Lucasfilm and Solvay: Does being admitted to a court suffice to attain access to justice for foreign intellectual property rights?

Codeword: IPowL

In the past, there was a reluctance by courts in one jurisdiction to hear cases concerning an infringement which took place in another jurisdiction or, further, that a declaratory action to establish that an intellectual property right is not infringed pleaded that the intellectual property right is invalid or void and that there is also no infringement of that right for that reason. In the European Union (EU), this stems in part from the exclusive subject-matter jurisdiction (exclusive jurisdiction) rule, namely Article 16.4 of the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (Brussels Convention), replaced in March 2002 by Article 22.4 of the Brussels I Regulation. At times, these decisions were also grounded on a “discretionary act of courts’ self-restraint based on domestic rules of international procedural law”, stemming from the case law, such as reasons of comity to the courts and on the act of state doctrine. The underpinning assumption of these principles was that since intellectual property rights relate to a state’s sovereignty or national policies, intellectual property rights are granted through state’s acts and are limited to the territory of the state that granted them. Therefore, where a case did arise before a court which concerned a foreign intellectual property right, the courts preferred to respect the other state and its sovereign decisions and remained silent. This was somewhat the other limb of the exclusive subject-matter jurisdiction, requiring not to interfere with the grant of the intellectual property right. The most recent and prominent examples of these decisions are the decision of the Court of Appeal of the UK in Lucasfilm


3 Ubertazzi, supra note 2, 361.
Entertainment Co v Ainsworth,⁴ the decision of the Court of Appeal for the Federal Circuit of the US in Voda v. Cordis Corporation⁵ and the decision of the Court of Justice of the European Union (CJEU) in GAT v LuK.⁶

Recently, there has been an important new understanding in the field of international private law and conflict of laws in the UK and in the European Union: the growing recognition of justiciability of foreign intellectual property rights. In 2011 The Supreme Court of the UK, in the landmark case Lucasfilm Ltd v Ainsworth,⁷ ruled that the law had changed to the extent that there was now no bar to adjudicating cases for infringement of a foreign intellectual property right in English courts, where it has in personam jurisdiction in respect of the defendant under EU legislation. Likewise, in July 2012, the CJEU offered a new interpretation on the effects of the exclusive jurisdiction rule in Solvay SA v Honeywell Fluorine Products Europe BV (Solvay).⁸ The CJEU, in this case, ruled that Article 22(4), by conferring exclusive jurisdiction on the validity of registered intellectual property rights, does not affect the application of Article 31 of the Brussels I Regulation. This meant that the Dutch court may make an assessment of patent validity during interim proceedings as to

---


⁵ Voda v. Cordis Corp., 476 F.3d 887 (Fed. Cir. 2007).


whether or not to grant a preliminary measure, even if the assessment concerns a foreign patent.\(^9\) Finally, the Court of Appeal in the UK followed this trend in *Actavis v Eli Lilly*\(^10\), holding that English courts have jurisdiction to hear cases for declarations of non-infringement in relation to foreign designations of European patents where there is no challenge to validity.

These decisions regarding justiciability have remarkable doctrinal and practical importance for and beyond intellectual property rights. Nevertheless, they also raise difficult questions regarding the interface of substantive and procedural law and the distinction between them as well as the principles to be applied in determining remedies. One might find it understandable that courts have shown compassion to provide relief for the plight of the foreign intellectual property holding remedy seekers from an expansive point of view. Yet, the question still remains whether an all-encompassing extension of jurisdictional power of local courts so as to include all foreign intellectual property rights, as a matter of policy, can be an appropriate way to provide justice, that is, one that adequately protects the interests of intellectual property holders. For instance, when *should* courts enforce foreign intellectual property claims, now that it has been established that they *may*, and when *must* they? Another question arises here: Will courts be required to award damages in accordance with the foreign jurisdiction within which the breach of intellectual property rights occurred?

