

Trademark and Patent Disputes in Saudi Arabia:

An Analysis of Private International Law

Thesis Submitted for the Degree of Doctor of Philosophy

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Abstract

The subject of the conflict of laws and arbitration in intellectual property rights is a complicated topic to research, because the normal rules of private international law and arbitration can be affected by the special characteristics of patents and trademarks. Some rules of these subjects might need to be reformed and in some cases there are principles that should be created to successfully handle cross-border disputes concerning patents and trademarks. Establishment of a special court with supranational jurisdiction may be required to resolve these types of disputes. Recently, this subject has been given enormous attention around the world. While the academics, legislators and forums in developed states have broadly discussed the subject of conflict of laws and arbitration in intellectual property rights, in Saudi Arabia, it has not been given noticeable attention. This thesis intends to make a significant contribution to Saudi law and provide appropriate approaches on the subject of conflict of laws and arbitration in intellectual property rights. The topics which will be covered in this thesis are the rules of international jurisdiction, the rules of choice of law, the rules for enforcement of foreign judgments and the rules of arbitration. The modification and the enhancement of the rules of private international law and arbitration established in Saudi law will be recommended and the arguments for each suggested approach will be presented.

Contents

Abstract.....	1
Contents	2
List of Cases	10
List of Instruments and legal Sources.....	13
<i>Chapter 1: The Introduction</i>	16
1.1 The Importance of the Subject.....	16
1.2 The Current Position of Saudi Law	20
1.3 The Aims of the Thesis.....	21
1.4 The Scope of the Thesis.....	21
1.5 The Questions of the Thesis	24
<i>Chapter 2: The Sources of the Thesis</i>	26
2.1 The Introduction	26
2.2 The Islamic Sources.....	26
2.2.1 The Quran	26
2.2.2 The Sunnah	27
2.2.3 The Maslaha	27
2.2.4 The Custom	28
2.3 The Cooperation Agreements	28
2.3.1 The New York Convention	28
2.3.2 The Riyadh Arab Agreement for Judicial Cooperation	29
2.3.3 The Gulf Cooperation Council Convention for the Execution of Judgments	30
2.3.4 The Bilateral Agreements for Judicial Cooperation	30
2.3.4.1 The Bilateral Agreement for Judicial Cooperation with the Republic of Kazakhstan	31

2.3.4.2 The Bilateral Agreement for Judicial Cooperation with the Republic of Yemen	31
2.3.4.3 The Bilateral Agreement for Judicial Cooperation with the Kingdom of Morocco.....	31
2.3.4.4 The Bilateral Agreement for Judicial Cooperation with the Syrian Arab Republic	32
2.4 Saudi Regulations	32
2.4.1 The Regulations of Saudi Courts and Arbitral Tribunals	32
2.4.1.1 The Board of Grievances Law and the Law of Procedures before the Board of Grievances.....	32
2.4.1.2 The Law of Procedure before Shari'ah Courts.....	33
2.4.1.3 The Basic Law of Governance	34
2.4.1.4 The Saudi Arbitration Law	34
2.4.2 The Regulations of Patents and Trademarks	34
2.4.2.1 The Saudi Regulations	34
2.4.2.1.1 The Saudi Trademark Law	34
2.4.2.1.2 The Saudi Patent Law	35
2.4.2.2 The International Regulations	35
2.4.2.2.1 The Trademark Regulation of the Cooperation Council for the Arab States of the Gulf.....	35
2.4.2.2.2 The Patent Regulation of the Cooperation Council for the Arab States of the Gulf	35
2.4.2.2.3 The Paris Convention for the Protection of Industrial Property	36
<i>Chapter 3: The Rules of International Jurisdiction</i>	37
3.1 The Introduction	37
3.2 Allocating Jurisdiction over Trademark and Patent Disputes	38
3.2.1 Jurisdiction over Infringement Actions	38
3.2.1.1 The Place of Residence of the Defendant	39
3.2.1.1.1 <i>The General Principles</i>	39
3.2.1.1.2 The Principles of Trademark or Patent Disputes	41
3.2.1.1.2.1 <i>The Positive Approach</i>	42

3.2.1.1.2.2 <i>The Negative Approach</i>	43
3.2.1.1.2.3 <i>The Appropriate Approach for Saudi Law</i>	43
3.2.1.2 The Nationality of the Defendant	45
3.2.1.3 The Place of Tort	46
3.2.1.3.1 The General Principles	46
3.2.1.3.2 The Principles of Trademark or Patent Disputes	46
3.2.1.3.3 The Appropriate Approach regarding Saudi Law	48
3.2.2 Jurisdiction over Contract Disputes	49
3.2.2.1 The Place of Performance	50
3.2.2.1.1 The General Principles	50
3.2.2.1.2 The Appropriate Rules for Saudi Law regarding Trademark and Patent Disputes	51
3.2.2.2 The Parties' Agreement	52
3.2.2.2.1 The General Principles	52
3.2.2.2.2 The Rules Regarding Trademark and Patent Disputes	54
3.2.2.2.3 The Appropriate Approach for Saudi Law	56
3.2.3 Jurisdiction over Validity Issues.....	57
3.2.3.1 The Jurisdiction of Saudi Courts over actions relating to the validity of Saudi Patents and Trademarks	58
3.2.3.2 Jurisdiction over Actions Relating to the Validity is Exclusive to the Court of the Protecting State	59
3.2.3.3 Jurisdiction over the Validity Issue when it is Raised as a Defence	61
3.2.3.4 Jurisdiction over Infringement Proceedings when the Validity is raised as a Defence	62
3.2.3.4.1 The English Solution	63
3.2.3.4.2 The Dutch Solution.....	64
3.2.3.5 The Appropriate Approach for Saudi Law	66

3.3 Jurisdiction over Cases with Multiple Defendants	69
3.3.1 The General Principles	70
3.3.2 The principles Regarding Patent and Trademark Disputes	71
3.3.2.1 The Traditional Concept of Trademark and Patent Disputes	71
3.3.2.2 The Function of the Rules of Tort	72
3.3.2.3 The Function of Article 6 section 1 of the Brussels I Regulation in Patent and Trademark Disputes	74
3.3.2.3.1 The First Approach	74
3.3.2.3.2 The Second Approach.....	75
3.3.2.3.3 The Third Approach.	77
3.3.2.4 The Appropriate Approach for Saudi Law	80
3.4 Staying the Proceedings of the Saudi Forums	82
3.4.1 The Forum Selection Clause.....	83
3.4.2 The Arbitration Agreement.....	88
3.4.3 The Parallel Proceedings	90
3.4.3.1 The Requirements of the Principles of Parallel Proceedings	90
3.4.3.1.1 The First Approach	91
3.4.3.1.2 The Second Approach.....	92
3.4.3.2 The Appropriate Approach for Saudi Law Regarding Patent and Trademark Disputes ..	93
3.5 The Conclusion.....	95
3.5.1 The Remarkable Findings.....	96
3.5.2 The Recommendations	105
<i>Chapter 4: The Rules of Applicable Laws</i>	110
4.1 The Introduction	110
4.2 The Principle of Applicable Law in Saudi Arabia.....	110

4.2.1 The General Principles	110
4.2.2 The Evaluation of the Saudi Principle of Applicable Law	111
4.3 The Principle of Applicable Law in the Light of the Rules of Sharia	114
4.4 The Applicable Law to Govern Infringement Actions	115
4.4.1 The Law of the State of Origin	116
4.4.2 The Law of the Protecting State	118
4.4.3 The Law of the State where the Act Occurs	120
4.4.4 The Applicable Law Regarding the Patent Regulation of the Cooperation Council for the Arab States of the Gulf	121
4.4.5 The Possibility of Changing the Applicable Law	122
4.4.6 The Drawbacks Implicated in the Principles of the Applicable Law	122
4.4.7 The Scope of the Applicable Law	124
4.4.8 The Appropriate Approaches for Saudi Law	125
4.5 The Applicable Law to Contractual Obligations	127
4.5.1 The First Approach	127
4.5.2 The Second Approach.....	128
4.5.3 The Appropriate Approaches for Saudi Law	132
4.6 The Exceptions on Applying Foreign Law	133
4.6.1 The Public Policy.....	133
4.6.2 Fraud, the Mandatory Provisions, Overriding Mandatory Provisions and the Property Aspects of Patents or Trademarks	136
4.7 The Conclusion	139
4.7.1 The Remarkable Findings.....	139
4.7.2 The Recommendations	143
<i>Chapter 5: The Rules for Enforcement of Foreign Judgments.....</i>	<i>145</i>

5.1	The Introduction	145
5.2	The Consequences of Foreign Judgments	146
5.2.1	The Provisions of Res Judicata	146
5.2.2	Legal Documents	148
5.3	The Method to Enforce Foreign Judgments	149
5.4	The Parties and Subject of Trademark and Patent Disputes	151
5.5	The Grounds for Enforcement of Foreign Judgments	153
5.5.1	The Principle of Reciprocity	153
5.5.2	A Court with Competent Jurisdiction	155
5.5.2.1	The First Approach	155
5.5.2.2	The Second Approach	156
5.5.2.3	The Appropriate Approaches for Saudi Law relating to Patent and Trademark Disputes	156
5.5.3	Applying Correct Laws.....	161
5.5.4	Compatibility with the Rules of Sharia.....	163
5.5.5	Complete Required Documents	164
5.5.6	Finality and Conclusiveness	165
5.5.7	Related to Private Laws	165
5.6	The Conclusion	166
5.6.1	The Remarkable Findings	166
5.6.2	The Recommendations	171
	<i>Chapter 6: The Rules of Arbitration</i>	173
6.1	The Introduction	173
6.2	The Jurisdiction of Arbitral Tribunals	174
6.2.1	Establishing the Jurisdiction of Arbitral Tribunals.....	174

6.2.2 The Doctrine of Arbitrability	177
6.2.3 The Law Applicable to Govern Arbitrability	178
6.2.3.1 The Law Governing the Arbitration Agreement	179
6.2.3.2 The Law of the Court	180
6.2.3.3 The Law of the seat of Arbitration	182
6.2.3.4 The Law Applicable to Govern the Arbitrability of Validity of Patents and Trademarks	183
6.2.3.5 The Law Applicable to Govern the Arbitrability of Validity of Patents and Trademarks at the Enforcement Stage	186
6.2.4 The Jurisdiction of Arbitral Tribunals over Validity Issues	189
6.2.4.1 The Positive Approach	189
6.2.4.2 The Negative Approach	192
6.2.4.3 The Appropriate Approach for Saudi Law	193
6.3 The Law Applicable before the Arbitral Tribunal	197
6.3.1 The General Principles	197
6.3.1.1 The Concerns Regarding the Chosen Law in Arbitration	197
6.3.1.2 The Possibility of Changing the Chosen Law in Arbitration	198
6.3.1.3 The limitations on the Chosen Law in Arbitration	199
6.3.2 The Provisions Regarding Trademark and Patent Disputes	201
6.3.2.1 The Law Applicable to Infringement Actions and Validity Issues	201
6.3.2.1.1 The First Approach	202
6.3.2.1.2 The Second Approach	203
6.3.2.1.3 The Appropriate Approach for Saudi Law	204
6.3.2.2 The Applicable Law to Govern Contractual Obligations	206
6.4 The Conclusion	207

