual causing the alleged infringement can and should be brought in a second, separate jurisdiction. To allow such infringement actions to be raised in jurisdictions other than where the IP rights were originally obtained would be tantamount to subjecting intellectual property right owners to the jurisdictions (and possibly the applicable laws) of many other states around the world. It would perhaps be deemed unreasonable and too onerous, for example, for an IP right owner in the United Kingdom to be expected to know if the IP right(s) they hold might infringe the IP laws of countries that they did not (reasonably) foresee they could have breached.

The 1999 draft contained the following provisions for consumer contracts conducted by electronic means. At that stage the emphasis was certainly on ensuring that the consumer could sue a business in his or her own jurisdiction.

Article 7 Contracts concluded by consumers

1. A plaintiff who concluded a contract for a purpose which is outside its trade or profession,

hereafter designated as the consumer, may bring a claim in the courts of the State in which it is habitually resident, if

(a) the conclusion of the contract on which the claim is based is related to trade or professional activities that the defendant has engaged in or directed to that State, in particular in soliciting business through means of publicity, and

(b) the consumer has taken the steps necessary for the conclusion of the contract in that State.

1. A claim against the consumer may only be brought by a person who entered the contract in the courts of its trade or profession before the courts of the State of the habitual residence of the consumer.

2. The parties to a contract within the meaning of paragraph 1 may, by an agreement which conforms with the requirements of Article 4, make a choice of court -

(a) if such agreement is entered into after the dispute has arisen, or

(b) to the extent only that it allows the consumer to bring proceedings in another court."

4.2 Responses from the Informal and Diplomatic Meetings

The original draft Convention was not adopted at the Special Commission meeting held in October 1999. Many aspects of the Convention remained unresolved, including which rules should be included in a white, grey or black list, which jurisdiction rules were deemed to be `exorbitant' as well as the content of the rules themselves. In the absence of consensus, further work on the Convention was clearly required. Since then, the proposals have come to the attention of a number of international governmental and non-governmental organizations. Debates on the purpose and content of the draft Convention commenced in earnest. Diplomatic Meetings were held in Washington (Dec 2000), Geneva (Feb 2001), Ottawa (March 2001), Edinburgh (April 2001) as well as the first of two Diplomatic Meetings at The Hague (June 2001). In June 2001, the Hague Conference published *updated* proposals, replacing the October 1999 draft as a result. The 2001 draft Convention was the product of the international meetings listed above that took place during 2000 and culminated in a Special Commission Meeting in June 2001. These Diplomatic meetings considered, inter alia, the effect of the proposals on matters involving electronic commerce contracts and intellectual property aspects such as copyrights, patents and trademarks. It became apparent that electronic commerce would have to be considered and included in any draft of a proposed global convention on jurisdiction and recognition of judgments for civil and commercial matters. [25] It is submitted that if the draft Convention seeks to provide worldwide rules of jurisdiction, recognition and enforcement of judgments, electronic commerce disputes (whether contractual or tortuous) cannot be ignored. The question is to what extent the Convention should provide mandatory rules for electronic contracts (including consumer contracts) and intellectual property disputes and whether Contracting States should be allowed to opt in to the terms of the Convention as they see fit. If the latter option prevails, then the use of such a Convention to assist forum selection might have to be considered as a real threat to its ultimate purpose.

5. Assessing the June 2001 Draft Convention

In June 2001, the Permanent Bureau of the Hague Conference issued the "Summary of the Outcome of the Discussion in Commission II of the First Part of the Diplomatic Conference 6-20 June 2001" shortly after the Diplomatic Conference. [26] The specific proposals for Intellectual Property matters and rules of jurisdiction for disputes arising from electronic contracts (in particular consumer contracts) contained in the June 2001 draft will now be considered. Essentially, what is apparent from the June 2001 draft Convention are the number of alternative proposals being put forward

within each Article. There is still no agreement on exactly what should be included in the final Convention. [27]