**How was *Lucasfilm Ltd v Ainsworth* commenced?**

The case *Lucasfilm Ltd v Ainsworth* related to the ownership of copyright in the helmets worn by the Imperial Stormtroopers in the *Star War* films and whether these helmets were sculptures under English Law. In 2004, Mr Ainsworth, who made these helmets for Lucasfilm, subsequently started selling them to the public, advertising on his website. He was sued in California where Lucasfilm was awarded a judgement for US$ 20 million. However, Lucasfilm was unsuccessful in seeking to enforce the US judgement, since Mr Ainsworth, together with his assets, was domiciled in the UK. In 2008, Lucasfilm then commenced proceedings against Mr Ainsworth in the UK, seeking to enforce the US judgement, and alternatively bringing claims for the infringement of its UK and, surprisingly, US copyright

---

\(^9\) Case C-616/10 *Solvay SA v. Honeywell Fluorine Products Europe BV* paras. 31-51.

\(^10\) *Actavis v Eli Lilly* [2013] EWCA Civ 517.
in helmets. While the Supreme Court found that no copyright existed in helmets because they were not sculptures within the meaning of the Copyright, Designs and Patents Act 1988 (CDPA), the questions turned into the justiciability of Lucasfilm’s claim in England for the infringement of copyright in the US. Reversing the Court of Appeal’s decision, the Supreme Court concluded that such a claim could be heard as long as the court has *in personam* jurisdiction.11

In reaching this conclusion, the Court found that the *Moçambique* rule12 had been largely eroded,13 *Tyburn Productions*14 wrongly decided, and that there is no public policy rule that could be asserted against the justiciability of copyright under similar circumstances. On this score, the case of *Lucasfilm Ltd v Ainsworth* has undoubtedly brought a complete change to English Private International Law. Therefore, it invites a deeper and new examination of the ongoing relevance of the concept of justiciability in such cases.

**The logical flaws of analogisation of the *Moçambique* rule in *Potter v Broken Hill*: a case for real and unreal (intellectual) property**

Within the British legal tradition, the roots of the refusal of justiciability of foreign intellectual property rights can be found in the Australian case *Potter v Broken Hill*.15 The High Court of Australia held in *Potter v Broken Hill* that a Victorian court had no jurisdiction over an infringement of a patent registered in New South Wales where the defendant had denied the novelty and utility of the alleged invention in respect of which the patent had been granted.16 The Australian Court extended the *Moçambique* rule to actions for infringement of patents by analogy.

The *Moçambique* rule was essentially the pronouncement of the public policy rule concerning jurisdiction, “emphasising the connection between international comity concerns and the

11 *Lucasfilm Ltd v Ainsworth* Para 105.
12 *British South Africa Co v Companhia de Moçambique* [1893] A.C. 602 HL.
13 *Lucasfilm Ltd v Ainsworth* Para 105.
14 *Lucasfilm Ltd v Ainsworth* Para 110.
15 *Potter v. Broken Hill*, (1906) 3 CLR 479.
16 *Potter v. Broken Hill*, (1906) 3 CLR 479, 493.
jurisdictional prohibition in cases involving foreign land rights”. The case of *British South Africa Co. v Companhia de Moçambique*, is the authoritative basis for the rule that the English court “has no jurisdiction to entertain an action for (1) the determination of the title to, or the right to the possession of, any immovable situate out of England … or (2) the recovery of damages for trespass to such immovable.” This rule has two limbs. One is the “the issue of title to immovable” which is a close connection to the act of the state doctrine. This concerns disputes over registration matters. The *Moçambique* rule distinguished “torts (delicts) occurring in foreign lands as local in the sense that they had a particular connection with the territory on which they occurred”. The second aspect of the rule thus referred to the fact that the local court, where the trespass occurred, was the suitable forum to hear any action concerning this tort.

For the Australian court in *Potter v Broken Hill*, there was a clear analogy between patent rights and rights on land ownership, which are designed by “territorially confined domestic statutes” and are granted by national authorities “acting under the delegated authority of the (foreign) sovereign”. This analogy led the Australian court to decline exerting jurisdiction where “the substantial question sought to be raised by the defendant is the validity of the act of the governing power of New South Wales in granting the patent sued on”. The case of *Potter v Broken Hill*, therefore, arose over and was resolved by the act of the state doctrine.