6.4.1 The Remarkable Findings.....	207
6.4.2 The Recommendations	212
<i>Chapter 7: The Conclusion</i>	214
7.1 The Introduction	214
7.2 The Findings	214
7.2.1 The Contributions Concerning the Rules of International Jurisdiction	215
7.2.2 The Contributions Concerning the Rules of the Applicable Law.....	218
7.2.3 The Contributions Concerning the Rules for Enforcement of Foreign Judgments	219
7.2.4 The Contributions Concerning the Rules of Arbitration	220
7.3 The Recommendations for the Further Studies	221
Bibliography	224

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Belgium

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The Paris Convention
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Chapter 1: The Introduction

1.1 The Importance of the Subject

The subjects of private international law, arbitration, patents and trademarks have received great international attention. There are many laws and international agreements enacted to establish their principles. Moreover, academic scholars have written many books discussing and highlighting adequately the rules of these subjects. However, the subject of the conflict of laws and arbitration in intellectual property rights is a complicated topic to research, because the special characteristics of these rights interact with the interests of the protecting states and cause some concerns to the parties involved in these disputes. It is a legal subject that recently has been given enormous interest by authors. The concerns arise when the disputes over patents or trademarks involve international elements.

The main characteristic of patents and trademarks is the principle of territoriality. Hill and Chong write that the principle of territoriality means, ‘an intellectual property right that is protected by the laws of a country is only protected within the territory of that country’². For instance, if a company wants to obtain a patent in Saudi Arabia, it must submit its application to certain offices in Saudi Arabia. Officers will evaluate the registration according to Saudi law. Hence, if the application is acceptable in accordance with the Saudi law, the patent will be granted and protected in Saudi Arabia. The implication of territorial protection is that the acts of infringement and exploitation of the protected rights must occur in the state that granted protection, in order to benefit from its laws. The principle of the independence of patents and trademarks has a close connection with the principle of territoriality, and only Saudi patents and trademarks are recognized in Saudi Arabia. Foreign trademarks and patents are not protectable in Saudi Arabia. Article 4 section 1 and 6 section 3 of the Paris Convention establish this principle and imply that a patent or a trademark registered in a Contracting State shall be regarded as independent of patents or trademarks registered in the other Member States of the Convention. Accordingly, there is no infringement of these rights if they are exploited or used by an unauthorised person outside the territory of the state of registration³.

The principle of territoriality gives patents or trademarks another special characteristic, which is that these rights have a close economic connection to the state of registration. The protection is given to safeguard the state’s economy and public policy, because in general terms, these rights are expensive and have a huge economic impact on that state. In this subject, Sender states, ‘The State of protection has a strong economic interest in having its law applied to the dispute to ensure the correct protection of its

² Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 15.1.67.

³ *ibid.*

national industry and the control on intellectual property rights granted for its national territory.’⁴ Accordingly, the rules of the state of registration should have priority in judicial proceedings which are brought in connection with its own rights.

When considering the question of why the rules of private international law should be investigated in cross-border disputes concerning patents and trademarks, it can be said that the courts to which the issues are referred must apply these rules to enforce IP rights successfully. If the parties, for example, bring the issue before a forum, the rules of international jurisdiction contained in its own laws will be called upon to reveal whether or not the court has authority to rule on the dispute. In cases where the forum does not have jurisdiction over the case, it must stay its proceedings over the action. However, in cases where the forum concludes that it is allowed to hear the dispute, the court will summon the other rules of private international law, which are the rules of choice of law, in order to clarify which law must be applied to the case. On the other hand, a cross-border dispute concerning a patent or a trademark might be ruled by a foreign court and the ensuing judgment may be sought to be enforced in the state where the judgment debtor has assets. Therefore, the rules for enforcement of foreign judgments established in the law of the required state must be called upon to verify whether or not the judgment is capable of enforcement in that state. Based on these facts, the normal rules of international jurisdiction, choice of law and enforcement of foreign judgments must be investigated and evaluated, in order to reveal whether or not they are appropriate to handle cross-border disputes concerning patents and trademarks.

The traditional theory of patent and trademark disputes is that the principle of territoriality dominates them and the implication of this theory is that the forum is not allowed to rule on an action for infringement of a foreign right⁵. In general terms, in cases where a cross-border dispute concerning a patent or a trademark is brought before a forum, the rules of private international law of the state of registration should be honoured, in order to safeguard the interests of that state and issue an enforceable judgment. Based on these facts, if a Saudi forum wants to enforce a foreign judgment or resolve a dispute in respect of a foreign patent, it may face a complicated situation if it applies the normal rules of private international law enacted in Saudi law. This is because applying these principles may result in harm to the interests of the state of registration and might be inconsistent with the doctrine of international comity. Accordingly, some of these rules may need to be reformed and the forum may need to create certain principles to rule on the dispute properly. For example, the normal provision in the rules of international jurisdiction is that the court of the state where the defendant has a place of residence has jurisdiction to

⁴ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.22.

⁵ Alexander Peukert, ‘Territoriality and Extraterritoriality in Intellectual Property Law’ in Gunther Handl and Joachim Zekoll (eds), *Beyond Territoriality: Transnational Legal Authority in an Age of Globalization* (Queen Mary Studies in International Law, Brill Academic Publishing 2011).

hear a dispute against him. However, in patent and trademark disputes, this principle should be modified, because it is difficult, and may not be appropriate, to follow this rule in proceedings for infringement of a foreign right. Jurisdiction should be given exclusively to the forums of the state of registration, because, in general terms, all elements required to resolve the case effectively are located in the protecting state. In such circumstances, if the defendant has a place of residence in Saudi Arabia and a Saudi forum rules on the dispute, its judgment on the issue may not be recognised or enforced in accordance with the law of the state of registration.

Another example is where a claim is brought against multiple defendants. According to Saudi law, if one of the defendants has a place of residence in Saudi Arabia, the other defendants could be sued together before a Saudi court, even if they are resident outside the territory of Saudi Arabia. However, in patent and trademark infringement disputes committed in more than one state, the Saudi legislators may need to lay down additional rules to consolidate the proceedings into one action. The third example occurs when the Saudi forum is asked to enforce a foreign judgment. The normal rule for recognition and enforcement of foreign judgments is that the court of the state where the judgment is sought to be recognised or enforced will call upon its own rules of international jurisdiction to verify whether or not the court granting the award has authority to rule on the dispute. However, in cross-border disputes concerning patents and trademarks, it is difficult to apply this rule, because it may affect the interests of the state of registration in cases where its own forums have exclusive jurisdiction over the issues. Hence, it is appropriate to analyse this rule and recommend either revision or creation of another provision.

The fourth example is that in order to enforce a foreign judgment in Saudi Arabia, Saudi law does not require that the court granting the judgment must apply the correct law to govern the dispute. The complication in this scenario is that in patent and trademark disputes, when a court rules on an action for infringement of a foreign right and does not govern the issue by reference to the law of the state of registration, the forum of the state where the ensuing judgment is sought to be enforced might be reluctant to enforce that judgment. This is because this award is not only inconsistent with the interests of the protecting state, but also inconsistent with the doctrine of international comity and the concept of public policy. Hence, it is appropriate to analyse this issue and introduce a suitable approach for Saudi law regarding cross-border disputes concerning patents and trademarks. Based on the previous facts, the Saudi legislators may need to establish specific principles and modify some normal rules of private international law established in Saudi law, in order to bring justice and properly resolve these types of disputes.

In Europe, the subject of conflict of laws in intellectual property rights has attracted scholars and legislators. There are many books, articles and reported judgments that debate the principles of this subject. A well-known book that discusses the rules of the subject is *Intellectual Property and Private*

*International Law*⁶ by James J Fawcett and Paul Torremans. The first edition of the book was published in 1998 and the second recent edition was published in 2011. The second significant book, published in 2012, is *Intellectual Property and Private International Law: Comparative Perspectives*⁷ authored by several scholars and edited by Toshiyuki Kono. The third important publication is *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law*⁸ which was authored by Marta Pertegas Sender in 2002. A significant article dealing with one aspect of the subject is *Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?*⁹ by James Fawcett, cited in the book *Reform and Development of Private International Law: Essays in Honour of Sir Peter North*, published in 2002. In addition, the courts of European states have issued various judgements which provide significant principles on the conflict of laws in intellectual property rights. For example, the European Court of Justice issued an important judgment in the case of *Gesellschaft für Antriebstechnik mbH & Co. KG v Lamellen und Kupplungsbau Beteiligungs KG*¹⁰. The English forums considered some approaches about the subject in the case of *Coin Controls Ltd v Suzo International (UK) Ltd*¹¹ and in the case of *Fort Dodge Animal Health Ltd v Akzo Nobel NV*¹². The Dutch courts introduced their concepts in the case of *Expandable Grafts Partnership v Boston Scientific BV*¹³. All these cases contain significant rules for the conflict of laws in intellectual property rights.

Furthermore, there are several agreements which contain articles to regulate some aspects of cross-border disputes concerning patents and trademarks. For example, article 22 section 4 of the Brussels I Regulation and article 22 section 4 of the Lugano Convention 2007 provide an answer to the question of which court should have jurisdiction over actions concerning the validity of intellectual property rights. The Hague Conference on Private International Law concluded the Convention on Choice of Court Agreements on 30 June 2005. Article 2 section 2 subsections N and O regulate the question of which forum should have jurisdiction over validity, infringement and contracts in connection with intellectual property rights. Article 8 of the Rome II Regulation defines which laws must be applied to infringement actions concerning intellectual property rights. Finally, there is a private group of scholars called the

⁶ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011).

⁷ Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁸ Marta Pertegas Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002).

⁹ James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

¹⁰ Case C-4/03 *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG* [2006] ECR I-6509, [2007] IL Pr 34.

¹¹ *Coin Controls Ltd v Suzo International (UK) Ltd* [1999] Ch 33 (Ch).

¹² *Fort Dodge Animal Health Ltd v Akzo Nobel NV* [1998] FSR 222 (Civ).

¹³ The Court of Appeal of The Hague, 23 April 1998, *Expandable Grafts Partnership v Boston Scientific BV* [1999] FSR 352.