5.1 Proposed Jurisdiction Rules for Intellectual Property Rights

Registered and Unregistered IP Rights

The June 2001 draft Convention provides three alternative proposals for jurisdiction of IP rights. [28] The first proposal states that the court of the Contracting State where the grant or registration has taken place will have jurisdiction in proceedings where relief is sought for the "grant, registration, validity, abandonment, revocation or infringement of a patent or a mark" (Article 12(4)). This would appear to follow from the first draft. Article 12(5) of the June 2001 draft provides further that where relief is sought on the "validity, abandonment, or infringement of an *unregistered* mark" (emphasis added), then jurisdiction will be established in the "courts of the Contracting State in which rights in the mark [or design] arose."

"[Alternative B

5A. In relation to proceedings which have as their object the infringement of patents, trademarks, designs or other similar rights, the courts of the Contracting State referred to in the preceding paragraph [or in the provisions of Articles [3 to 16]] have jurisdiction.]" [29]

This Article in the draft proposals therefore seeks to distinguish jurisdiction rules for the validity of registered and unregistered IP rights. The alternative draft articles illustrate the continuing debate whether disputes concerning infringement of an IP right ought to be included in the final Convention. Nevertheless, it is interesting to note that all of the proposals in respect of Exclusive Jurisdiction under Article 12 are bracketed. These brackets signify that there is, as yet, no consensus on whether IP rights should be in the draft Convention at all. The third possibility for rules on Exclusive Jurisdiction for IP matters are contained in Article 12(6) and refers to the issue of the "Incidental Question" outlined earlier. Article 12(6) renders Articles 12(4) and (5) inapplicable if such matters arise as incidental questions, but only in courts that do not have exclusive jurisdiction under those sections. Therefore there appears to be preference for certain rules of jurisdiction for IP rights and these mostly pertain to, at present, determining jurisdiction for matters of validity only. It would seem unlikely that the Convention will include jurisdiction for matters where infringement is alleged. Understandably, there have been arguments both in favour of including and excluding infringement rights in the Convention.

Wadlow [30] questioned the issue of whether jurisdiction can be established for an IP right obtained in one country and infringed in another. [31] Wadlow stated that this "open question...is not settled in the [Paris and Berne] Conventions." [32] By exploring the definitions afforded to the concept of territoriality, Wadlow demonstrated the significance of defining territoriality, particularly when a conflict of law/private international law matter such as jurisdiction is disputed. Wadlow sums up the argument on territoriality and international jurisdiction by highlighting the difference between jurisdiction based on where the infringement is alleged to have occurred and the "...limitation of international jurisdiction ...claimed...only before national courts on the basis of the national copyright of industrial protection right." [33] According to Wadlow, the Brussels Convention 1968 appears to have moved towards the former basis of asserting jurisdiction for IP rights, for example in terms of Article 5(3) where jurisdiction is established where the tort occurred. Whether the Hague Conference's draft Convention ought to include this as an exclusive ground of jurisdiction remains to be seen. In the present author's opinion, it remains a doubtful proposition that might render inclusion in a "grey list" of jurisdictions as a compromise at best. At a time where the future of the Hague's proposals is at a crucial stage, the call for public debate is clearly justifiable and desirable.

Clearly there are arguments in favour of and against including Intellectual Property rights in the draft

convention. The Trans Atlantic Consumer Dialogue (TACD) maintains that IP rights ought to be excluded from the draft Convention. [34]. The TACD state that

"There are important differences in national laws regarding intellectual property, including such issues as "fair" or "innocent" use, limits to trademark rights in the areas of criticism, parody or comparative advertising, scope of patent protection, and terms of copyright protection. Cross-border recognition and enforcement of Internet-based intellectual property judgments raises the prospect of reduced public rights to fair use of such property, contrary to the public interest." [35]

This is in effect the crux of the matter with respect to asserting harmonised jurisdiction rules for IP right infringements.

