

A Three Country Conundrum in Conflict of Laws or Who Gets the Patent?

Marcus B. Finnegan

Thomas L. Irving

Follow this and additional works at: <http://digitalcommons.law.umaryland.edu/mjil>



Part of the [Intellectual Property Commons](#), and the [International Trade Commons](#)

Recommended Citation

Marcus B. Finnegan, & Thomas L. Irving, *A Three Country Conundrum in Conflict of Laws or Who Gets the Patent?*, 4 Md. J. Int'l L. 293 (1979).

Available at: <http://digitalcommons.law.umaryland.edu/mjil/vol4/iss2/10>

This Article is brought to you for free and open access by DigitalCommons@UM Carey Law. It has been accepted for inclusion in Maryland Journal of International Law by an authorized administrator of DigitalCommons@UM Carey Law. For more information, please contact smccarty@law.umaryland.edu.

D. Transfer & Protection of Industrial and Intellectual Property

A THREE COUNTRY CONUNDRUM IN CONFLICT OF LAWS OR WHO GETS THE PATENT?*

*Marcus B. Finnegan** and Thomas L. Irving****

I. INTRODUCTION

Conflict of laws is perhaps the most abstract, academic and uncertain area of American jurisprudence. It has been called the "physics of the Law" in the sense that its principles address the applicability of law in time and space.¹ Of special concern, and the subject of this paper, are the principles to be considered in a situation where a foreign employer of a foreign employee-inventor seeks, in a United States court, assignment of the rights to a U.S. patent for which the employee has filed. To set the scene, the following hypothetical should be considered throughout the discussion.

Assume that an employee-inventor produces an invention in the country of his employment (hereinafter referred to as Employee's Country) and subsequently files his first patent application there. At a later date, he files a second patent application in the United States. The company which employs the inventor is incorporated and maintains its principal place of business in a third country (hereinafter referred to as Employer's Country). The employer files suit against the employee in the United States, claiming assignment rights to the U.S. patent application or, in the alternative, to the matured patent. The employee then files an

* This article is based on a speech presented at the Symposium of Employees' Inventions sponsored by the Finnish Group of Association Internationale pour la Protection de la Propriete Industrielle (AIPPI) held at Helsinki, Finland on September 15, 1977. The authors gratefully acknowledge the extensive and able assistance in the preparation of this article of Lawrence A. Stahl, a student at the National Law Center, The George Washington University.

** Partner, Finnegan, Henderson, Farabow & Garrett, Washington, D. C.; Member of the Bars of the District of Columbia, Virginia and New York; Professional Lecturer in Law, George Washington University 1971-; Consultant to the United Nations Industrial Development Organization (UNIDO), Vienna, 1972-; Consultant to the United Nations Conference on Trade and Development (UNCTAD), Geneva, 1974-; Consultant to the United Nations Centre on Transnational Corporations, New York, 1977-.

*** Associate Attorney, Finnegan, Henderson, Farabow & Garrett; Member of the Bar of the District of Columbia.

1. E. STIMSON, CONFLICT OF LAWS v (1963).

answer denying the employer's claim of right to the U.S. patent, and asserts a counterclaim for compensation, contingent upon the court's determination that the employer is entitled to an assignment of the U.S. patent.

This article will explore two principal issues. First, how does the U.S. court decide what law to apply in determining the rights of the employer and employee; and what factors influence the court's choice amongst the three possible alternatives, *i.e.*, the law of Employer's Country, the law of Employee's Country or the law of the United States? Second, how and when are foreign judgments enforceable in U.S. courts? More specifically, if we add to our hypothetical the fact that the employer has obtained a valid judicial decree in Employee's Country, ordering the employee to assign his U.S. patent rights to the employer, will this judgment be recognized and enforced by the U.S. court?

As a caveat, this author does not purport to answer all of the perplexing questions which arise in a conflict of laws problem similar to the hypothetical. Rather, the following presentation outlines the various elements to be considered when attempting to resolve such issues.

II. UNITED STATES CHOICE OF LAW

A. *Subject Matter Jurisdiction*

When confronted with a conflict of laws problem each American state is free to formulate its own rules through either statutory or case law. Although many use similar approaches, there is no federal standard which mandates the proper approach in solving the dilemma. Each state is, nevertheless, restricted by some rather broad limits imposed by the U.S. Constitution which shall be addressed.

Nonetheless, federal courts do apply uniform federal law in cases addressing a federal question which may include civil actions "arising under any act of Congress relating to patents."² It should be noted, however, that not every case involving a patent is a civil action originating under patent law;³ the suit may arise under contract law and the mere fact that the subject matter of the contract involves a patent does not sustain federal jurisdiction.⁴

2. 28 U.S.C. § 1338(a) (1976).

3. See *Kysor Indus. Corp. v. Pet, Inc.*, 459 F.2d 1010, 173 U.S. P.Q. 642 (6th Cir.), *cert. denied*, 409 U.S. 980 (1972).

4. *Bunting v. McDonnell Aircraft Corp.*, 522 S.W.2d 161, 168, 185 U.S.P.Q. 698 (Mo. 1975).