The Supreme Court opined that there is no basis for denying the justiciability of foreign intellectual property claims in the rules regarding immovable property rights (*British South Africa v Companhia de Moçambique* [1893] A.C. 602), as it has “been fatally undermined”

---

17 Graeme W. Austin, The concept of “justiciability” in foreign copyright infringement cases IIC 2009, 40(4), 393-412, 396.
18 *British South Africa Co v Companhia de Moçambique* [1893] A.C. 602 HL.
19 *Lucasfilm Ltd v Ainsworth* Para 54.
20 Paul L.C. Torremans, Star Wars Rids Us of Subject-Matter Jurisdiction: The Supreme Court does not like Kafka either when it comes to Copyright, European Intellectual Property Review. 33(12), 813-817, 815.
22 Austin, supra note 17, 396-397.
24 *Lucasfilm Ltd v Ainsworth* Para 68.
by subsequent legislation.\textsuperscript{25} In its opinion, the argument that the grant of a national patent is “an exercise of national sovereignty” is not valid, since in English law “the foreign act of state doctrine has not been applied to any acts other than foreign legislation or governmental acts of officials such as requisition”.\textsuperscript{26} Hence, the Supreme Court abstained from applying the foreign act of state doctrine to an action for infringement, since it is obvious that not every governmental act or ministerial activity can be classified as an act of state.

Professor Paul Torremans argues that the court’s approach is sensible because “most copyright infringement cases will be mere \textit{inter pares} litigation that does not call into question the validity of the right”.\textsuperscript{27} For Professor Torremans, the obtention of copyrights appears automatically, thus there is no act of state in granting them.\textsuperscript{28} Professor Torremans further extends this argument so as to cover intellectual property rights that require registration. For him, “in such cases a validity argument can be said to call into question the decision of a foreign official, but clearly this official intervention is of a radically different nature and importance and never reaches the legislative and extremely restrictive level that is required for the application of the foreign act of state doctrine”.\textsuperscript{29}

Professor Torremans’ “no act of state” argument regarding registered intellectual property rights was reflected in paragraph 86 of the judgement. The Supreme Court, whether on purpose or by mistake, concluded that the act of state “should not today be regarded as an impediment to an action for infringement of foreign intellectual property rights, even if validity of a grant is in issue, simply because the action calls into question the decision of a foreign official”.\textsuperscript{30} At first glance, this creates confusion around the justiciability of cases regarding infringement of patents and trademarks as well as matters of validity or grant of these rights, if considered the clear conclusion of paragraph 106 of the judgement. By the linguistic use of “intellectual property rights” in a catch-them-all manner, the Supreme Court under paragraph 86 refuses the application of the act of state doctrine to cases regarding infringement of all intellectual property rights as well as matters concerning validity of

\textsuperscript{25} Lucasfilm Ltd v Ainsworth Para 71.
\textsuperscript{26} Lucasfilm Ltd v Ainsworth Para 86.
\textsuperscript{27} Torremans, supra note 20, 815.
\textsuperscript{28} Torremans, supra note 20, 815.
\textsuperscript{29} Torremans, supra note 20, 815.
\textsuperscript{30} Lucasfilm Ltd v Ainsworth Para 86.
registered intellectual property rights. However, under paragraph 106 the Court still recognises a narrow possibility of the application of the Moçambique rule, not the act of state doctrine, “at any rate where questions of validity are involved”, and sees the rule as a “part of the rationale for article 22(4) of the Brussels I Regulation.31

One might also question whether it was appropriate, as a matter of policy, to use a real property analogy for the justiciability of foreign intellectual property rights. Is, in other words, the holding of intellectual property rights the same as owning “real” property? Many intellectual property lawyers today bemoan the misguided analogy between real property and intellectual property, rooting it in unfortunate nineteenth-century labeling retained under the strength of a rights-holders’ lobby dominated by multinational corporations. In their separate seminal articles, Professors Mark Lemley and Stewart Sterk explored the problems of analogising real property to rights in intellectual creations and inventions. They both find significant problems with this uneasy analogy and, based on the economic and doctrinal understanding of property, describe fundamental differences between real property and intangible intellectual property.32 Their argument is essentially that using the term “property” suggests a sovereignty over intellectual creations that has never existed in law and is not justified by the rationales underpinning these laws.33