Copyright and the Draft Hague Convention

Significantly however, copyrights remain expressly excluded from the draft Convention by Article 12(7) which states

"[In this Article, other registered industrial property rights [(but not copyright or neighbouring rights, even when registration or deposit is possible)] shall be treated in the same way as patents and marks]" [36]

The Nygh and Pocar report states that such rights were to be excluded on the basis that enforcing such provisions would have become `difficult' as "...these rights are not always subject to a deposit or registration procedure." [37] Therefore it may be difficult to determine whether a copyright holder, or someone using or referring to copyright material, in one country has breached IP rules in another country even before attempts are made to harmonise jurisdiction rules for such rights. Accordingly, unless there is consensus on the matter by the next Diplomatic Meeting to be held later this year, it is unlikely that copyright matters will be included in the Convention. Even if such rules were to be include in a grey list, it is difficult to imagine many countries opting in, including, for example, the United Kingdom.

5.2 Jurisdiction Rules for Consumer Contracts

Similar to the proposals for IP rights in Article 12 above, Article 7 of the June 2001 draft of the draft Convention contains a proposal and three alternative proposals for consumer contract jurisdiction. [38] These alternative drafts were the result of the Diplomatic meetings held in Ottawa in March 2000 and Edinburgh in April 2001. The first proposal begins with stating exactly what is meant by a consumer (`a natural person acting primarily for personal, family or household purposes' (Article 7 (1)) and a `business' (ie `another party acting for the purposes of its trade or profession' (Article 7 (1)). This is further qualified to the extent that Article 7 does not apply if the `other party' would not have entered into the contract if they had known that the consumer was contracting for the purposes of personal, family or household reasons. Such a get-out appears to protect businesses that do not seek to contract with consumers in certain jurisdictions.

The draft Article 7(2) proposes that the consumer can bring either `proceedings' or `an action in contract' where he or she is habitually resident `...if the claim relates to a contract which arises out of activities, including promotion or negotiation of contracts, which the other party conducted in that State, or directed to that State.' The ability of the consumer to raise such proceedings is subject to the other party being able to `establish that (a) that consumer took the steps necessary for the conclusion of the contract in another State and [this section is further bracketed] (b) the goods or services were supplied to the consumer while the consumer was present in the other State.' These provisions are similar to those provided in the Brussels 1 Regulation that came into force on 1st March 2002. However, compared to that Regulation where consumers must be domiciled in a Contracting State, consumers need only be habitually resident in a Contracting States for them to raise proceedings

under the proposed Hague Convention. The draft Convention proposes that businesses will be exempt from the provisions of the Article if they can show that they did not intend to direct their activities, such as advertising, to consumers in certain jurisdictions. From the perspective of electronic commerce, a footnote to Article 7(3) in the proposals explains that this provision seeks to exclude businesses from the consumers' jurisdiction when businesses can demonstrate that they did not seek to target certain jurisdictions and consequently certain consumers. The footnote concludes, "(T)here is no consensus on this provision."

Given the perceived disquiet over the EU's proposals for EU-wide consumer contract jurisdiction in the Brussels Regulation, this is to be expected. If businesses can pick and choose which jurisdictions in which they wish to target their activities and advertising that is of course their choice. However, when businesses use the WWW is used as a means of directing these activities, asserting their choice becomes more difficult. The global nature of the Internet is such that web sites and the information contained in them are (usually?) available anywhere to anyone with Internet access. Many sites are often multi-lingual, whether or not they seek to contract with consumers or not. Larger organizations have numerous web sites with different domain names ending in .de, .uk and .com to attract those consumers browsing the web to use the site `nearest' to them geographically. There are other sites that readers will be aware of from their own experiences that do not contract with customers unless they are able to provide an address and postcode or ZIP code conforming to where the business can or chooses to deliver goods and services. Further debate is desirable on the level of web site activity and whether such activity should amount to a connecting factor. Whether this is tantamount to forum selection or simply a means by which businesses should be able to target the customers they wish remains a moot point.