Federal jurisdiction may also exist where the citizen of one state sues the citizen of another state.⁵ But, where only citizens of foreign countries are involved — as in the facts of this hypothetical — jurisdiction on the basis of diversity of citizenship is absent. This being the only remaining basis for jurisdiction, a federal district court thus lacks subject matter jurisdiction over the employer's action for assignment of the U.S. patent issued to its employee.⁶

B. Fourteenth Amendment Due Process — A Limitation

The U.S. Constitution mandates that full faith and credit shall be given by each state to "the public Acts, Records, and Judicial Proceedings" of every sister state.⁷ When dealing, however, with a conflict between the laws of a state and a foreign country, the only constitutional limitations on the state are those imposed by the due process clause of the Fourteenth Amendment of the U.S. Constitution.⁸ The Fourteenth Amendment affords its protection to all natural persons, aliens as well as citizens.⁹

In the landmark case of *Home Insurance Co. v. Dick*,¹⁰ a citizen of Texas brought an action in a Texas state court against a Mexican corporation to recover on a fire insurance policy issued in Mexico. Jurisdiction was asserted *in rem* through garnishment against the Home Insurance Company which had reinsured, by contracts with the Mexican corporation, part of the risks which the latter had assumed. Although Home Insurance was New York corporation, service of process was obtained by serving its local agents in Texas. The policy required that notice of loss be given within one year, which had not been done. Texas had no connection with the issuance of the policy aside from providing the forum, yet the court applied the state law. Under Texas law the one year limitation was invalid and recovery was allowed.¹¹

5. 28 U.S.C. § 1332(a)(1) (1976).

6. *Aloe Creme Laboratories, Inc. v. Farkas*, 145 U.S.P.Q. 649, 651 (S.D. Fla. 1965).

7. U.S. CONST. art. IV, § 1; *Cf. Wells v. Simonds Abrasive Co.*, 345 U.S. 514 (1953) (The Full Faith and Credit Clause does not compel states to adopt any particular set of rules of conflict of laws, but merely sets certain minimum requirements which each state must observe when asked to apply the law of a sister state.)

8. *Home Ins. Co. v. Dick*, 281 U.S. 397 (1930).

9. *See Graham v. Richardson*, 403 U.S. 365, 371 (1971).

10. 281 U.S. 397 (1930).

11. *Home Ins. Co. v. Dick*, 118 Tex. 334, 15 S.W.2d 1028 (1929), *rev'd*, 281 U.S. 397 (1930).

On appeal, the U.S. Supreme Court reversed, holding that the application of Texas law deprived the garnishees of property without due process of law because Texas had insufficient contacts with the parties and the contract. Ultimately, this case has become the touchstone for courts confronted with contemporary conflict of laws problems. Due process demands that the forum apply a law in accordance with reasonable choice of laws rules. A state may not use its own law to invalidate provisions of a contract when the state lacks sufficient contacts with the transaction; it may only determine what foreign law is applicable which is thereafter applied.¹² Therefore, state courts will often be called upon to read, construe and apply the laws of foreign nations. Although in so doing they may tangentially affect foreign relations — an area constitutionally delegated exclusively to the federal government — they are not precluded from performing these functions. Such is true even where there is a possibility that the court's holding may disturb a foreign nation.¹³

Although, for purposes of the hypothetical, it may be assumed that the suit is properly brought in a U.S. state court, most probably, the state court's application of its own law would violate the due process standard of *Dick*.¹⁴ Therefore, the only remaining choices are either the laws of the Employer's Country or the Employee's Country.

C. Characterization

As noted above, the state court is called upon to decide which law of the two foreign countries controls. The first step is to characterize the nature of the substantive legal question before the court, for instance, tort, contract, patent law, or some other field of law. The forum applies its own law to make this characterization.¹⁵ The situation in the hypothetical could well involve an express covenant by the employee to assign to his or

12. *Id.* But outside this restriction, a state may prescribe the kinds of remedies available in its courts, and dictate the practice and procedure to be followed in pursuing those remedies. It may prohibit the enjoyment within its borders of rights acquired elsewhere which violate its own laws and, in some circumstances, may even refuse to aid in the enforcement of such rights. See *Griffin v. McCoach*, 313 U.S. 498 (1941) which held that a state may rightfully refuse to enforce a contract of insurance issued by a foreign corporation to its citizen when the policy required execution of acts in the forum state which the forum's law prohibited.

13. See *Zschernig v. Miller*, 389 U.S. 429, 433-34 (1968).

14. The fact that the subject matter of the contract is a United States patent or patent application would not, by itself, permit the state court's application of its own law.

15. See *Kline v. Wheels by Kinney, Inc.*, 464 F.2d 184, 185 (4th Cir. 1972).

her employer inventions made during employment. Additionally, a covenant to license might also be implied from the terms of, or the circumstances surrounding, the contract of employment.¹⁶ Thus, as discussed earlier, the law applied would be contract rather than patent law.¹⁷

D. The Place of Making versus the Place of Performance

Choice of law rules for a contract action will determine which law to apply. The traditional conflicts rule for determining the law to govern a contract is *lex loci contractus*, or the law of the place where the contract was made.¹⁸ *Lex loci contractus* has been judicially defined as the jurisdiction where "the last event necessary to make a binding contract occurs."¹⁹ While this rule is fast on the decline, it still retains vitality in a small minority of jurisdictions.²⁰

Under *lex loci contractus*, the law of the place where the employment contract became binding would govern the claims and rights of the parties. This is a black and white standard with the touted advantage of relative ease in determining the applicable law. The problem with this approach is that on occasion it contradicts common sense. Situation frequently occur where the law of one jurisdiction, having no interest in the dispute, is applied in contravention of the legitimate interests of another jurisdiction.²¹

Other jurisdictions have developed a modified version of the traditional *lex loci contractus* rule which focuses upon the place of performance under the contract. For example, under Maryland law,²²

16. *Standard Parts Co. v. Peck*, 264 U.S. 52 (1924); It is also noted in 53 AM. JUR. Master and Servant § 116 (1970) that:

Under the shop right rule an employee who, during his hours of employment and while working with his employer's materials and appliances, or with the assistance of helpers provided by the employer, conceives and perfects an invention which he patents must accord to his employer a right or license to use the invention. Note that shop rights generally do not give the employer the title to a patent that the employee may have received.

17. See *Bunting v. McDonnell Aircraft Corp.*, 522 S.W.2d 161, 185 U.S.P.Q. 698 (Mo. 1975).

18. *Arsham v. Banci*, 511 F.2d 1108, 1114 (6th Cir. 1975).