European Max Planck Group on Conflict of Laws in Intellectual Property with an interest in the conflict of laws in intellectual property rights. It has suggested principles to regulate this subject, in order to enhance the European and national laws; their last text was finalised on 1 December 2011. Hence, in Europe, there are notable interests in regulation of the subject of conflict of laws in intellectual property rights.

1.2 The Current Position of Saudi Law

In Saudi Arabia, there are many books and academic research focused on private international law and intellectual property rights. In general terms, these materials describe and analyse the rules of international jurisdiction, enforcement of foreign judgments, patents and trademarks, which are involved in Saudi law. There is a shortage of textbooks discussing the rules of applicable law. This might be because these rules are supposed to be taken from the rules of Sharia. Therefore, to judge a matter brought before a Saudi forum, it is sufficient to return to the books of Islamic jurisprudence, which contain the various principles of Sharia based on different Islamic Schools.

The Saudi Arbitration Law 2012 radically changes the rules of the previous 1983 law and contains general rules to regulate the procedures of arbitration tribunals. However, books and research concerning the subject of arbitration analyse the general principles of legislation in the Saudi Arbitration Act 1983. In addition, the Saudi government has ratified various judicial cooperation agreements with certain states. Some of the targets of these agreements are to regulate the rules of international jurisdiction, enforcement of foreign judgments and arbitration among the Contracting States. However, in general terms, these resources do not contain a special article to establish the rules of the conflict of laws in intellectual property rights. In addition, reported judgments and authorities from Saudi forums or arbitration tribunals are insufficient to provide a provision for Saudi law regarding this subject. Hence, the rules of private international law and arbitration established in Saudi law need to be analysed and evaluated, in order to verify whether or not they are appropriate to be applied to cross-border disputes concerning patents and trademarks.

A researcher in this subject may face several difficulties. In Saudi Arabia, there is a lack of resources that provide direct answers to the subject of conflict of laws in intellectual property rights. The burden is therefore on the researcher to investigate and evaluate each rule of the subjects of international jurisdiction, the choice of law, the enforcement of foreign judgments and arbitration, in order to suggest appropriate approaches for Saudi law. Moreover, the rules of Sharia must be respected, in order to present accurate and helpful suggestions which must be consistent with the Sharia. Furthermore, although the conclusions of the research are unquestionably worthwhile for Saudi forums and, therefore, their cooperation is essential to reach accurate conclusions, in order to enhance Saudi law, the investigator may

face difficulty obtaining and examining judgments issued by Saudi competent courts. These investigations are fundamental to analyse and evaluate the approaches presented by the Saudi forums to handle cross-border disputes concerning patents and trademarks.

1.3 The Aims of the Thesis

The aims of the thesis are to focus on the normal rules of private international law and arbitration enacted in Saudi law. The point that will be explained and evaluated is the application of these principles to handle cross-border disputes concerning trademarks or patents which are brought before Saudi courts. Each principle will be analysed and evaluated individually to verify whether or not it is appropriate for it to be applied effectively to these types of disputes. The analysis will be limited to those that may be affected by the special characteristics of patents and trademarks. However, in general terms, the rules of private international law and arbitration established in Saudi law do not contain a special head to handle cross-border disputes in respect of patents and trademarks. Moreover, there is a lack of reported judgments from Saudi forums and arbitral tribunals providing approaches for the Saudi law on these types of issues. The fact that there is no judgment does not mean that the subject is not important, but it rather is an indication that there might be an enforcement gap, and a case for reform.

The fact that the private international law rules in Saudi Arabia do not contain special rules for such types of disputes do suggest that if the researcher finds a point that is significant to resolve these types of disputes properly and is not established in Saudi law, he will have to investigate solutions that exist in countries, such as the European states. The European Union rules are considered relevant, because they are intended to be applied in 28 Member States sharing different legal traditions and legal heritages. As a result, the Union legislators adopt unique solutions to the points of concern. The various approaches may be legalised in national laws, international agreements, pronounced in court judgments, or even introduced theoretically. The researcher will present some approaches, and those appropriate for Saudi law will be suggested, with the reasons for adopting them¹⁴. The best solutions for Saudi law must be consistent with the rules of Sharia and sustain the basic principles of private international law and arbitration. Moreover, the suggested approaches have to maintain the interests of the state of registration and of the parties to the disputes.

1.4 The Scope of the Thesis

The researcher will analyse the rules of international jurisdiction, choice of law and enforcement of foreign judgments which are enacted in Saudi law. In addition, because arbitration is regarded as a

¹⁴ Although solutions and examples from other jurisdictions will be discussed, this is not a comparative study.

legal solution to remedy cross-border disputes concerning patents and trademarks, the rules of arbitration established in Saudi law will be examined in a separate chapter.

Following the introduction and the chapter concerning the sources of the thesis, chapter three will analyse the rules of international jurisdiction, because when a dispute is brought before a Saudi forum, these rules must be determined initially, in order to verify whether or not the court has jurisdiction over the case. There are some concerns with these rules. One is that the Court of Appeal in the Board of Grievances lays down the principle that a national party who is in contract with a foreign non-Muslim party is authorised to give jurisdiction over potential disputes to a foreign court or an arbitration tribunal, even if the contract is performed in Saudi Arabia. Yet, the Saudi forum must rule on the dispute if the foreign party brings it before the court, regardless of the consent of the national party, even if the foreign party does not present any reason to disregard the jurisdiction clause. At the same time, in such circumstances, the national party is not allowed to bring the dispute before the Saudi forum at all. This concept may cause some problems when the ensuing judgment needs to be enforced. Also, it is regarded as a legal loophole in the procedures of Saudi courts. Hence, revision might be required.

The second concern is that there are some rules of jurisdiction relating to patent and trademark disputes that have not been regulated in Saudi law and there is a lack of reported judgments from the Saudi courts providing an approach on these principles. For example, Saudi law does not provide direct solutions to the question of which court should rule on an action concerning the validity of a foreign right and to the issue of staying the proceedings of the Saudi forum in favour of a foreign court. These subjects are essential and play significant roles in cross-border disputes concerning trademarks or patents. The various approaches to these points should be analysed and evaluated to suggest suitable legislation to be incorporated into Saudi law. Moreover, it is significant to examine the normal rules of international jurisdiction and evaluate whether or not they are appropriate to handle cross-border disputes concerning trademarks or patents. For instance, the nationality and place of residence of the defendant are controversial rules regarding authority over patent and trademark disputes. Thus, these grounds of jurisdiction must be evaluated to clarify whether or not they could be applied to patent and trademark disputes.

Another instance concerns the rules of tort which give jurisdiction to the court of a state where the event takes place. Generally, these rules are extended to cover two places, the place where the harmful event occurs and the place where the damage is raised. The explanation will focus on the question of which of these places is appropriate to give authority to Saudi forums over actions for infringement of trademarks or patents. In addition, in cases where parallel rights are violated in more than one country, certain rules are required to consolidate the infringement proceedings before a single forum. These requirements must be illustrated broadly to be effectively applied in Saudi law. Furthermore, it significant

to mention that it may appropriate to reform article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf, which concerns jurisdiction over infringement actions concerning Gulf Cooperation Council patents, in order to avoid misunderstanding of the meaning of the article.

The fourth chapter will consider the Saudi rules of choice of law, and throughout the discussions, the Saudi principles of applicable law will be evaluated, in order to reach a conclusion as to whether or not it is appropriate to apply these rules to cross-border disputes concerning patents and trademarks. The Saudi rules of choice of law are that the Saudi forum is prevented from applying foreign law at all, whilst in cross-border disputes relating to trademarks and patents, the Saudi court has to apply foreign law in certain situations. For example, when the court rules on an action for infringement of a foreign right, or when the parties to a contract in relation to the exploitation of a patent give jurisdiction to the Saudi forum over their potential disputes and agree to apply foreign law to the contractual obligations. In such circumstances, the Saudi court has a dilemma, whether to stay its proceedings or to apply Saudi law to the cases. Based on this fact, the Saudi rules of choice of law must be analysed and evaluated broadly to clarify whether or not they are appropriate to be applied to patent and trademark disputes.

The rules for enforcement of foreign judgments established in Saudi law will be illustrated in the fifth chapter, because cross-border disputes in relation to patents and trademarks may be determined by foreign forums. The Saudi forum may be asked to enforce the ensuing judgments in cases where the judgment debtors have assets in Saudi Arabia. Hence, these rules must be examined to clarify the effectiveness of applying them to patent and trademark disputes. There are several points that should be analysed and evaluated, such as the principle of reciprocity with the state where a foreign judgment is issued. This is a compulsory stipulation required to enforce the judgment in Saudi Arabia even though it may lead to harm to the interests of a Saudi party and result in an unjust outcome. Hence, it is appropriate to analyse this condition and present a suitable approach for Saudi law. Furthermore, in cases where a foreign judgment concerns a cross-border dispute relating to a patent or a trademark, deciding which law should be applied to establish whether or not the court granting the award is competent to hear the case is complicated. Hence, this point needs a careful illustration to present a practical approach for Saudi law.

The chapter six covers arbitration. Recently, arbitration has come to be regarded as a popular means to resolve cross-border disputes in relation to patents and trademarks. The main target of this chapter is to investigate the rules of arbitration enacted in Saudi law, in order to clarify the possibility of arbitrating patent and trademark issues productively. However, in general terms, there is a shortage of rules which could help arbitrators to rule successfully on these types of disputes. For instance, Saudi law does not regulate the question of whether patent and trademark disputes are capable to be settled by arbitration and the possibility of arbitration on the validity of Saudi patents and trademarks. Not only that, but it is also difficult to find a court judgment or an arbitral award presenting an approach for Saudi law

regarding these points. This may be due to the confidentiality of the arbitration. In this chapter, the jurisdiction of arbitration tribunals and how it is established will be illustrated. I will illustrate the doctrine of arbitrability and the question of which law should be applied to decide whether or not the validity of Saudi patents or trademarks is arbitrable. In addition, the possibility of arbitrating the validity of Saudi patents and trademarks will be examined. I will also examine the question of which law arbitration tribunals should apply to govern infringement proceedings, validity issues and contracts in relation to the exploitation of patents and trademarks.

1.5 The Questions of the Thesis

The main question of the thesis is whether or not Saudi law deals satisfactorily with cross-border disputes relating to trademarks and patents? The answers to this question will be divided into four chapters, each one of them will respond to crucial subsection questions. At the conclusion of the thesis, a summary of the suggestions and contributions to the current Saudi law will be presented.

The main question of the chapter three, which concentrates on the rules of international jurisdiction, is to what extent the international jurisdiction rules enacted in Saudi law deal effectively with cross-border disputes regarding patents or trademarks? There are a number of significant subsection questions to be considered. What grounds of jurisdiction are capable of handling disputes in relation to infringement or license agreements? Can Saudi forums rule on the validity of foreign patents and trademarks? Can foreign courts determine the validity of Saudi patents and trademarks? In what circumstances can the plaintiff consolidate infringement proceedings before a single Saudi forum? When Saudi courts have jurisdiction over patent and trademark disputes, could their proceedings be stayed in favour of the proceedings of foreign courts or arbitration tribunals? In what circumstances can the Saudi forums stay their own proceedings over these types of disputes?