Article 7(4) proposes that the `other party to the contract' (ie the business) is only allowed to raise proceedings against the consumer where the latter is domiciled. The only difference of this provision from the Brussels 1 Regulation is that habitual residence as opposed to domicile is used as the connecting factor to establish where the consumer is located.

The three alternative proposals in Article 7 will now be considered in turn. The first alternative to these proposals is contained in Alternative A. [39] Alternative A was produced as a result of the Diplomatic Meeting held in Edinburgh in April 2001. Alternative A provides that Article 4 [40] applies if the parties enter into a jurisdiction agreement after a dispute arises (Article 7(5)). The proposals enable the consumer to raise proceedings "...in the Courts of the State designated in that agreement" (Article 7(6)) provided that the agreement was entered into before the dispute arose. Article 7(7) deals with the `validity' [41] of the choice of court clause in the contract between the parties, and subjects the agreement to the law of the habitual residence of the consumer at the time the agreement was created. Alternative A also deals with issues of recognition and enforcement of judgments obtained under Article 7 and would permit Contracting States to determine whether or not to recognize a judgment obtained by virtue of Article 7(2). This would certainly be a contentious issue, leaving open the possibility that a consumer could obtain a judgment from the courts of their habitual residence for that judgment not to be recognized in the jurisdiction where the business' principle place of business or assets are situated.

Alternative B has two variants. [42] The first variant restricts the parties to the jurisdiction of the consumers' habitual residence. Variant One also enables a Contracting State to uphold a jurisdiction agreement between the parties only if a dispute has arisen first, and to refuse recognition of a judgment if this is has not been achieved. Variant Two states that Article 4 (the choice of court provisions) will apply where the parties to enter into an agreement after a dispute arises and that the agreement itself will be respected (Article 6(a)) and any judgment obtained by the other party before the dispute has arisen will be recognised and enforced (Article 6(b)). In relation to the agreement on choice of court, Variant 2 is extremely similar to Article 15(1)() of the Brussels 1 Regulation.

Finally, Alternative C [43] suggests that Article 4 (choice of court) is applied when a jurisdiction

agreement is reached between the parties after a dispute has arisen between them (Article 5). Article 6 then determines the jurisdiction of a dispute where the parties have previously agreed a choice of jurisdiction clause. The consumer can raise proceedings in the courts of their habitual residence or in the jurisdiction referred to in the agreement and no-where else (Article 6(a)). [44] Article 6(b) reiterates that the consumer can only raise proceedings against the consumer in the latter's habitual residence. Like the Brussels Regulation, any choice of jurisdiction agreement cannot thwart the consumer's ability to raise an action where they are habitually resident in terms of the June 2001 draft Convention (or domiciled in the case of the Brussels Regulation). Article 6(c) provides that a business may only raise proceedings against a consumer under the Convention provided the jurisdiction agreement states that proceedings would take place in the courts of the consumer's habitual residence. Again, there is a similarity with the Brussels Regulation in that the Regulation restricts businesses to raising proceedings in the courts of the consumer's domicile, regardless of the choice of court agreement between the parties.

The fact that all of these Articles are still in draft form demonstrates the reality that reaching consensus appears to be less and less likely. [45] Whether more debate and consultation is necessary now is indeed questionable. The provisions for consumer contracts will certainly be affected by whatever rules are finalised on choice of court agreements. The acceptance of the Convention may depend on two matters. First, whether the rules of jurisdiction for IP matters and consumer contracts are contained in the white or grey list mentioned at the start of this paper, and if Contracting States elect to opt in to such jurisdiction rules if contained in a grey list. This issue will depend on existing international private law rules for IP cases and consumer contracts, as well as the extent of consumer protection provisions amongst Member States of the Hague Conference generally. It is to be hoped that rules for consumer contracts become mandatory in the Convention in accordance with Variant 1 of Alternative B or Alternative C, for to leave such rules to the discretion of Contracting States would certainly inhibit any efforts at global harmonization of jurisdiction and the recognition of judgments for such contracts in the first place.