19. *Noland Co. v. Graver Tank & Mfg. Co.*, 301 F.2d 43, 47 n.4 (4th Cir. 1962).

20. South Carolina and Ohio are two examples.

21. See Currie, *Married Women's Contracts: A Study in Conflict-of-Laws Method*, 25 U. CHI. L. REV. 227 (1958).

22. See *Keco Indus., Inc. v. ACF Indus. Inc.*, 316 F.2d 513 (4th Cir. 1963).

contract suits involving performance are governed by the law where the contract was performed;²³ matters bearing upon the execution, interpretation and validity of a contract are governed, however, by *lex loci contractus*.

In the hypothetical, the invention was developed in Employee's Country, which is tantamount to saying that the contract was performed in Employee's Country. Therefore, under the latter theory, the claim for the transfer of the patent would be governed by the law of Employee's Country.²⁴

E. The Erosion of Lex Loci Contractus — Modern Approaches

The modern approaches to choice of law rules do not regard as conclusive either the contract's place of making or the place of performance.²⁵ The dogmatic approach of *lex loci contractus* has been abandoned in favor of a multi-factor, balancing test analysis. Although these modern approaches may afford less certainty and predictability than the rigid traditional rules, they tend to give the jurisdiction having the greatest interest in the litigation, control over the legal issues involved. Because American states formulate their own choice of law rules, the tests applied will vary from state to state. Several approaches are discussed below.

1. The Most Significant Relationship

The "most significant relationship" test²⁶ is perhaps the most prevalent approach with regard to contractual disputes. The various "contacts" in the case at hand must be taken into account to determine which jurisdiction has the most significant relationship to the transaction in dispute.

These "contacts" or factors include the following:

1. Place of Contracting;
2. Place of Negotiation;
3. Place of Performance;

23. *Id.* at 514; *Accord*, *Tow v. Miners Memorial Hosp. Ass'n.*, 305 F.2d 73, 74-75 (4th Cir. 1962) (West Virginia law of conflicts applied); *Cf. Ryan v. Napier*, 252 F. Supp. 730, 732 (N.D. Ill. 1966).

24. *Editor's Note*: The hypothetical is not clear with respect to which law governs under the traditional *lex loci contractus* rule.

25. *See Bache & Co., Inc. v. Int'l Controls Corp.*, 339 F. Supp. 341 (S.D.N.Y. 1972); *RESTATEMENT (SECOND) OF CONFLICT OF LAWS* § 188 (1971).

26. *See Richards v. United States*, 369 U.S. 1, 12 (1962); *RESTATEMENT*, *supra* note 25.

4. Domicile, residence, nationality, place of incorporation or place of business of the parties; and the
5. Location of the Subject Matter.

A sixth consideration has often been named to the list — namely, that it is preferable to select the law of the jurisdiction which would sustain the transaction. The latter supports the presumption that parties to a contract intend for it to be binding.²⁷

The above six factors are evaluated according to their relative importance with respect to the particular issue in dispute. These factors should be considered when applying choice of law principles of choice-influencing factors:²⁸

a. The needs of the interstate and international system. International friction and retaliation caused by a conflict of laws should be avoided by deferring to the country which has the dominant interest in having its laws applied.²⁹

b. The need for judicial expediency. A court may be reluctant to apply a foreign law which would complicate its judicial task. A court's comfort and familiarity with its own law provides a strong incentive to apply that law.³⁰ Generally, the forum will apply its own rule of decision unless a litigant invokes the law of a foreign state in a timely fashion. In such event he must demonstrate that the foreign rule of decision will further the interest of the foreign state, and is thus appropriate for the forum to apply in the case at bar.³¹

c. Predictability of results. Relevant in order to minimize the effect of forum shopping, this principle is, however, in direct conflict with the pro-forum policy — the very objective of the modern conflicts of law approach.

2. Party Autonomy

In contract actions, special emphasis is placed upon protecting the justified expectations of the parties or giving party autonomy.³² Subject to certain limitations, the court will favor applying the law that the parties

27. See *Kossick v. United Fruit Co.*, 365 U.S. 731, 741 (1961).

28. See RESTATEMENT, *supra* note 25, at § 6.

29. See *Satchwill v. Vollrath Co.*, 293 F. Supp. 533, 536 (E.D. Wis. 1968).

30. See *Conklin v. Horner*, 38 Wis. 2d 468, 475, 157 N.W.2d 579, 582 (1968).

31. *Bernhard v. Harrah's Club*, 16 Cal. 3d 313, 317-18, 546 P.2d 719, 721, 128 Cal. Rptr. 215, 217 (1976). The presumption is that the law of the forum will apply and the burden is on the party invoking the foreign law to show otherwise.

32. See RESTATEMENT, *supra* note 25, § 187.

have selected in their contract. The law chosen by the parties will control if the particular issue is one which the parties could have resolved by an explicit provision in their agreement, or the jurisdiction selected has some substantial relationship to the contract (although not necessarily the most significant relationship).³³

An exception to the above approach occurs when the facts of a case are purely local. To permit parties to elect the governing substantive law would usurp the powers of the local jurisdiction to control its own substantive law of contracts.³⁴ Furthermore, a choice of law clause will be construed as any other contractual provision. Evidence of fraud, duress, mutual mistake, unconscionability and the like can negate it.³⁵

Absent a contractual choice of law provision, weight should still be given to the legitimate expectations of the parties, the underlying purpose of the *lex loci contractus* approach. The law of the jurisdiction in which the contract was made is presumed to be the law which the parties intended to govern their transaction.³⁶

3. The "Better" Law

Another interesting approach is the so-called "better" law concept which was designed to avoid irrational and anachronistic rules. Faced with a choice of law decision, a court will often use its own judgment as to which is the better law, *i.e.*, which law yields a more just result in the case at bar.³⁷