The fourth chapter deals with the Saudi rules of choice of law. The central question for this chapter is to what extent the Saudi principles of applicable law are appropriate to govern cross-border disputes concerning patents and trademarks and whether or not these rules should be modified? There are also significant subsection questions to answer. Whether or not the Saudi rules of choice of law are consistent with the rules of Sharia? Which law should be applied to govern infringement proceedings, validity issues and contracts for the exploitation of patents and trademarks? Based on the presumption that the Saudi forum is allowed to apply foreign law to patent and trademark disputes, are there any rules to prevent the court from applying the foreign law?

The fifth chapter will consider the rules for enforcement of foreign judgments. The main question for this chapter is whether or not the Saudi forum, which has authority to enforce foreign judgments against assets within Saudi Arabia, deals effectively with foreign judgments concerning trademark and

patent disputes? During the research, the answers to the following questions will be illustrated. What is the impact of foreign judgments, in relation to patents or trademarks, on the parties and the subject of issues? What is the method of enforcing foreign judgments in Saudi Arabia? What are the criteria that must be satisfied to enforce foreign judgments in Saudi Arabia?

The sixth chapter will focus on the principles of arbitration. The most significant question of this chapter is to what extent cross-border disputes relating to trademarks and patents are arbitrated properly, in accordance with Saudi law? During the research, the answers to the following questions will be explained. What are the requirements that must be satisfied to transfer jurisdiction over the subject matter of disputes from public forums to arbitration tribunals? Which law must be applied to establish whether arbitration is suitable to consider the validity of Saudi patents and trademarks? Can the tribunal rule on the validity of Saudi patents and trademarks? Which law the arbitration tribunal should apply to govern infringement claims, validity issues and contracts in relation to the exploitation of patents and trademarks?

Chapter 2: The Sources of the Thesis

2.1 The Introduction

When a Saudi forum or an arbitration tribunal rules on a cross-border dispute in relation to a patent or a trademark, there are several resources which may be called upon to determine the dispute successfully. In general terms, the court or the tribunal will rely on rules provided in Sharia, Saudi law and agreements which the Saudi government has ratified. However, before examining in detail the provisions involved in these resources, a brief overview is appropriate. This chapter briefly investigates the sources of the rules of Sharia, Saudi law and ratified agreements which may be called upon when cross-border disputes regarding patents and trademarks are brought before Saudi courts or arbitration tribunals.

2.2 The Islamic Sources

2.2.1 The Quran

The Holy Quran is the first source of Sharia and its definition is that it is the word of God which was revealed to the Prophet Muhammad (peace be upon him) in the Arabic language¹⁵. All Muslims should believe that the Holy Quran is the foundation of Islam and our God has vindicated it from misrepresentation. The Quran provides Muslims with general rules and a foundation for various subjects, in order to be more flexible and applicable to any era and place¹⁶. Justice among human beings, for instance, is considered in the Quran, but it does not mention the types of forums and their jurisdiction. Hence, every Muslim society organises the courts proceedings and procedures in the light of harmony with the Quran, in order to reach justice¹⁷. The provisions in the Quran which codify dealings between people are under than 200 verses¹⁸ and ten of them focus on financial affairs¹⁹.

¹⁵ Jafar Abdulalsalam and Emadalden Alsharbini, *An Introduction in the Sources of Legislations in Saudi Arabia* (1st edn, University Book Centre 1983) 72; Muhammad Abdulatif Alfarfor, *The Sources of Islamic Fiqh* (1st edn, Dar Ibn-katheer 1995) 19; Ali Muhammad Jafar, *The History of Laws and Islamic Fiqh* (1st edn, Universal Institution for Publication 1996) 237.

¹⁶ Jafar Abdulalsalam and Emadalden Alsharbini, *An Introduction in the Sources of Legislations in Saudi Arabia* (1st edn, University Book Centre 1983) 74; Ali Muhammad Jafar, *The History of Laws and Islamic Fiqh* (1st edn, Universal Institution for Publication 1996) 240.

¹⁷ Jafar Abdulalsalam and Emadalden Alsharbini, *An Introduction in the Sources of Legislations in Saudi Arabia* (1st edn, University Book Centre 1983) 74.

¹⁸ *ibid.*

¹⁹ Fathi Othman, *The Idea of Islamic Laws in the Sources of Sharia and the Tradition of Fiqh* (1st edn, Wahba Stationery 1968) 66.

2.2.2 The Sunnah

The Sunnah is the second source of Sharia and its limitation is that every saying, act and approval from the Prophet Muhammad (peace be upon him)²⁰. The Sunnah contains various provisions. In some areas, it confirms rules which are included in the Quran. It may also explain some provisions included in the Quran or replace them. The Sunnah might establish a principle that is not mentioned in the Quran²¹. The Sunnah provides Muslims with essential rules to organise Islamic economics.

2.2.3 The Maslaha

The meaning of the Maslaha, in the light of the Sharia, is that in cases where there is a subject matter and the rules of Sharia involved in the Quran and the Sunnah do not have a certain principle to codify that subject, legislators will authorise or prohibit this subject, based on whether or not this subject matter is in the public interest or causes a risk to the public²². Recently, the Maslaha has been regarded as one of the productive legal sources in Islamic societies²³. The Quran and the Sunnah do not contain specific principles to establish ownership of patents or trademarks. It said that the protection of these rights brings huge economic benefits to the owners and the state of registration²⁴. Hence, based on the public interest, it is essential to regulate the rules of patents and trademarks, in order to encourage the public to be productive²⁵. Therefore, when Saudi legislators intend to establish rules relating to conflict of laws in intellectual property rights, they should take into account the interests of the parties and of the protecting states.

²⁰ Fathi Othman, *The Idea of Islamic Laws in the Sources of Sharia and the Tradition of Fiqh* (1st edn, Wahba Stationery 1968) 67; Jafar Abdulalsalam and Emadalden Alsharbini, *An Introduction in the Sources of Legislation in Saudi Arabia* (1st edn, University Book Centre 1983) 75; Muhammad Abdulatif Alfarfor, *The Sources of Islamic Fiqh* (1st edn, Dar Ibn-katheer 1995) 36; Ali Muhammad Jafar, *The History of Laws and Islamic Fiqh* (1st edn, Universal Institution for Publication 1996) 243.

²¹ Ali Jarisha, *Sources of Sharia in Comparison with Constitutional Sources* (1st edn, Wahba Bookstore 1979) 26; Muhammad Abdulatif Alfarfor, *The Sources of Islamic Fiqh* (1st edn, Dar Ibn-katheer 1995) 36; Ali Muhammad Jafar, *The History of Laws and Islamic Fiqh* (1st edn, Universal Institution for Publication 1996) 243.

²² Jafar Abdulalsalam and Emadalden Alsharbini, *An Introduction in the Sources of Legislations in Saudi Arabia* (1st edn, University Book Centre 1983) 90; Ali Muhammad Jafar, *The History of Laws and Islamic Fiqh* (1st edn, Universal Institution for Publication 1996) 262.

²³ Jafar Abdulalsalam and Emadalden Alsharbini, *An Introduction in the Sources of Legislations in Saudi Arabia* (1st edn, University Book Centre 1983) 90.

²⁴ Ali Abdullallah Asiry, 'Intellectual Property in Sharia' in AbdulRahem Haj Yehea Abdullallah and others (eds), *Intellectual Property Rights* (1st edn, Naif Arab University for Security Sciences 2004).

²⁵ Mustafa Alzarqa, *The Entrance to General Obligation Concepts in Islamic Laws* (1st edn, Dar Elqalam 1999) 31; Muhammad Mustafa Alzuhaili, *The Principles of Jurisprudence in accordance with Hanafiyah and Shafi'iyah Schools* (1st edn, University of Kuwait 1999) 304.

2.2.4 The Custom

The meaning of custom, in the light of the rules of Sharia, is the habits, actions and sayings that many people perform in a society. Custom is acceptable if it is not inconsistent with the rules of Sharia²⁶. Based on this definition, if interest from a bank, for example, is given commonly in a society, this habit cannot be considered, because it is incompatible with the rules of Sharia. Allowing custom to be an acceptable source of the rules of Sharia entitles them to the flexibility to be applicable in any era and place. It is said that in the light of the rules of Sharia, custom supports the protection of patents and trademarks²⁷. In this context, at the fifth conference of the International Islamic Fiqh Academy, which took place in Kuwait on 10 -15 December 1988, the scholars issued the decision no 43(5/5) in connection with intangible rights. They stated that after examining the facts and proposals, trademarks and patents are private properties and are worth a lot of money in the recent tradition. Moreover, it is said that a patentee has the right to be an exclusive owner of his idea and earn money resulting from exploitation of his invention²⁸. As a result, it is appropriate to say that custom in the rules of Sharia protects patents and trademarks and the owners have exclusive privilege to possess, exploit and sell these rights. Thus, Saudi legislators should legalise the rules of conflict of laws in intellectual property rights, in order to protect the interests of the owners and of the states of registration in accordance with the rules of Sharia.

2.3 The Cooperation Agreements

The Saudi government has ratified many international agreements, in order to establish the rules of international jurisdiction, enforcement of foreign judgments and arbitration. They are seven agreements as follow. The New York Convention, the Riyadh Arab Agreement for Judicial Cooperation, the GCC Convention for the Execution of Judgments and the bilateral agreements for Judicial Cooperation with the Republic of Kazakhstan, the Republic of Yemen, the Kingdom of Morocco and the Syrian Arab Republic.

2.3.1 The New York Convention

This agreement contains 11 articles. Article 1 defines the object of the Convention and states that it is:

²⁶ Fathi Othman, *The Idea of Islamic Laws in the Sources of Sharia and the Tradition of Fiqh* (1st edn, Wahba Stationery 1968) 74; Muhammad Abdulatif Alfarfor, *The Sources of Islamic Fiqh* (1st edn, Dar Ibn-katheer 1995) 105; Ali Muhammad Jafar, *The History of Laws and Islamic Fiqh* (1st edn, Universal Institution for Publication 1996) 266.

²⁷ Ali Abdullallah Asiry, 'Intellectual Property in Sharia' in AbdulRahem Haj Yehea Abdullallah and others (eds), *Intellectual Property Rights* (1st edn, Naif Arab University for Security Sciences 2004).