6. The Future of the Draft Convention - Calls for Public Consultation and Debate

There have been many calls made by representatives of businesses, consumer organizations and IP experts and organizations for much greater public consultation and debate on the proposed draft Convention. The Justice and Home Affairs (JHA) Council of the European Commission held a hearing in October 2001 on the Hague Convention's proposals. A detailed questionnaire was by the JHA Council on many aspects of the Hague's draft convention. [46] It is to be welcomed that, in Europe at least, there is to be greater public awareness and discussion on the proposals and their impact for private individuals and businesses. This has been mirrored for some time in the United States where the Office of the Legal Adviser's Assistant Legal Adviser on Private International Law has held a series of meetings on the initial October 1999 draft proposals. [47]

The WIPO Second International Conference on Electronic Commerce and Intellectual Property was also held in Geneva on September 19 to 21, 2001. The Conference addressed the latest developments in e-commerce and intellectual property matters from a legal, technical and policy-oriented perspective. That Conference sought to consider a number of developing intellectual property and electronic commerce issues of which jurisdiction and applicable law matters are included. While it remains unclear to what extent intellectual property matters should be contained in or whether they should be excluded altogether from the draft Convention, the draft Convention has sought to bring electronic commerce issues within its scope and application. Whether such proposed jurisdiction rules are a fair and realistic method of determining jurisdiction for consumer contracts conducted online will continue to be debated.

The extent to which the Convention will sit with other international and regional instruments such as the Brussels 1 Regulation [48] has, for the present time, also yet to be assessed. For example the proposals for electronic consumer contracts in the final Regulation [49] states that jurisdiction for

consumer contracts will be established if the consumer has been targeted by specific advertising or activities directed towards their own jurisdiction under Article 15(1)(c).[50] If the Hague Conference sought to put the issue of electronic commerce in the Convention on hold, then at least the provisions of the Brussels 1 Regulation could be assessed during that time.

7. Concluding Thoughts

While the draft proposals, the scope and need for the Convention itself continue to be debated, the inherent difficulties in ascertaining jurisdiction in international electronic commerce and IP matters remain to be addressed. Over the next few months until the next Diplomatic meeting, a final decision will be made on the jurisdiction issues affecting IP rights and electronic commerce contracts. Whilst international commercial activities certainly need global regulation of jurisdiction, recognition and enforcement rules, after ten years a cohesive desire for such rules still eludes the Hague Conference's efforts.

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[2] See generally Lillian Edwards,and Charlotte Waelde (eds), *Law and the Internet Regulating Cyberspace*, Hart Publishing, Oxford, 1997 and the second edition *Law and the Internet A Framework for Electronic Commerce*, 2nd ed, Hart Publishing, Oxford, 2000.

[3] Andrew D. Murray, "Entering Into Contracts Electronically: The Real WWW," in Lillian Edwards and Charlotte Waelde (eds), *Law and the Internet A Framework for Electronic Commerce*, Second Edition, Hart Publishing, Oxford, 2000.

[4] Developing countries are not being left behind, see OECD, “Policy Brief on E-Commerce” at http://www.oecd.org/EN/document/0,,EN-document-29-nodirectorate-no-14-6560-29,FF.html. Copyright OECD.

[5] P. M. North and J. J. Fawcett, *Cheshire and North's Private International Law*, 13th ed, Butterworths, London, 1999 at p.3.

[6] Symeon C. Symeonides (ed), *Private International Law at the End of the 20th Century: Progress or Regress?*, Kluwer Law International, London, 2000 at p.vii.

[7] Hague Conference Preliminary Document No.7, 1997 at p.10.

[8] Or the "1999 Draft" or the "2001 Draft" as appropriate. Reference throughout the article will be to the 2001 draft convention unless stated otherwise.

[9] “The Future Hague Convention on International Jurisdiction and the Effects of Judgments in Civil and Commercial Matters,” Report of the Special Commission, Preliminary Document No.11, drawn up by Peter Nygh and Fausto Pocar (available at http://www.hcch.net), at p.33.