For that reason, courts need to justify how the divergent principles of each area of law will comparatively and mutually apply to each other, if they wish to invoke the analogy with the real property. As can been seen from the previous English case law, the (mis)analogising of real property to rights in intellectual creations and inventions has impeded the justiciability of the foreign intellectual property rights for more than a century. The property gloss over intellectual property rights, as Professor Peter Yu points out, might have confused judges, notwithstanding the significant differences between attributes of real property and those of intellectual property.34 This brings us to another conclusion, as Professor Peter Drahos writes:

31 Lucasfilm Ltd v Ainsworth Para 106.
33 Sterk, supra note 32, 420–421.
34 Yu, supra note 32, 1127-1128.
“We would not know who the real winners and losers are when states, legislatures and judges shift the boundaries of abstract objects and draw new enclosure lines in the intellectual commons”.  

All these points demonstrate that “reasoning by analogy is as dangerous as it is ubiquitous”.  
Professor Lemley vividly highlights the *sui generis* nature of intellectual property law in saying that: “The needs and characteristics of intellectual property are unique, and so are the laws that establish intellectual property rights”. In order to depict the true character of intellectual property law, he finally reminds us of a-few-decades-old decision of the Supreme Court of Canada:  

> “Copyright law is neither tort law nor property law in classification, but is statutory law. It neither cuts across existing rights in property or conduct nor falls in between rights and obligations heretofore existing in the common law. Copyright legislation simply creates rights and obligations upon the terms and in the circumstances set out in the statute“.

Are there other policy arguments against the justicibility of foreign intellectual property rights?  
The Supreme Court examined other policy considerations that might be argued against the justiciability of foreign intellectual property claims. Firstly, it held that the aspect of the *Moçambique* rule that deals with damages for trespass was abolished by s 30(1) of the Civil Jurisdiction and Judgments Act 1982 and the scope of the rule has been reduced the first aspect of the rule where proceedings for infringement of rights in foreign land are “principally concerned with a question of the title to, or the right to possession of, that property” and thus apply to patents where questions of validity are at stake.  

---

36 Sterk, *supra note 32*, 420.  
37 Lemley, *supra note 32*, 56.  
38 Compo Co. Ltd v Blue Crest Music Inc., 45 C.P.R. (2d) 1, 13 (Sup. Ct. Canada 1979).  
39 *Lucasfilm Ltd v Ainsworth* Para 72, 106.
court confirmed that the rule regarding the choice of law in tort in *Phillips v Eyre*\(^40\) was “first eroded by case-law and then abolished” by the statute in the Private International Law (Miscellaneous Provisions) Act 1995.\(^41\) Likewise, the Act abolished the double actionability rule\(^42\) (except for defamation cases\(^43\)) in *Phillips v Eyre* and in *Tyburn Productions Ltd v Conan Doyle*\(^44\) (a case in which it was held that it was not possible to bring an action in England for a declaration of non-infringement of United States copyright).\(^45\) Finally, the Supreme Court highlighted the EU framework in which the trend is towards the adjudicating of foreign intellectual property rights, noting that Article 22(4) of the Brussels I convention only allows exclusive jurisdiction in cases regarding registration or validity of rights.\(^46\)

**What is the trend in the EU: GAT and Solvay**

In exploring the trends concerning litigating foreign intellectual property rights, one should first examine the case of *GAT v LuK*. GAT brought a declaratory action before the German courts in respect of its supply of shock absorbers in France, arguing “that its products did not infringe the rights under the French patents owned by LuK and, further, that those patents were either void or invalid”.\(^47\) When GAT appealed, the appellate court made a referral to the CJEU on the interpretation of Article 22(4) Article of the Brussels Convention (then Article 16(4) Brussels Convention).