²⁸ Mustafa Alzarqa, *The Entrance to General Obligation Concepts in Islamic Law* (1st edn, Dar Elqalam 1999) 31.

to the recognition and enforcement of arbitral awards made in the territory of a State other than the State where the recognition and enforcement of such awards are sought, and arising out of differences between persons, whether physical or legal. It shall also apply to arbitral awards not considered as domestic awards in the State where their recognition and enforcement are sought.

In Saudi Arabia, the Royal Decree no M/11 on 30 December 1993 was issued to join the Convention which came into operation on 19 April 1994. This Convention is significant to the thesis, because it enacts the principles of arbitration which are to take place between the Contracting States of the Convention. For example, Article II of the Convention concerns the recognition of the arbitration agreements, while article V of the Convention concerns the recognition and enforcement of the arbitration awards. The relevant provisions of these articles will be examined in detailed in the chapter covering the rules of arbitration.

2.3.2 The Riyadh Arab Agreement for Judicial Cooperation

The Riyadh Arab Agreement, which includes 72 articles, was signed in April 1983 in Riyadh and came into force in October 1985. The Saudi government became a Member State on 11 May 2000. According to article 72 of the Agreement, it replaces the Convention of Enforcing of the Judgments among the League of Arab States 1952. This agreement is significant to the thesis, because it concentrates on the judicial cooperation among Arabic States, which up to now involves nineteen Arabic countries. For instance, part V of the Agreement enacts the rules concerning enforcement of court judgments and arbitration awards, which are issued by the Contracting States.

Article 28 of the agreement regulates the rules of jurisdiction. Sections A and B of the article give authority to hear a dispute to the forums of a state where the defendant has a place of residence, while section C gives jurisdiction over a dispute in relation to a contract to the courts of the country where the contract is performed. Section D of the article gives authority over a dispute relating to non-contractual liability to the forums of the state where the act of tort occurs. Section E of the article states the parties are allowed to agree to give jurisdiction to a specific court of a Contracting State. Section F states that jurisdiction will be given to a forum 'before which the dispute was brought' if the defendant 'made a defence in the substance of the case without raising a plea of non-jurisdiction of' that court. All these grounds of jurisdiction will be examined and evaluated to establish whether or not they are appropriate to give authority to Saudi forums over cross-border disputes relating to patents and trademarks. Article 32 of the Agreement clarifies which method must be applied to enforce judgments issued by the courts of the Member States, while article 34 of the Agreement defines which documents must be submitted to enforce these judgments. These articles and relevant rules will be explained in the chapter covering the rules for enforcement of foreign judgments in Saudi Arabia. Article 37 of the Agreement contains principles

regarding the enforcement of arbitration awards. Sections A and E of the Article establish that an arbitration award will not be enforced if the subject matter of the dispute is not arbitrable, in accordance with the law of the state where the award is sought to be enforced, or if the award contains a matter that is inconsistent with the rules of Sharia and public policy of the required court. These provisions will be examined in detail in the chapter covering the rules of arbitration.

2.3.3 The Gulf Cooperation Council Convention for the Execution of Judgments

This convention was announced and signed in Muscat in December 1995 and has been into operation in Saudi Arabia by the Saudi Cabinet Decree no 56 on 10 September 1996 and the Royal Decree no M/3 on 12 September 1996. The Contracting States of this Convention are the Arab States of the Gulf. It is significant to the thesis, because it establishes the rules of jurisdiction of the forums of the Member States and enforcing a court judgment issued by one of the Contracting States. The rules of jurisdiction are enacted in article 4 of the Convention. Sections A and B of the Article give jurisdiction to rule on a dispute to the courts of a state where the defendant has a place of residence, while section C of the Article implies that jurisdiction over a dispute relating to a contract will be given to the courts of a state where the contract is performed. Section D of the Article gives jurisdiction over an issue in relation to non-contractual liability to the courts of the country where the act of tort takes place.

Section E of the Article implies that if the parties choose a forum of a Member State to hear their dispute, jurisdiction should be given to that court. Section F states that if the plaintiff brings his claim before a court of a Contracting State and the defendant ‘makes its defense on the merit of the suit without pleading that the court hearing the dispute lacks the jurisdiction to hear it’, the court should have jurisdiction to rule on the dispute. These principles will be examined and evaluated in the chapter covering the rules of international jurisdiction to clarify whether or not they are appropriate to give jurisdiction to Saudi forums over cross-border disputes in relation to patents and trademarks. Moreover, article 7 of the Convention regulates the method which must be followed to enforce an award issued by a forum of a Contracting State, while article 9 of the Agreement defines precisely which documents must be submitted to execute that award in the other Member States. These articles and related provisions will be explained in the chapter covering the rules for enforcement of foreign judgments in Saudi Arabia.

2.3.4 The Bilateral Agreements for Judicial Cooperation

The Saudi Government has ratified four bilateral agreements for judicial cooperation. These agreements cover various subjects, some of which are the rules of jurisdiction and the principles for enforcing court judgments or arbitration awards.

2.3.4.1 The Bilateral Agreement for Judicial Cooperation with the Republic of Kazakhstan

This agreement was signed in Riyadh on 11 December 2004 and came into force in Saudi Arabia by the Royal Decree no M/ 13 on 7 March 2006 and by the Council of Ministers Decree no 27 on 6 March 2006. This agreement is significant to the thesis, because it establishes the rules concerning the enforcement of court judgments or arbitration awards if they are issued by the forums of the Contracting States. For example, the rules of jurisdiction of the Member States have been clarified in article 17 of the agreement. Article 21 explains the method that must be followed to enforce a judgment issued in a Member State, while article 20 illustrates which documents must be provided to execute the judgment in the other Contracting State. Article 22 establishes the rules relating to enforcing arbitration awards created in the Member States. These principles and relevant articles will be examined in detail in the following chapters of the thesis.

2.3.4.2 The Bilateral Agreement for Judicial Cooperation with the Republic of Yemen

This agreement was signed in Riyadh on 13 November 2007 and came into force in Saudi Arabia by the Royal Decree no M/ 58 on 9 September 2008 and by the Council of Ministers Decree no 272 on 8 September 2008. This agreement is important to the thesis, because it establishes the provisions in relation to enforcement of court judgments and arbitration awards which are issued by the forums of the Contracting States. For instance, article 23 of the agreement establishes the jurisdiction rules of the forums of the Contracting States. Article 25 clarifies the method that must be applied to enforce a judgment issued by a court of a Member State, while article 24 explains which documents that must be submitted to execute the judgment in the other Member State. Article 26 establishes the principles for enforcement of arbitration awards in the Member States. These rules and relevant articles will be examined broadly in the subsequent chapters of the thesis.

2.3.4.3 The Bilateral Agreement for Judicial Cooperation with the Kingdom of Morocco

This agreement was signed in Rabat on 12 June 2006 and came into operation in Saudi Arabia by the Royal Decree no M/ 65 on 7 August 2007 and by the Council of Ministers Decree no 242 on 6 August 2007. This treaty is important to the thesis, as it establishes the principles relating to enforcing court judgments and arbitration awards which are created in the Contracting States. For instance, in article 23 of the agreement, jurisdiction rules of the courts of the Contracting States have been enacted. In article 25, the method that must be applied to enforce a judgment issued in a Member States has been explained, while article 24 defines which documents must be submitted to enforce the judgment in the other Contracting State. Article 26 enacts the rules relating to enforcement of arbitration awards issued in the

Member States. These principles and relevant articles will be examined in detail in the following chapters of the thesis.

2.3.4.4 The Bilateral Agreement for Judicial Cooperation with the Syrian Arab Republic

This agreement was signed in Damascus on 15 May 2005 and came into force in Saudi Arabia by the Royal Decree no M/ 23 on 16 May 2006 and by the Council of Ministers Decree no 90 on 15 May 2006. This agreement lays down the principles for enforcing forum judgments and arbitration awards issued in the Contracting States. For example, jurisdiction rules of the forums of the Member States have been legislated in article 19 of the Treaty. In article 23 of the agreement, the method that must be followed to enforce a judgment issued in a Member State has been regulated, while in article 22, the documents which must be submitted to enforce the judgment in the other Member State have been defined. Article 24 establishes the principles which focus on enforcing arbitration awards issued in the Contracting States. These rules and relevant articles will be examined in detail in the subsequent chapters of the thesis.

2.4 Saudi Regulations

Saudi law which relates to the subject of the thesis can be classified in two categories. The first class covers the procedures of Saudi forums and arbitration tribunals. The second division focuses on the principles of patents and trademarks.

2.4.1 The Regulations of Saudi Courts and Arbitral Tribunals

2.4.1.1 The Board of Grievances Law and the Law of Procedures before the Board of Grievances

The Board of Grievances Law, which involves 26 articles, came into operation by the Royal Decree no M/78 and by the Decree of Council of Ministers no 303 on 1 October 2007. It replaces the previous law which had been issued by the Royal Decree no M/51 on 1 May 1982. This Law is significant to the thesis, because article 13 of the Law gives jurisdiction to the Board of Grievances over disputes relating to enforcement of foreign judgments in Saudi Arabia. The Law of Procedures before the Board of Grievances was founded by the Decree of Council of Ministers no 190 on 20 June 1989. Article 6 of the Law establishes the procedures for enforcement of foreign judgments in Saudi Arabia. Moreover, the Legal Declaration no 7 on 24 June 1985 from the head of the Board of Grievances plays a vital role in enforcement of foreign judgments in Saudi Arabia in cases where they are issued in a state which has not ratified any judicial agreements with the Saudi government. This Declaration involves more detail and principles than the previous articles, such as the requirements which must be satisfied to enforce foreign judgments in Saudi Arabia. The Declaration states that in such circumstances, the rules, which have been established in the Convention for Enforcing Judgments among the League of Arab States in 1952, should

be applied. The relevant rules involved in these laws and the Legal Declaration no 7 on 24 June 1985 will be examined in detail in the chapter covering the rules for enforcement of foreign judgments in Saudi Arabia.

It is significant to emphasise that although the Legal Declaration had been promulgated on 24 June 1985 by the head of the Board of Grievances, its provisions had not been integrated in the Legal Procedure before the Board of Grievances which was founded on 20 June 1989. Hence, the principles for enforcement of foreign judgments in Saudi Arabia are established in different sources. Thus, a foreign party who wants to recognise or enforce a foreign judgment in Saudi Arabia may face difficulties in relation to these rules. In particular, when the state where the judgment is issued has not ratified a judicial agreement with the Saudi government. Based on this fact, it is appropriate to suggest that Saudi legislators should establish procedures and principles for enforcement of foreign judgments in a separate law.