[10] Ibid.

[11] OJ L12/1 2001, referred to as the Brussels 1 Regulation.

[12] For an illustration of the different views held by American commentators on the draft Hague

Convention, see Arthur T. Von Mehren, "Drafting A Convention on International Jurisdiction and the Effects of Foreign Judgments Acceptable Worldwide: Can the Hague Conference Project Succeed?" 2001 49 Am J Comp L 191, Stephen B. Burbank, "Jurisdictional Equilibration, the Proposed Hague Convention and Progress in National Law," 2001 40 Am J Comp L 203 and Vaughan Black, "Commodifying Justice For Global Free Trade: The Proposed Hague Judgments Convention," 2000 38 Osgoode Hall Law Journal No2 237 amongst others.

[13] Von Mehren, ibid at p.192.

[14] Nygh and Pocar, note 9 supra at p.30.

[15] Arthur T. Von Mehren, "Recognition and Enforcement of Foreign Judgments: A New Approach for the Hague Conference?" (1994) 57 L and Contemp Probs 271.

[16] http://www.hcch.net.

[17] Hague Conference Preliminary Document No.7 at p.9.

[18] Ibid at p.8.

[19] Von Mehren, note 11 supra.

[20] Ian Mathers "The UK / US Civil Judgments Convention - I," 1977 217 NLJ 777 and Part II at p.217 and P. M. North, "The Draft UK / US Judgments Convention: A British Viewpoint," in P. M North, *Essays in Private International Law*, Oxford University Press, 1993.

[21] Article 4 of the 1999 draft Convention provided

1. If the parties have agreed that a court of courts of a Contracting State shall have jurisdiction to settle any dispute which has arisen or may arise in connection with a particular legal relationship, that court or those courts shall have jurisdiction, and that jurisdiction shall be exclusive unless the parties have agreed otherwise. Where an agreement having exclusive effect designates a court or courts of a non-Contracting State, courts in Contracting States shall decline jurisdiction or suspend proceedings unless the court or courts chosen have themselves declined jurisdiction.

2. An agreement within the meaning of paragraph 1 shall be valid as to form, if it was entered into or confirmed -

(a) in writing;

(b) by any other means of communication which renders information accessible so as to be usable for subsequent reference;

(c) in accordance with a usage which is regularly observed by the parties;

(d) in accordance with a usage of which the parties were or ought to have been aware and which is regularly observed by the parties to contracts of the same nature in the particular trade or commerce concerned.

3. Agreements conferring jurisdiction and similar clauses in trust instruments shall be without effect if they conflict with the provisions of Article 7,8 or 12.

[22] “Preliminary draft Convention on jurisdiction and foreign judgments in civil and commercial

matters, adopted by the Special Commission on 30 October 1999 (amended version)"available at http://www.hcch.net/e/conventions/draft36e.html.

[23] Nygh and Pocar report, note 9 supra at p.65 *et seq.*

[24] Nygh and Pocar, ibid at p.69.

[25] Dan Svantesson, "Jurisdiction Issue in Cyberspace What Should Article 7 - Consumer Contracts, of the Proposed Hague Convention, Aim to Accomplish in Relation to E-Commerce?" 2001 5 CLSR 318.

[26] Available at http://www.hcch.net.

[27] See the following reports all by Avril D. Haines and submitted to the Hague Conference Permanent Bureau; "Some Reflections on the Present State of Negotiations on the Judgments Project in the Context of the Future Work Programme of the Conference," Preliminary Document No.16, February 2002; "The Impact of the Internet on the Judgments Project: Thoughts for the Future" Preliminary Document No.17, February 2002 and "Choice of Court Agreements in International Litigation: Their Use and Legal Problems to Which They Give Rise in the Context of the Interim Text," Preliminary Document No.18, February 2002. All on file with the author.