In the EU, Article 22.4 of the Brussels I Regulation vests exclusive jurisdiction over questions of patent validity in the courts of the EU member state where a patent was granted. European courts holds exclusive jurisdiction in proceedings concerned with the registration or validity of patents. In *GAT*, the CJEU encountered the question of whether the exclusive jurisdiction provision concerned only actions for a declaration of invalidity of a patent or whether the provision was also applicable to circumstances where the issue of patent validity

---

\(^40\) *Phillips v Eyre* (1870) LR 6 QB 1

\(^41\) *Lucasfilm Ltd v Ainsworth* Para 79-80.


\(^44\) *Tyburn Productions Ltd v Conan Doyle* [1991] Ch. 75 CA

\(^45\) *Lucasfilm Ltd v Ainsworth* Para 80.

\(^46\) *Lucasfilm Ltd v Ainsworth* Para 87-88.

\(^47\) Case C-4/03 *GAT v LuK* Para 10.
is put forward by a counterclaim or as a plea in defense by the defendant in a patent infringement case.\textsuperscript{48} The CJEU, in a relatively short judgement, held the Article must be construed in accordance with the objective it pursues that regardless of the way in which the issue of validity raised in court proceedings, a court may not exert its own jurisdiction on the validity of foreign patents.\textsuperscript{49}

In \textit{GAT}, The CJEU strengthened the notion that only the courts and administrative bodies of the country in which a patent was granted may decide the validity of the patent.\textsuperscript{50} For instance, the repercussions of the ruling thereafter resonated in the wording of the revised Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters (Lugano II Convention), which provides the rules of jurisdiction for courts in the European Economic Area.\textsuperscript{51} The revised Lugano II Convention embraced the opinion in the judgement, which the exclusive jurisdiction applies "irrespective of whether the issue [of patent validity] is raised by way of an action or as a defence."\textsuperscript{52} The same wording has also been inserted in the recast of the Brussels I Regulation.\textsuperscript{53}

The judgement in \textit{GAT} attracted criticism for failing to eliminate the possibility of undesirable litigation practices (e.g. forum shopping) leaving the defendant uncertain as to which court they may be required to appear before, and for enabling fragmentation of litigation which could lead claimants need to bring cases in a number of different jurisdictions.\textsuperscript{54}

The CJEU in \textit{GAT} did not address one of the fundamental questions that concerns the potential impact of Article 22.4 on the jurisdiction of courts in granting provisional measures under Article 31 of the Brussels I Regulation. Article 31 contains a special jurisdictional rule

\textsuperscript{48} Case C-4/03, \textit{GAT v LuK} Para 13.
\textsuperscript{49} \textit{GAT v LuK} Para 25.
\textsuperscript{50} Case C-4/03, \textit{GAT v LuK} Para. 22.
\textsuperscript{51} Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, June 10, 2009, 2009 OJ. (L 147) 1-44 [hereinafter Lugano II Convention].
\textsuperscript{52} Lugano II Convention 12.
\textsuperscript{53} Brussels I Regulation (recast) arts. 24(4) & 81.
for provisional measures, allowing parties to apply for provisional measures in a court in any EU member state, despite the fact that “the courts of another Member State have jurisdiction as to the substance of the matter”.\textsuperscript{55} \textit{GAT} did not explain whether jurisdiction can be exerted for provisional measures during the proceedings concerning a patent, when patent validity needs to be scrutinised, and the court that is asked to grant provisional measures is not a court of the country where the patent was granted. Implicitly reversing \textit{GAT} in July 2012, the CJEU in \textit{Solvay} held that the preliminary assessment of validity that the Dutch court must make in interim proceedings before deciding whether or not to grant a preliminary measure does fall within the provisional measure jurisdiction of Article 31, and that therefore the Dutch court may make an assessment of patent validity, even if the assessment concerns a foreign patent.\textsuperscript{56}

\textbf{Theorising and Problematising \textit{Lucas} and \textit{Solvay}}

The wording of the judgment in \textit{Lucas}, although it was only concerned with the justiciability of foreign copyright infringement claims, is quite an extensive one.\textsuperscript{57} The Supreme Court clearly suggests that the ruling encompasses all intellectual property rights, as far as infringement is in question. When it comes to the issues regarding registration and validity of the registered rights, however, the exclusive jurisdiction rule in Article 22(4) Brussels I Regulation and the case of \textit{Solvay} will have a say. Concerning English law, there is a tiny amount of leeway for the application of the \textit{Moçambique} rule. But the Supreme Court clearly expunges the effects of the rule in the copyright sphere.\textsuperscript{58}