2.4.1.2 The Law of Procedure before Shari'ah Courts

This procedure was issued by the Royal Decree no M/ 21 on 20 August 2000 and by the Council of Ministers Decree no 115 on 14 August 2000. This Law contains 266 articles and is important for the thesis, because it establishes the procedures for disputes which are brought before Saudi forums. For example, section one of part two of the Law defines the international jurisdiction rules of Saudi forums. Article 24 of the Law gives jurisdiction to the Saudi courts over a defendant who has Saudi nationality. Article 25 of the Law implies that jurisdiction should be given to the Saudi forums over a foreign party who has a place of residence in Saudi Arabia. Article 26 section A gives jurisdiction to the Saudi courts over an issue relating to a contract performed in Saudi Arabia and over a dispute in relation to a tort action which is committed in Saudi Arabia. Article 26 section C relates to jurisdiction over multiple defendants and state that ‘The Kingdom’s courts shall have jurisdiction over cases filed against an alien who has no general or designated place of residence in the Kingdom in the following circumstances ... If the lawsuit is against more than one person and one of them has a place of residence in the Kingdom.’ Article 28 gives jurisdiction to the Saudi courts over disputes if the parties agree to bring the issues before the courts. These rules will be examined and evaluated to identify whether or not they are appropriate to give jurisdiction to the Saudi forums over cross-border disputes relating to patents and trademarks. Moreover, article 1 of the Law regulates the question of which law must be applied to disputes brought before the Saudi forums. This provision will be examined and evaluated broadly in the chapter which investigates the rules of applicable law.

2.4.1.3 The Basic Law of Governance

This law was issued by the Royal Decree no A/91 on 1 March 1992 and is the most significant regulation for the Saudi government, because it contains 83 articles which are regarded as the constitution of the Saudi government. The Law is significant to the thesis, because articles 7, 46 and 48 play significant roles to define which law may be called upon to govern the regulations that are promulgated by the Saudi authority and disputes brought before the Saudi courts. The provisions of these articles will be illustrated in detail in the chapter analysing the rules of applicable law.

2.4.1.4 The Saudi Arbitration Law

This Law was issued by the Royal Decree no M/ 34 on 16 April 2012 and by the Council of Ministers Decree no 156 on 9 April 2012. It contains 58 articles and replaces the previous act which was issued on 25 April 1983. The Saudi Arbitration Law 2012 radically changes some rules regulated in the 1983 law and legalises many new points. For example, article 38 of the Law revises the rules of choice of law which was established in the 1983 law. Moreover, articles 11 and 12 regulate the question of the possibility of staying the proceedings of the Saudi forums when the parties have a valid arbitration agreement or when they agree during the forum proceedings to refer the dispute to arbitration. The related principles in this law will be analysed broadly in the chapter examining the rules of arbitration.

2.4.2 The Regulations of Patents and Trademarks

The Saudi government issues specific laws and has ratified several cooperation agreements to establish the principles of patents and trademarks.

2.4.2.1 The Saudi Regulations

2.4.2.1.1 The Saudi Trademark Law

The Saudi Trademark Law has been enhanced during the past eighty years. The first law was issued by the Royal Decree no 8762 on 13 September 1939. It was subsequently updated by the Royal Decree no M/5 on 6 February 1984. The recent law, which contains 58 articles, came into operation on 7 October 2002. It was issued by the Royal Decree no M/21 on 7 August 2002 and by the Council of Ministers Decree no 140 on 5 August 2002. The Implementing Regulations of the current Law were issued by the Ministerial Decision no 1723 on 5 October 2002. Article 25 of the Law defines which Saudi forums will have jurisdiction to hear actions relating to the validity of Saudi trademarks. Articles 25 and 26 provide for certain circumstances upon which an interested party may rely to commence a request to invalidate Saudi trademarks. Part five and six of the Law regulate the principles of transferring and

licensing the usage of Saudi trademarks. Article 53 establishes which Saudi forums will hear actions for infringement of Saudi trademarks. The relevant articles in this law will be analysed in the subsequent chapters of thesis.

2.4.2.1.2 The Saudi Patent Law

The first legislation for patents in Saudi Arabia was article 97 of the Labor Law, which was issued by the Royal Decree no M/21 on 16 November 1969. This article regulated the ownership of an invention founded by an employee in a workplace. It was rescinded by the first separate law declared on 18 January 1989 by the Royal Decree no M/38. The current law, which contains 65 articles and came into force on 5 September 2004, was issued by the Royal Decree no M/27 on 17 July 2004 and by the Council of Ministers Decree no 159 on 5 July 2004. Its Implementing Regulations were issued on 26 December 2004. Article 16 of the Law regulates the point of assignment of the protection of Saudi patents, while article 21, 22 and 23 establish the principles relating to the exploitation of Saudi patents. Article 32 and 33 institute the rules for cancelling the validity of Saudi patents, while article 34 regulates the principles of contravening Saudi patents. The related rules in the Law will be analysed in the following chapters of thesis.

2.4.2.2 The International Regulations

2.4.2.2.1 The Trademark Regulation of the Cooperation Council for the Arab States of the Gulf

This regulation was issued during the conference of the Supreme Council of the Arab States of the Gulf no 27 on 9-10 December 2006 and was approved by the Decree of the Saudi Cabinet no 353 on 3 December 2007. However, the Regulation has not yet come into force, because section B of the previous Decree of the Saudi Cabinet provides that the Regulation will come into operation, in Saudi Arabia, six months after issuing its Implementing Regulations from the Board of the Economic Cooperation of the Arab States of the Gulf. Yet, instead of issuing the Implementing Regulations, in the meeting no 44 on 18 May 2011, the Board of Economic Cooperation for the GCC States decided to revise the Regulation and this is now under debate.

2.4.2.2.2 The Patent Regulation of the Cooperation Council for the Arab States of the Gulf

This regulation was issued during the conference of the Supreme Council of the Arab States of the Gulf no 13 on 21-22 December 1992 and was revised during the conference no 20 on 27-29 November 1999. The revised edition of the Regulation was approved by the Decree of the Saudi Cabinet no 159 on 20 August 2001 and by the Royal Decree no M/28 on 29 August 2001. It contains 34 articles. Article 12 regulates the exploitation and assignment of the protection of GCC patents, while articles 17 and 18

establish the provisions relating to contracts for the exploitation of GCC patents. Article 26 regulates the question of which forum should have jurisdiction over actions for infringement of GCC patents and which law should be applied to the actions. The related rules of the Regulation will be examined and evaluated in detail in the following chapters of thesis.

2.4.2.2.3 The Paris Convention for the Protection of Industrial Property

The Paris Convention handles the rules for protecting industrial property involving patents and trademarks. The first edition of the agreement was issued on 20 March 1883 and it has been revised several times. The last amendment, which was translated officially to the Arabic language, was concluded on 28 September 1979. The Saudi government became a Contracting State in the Convention on 11 December 2003 and the Convention has been in force in Saudi Arabia since 11 March 2004.

The principles of the Convention are regarded as an international constitution to protect patents and trademarks in the Member States. Therefore, trademark and patent laws in the Contracting States must not be inconsistent with the rules of the Convention. Otherwise, it takes priority to be enforced over the inconsistent laws. The Convention is significant to the thesis, because it contains certain provisions, such as the independence of the protection of each patent and trademark in each Member State. Also, it provides minimum standards of the protection for these rights. The related rules of the Convention will be examined broadly in the subsequent chapters of the thesis.

Chapter 3: The Rules of International Jurisdiction

3.1 The Introduction

There is a general rule that when a cross-border dispute is brought before a Saudi forum, the first thing that must be addressed is the jurisdiction of the court. The answer to the question of whether the Saudi forum has authority to determine a specific dispute depends on various sources. The Riyadh Arab Agreement for Judicial Cooperation, the GCC Convention for the Execution of Judgments and the bilateral agreements for Judicial Cooperation with the Republic of Kazakhstan, the Republic of Yemen, the Kingdom of Morocco and the Syrian Arab Republic play fundamental roles if the jurisdiction falls within the scope of these agreements. However, in cases where the dispute falls outside the scope of the previous conventions, the rules established in Saudi law will be called upon to decide whether or not the Saudi forum has jurisdiction to hear the dispute. If the defendant, for instance, is a Japanese company who resides outside the Member States of the previous treaties, the rules enacted in the Law of Procedure before Shari'ah Courts will be called upon to answer the question of whether or not the Saudi forum has jurisdiction over the issue. Hence, there are several sources which must be considered to verify whether or not the Saudi forum has authority to determine a dispute that involves a foreign element.

Jurisdiction over cross-border disputes in relation to trademarks or patents is one of the most sophisticated subjects to be examined, particularly when the rights in question are foreign, because in general terms, the doctrine of territoriality dominates these types of disputes. In Saudi Arabia, Saudi law does not contain a specific article to regulate the rules of jurisdiction over cross-border disputes relating to patents and trademarks. In addition, there is a lack of reported judgments giving guidance on Saudi law regarding jurisdiction over these types of disputes. Unfortunately, there is insufficient argument among scholars about this subject. On the contrary, in European countries, there are many books which discuss the jurisdiction of European forums over patent and trademark issues and there are articles enacted in the national laws and international agreements that regulate the subject. Moreover, specific approaches have been introduced by different courts and delegations at European legal conferences to regulate jurisdiction over cross-border disputes in relation to patents and trademarks. Hence, it is heartening to explore and evaluate these concepts, in order to introduce appropriate ideas to enhance Saudi law for comparable circumstances.

This chapter is to investigate international jurisdiction rules established in Saudi law and the agreements, which the Saudi government has ratified. This examination is to ensure that whether or not these rules are capable of being applied to patent and trademark disputes that involve foreign elements. In order to reach appropriate conclusions, I will analyse the grounds for jurisdiction over infringement proceedings, validity issues and contracts in relation to the exploitation of patents or trademarks.

Furthermore, I will investigate the principles of consolidating infringement actions occurring in more than one country before a single forum. I will also explain the rules for staying the proceedings of the Saudi court in favour of a foreign court or an arbitration tribunal. Finally, this chapter will conclude with remarkable findings and recommendations will be introduced.

3.2 Allocating Jurisdiction over Trademark and Patent Disputes

Cross-border disputes concerning patents or trademarks are various. Demands are likely to be made against alleged infringers of these rights. A case may be brought in connection with a contract in relation to the exploitation of a patent or a trademark. The validity of these rights may be raised during the court proceedings, when an alleged infringer tends to repeal the right, in order to reach the conclusion that an invalid right cannot be infringed²⁹. At the same time, the validity of such rights alone might be challenged. It is significant to mention that Saudi law and the signed agreements do not provide the Saudi court with a specific rule regarding jurisdiction over disputes concerning infringement or contracts in relation to the exploitation of patents and trademarks. Therefore, the forum will apply the general rules of jurisdiction which are legislated in Saudi law and the ratified conventions. Similarly, it is generally considered that the Brussels I Regulation and the traditional laws of England do not contain a specific article to regulate jurisdiction over contracts for the exploitation of trademarks or patents. Therefore, the general rules of jurisdiction established in the previous regimes will be applied to decide the jurisdiction over these types of disputes³⁰. The same provision will be applied to infringement proceedings when the jurisdiction is within the scope of the Brussels I Regulation, because it does not contain a special rule to be applied to the infringement actions³¹. In this section, the rules of international jurisdiction which are legalised in Saudi law and ratified agreements will be examined and evaluated, in order to verify whether or not they are effective to handle cross-border disputes relating to patents and trademarks. The examination will be divided into three subsections: jurisdiction over infringement actions, jurisdiction over contracts in relation to the exploitation of patents and trademarks and jurisdiction over validity issues.