[28] The 2001 draft Convention provides the following rules for exclusive jurisdiction

Article 12 Exclusive jurisdiction

[1. In proceedings which have as their object rights in rem in immoveable property or tenancies or immoveable property, the courts of the Contracting State in which the property is situated have exclusive jurisdiction, unless in proceedings which have as their object tenancies of immoveable property [concluded for a maximum period of six months], the tenant is habitually resident in a different State.]

[2. In proceedings which have as their object the validity, nullity, or dissolution of a legal person, or the validity or nullity of the decisions of its organs, the courts of a Contracting State whose law governs the legal person have exclusive jurisdiction.]

3 In proceedings concerning the validity of entries in public registers other than those dealing with intellectual property rights, the courts of the Contracting State in which the register is kept shall have exclusive jurisdiction.

Intellectual property

[Alternative A

4. In proceedings in which the relief sought is a judgment on the grant, registration, validity, abandonment, revocation or infringement of a patent or trademark, the courts of the Contracting State of grant or registration shall have exclusive jurisdiction.

5. In proceedings in which the relief sought is a judgment on the validity, abandonment, or infringement of an unregistered mark [or design], the courts of the Contracting State in which the rights in the mark [or design] arose shall have exclusive jurisdiction.]]

[Alternative B

5A. In relation to proceedings which have as their object the infringement of patents, trademarks,

designs or other similar rights, the courts of the Contracting State referred to in the preceding paragraph [or in the provisions of Articles [3 to 16]] have jurisdiction.]

Alternatives A and B

[6. Paragraphs 4 and 5 shall not apply where one of the above matters arises as an incidental question in proceedings before a court not having exclusive jurisdiction under those paragraphs. However, the ruling in that matter shall have no binding effect in subsequent proceedings, even if they are between the same parties. A matter arises as an incidental question if the court is not requested to give a judgment on that matter, even if a ruling on it is necessary in arriving at a decision.]

7. [In this Article, other registered industrial property rights [(but not copyright or neighbouring rights, even when registration or deposit is possible)] shall be treated in the same way as patents and marks]

[8. For the purposes of this Article, `court' shall include a Patent Office or similar agency.]"

[29] Proposed Article 12(5), as one of the three Alternatives.

[30] Christopher Wadlow, *Enforcement of Intellectual Property in European and International Law*, Sweet and Maxwell, London, 1998

[31] Wadlow, ibid at p.14.

[32] Ibid, words in brackets added.

[33] Ibid.

[34] http://www.tacd.org/cgi-bin/db.cgi?page=view&config=admin/docs.cfg&id=94.

[35] Ibid.

[36] Proposed Article 12(7), but note that this is an Alternative to other proposals contained in Article 12 and is bracketed.

[37] Nygh and Pocar, note 9 supra at p.69.

[38] **Article 7 Contracts concluded by consumers**

1. This Article applies to contracts between a natural person acting primarily for personal, family or household purposes, he consumer, and another party acting for the purposes of its trade or profession, [unless the other party demonstrates that it neither knew nor had any reason to know that the consumer was concluding the contract primarily for personal, family or household purposes, and would not have entered into the contract if it had known otherwise].

2. Subject to paragraphs [5-7], a consumer may bring [proceedings] [an action in contract] in the courts of the State in which the consumer is habitually resident if the claim relates to a contract which arises out of activities, including promotion or negotiation of contracts, which the other party conducted in that State, or directed to that State, [unless [that party establishes that] -

(a) the consumer took the steps necessary for the conclusion of the contract in another State: [and

(b) the goods or services were supplied to the consumer while the consumer was present in the other

State.]]

[3. For the purposes of paragraph 2, activity shall not be regarded as being directed to a State if the other party demonstrates that it took reasonable steps to avoid concluding contracts with consumers habitually resident in the State.]

4. Subject to paragraphs [5-7], the other party to the contract may bring proceedings against a consumer under this Convention only in the courts of the State in which the consumer is habitually resident.

Alternative A

5. [Article 4 applies to a jurisdiction agreement between a consumer and the other party if the agreement is entered into after the dispute has arisen.