Courts have utilized the "better" law approach in a variety of ways. One court has gone so far as to label a statute the better law, due merely to its existence.³⁸ At the other end of the spectrum, the court balanced the respective laws of the two conflicting jurisdictions and came to the

33. Something less than a substantial relationship is needed where the transaction is multi-state or multi-national and no one jurisdiction has any substantial connection with the transaction. *Id.*

34. *Cf. Consolidated Jewelers, Inc. v. Standard Financial Corp.*, 325 F.2d 31, 34-35 (6th Cir. 1963). (A New York corporation has made a loan to a Kentucky corporation. The contract provided that New York law would govern. The court applied New York law rather than the more strict usury laws of Kentucky. In doing so, it allowed the parties to avoid the Kentucky usury laws only because the negotiations and contracting all occurred in New York.)

35. See RESTATEMENT, *supra* note 25, at § 187, Comment b.

36. *Hamilton Nat'l Bank of Chattanooga v. Hutcheson*, 357 F. Supp. 114, 117 (E.D. Tenn. 1973).

37. The problem is that the theory conflicts with the basic principles of the separation of powers doctrine. Courts refuse, or so they often say, to act as super-legislatures.

38. See *Satchwill v. Vollrath Co.*, 293 F. Supp. 533, 536 (E.D. Wis. 1968).

conclusion that the law of the forum was the "better" law.³⁹ In either case, the "better" law approach can be objected to as a form of judicial intrusion into matters reserved for legislative decision.

4. Interest Analysis and Least Comparative Impairment

A final approach to be considered is the advancement of the governmental interests of each jurisdiction having significant contacts with the transaction. This is commonly referred to as "interest analysis," involving a comparison of the respective interests of each jurisdiction.

Interests analysis is a choice of law technique which is slightly distinguishable from the significant contacts theory. To oversimplify, interest analysis differs from the significant contacts doctrine only in allocating greater weight to those choice-influencing factors relating to state or governmental interests.⁴⁰ This approach calls for "[t]he balancing of all the interests of the states with the most significant contacts in order best to accommodate the equities among the parties to the policies of those states."⁴¹ In every case where there is a true conflict, the choice of the applicable law results in the subordination of the objectives of the law of one state to the objectives of the other state. To determine whether a true conflict exists, the law of each jurisdiction must be analyzed to discover the persons, policies and interests which the law is attempting to protect or promote. If the application of the law of one jurisdiction will not subordinate the policies of the other jurisdiction, or if the policies of the two jurisdictions are identical, there is a "false conflict."

Professor Brainerd Currie, a leading American authority on conflicts, has suggested the following approach to a "true conflict."

The sensible and clearly constitutional thing for any court to do, confronted with a true conflict of interests, is to apply its own law. In this way, it can be sure at least that it is consistently advancing the policy of its own state. It should apply its own law, not because of any notion or pretense that the problem is one relating to procedure, but simply because a court should never apply any other law except when there is a good reason for doing so. That so doing will promote the interests of a foreign state at the expense of interests of the forum state is not a good reason. Nor is the fact that such deference may lead to a conjectural uniformity of results among the different forums a good reason, when the price for that uniformity is either the

39. See *Mitchell v. Craft*, 211 So. 2d 509 (Miss. 1968); *Accord*, *Frummer v. Hilton Hotels Int'l, Inc.*, 66 Misc. 2d 840, 304 N.Y.S.2d 335 (1969).

40. See *supra* at 299.

41. *Vanston Bondholders Protective Comm. v. Green*, 329 U.S. 156, 162 (1946).

indiscriminate impairment of local policy in half of the cases or the consistent yielding of local policy to the policy of a foreign state.⁴²

Professor Currie further suggests that when preliminary analysis reveals an apparent conflict of interest, the forum should re-examine its policy to determine if a more restrained interpretation of that policy is more appropriate: "To assert a conflict between the interests of the forum and the foreign state is a serious matter; the mere fact that a suggested broad conception of a local interest will conflict with that of a foreign state is a sound reason why the conception should be re-examined"⁴³

This process of re-examination requires the identification of the forum's real interest and can be approached under principles of "least comparative impairment."⁴⁴ Under this principle, when a true conflict exists, one must determine which state's interest would be least impaired if its policy were subordinated to the policy of the other state.⁴⁵ Thus, the controlling law should be that of the jurisdiction whose policies would be most impaired if its law were not applied.⁴⁶

F. A Method of Application

Because the applicable law of the two jurisdictions as well as the *lex loci contractus* has not been specified, it is difficult to apply the aforementioned approaches to the present hypothetical. Nonetheless, one could generally proceed as follows. First, the issues of the dispute are identified. Taking each issue separately, it is determined whether each jurisdiction has a substantial relationship to the particular issue, referring to the six factors listed above.⁴⁷ If only one jurisdiction is substantially related to an issue, then the law of that jurisdiction should be applied. If, however, both jurisdictions are substantially related, they should be compared in light of the choice of law principles (choice-influencing factors) to determine which jurisdiction has the *most*

42. B. CURRIE, *SELECTED ESSAYS ON THE CONFLICTS OF LAWS* 119-21 (1963).

43. Currie, *The Disinterested Third State*, 28 *LAW & CONTEMP. PROB.* 754, 757 (1963).

44. See Baxter, *Choice of Law and the Federal System*, 16 *STAN. L. REV.* 1 (1963).

45. *Bernhard v. Harrah's Club*, 16 Cal. 3d 313, 320, 546 P.2d 719, 723, 138 Cal. Rptr. 215, 219 (1976).

46. "Least comparative impairment" is not intended to be a weighing or balancing exercise. Rather, emphasis is placed upon the appropriate scope of the conflicting policies. *Id.*

47. See *supra* at 298-99.

significant contacts.⁴⁸ If the forum subscribes to the interest analysis approach, more weight is given to the choice-influencing factors which relate to state interest.