3.2.1 Jurisdiction over Infringement Actions

Once registered, a patent or a trademark is protected and the right holder is allowed to commence proceedings against an alleged infringement. Before examining the grounds of jurisdiction over

²⁹ James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002); James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.03; Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

³⁰ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 3.11.

³¹ *ibid* 5.05.

infringement actions, it is significant to emphasise that in patent and trademark disputes, the traditional concept of jurisdiction is that a court is prevented from determining a foreign right³². However, in Europe, this concept has changed following ratification of international conventions, such as the Brussels I Regulation. In certain circumstances, the forums of the Contracting States are allowed to rule on actions for infringement of foreign intellectual property rights³³. This section is to answer the question of what grounds of jurisdiction are appropriate to give authority to Saudi forums over infringement proceedings concerning patents or trademarks and whether the Saudi courts could resolve actions for infringement of foreign patents or trademarks. To answer this question accurately, it is essential to examine and evaluate the relevant rules of international jurisdiction legalised in Saudi law and ratified agreements.

3.2.1.1 The Place of Residence of the Defendant

3.2.1.1.1 The General Principles

The principle of suing the defendant in the state where he is resident is regulated in article 4 section A of the GCC Convention for the Execution of Judgments, article 28 section A of the Riyadh Arab Agreement for Judicial Cooperation, article 17 section A of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 23 section C of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section C of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 19 section A of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. Moreover, article 25 of the Law of Procedure before Shari'ah Courts gives jurisdiction to the Saudi court over a foreign person if he has 'a general or a designated place of residence in the Kingdom' of Saudi Arabia. In this context, article 10 of the Law defines the meaning of the place of residence as the place where a person normally resides. In addition to the general place of residence, article 10 of the Law allows a foreign person to establish a designated place of residence in Saudi Arabia 'for receiving the notices and service of process addressed to him regarding specific matters or transactions'. Because a reported judgment from Saudi courts practicing this rule has not yet been found, it is appropriate to note that this principle has been recognised and practiced in many states. For instance, in the cases *no 2740/2003 on 18/12/2003* and *no 2771/ 2004 on 1/12/2004*, the Jordanian High Court stated that the Jordanian court will have jurisdiction over a foreign person if he has a designated

³² Graeme B Dinwoodie, 'Developing a Private International Intellectual Property Law: the Demise of Territoriality?' (2009) 51 William and Mary Law Review 711,800 < <http://scholarship.law.wm.edu/wmlr/vol51/iss2/12/> > accessed 03 Feb 2014; Alexander Peukert, 'Territoriality and Extraterritoriality in Intellectual Property Law' in Gunther Handl and Joachim Zekoll (eds), *Beyond Territoriality: Transnational Legal Authority in an Age of Globalization* (Queen Mary Studies in International Law, Brill Academic Publishing 2011).

³³ Stuart Dutson, 'The Infringement of Foreign Intellectual Property Rights: A Restatement of the Terms of Engagement' [1998] International and Comparative Law Quarterly 659,679.

place of residence locally³⁴. Yet, in this situation, the jurisdiction of the court is restricted to the activities of the business for which the place is designated³⁵.

It has been said that Saudi law does not regard the place of business of a foreign person in Saudi Arabia as a ground to give jurisdiction to the Saudi court over that person, but it should be regarded as the same as the designated place of residence to grant jurisdiction to the Saudi forum over the actions and activities of that business³⁶. The argument against this notion is that article 25 of the Law of Procedure before Shari'ah Courts states, 'The Kingdom's courts shall have jurisdiction over cases filed against an alien who has a general or a designated place of residence in the Kingdom.' The place of business of a foreign person in Saudi Arabia could be interpreted under the scope of this article and gives jurisdiction to the Saudi court over that person. Hence, the Saudi forum will have jurisdiction over a foreign person who has a place of residence in Saudi Arabia.

In cross-border disputes, the defendant is likely to be a legal personality, such as a company. The Saudi court will have jurisdiction over the legal personality if it has a branch in Saudi Arabia. Article 25 of the Law of Procedure before Shari'ah Courts states, 'The Kingdom's courts shall have jurisdiction over cases filed against an alien who has a general or a designated place of residence in the Kingdom.' This article has been interpreted broadly to include the overseas legal personality, in addition to the foreign physical person³⁷. The same principle is followed in article 4 section B of the GCC Convention for the Execution of Judgments, article 28 section B of the Riyadh Arab Agreement for Judicial Cooperation, article 17 section B of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 23 section D of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section D of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 19 section B of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. Thus, if a foreign company has a branch in Saudi Arabia, the Saudi court will have jurisdiction over that branch.

A further matter which should be explained is the scope of jurisdiction over the branches of foreign companies. The principle is that a branch of a foreign company is only responsible for its own acts and the courts of the state where the branch is located have jurisdiction over the actions occur in the territory of that state³⁸. This rule is regulated in article 4 section B of the GCC Convention for the

³⁴ The Jordanian High Court, cases no 2740/2003 on 18/12/2003 and no 2771/ 2004 on 1/12/2004, reported at Faies Muhammad Badea Alama, *International Jurisdiction in accordance with the Rules of Jurisdiction in Jordan and Saudi Arabia* (Dar Al-Hikma 2008) 162.

³⁵ Faies Muhammad Badea Alama, *International Jurisdiction in accordance with the Rules of Jurisdiction in Jordan and Saudi Arabia* (Dar Al-Hikma 2008) 156.

³⁶ *ibid* 164.

³⁷ *ibid* (n 35) 166.

³⁸ Mamdoh Abdulkareem Hafeth, *Private International Law in accordance with Iraqi and Comparative Laws* (2nd edn, Dar Alhoria 1977) 175; Muhammad Khalid Altorjaman, *Conflict of Laws and the International Jurisdiction Rules*, vol 2 (Police

Execution of Judgments, article 28 section B of the Riyadh Arab Agreement for Judicial Cooperation, article 17 section B of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 23 section D of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section D of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 19 section B of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. The Law of Procedure before Shari'ah Courts does not mention this principle although it is a logical rule to be followed, in order to limit the responsibilities of the branches of foreign companies; otherwise, the jurisdiction of the Saudi court over these branches will become too extensive. Because a reported judgment from Saudi courts practicing this rule has not yet been found, it is appropriate to note that this principle is recognised in many states. In Jordan, for example, this rule was confirmed in case *no 539/1983 on 15/11/1983*, when the Jordanian High Court affirmed that the Jordanian court will have jurisdiction over the branch of a foreign company if the dispute is related to the local activities of that branch in Jordan and not the actions of its headquarter³⁹. Overall, the jurisdiction of the Saudi court over the branches of foreign companies must be restricted to their activities in Saudi Arabia, in order to avoid a dispute coming before the Saudi forum, in relation to a foreign company incurring a liability in a foreign state, only because it has a branch in Saudi Arabia.

It is significant to note that a foreign company might carry out its business in Saudi Arabia using a subsidiary company. Saudi law and signed agreements do not expressly regulate jurisdiction over a subsidiary company although currently it will prevail if a subsidiary company has been established to distribute an infringed product. On the contrary, in England, the Companies Act 2006 and Part 6 of the Civil Procedure Rules do not give jurisdiction to the English courts over a foreign parent company when its subsidiary company commits an infringement action in England, because both of these companies are separate legal entities⁴⁰. It is logical that this ruling is incorporated into Saudi law. Hence, each company is responsible only for its own acts due to their separate legal identities.

3.2.1.1.2 The Principles of Trademark or Patent Disputes

A crucial point in relation to patent and trademark disputes, which should be clarified, is the possibility of giving jurisdiction to the Saudi court over an action for infringement of a foreign right in cases where the defendant has a place of residence in Saudi Arabia. However, Saudi law and ratified conventions do not have any specific article to regulate this question and an authority from the Saudi

College 1996) 75; Faies Muhammad Badea Alama, *International Jurisdiction in accordance with the Rules of Jurisdiction in Jordan and Saudi Arabia* (Dar Al-Hikma 2008) 173; Sami Bade' Mansour and Abduh Jamil Khasob and Nasri Intwan Dhiab, *Private International Law* (1st edn, Academic Institution for Studies and Publishing 2009) 71.

³⁹ The Jordanian High Court, case no 539/1983 on 15 November 1983, reported at Faies Muhammad Badea Alama, *International Jurisdiction in accordance with the Rules of Jurisdiction in Jordan and Saudi Arabia* (Dar Al-Hikma 2008) 174.

⁴⁰ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 6.08.

forums providing an approach on this issue has not yet been found. In this section, approaches to this point will be examined and evaluated to reveal what is the most appropriate legislation for Saudi law.

3.2.1.1.2.1 *The Positive Approach*

The positive approach is introduced in the Brussels I Regulation. According to article 2 of the Regulation, the plaintiff has the right to sue the defendant before the court of the state where the latter is domiciled and the domicile of the defendant will be defined according to the law of that court⁴¹, wherever the plaintiff is resident⁴². In this context, Fawcett and Torremans write, ‘Clearly, Article 2 can apply in infringement cases.’⁴³ It has been said that this principle is also followed in Japan and most of European states have upheld this concept, such as Croatia⁴⁴. In addition, article 109 section 1 of the Swiss Private International Law 2007 applies this approach and holds that Swiss courts have jurisdiction over intellectual property disputes if Switzerland is the domicile of the defendant. This provision is also followed in article 98 of the Community Trade Mark Regulation 2009.

Moreover, it is suggested that the plaintiff should be allowed to sue the defendant before his own court, providing that the interests of both parties are protected and there is no possibility that a misuse of justice occurs⁴⁵. In addition, the positive consequences of this approach will emerge in cases of multiple defendants when the plaintiff wants to amalgamate the infringement actions before one forum⁴⁶. It has been said that if this principle of jurisdiction is disregarded, it is impossible to consolidate the actions before a single forum, because the consolidation is based on the residence of the defendant⁴⁷. Moreover, in patent and trademark cases, a plaintiff is often informed and has professional attorneys. Accordingly, he should not be treated as naive and should be allowed to sue the defendant in the state where the latter is domiciled⁴⁸. Furthermore, there are no concerns that the public policy of the state of registration will be contravened, even if the validity of the right at stake is decided before a foreign court, because the ensuing judgment will affect only the parties to the dispute⁴⁹. Hence, although the danger of litigating

⁴¹ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 210.