6. Where a consumer and the other party have entered into an agreement which conforms with the requirements of Article 4(1) and (2) before the dispute has arisen, the consumer may bring proceedings against the other party in the courts of the State designated in that agreement.

7. Where a consumer and the other party have entered into an agreement which conforms with the requirements of Article 4(1) and (2) before the dispute has arisen, Article 4 applies to the agreement to the extent that it is binding on both parties under the law of the State in which the consumer is habitually resident at the time the agreement is entered into.

Add at the beginning of Article 25,

`Subject to Article 25, *bis*'

Insert [*Article 25 bis*

1. A Contracting State may make a declaration that it will not recognise or enforce a judgment under this Chapter, or a declaration specifying the conditions under which it will recognise or enforce a judgment under this Chapter, where -

(a) the judgment was rendered by the court of origin under Article 7(2) [or Article 8(2)];

(b) the parties had entered into an agreement which conforms with the requirements of Article 4 designating a court other than the court of origin.

2. A declaration under this Article may not deny recognition and enforcement of a judgment given under Article 7(2) [or Article 8(2)] if the Contracting State making the declaration would exercise jurisdiction under the relevant Article in a corresponding case.]

3. Recognition or enforcement of a judgment may be refused by a Contracting State that has made a declaration contemplated by paragraph 1 in accordance with the terms of that declaration.]]

[40] The three alternatives all refer, to a certain extent, to Article 4, which provides rules for choice of jurisdiction agreements.

[41] Report at footnote 54.

[42] **Article 7 Contracts concluded by consumers**

...

[Alternative A

...

[Alternative B

[Variant 1

5. This provision may be departed from by a jurisdiction agreement provided that it conforms with the requirements of Article 4.

6. A Contracing State may declare that -

(a) it will only respect a jurisdiction agreement if it is entered into after the dispute has arisen or to the extent that it allows the consumer to bring proceedings in a court other than a court indicated in this Article or in Article 3; and

(b) it will not recognise and enforce a judgment where jurisdiction has been taken in accordance with a jurisdiction agreement that does not fulfil the requirements in sub-paragraph (a).]

[Variant 2

4. Article 4 applies to an agreement between a consumer and the other party if the agreement is entered into after the dispute has arisen; or to the extent that the agreement permits the consumer to bring proceedings in a court other than the consumer's habitual residence.

6. A Contracting State may declare in the circumstances specified in that declaration -

(a) it will respect a jurisdiction agreement entered into before the dispute has arisen;

(b) it will recognise and enforce a judgment in proceedings brought by the other party given by a court under a jurisdiction agreement entered into before the dispute has arisen;

(c) it will not recognise and enforce a judgment given by a court in which proceedings could not be brought consistently with a jurisdiction agreement entered into before the dispute has arisen.]]

[43] **Article 7 Contracts concluded by consumers**

...

[Alternative A

...

[Alternative B

...

[Alternative C

5. Article 4 applies to a jurisdiction agreement between a consumer and the other party if the

agreement is entered into after the dispute has arisen.

6. Where a consumer and the other party have entered into an agreement which conforms with the requirements of Article 4(1) and (2) before the dispute has arisen -

(a) the consumer may bring proceedings against the other party under the Convention in the courts of the State designated in that agreement

(b) the consumer may not bring proceedings against the other party under this Convention in any other court unless the agreement permits the proceedings to be brought in that court;

(c) the other party may bring proceedings against the consumer under this Convention only if the agreement permits the proceedings to be brought in the courts of the State in which the consumer is habitually resident.]]

[45] A point also stressed by Haines, note 27 supra.

[46] http://europa.eu.int/comm/justice_home/unit/civil/audition10_01/en/index.htm.

[47] http://www.state.gov/www/global/legal_affairs/private_intl_law.html.

[48] The Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters C16/2001.

[49] Lorna E. Gillies, `A Review of the New Jurisdiction Rules for Electronic Consumer Contracts within the European Union,' Commentary, [The Journal of Information, Law and Technology (JILT), .

[50] Ibid.