G. An Escape Device — The Doctrine of Forum Non Conveniens

There is, for the timid, an escape from these tortuous mental gymnastics — the doctrine of *forum non conveniens*. Regardless of the applicable law, a court has the inherent power to decline to exercise its jurisdiction.⁴⁹ In the interests of justice, state courts occasionally decline to exercise jurisdiction where the suit is between aliens or the litigation would be more appropriately conducted in a foreign tribunal.⁵⁰

In most situations where the doctrine comes into play there will be at least one other forum in which the plaintiff is able to sue the defendant.⁵¹ If not, the court may then choose to conditionally decline jurisdiction.

For example, in *Aetna Insurance Co. v. Creole Petroleum Corp.*,⁵² the complaint was dismissed on the ground of *forum non conveniens* conditioned upon the defendant's consent to be sued in the courts of Venezuela. Although U.S. courts are normally reluctant to impose this condition, the plaintiff in this instance was forced to seek redress in a foreign court.⁵³

There is no standard governing a court's refusal to exercise its jurisdiction; the criteria have generally been left to the discretion of the court.⁵⁴ In general, the court will examine the relative accessibility to sources of proof, availability of compulsory process to obtain testimony of unwilling witnesses and other practical considerations which indicate that another forum would be more expedient and less expensive.⁵⁵ This

48. See *supra* at 298.

49. *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501 (1947).

50. *Id.*

51. *Id.* at 506-07.

52. 23 N.Y.2d 717, 244 N.E.2d 56, 296 N.Y.2d 363 (1968).

53. Not even an American citizen has an absolute right to sue in a U.S. court. See *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 645 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956).

54. *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501, 508 (1947).

55. *Id.* A significant question in an international transaction is whether the judgment rendered will be enforceable. It is true that a court of equity, having personal jurisdiction over a party, has power to decree that the party commit acts elsewhere. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633, 647 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956). But this power should be exercised with reluctance when it would be difficult to secure compliance with the decree because the acts are to be performed abroad or the exercise of such power is "fraught with possibilities of discord and conflict with the authorities of another country." *Id.*

must be considered since a plaintiff sometimes resorts to a strategy of filing suit at the most inconvenient place for his adversary, despite some inconvenience to himself.

While *forum non conveniens* may seem to be an easy way to have a case dismissed, it is not. Experience has demonstrated a judicial reluctance to refuse to exercise jurisdiction. Unless the balance is strongly in favor of the defendant, the plaintiff's choice of forum will rarely be disturbed.⁵⁶

In summary, the hypothetical, as we have seen, raises several difficult questions. The employer's claim of ownership as well as the employee's claim of compensation would undergo detailed factual scrutiny by an American court to arrive at a proper choice of law.⁵⁷

We now turn to another interesting question raised by the hypothetical. This concerns the effect of a foreign judgment ordering the employee to transfer the patent application or the matured patent to his employer on patent proceedings brought by the employer in the United States.

III. RECOGNITION OF FOREIGN JUDGMENTS

A. *Transfer in the U.S. Patent and Trademark Office*

The employer may attempt to seek a transfer of the patent directly from the Patent Office on the strength of the foreign judgment in his favor. Normally, a patent will issue to the inventor, but under certain circumstances it can issue directly to the assignee.⁵⁸ Before this transaction can be completed, an assignment of the patent application must be recorded in the U.S. Patent and Trademark Office, prior to the date of payment of the issue fee.⁵⁹

The employer would then present the foreign judgment — the assignment for the patent application — for the recordation to the appropriate officials in the Patent and Trademark Office. Although recordation of assignments is ministerial in nature,⁶⁰ the instrument must meet minimum standards:

1. It must be in English;⁶¹

56. *Gulf Oil Corp. v. Gilbert*, 330 U.S. 501 (1947).

57. In a case where the Employer's Country is the same as Employee's Country, the situation is simpler, however. Inasmuch as it would violate due process for the American state court to apply its own law, the only law that could be justly invoked is that of Employer's Country. *See supra* at 295-96.

58. 35 U.S.C. § 152 (1976); 37 C.F.R. § 1.334 (1978).

59. *Id.*

60. *Ex parte Palter*, [1912] C.D. 95, 177 O.G. 241 (Dec. Com. Pats.).

61. 37 C.F.R. § 1.331(b)(1978).

2. It must contain words of present transfer; *i.e.*, "I will assign" or "I have assigned" are improper, but "I hereby assign," or the like, will suffice;
3. The instrument must affect the title of the patent or invention to which it relates;⁶²
4. The instrument must identify the patent application to which it relates;⁶³ and
5. The instrument must be signed by the assignor.

If upon inspection of the assignment these requirements are fulfilled, the Patent Office must record the transaction.⁶⁴ It should be noted, however, that even if the instrument falls short of the minimum standards, it may still be recorded at the discretion of the Commissioner.⁶⁵

Normally, if an assignment is recorded no later than the day that the issue fee is paid, the patent will issue to an assignee of the whole interest;⁶⁶ a patent of less than the whole interest will not be granted exclusively to the assignee. If the wording of the instrument raises doubt as to the exact interest which the assignment conveys, the Patent Office, instead of attempting to interpret the instrument to determine the nature of the rights conveyed, will issue the patent to the applicant (inventor).⁶⁷

Upon the facts at hand, if the foreign court compels the inventor to execute an assignment in proper form, the Patent Office would recognize and record the instrument as a valid assignment. Otherwise, the foreign judgment, even if recorded in the Patent Office as an instrument affecting title, would not cause the patent to issue to the employer. The Patent Office lacks both the machinery⁶⁸ and the jurisdiction to settle disputes as to title. In such cases, the patent would be granted to the inventor, leaving the adjudication of title to the courts.⁶⁹

B. Recognition of the Foreign Judgment in a U.S. Court

A United States court does not have to recognize a foreign judgment; neither the U.S. Constitution nor international law compels it. Any recognition of a foreign judgment is based on notions of comity among nations.