When it comes to matters surrounding the registration and validity of the registered rights, \textit{Solvay} sheds light on the matters. If the decisions on the validity of registered rights are binding only \textit{inter pares}, e.g. binding only on the parties in the interim proceedings for provisional measures and the infringement litigation, and are only temporary until a final decision, then this assessment on a foreign registered right can be made by a competent body

\textsuperscript{55} Brussels I Regulation art. 31.
\textsuperscript{56} Case C-616/10, \textit{Solvay v Honeywell} Paras 31-51.
\textsuperscript{58} Torremans, \textit{supra note} 20, 817.
or court regardless of the way in which the validity raised.\textsuperscript{59} Therefore, it will be possible to extend *Solvay* for all types of the assessment of validity of the foreign registered rights, if this does not amount to finalising the matter.

Benedetta Ubertazzi recently explored the problems associated with exclusive jurisdiction, concluding that:

“[E]xclusive jurisdiction rules related to [intellectual property rights] cases are not only insufficiently supported by any of the arguments usually invoked in their favor, but actually are also contrary to the public international rules on the avoidance of a denial of justice and on the fundamental human right of access to a court”.\textsuperscript{60}

If followed, the analysis in *Lucasfilm* and *Solvay* will represent an important development, as Ubertazzi underlines, to enable access to justice in international intellectual property jurisprudence. However, will access to court suffice to attain justice?

Almost universally recognised, the so-called *lex fori regit processum* doctrine has provided for centuries that procedural matters shall be governed almost exclusively by the domestic law of the forum (*lex fori*).\textsuperscript{61} Neither the Brussels Convention nor the Brussels I Regulation have really departed from the general position on the applicability of *lex fori* on procedural matters. The applicability of national procedural rules remains intact, since there are a limited number of specific procedural rules, like those in Article 53-56 on common provisions on recognition and enforcement. For that reason, procedural diversity between the EU member states can have another type of forum shopping. Forum shopping is not a problem *per se*, to the extent that it offers litigants the possibility of choosing the most efficient and effective procedural system. However, forum shopping could potentially encourage intellectual property holders to transfer all disputes from their commercial activities to member states with the most favourable procedural regimes. This may breed a claim concentration in one jurisdiction which could ultimately lead to a competition of jurisdictions whereby the one

\textsuperscript{59} Also see *Actavis v Eli Lilly* [2013] EWCA Civ 517.

\textsuperscript{60} BENEDETTA UBERTAZZI, EXCLUSIVE JURISDICTION IN INTELLECTUAL PROPERTY 295 (2012).

with the lowest enforcement standards survives.\textsuperscript{62} This situation is often described as the ‘Delaware Effect’, named after the competition among corporate laws of different US states leading to low quality corporate regulation in the state of Delaware.\textsuperscript{63} One may argue that this competition and centralisation of the disputes can have beneficial effects in finding the best forum, the clogged docket record of the European Court of Human Rights and the longevity of the finalisation of the cases might be a discouraging example, despite the courts success in the enhancement of human rights.

A recent report by the European Observatory on Counterfeiting and Piracy on the civil damages in intellectual property rights cases portrays the problems which are created by divergent applications in deciding civil damages among the member states. According the report, “the rightholder often cannot recover in full the compensation appropriate to an infringement, or the full costs that the rightholder has borne to redress the infringement,”\textsuperscript{64} despite the EU Directive on the Civil Enforcement of Intellectual Property Rights.\textsuperscript{65} This suggests that even if an intellectual property holder is accepted to a court, she might not get what she wishes. Indeed, Lucasfilm was given a permit to enter the courtroom, but did the expansion of the justiciability of its foreign copyright, enabling access to the court, (a question about which I remain agnostic until a reform on procedural laws of the EU states and remedial aspects of their intellectual property laws) provide the damage that is equivalent to the damages in the US?

\begin{footnotesize}
\begin{itemize}
\end{itemize}
\end{footnotesize}