62. *Id.*

63. *Id.*

64. *Ex parte Palter*, [1912] C.D. 95, 177 O.G. 241 (Dec. Com. Pats.).

65. *Supra* note 61.

66. 37 C.F.R. § 1.334 (1978).

67. *Ex parte Eickemeyer*, [1902] C.D. 174, 99 O.G. 1622 (Dec. Com. Pats.).

68. *In re Moller*, [1904] C.D. 70, 108 O.G. 2144 (Dec. Com. Pats.).

69. *Id.*

1. Comity and Reciprocity

Interpreted by the law of the forum in which recognition is sought, comity defines the extent to which the law of one nation is allowed to operate within the dominion of another nation.⁷⁰

Comity, in the legal sense, is neither a matter of absolute obligation, on the one hand, nor of mere courtesy and good will upon the other . . . it is a recognition which one nation allows within its territory to the . . . acts of another nation, having due regard to both international duty and convenience, and to the rights of its own citizens or of other persons who are under the protection of its laws.⁷¹

Comity occupies a middle ground between mere courtesy and obligation. "[It] is not a rule of law, but one of practice, convenience, and expediency."⁷² Comity should be withheld only when its application would be contrary or prejudicial to the interests of the nation called upon to give its effect.⁷³

In *Hilton v. Guyot*⁷⁴ the U.S. Supreme Court held that comity does not require a U.S. court to give conclusive effect to a foreign judgment — in that case, a French judgment — if there is lack of reciprocity. At the time, the settled law in France was that no foreign judgment could be enforced in France without a review of the judgment, including a review of the case on the merits.⁷⁵ Since a United States judgment would be reviewable upon the merits in France, the French judgment was not given full and conclusive effect when sued upon in this country.⁷⁶ Rather it was only prima facie evidence of the justice of the plaintiff's claim.⁷⁷

70. *Comity: An Effective Bar to Collateral Attack of a Foreign Court's Jurisdiction After Judgment*, 26 U. MIAMI L. REV. 641, 642 (1972).

71. *Hilton v. Guyot*, 159 U.S. 113, 163-64 (1895); *Accord*, *Somportex Ltd. v. Philadelphia Chewing Gum Corp.*, 453 F.2d 435 (3d Cir. 1971), *cert. denied*, 405 U.S. 1017 (1972).

72. *Somportex Ltd. v. Philadelphia Chewing Gum Corp.*, 453 F.2d 435 (3d Cir. 1971), *cert. denied*, 405 U.S. 1017 (1972).

73. *Id.*

74. 159 U.S. at 210.

75. *Id.* at 215.

76. It has been said that "[t]rue comity is equality; we should demand nothing more, and consider nothing less." *McErvan v. Zimmer*, 38 Mich. 765, 769, 31 Am. Rep. 332 (1878).

77. *Hilton v. Guyot*, 159 U.S. 113, 227 (1895).

The rule that reciprocity is a condition precedent to the recognition of comity has been followed by some courts,⁷⁸ but it has never been considered binding upon the states.⁷⁹ These rules have been criticized by virtually all commentators on the ground that it makes the individual plaintiff responsible for the state of his nation's law.⁸⁰

2. Comity and Due Process

The reciprocity requirement notwithstanding, a court still has the power to deny even prima facie validity to foreign judgments for policy reasons.⁸¹ In fact, due process requires that no jurisdiction give effect to a foreign judgment obtained without due process safeguards.⁸² As a general rule, U.S. courts will extend comity to a valid judgment of a foreign court where the proceedings were fair and regular and the foreign court was an appropriate forum to adjudicate the dispute.⁸³ They will not give full faith

78. *Leo Feist, Inc. v. Debar Publishing Co., Inc.*, 232 F. Supp. 623 (E.D. Pa. 1964); *Flota Maritima Browning De Cuba, Sociedad Anonima v. Motor Vessel Ciudad de la Habana*, 218 F. Supp. 938 (D. Md. 1963).

79. The rule has been rejected by the court of New York. See *Johnston v. Compagnie Generale Transatlantic*, 242 N.Y. 381, 152 N.E. 121 (1926); *Cowens v. Ticonderoga Pulp and Paper Co.*, 219 App. Div. 120, 219 N.Y. Supp. 284, *aff'd* 246 N.Y. 603, 159 N.E. 669 (1927).

80. Kulzer, *Recognition of Foreign Country Judgments in New York: The Uniform Foreign Money-Judgment Recognition Act*, 18 BUFF. L. REV. 1 (1968).

81. *Parker v. Parker*, 155 Fla. 635, 21 So. 2d 141, *cert. denied*, 326 U.S. 718 (1945); *Rosenbaum v. Rosenbaum*, 309 N.Y. 371, 375, 130 N.E.2d 902, 903 (1955).

82. In *Griffin v. Griffin*, 327 U.S. 220, 229 (1946), the Supreme Court stated, in dictum, that no American court will "give effect, even as a matter of comity, to a judgment elsewhere acquired without due process." *Cf.* Some cases have suggested that recognition of a foreign judgment will be permitted with less than due process. See *e.g.*, *Henderson v. Drake*, 138 Cal. App. 2d 621, 292 P.2d 254 (1956). In *Hilton v. Guyot*, 159 U.S. 113, 204-05 (1895), the defendant argued that enforcement of the judgment would violate due process, and sought to impeach the French judgment in which the plaintiff's testimony was not under oath and not subject to cross-examination. (See *generally* in text, *supra* at 306.) The Supreme Court rejected the defendant's argument, stating that the procedural difference between the French system and that of the United States is not, of itself, a sufficient ground for impeaching the foreign judgment. The decisions requiring less than complete due process are, however, in the minority. And even these require foreign procedures to conform, at least substantially, to the requirements of procedural due process. See A. EHRENZWEIG, *A TREATISE ON THE CONFLICT OF LAWS*, § 59, at 213 (1962).

83. *Mpiliris v. Hellenic Lines, Ltd.*, 323 F. Supp. 865 (S.D. Tex. 1970), *aff'd per curiam*, 440 F.2d 1163 (5th Cir. 1971); *Bloomfield Steamship Co. v. A/SJ Ludwig Mowinckels Rederi*, 298 F. Supp. 1239 (S.D.N.Y. 1969), *aff'd* 422 F.2d 728 (2d Cir. 1970).

and credit to a judgment tainted by fraud or rendered by a court that lacks either personal or subject matter jurisdiction.

At the minimum, procedural due process requires the foreign court to provide the affected party with a reasonable method of notification and a reasonable opportunity to be heard.⁸⁴ Additionally, the foreign court must have personal jurisdiction over a defendant, measured by U.S. constitutional standards, not by those of the foreign nation.

In order to subject a defendant to a judgment *in personam*, due process requires that "if he be not present within the territory of the forum, he have certain 'minimum contacts' with it such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice."⁸⁵

Despite divergent analytical approaches, European concepts of personal jurisdiction seldom give cause for serious complaint on the part of American jurists. Personal service within the jurisdiction is satisfactory to obtain personal jurisdiction unless the defendant was tricked into entering the jurisdiction, or entered the jurisdiction to defend an independent suit. When a defendant cannot be found within a jurisdiction, personal jurisdiction can be asserted over him only if the cause of action arose out of his conduct within the jurisdiction, or if he had continuous and systematic contacts within the jurisdiction.⁸⁶ Where the cause of action arose is often difficult to determine. For an action in tort, the general rule is that the cause of action arises where the tortious act was committed; for a cause of action arising under a contract, it is sufficient for purposes of due process that the suit be based on a contract which had a substantial connection with the jurisdiction.⁸⁷

84. *Somportex Ltd. v. Philadelphia Chewing Gum Corp.*, 453 F.2d 435, 443 (3d Cir. 1971), *cert. denied*, 405 U.S. 1017 (1972). The notice afforded the defendant in the proceedings in the foreign court must be timely, *i.e.*, there must be sufficient time to enable him to defend. Normally, notification must be by personal service or through the mail, and the defendant must actually receive notice. There are, however, circumstances in which the notice requirement may be satisfied by a publication, even though no actual notice is received. This is usually permissible where the name and address of the defendant are unknown. The means employed must be tantamount to a method which one desirous of actually informing the absentee might reasonably adopt to accomplish notice. *Mullane v. Central Hanover Bank and Trust Co.*, 339 U.S. 306, 315 (1950). The form chosen for notice must not be substantially less likely to give actual notice than other feasible substitutes. *Id.*

85. *Int'l Shoe Co. v. State of Washington*, 326 U.S. 310, 316 (1945).

86. *Id.*

87. *McGee v. Int'l Life Ins. Co.*, 335 U.S. 200 (1957).

There are certain bases of jurisdiction which do not comport with due process and will not be recognized by U.S. courts. An example is article 14 of the French Civil Code which provides: "An alien, even not residing in France, . . . may be called before the French courts for obligations incurred by him in a foreign country toward French persons."⁸⁸ Unless sufficient minimum contact exist, a judgment obtained under this provision would be unenforceable in an American court.⁸⁹ Another example is section 23 of the German Code of Civil Procedure⁹⁰ which vests German courts with *in personam* jurisdiction over any individual having assets in Germany. Under U.S. law, unless the lawsuit relates to that property, the mere ownership of property within a foreign country is not an acceptable basis for asserting *in personam* jurisdiction.⁹¹

3. The Appropriate Forum

American courts also require for recognition of a foreign judgment that the foreign court be an appropriate forum to adjudicate the dispute.⁹² More specifically, in relation to the hypothetical, the U.S. court must be satisfied that the foreign court can appropriately order the transfer of a U.S. patent.

A U.S. patent grants to its owner the right to exclude others from making, using, or selling the patented invention throughout the United States.⁹³ It is personal property which is assignable only by an instrument in writing.⁹⁴ Congress has declared U.S. patents to be assignable, but questions of ownership or licenses of patents or

88. Carl, *The Common Market Judgments Convention — Its Threat and Challenge to Americans*, 8 INT'L LAW. 446, 447 (1974).

89. *Id.* Similar provisions exist in Luxembourg, Italy and Holland.

90. *Id.* at 448.

91. See von Mehren and Trautman, *Recognition of Foreign Adjudications: A Survey and a Suggested Approach*, 81 HARV. L. REV. 1601 (1968). One word of caution — this should not be confused with *quasi in rem* jurisdiction. In a *quasi in rem* proceeding the defendant can only be liable up to the value of the *res*. In that situation the defendant has already been compelled to pay money or relinquish property. The judgment is conclusive between the parties with respect to the right to the property or money attached. See *supra* note 71. Under the German statute, recovery is not limited to the value of the *res*. See *supra* note 89.

92. *Ritchie v. McMullen*, 159 U.S. 235 (1895); *Mpiliris v. Hellenic Lines, Ltd.* 323 F. Supp. 865 (S.D. Tex. 1970); *Bloomfield Steamship Co. v. A/SJ Ludwig Mowinckels Rederi*, 298 F. Supp. 1239 (S.D.N.Y. 1969), *aff'd*, 422 F.2d 728 (2d Cir. 1970).

93. 35 U.S.C. § 154 (1976).

94. 35 U.S.C. § 361 (1976).

inventions are not governed by the patent statutes. These questions must be resolved by the courts.

While there is no case authority on point, there seems to be a fair amount of dicta which indicates that a state court will not recognize a foreign judgment ordering an assignment of a U.S. patent if the employee is an American citizen. In *Vanity Fair Mills v. T. Eaton Co.*,⁹⁵ a U.S. federal district court declined to exercise its jurisdiction when asked to compel a Canadian defendant to file a cancellation of its Canadian trademark. The court analyzed the action from the Canadian point of view and said:

We in this country undoubtedly would be outraged if American companies having branches in foreign lands were faced with the possibility that the courts of all these lands would assume jurisdiction to determine the rights of the American company in its home land to trademarks, copyrights, or patents granted or registered under the laws of the U.S. . . . [Such an attempted assertion of jurisdiction might provoke justified resentment] if international trade and commerce is to expand and if nations are to live as neighbors, it is necessary that nations observe the first principle of good neighborly relations, which is: Do not try to tell your neighbor how to manage affairs in his own household.⁹⁶

On appeal, the Second Circuit Court of Appeals emphasized that the result of the decree sought would be the extraterritorial application of U.S. law, contrary to the usual principles of conflict of laws.⁹⁷

The court also stated that when the rights to a U.S. trademark are being litigated in a U.S. court, the decisions of foreign courts concerning the respective trademark rights of the parties are irrelevant and inadmissible.⁹⁸ The court refused to entertain litigation concerning the rights to a Canadian trademark because of considerations of international comity, respect for national integrity and the possibilities of discord and conflict with the authorities of another country. Although *Vanity Fair Mills* involved trademark rights, an analogy to the patent situation can be drawn. Like a trademark, a patent confers privileges only within the boundaries of the issuing sovereign.

95. 133 F. Supp. 522 (S.D.N.Y. 1955), *modified*, 234 F.2d 633 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956).

96. *Id.* at 529.

97. *Vanity Fair Mills v. T. Eaton Co.*, 133 F. Supp. 522 (S.D.N.Y. 1955), *modified*, 234 F.2d 633 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956).

98. *Id.* at 639.

A similar situation occurred in *United States v. Imperial Chemical Industries, Ltd. (ICI)*⁹⁹ where a U.S. federal district court issued an antitrust decree requiring ICI to grant immunity under certain British patents. Immediately thereafter, British Nylon Spinners, a licensee of ICI's British patents sought and obtained an interlocutory order in a United Kingdom court enjoining ICI from complying with the American antitrust decree. Affirming the interlocutory order, the English Court of Appeals, in *British Nylon Spinners v. Imperial Chemical Industries*,¹⁰⁰ maintained that the American decree assumed an extraterritorial jurisdiction which the British courts could not recognize, notwithstanding any notions of comity. The court pointed out that an American court would be equally slow to recognize such an assertion of jurisdiction on the part of the British courts.¹⁰¹

In another antitrust prosecution, a federal district court, in *United States v. General Electric Co.*,¹⁰² issued a decree ordering Philips Corp., a Dutch defendant, to grant licenses of its foreign patents to anyone making a request therefor. The Netherlands objected strenuously to the decree. A Dutch letter of protest to the U.S. Attorney General stated that "the conditions under which the Netherlands government would grant patents and the degree of protection afforded to its patentees and their licensees in the Netherlands must remain a matter of exclusive concern to and be regulated by the laws of the Netherlands."¹⁰³

4. Application to Hypothetical

The few American decrees affecting foreign patents are perhaps distinguishable in that they have been antitrust decrees and quasi-criminal in nature. Of course, these cases are also distinguishable from the hypothetical which assumes that the patent country is the United States and that Employee's Country and Employer's Country are not the United States. The common denominator of the last four cases cited is that either an American private party or the United States itself sued a foreign party. Here, a foreign party, Employer, is suing in a U.S. court to enforce a judgment obtained in Employee's Country against Employee, also a foreign party.

This is not a case in which a foreign forum is exercising extraterritorial jurisdiction to take rights granted under U.S. law from an American

99. 105 F. Supp. 215 (S.D.N.Y. 1952).

100. [1953] 1 Ch. 19, [1952] All E.R. 780, [1952] W.N. 469.

101. *Id.*

102. 115 F. Supp. 835 (D.N.J. 1953).

103. BREWSTER, ANTITRUST AND AMERICAN BUSINESS ABROAD 46-50 (1958).

citizen and give them to a foreigner. Clearly, in such a case a U.S. court might well balk when asked to enforce a foreign judgment of that nature. Rather, a foreign court is simply transferring to the United States title to property rights from one foreigner to another.

Furthermore, the cited cases dealt with such matters as the validity of trademarks,¹⁰⁴ compulsory licensing of patents¹⁰⁵ and grants of immunity under patents.¹⁰⁶ In contrast to the present question of title, these issues involve complex determinations governed by broad policy considerations going to the very heart of a country's regulation of intellectual property rights and competition within its borders.

D. Conclusion

The only possible interests that a United States state court could have are: first, in maintaining the integrity of its judicial processes by scrutinizing the foreign action to determine whether procedural and substantive due process were afforded the parties; and second, in upholding a national interest by considering reciprocity, although this interest is considerably less important than the first. Therefore, where due process and reciprocity are present, the prediction is that the American state court would recognize and enforce the foreign judgment.

104. *Vanity Fair Mills v. T. Eaton Co.*, 133 F. Supp. 522 (S.D.N.Y. 1955), *modified*, 234 F.2d 633 (2d Cir.), *cert. denied*, 352 U.S. 871 (1956).

105. *United States v. General Electric Co.*, 115 F. Supp. 835 (D.N.J. 1953).

106. *United States v. Imperial Chemical Indus., Ltd.*, 105 F. Supp. 215 (S.D.N.Y. 1952).