⁴² Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.08.

⁴³ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.07.

⁴⁴ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴⁵ Annette Kur, ‘Jurisdiction and Enforcement of Foreign Judgments: The General Structure of the MPI Proposal’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

⁴⁶ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.08.

⁴⁷ Annette Kur, ‘Jurisdiction and Enforcement of Foreign Judgments: The General Structure of the MPI Proposal’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

⁴⁸ *ibid.*

⁴⁹ *ibid.*

against the defendant before the court of the state where he is resident is that the forum may not be familiar with the law that must apply to the issue, the plaintiff should be allowed to commence his action before that court⁵⁰.

3.2.1.1.2.2 *The Negative Approach*

The second approach intends to exclude the residence of the defendant as a ground to give jurisdiction over actions for infringement of foreign patents and trademarks. The bilateral convention in 1869 between French and Switzerland⁵¹, the French⁵² and the Belgian notions⁵³ are in line with this approach. Moreover, Hill and Chong conclude that in England, in cases where a right at stake is foreign and the act of infringement is committed outside England, ‘the defendant should normally be able to obtain a stay of the English proceedings on the ground that another forum is more appropriate’⁵⁴. Canadian and US courts also apply the same concept. In this context, Kono and Jurcys report, ‘The subject-matter jurisdiction requirement would usually mean that Canadian and US courts are not competent to hear disputes concerning the validity and infringement of foreign IP rights.’⁵⁵ The rationale behind this concept is that in cross-border infringement disputes concerning patents or trademarks, the residence of both litigators should be set aside, because basing jurisdiction on this factor is incompatible with the nature of these rights⁵⁶. In addition, there is no doubt that the most appropriate courts to resolve infringement disputes are the forums of the state of registration⁵⁷. Hence, in these infringement disputes, the forum where the defendant is resident should not be given jurisdiction over the issues.

3.2.1.1.2.3 *The Appropriate Approach for Saudi Law*

Saudi law does not establish a specific rule for jurisdiction over infringement proceedings concerning a foreign right and a reported judgment presenting an approach for Saudi law has not yet been found. However, there are specific points that must be emphasised. Firstly, the residence of the defendant will not give jurisdiction to the Committee in the Saudi Patent Office when a right in question is a patent

⁵⁰ *ibid.*

⁵¹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 2.20.

⁵² *ibid.* 2.12.

⁵³ *ibid.* (n 51) 2.24.

⁵⁴ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 9.4.7.

⁵⁵ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁵⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 2.12.

⁵⁷ Annette Kur, ‘Jurisdiction and Enforcement of Foreign Judgments: The General Structure of the MPI Proposal’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

obtained in accordance with the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. The rationale behind this ruling is that article 26 of the Regulation restricts jurisdiction pertaining to infringement, or imminent infringement of the patent, to the courts of the state where the act is committed⁵⁸. The implication of this principle is that the courts of the other Member States must not have jurisdiction over that action, even if the defendant is resident in their jurisdiction. Secondly, if the Saudi forum has jurisdiction over an action for infringement of a foreign right because the defendant has a place of residence in Saudi Arabia, it means that the court must apply the law of the state of registration to the action, as will be seen later⁵⁹. When this fact is read in conjunction with the fact that the Saudi rules of choice of law prevent the Saudi court from applying foreign law at all, it is concluded that these rules will be considered to be a barrier against ruling on this type of dispute, because in these circumstances, applying the foreign law to this tort action is mandatory. Hence, the Saudi principles of applicable law might prevent the Saudi forum from hearing infringement actions relating to foreign rights.

In cases where the defendant, who infringes a foreign right, is resident in Saudi Arabia, the preference is not to give jurisdiction to the Saudi forum over the issue, even if the court is allowed to apply foreign law to the action. The rationales behind this approach are various. If the defendant is a branch of a foreign company, the plaintiff cannot sue that branch before the Saudi court if the act of infringement occurs outside the Saudi territory. It has been concluded above⁶⁰ that a branch of a foreign company is only responsible for its own acts which occur in Saudi Arabia. Hence, in proceedings for the infringement of a foreign right, this principle denotes that the legal entity cannot be litigated against in Saudi Arabia only because it has a place of residence in the Saudi regions. In cases where the infringer is a parent company or its subsidiaries, the same approach should be applied and each company is responsible for its own acts, because the separate legal independence of each company is sufficient to prevent the order. As a result, if the defendant is a legal personality and infringes a foreign right, the Saudi court must not have jurisdiction over the action, even if the defendant has a place of residence in Saudi Arabia.

As to the situation when the defendant is a physical person, it is essential to re-emphasise that the most significant feature of patents and trademarks is the principle of territoriality. In addition, the actions which constitute liability for infringement must occur in the state of registration. Hence, the best forum to decide the infringement dispute is the court of the state where the right is protected and where the act of infringement is committed. The natural rule for this situation should be maintained, in particular, when there is no logical or substantial reason to litigate against the defendant in his own state. However,

⁵⁸ This provision is recommended to be followed. For more details, see sections 3.2.1.3.3 and 3.3.2.2, below.

⁵⁹ See Section 4.4.8, below.

⁶⁰ See Section 3.2.1.1.1, above.

applying this recommendation does not mean there is no chance of consolidating infringement actions occurring in more than one state before a single Saudi court when one of the defendants is resident in Saudi Arabia, as will be explained broadly later⁶¹. Hence, the Saudi court should not have jurisdiction over a physical person who infringes a foreign right, even if he has a place of residence in Saudi Arabia.

3.2.1.2 The Nationality of the Defendant

According to article 24 of the Law of Procedure before Shari'ah Courts, 'The Kingdom's courts shall have jurisdiction over cases filed against a Saudi, even if there is no record of his general or designated place of residence in the Kingdom.' The ratified agreements do not contain this ground of jurisdiction. Hence, only the Law of Procedure before Shari'ah Courts regarding the nationality of the defendant provides a ground to give jurisdiction to the Saudi forum.

However, there is an approach that tends to disregard the nationality of the defendant as a ground of jurisdiction, regardless of the subject of the dispute. The rationale behind this approach is that nationality is 'the criterion of the personal law'⁶² and sometimes, a person may have the nationality of a state 'which he has never been connected' to at all⁶³. In this context, it has been said that the nationality of the defendant is not strong enough to be a ground of jurisdiction if the respondent does not have a material connection with the state besides nationality. Hence, if the defendant does not reside, or does not have property, in the state of which he has nationality, jurisdiction should not be given to that state. Instead, authority should rest with the forum of the state which has a real connection to the defendant, in order to issue a useful judgment⁶⁴. Moreover, the defendant may be harmed if he is sued before the court of the country of his nationality when he resides outside that state⁶⁵. Therefore, jurisdiction must not be given to the forum of the state of the nationality of the defendant.

In relation to patent and trademark disputes, it has been said that the nationality of the plaintiff does not determine jurisdiction over patent disputes⁶⁶. Similarly, jurisdiction over infringement actions concerning foreign rights must not be given to the state forum of the defendant's nationality. The reason behind this approach is that, as concluded above⁶⁷, the Saudi court must not have jurisdiction over infringement actions relating to foreign patents and trademarks, even if the defendant has a place of residence in Saudi Arabia. In comparison with the nationality of the defendant, the place of residence of

⁶¹ See Section 3.3.2.4, below.

⁶² James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 179.

⁶³ *ibid* 181.

⁶⁴ Faies Muhammad Badea Alama, *International Jurisdiction in accordance with the Rules of Jurisdiction in Jordan and Saudi Arabia* (Dar Al-Hikma 2008) 134.

⁶⁵ *ibid*.

⁶⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 2.12.

⁶⁷ See Section 3.2.1.1.2.3, above.

the defendant provides a stronger connection with the court. Based on these facts, the nationality of the defendant may not provide a strong connection to give jurisdiction over actions for infringement of foreign rights to the state court of the defendant's nationality; in particular, when the defendant has the nationality of a state in which he is not domiciled. For example, it is illogical to give jurisdiction to the Saudi court over an infringement action relating to a Japanese patent simply because the connection with the Saudi forum is that the defendant has Saudi nationality. Hence, if the defendant who has Saudi nationality infringes a foreign right, the Saudi forum must not have jurisdiction over the action.

3.2.1.3 The Place of Tort

3.2.1.3.1 The General Principles

According to article 4 section D of the GCC Convention for the Execution of Judgments, article 28 section D of the Riyadh Arab Agreement for Judicial Cooperation, article 17 section C of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 23 section F of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section F of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco, article 19 section C of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic and article 26 section A of the Law of Procedure before Shari'ah Courts, in cases of non-contractual liability, the defendant can be sued before the court of the state where the harmful event took place. In patent and trademark disputes, it is said that the act of infringement is classified as a tort characterisation⁶⁸. In Saudi law, although article 53 of the Saudi Trademark Law and article 34 of The Saudi Patent Law give Saudi courts jurisdiction over infringement claims concerning Saudi trademarks and Patents, there are few authorities and explanations regarding the point of using this ground to give jurisdiction to the Saudi court over infringement actions relating to patents or trademarks. Hence, this section will analyse and evaluate the principles of this ground of jurisdiction.

3.2.1.3.2 The Principles of Trademark or Patent Disputes

The rule in England is that the act of infringement of a protected right must be committed in the protecting state, in order for a valid action to arise⁶⁹. Based on this fact, an allegation of wrong occurring abroad cannot be considered as a valid reason to establish an action due to the principle of territoriality⁷⁰.

⁶⁸ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.67; James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 247; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.32.

⁶⁹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 6.18.

⁷⁰ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 15.1.67.

This principle was affirmed in the case of *Kalman v PCL Packaging (UK) Ltd*⁷¹ when the plaintiff sought to sue the US defendant before the English court in relation to the alleged infringement of a UK patent. His attempt was unsuccessful, because there was no cause of action to litigate against the US party whose action occurred outside the English territory⁷². In addition, article 22 section 2 of the Jordanian Civil Laws seems to agree with this principle. A dispute will be rejected if the act of tort is committed outside the Jordanian territory, providing that it is not regarded under Jordanian law as a wrongful act⁷³. Finally, it is significant to mention that the court of the protecting state is the most appropriate forum to determine the infringement issue⁷⁴. Hence, the act of infringement in relation to a patent or a trademark must be committed in the state of registration to establish a successful claim.

It is generally said that the tort rules which give jurisdiction to the courts of the state where the act of the tort occurs have been expanded to cover two areas, namely: the place where the harmful event takes place and the place where the damage arose⁷⁵. The Court of Justice confirmed this provision and upheld that the plaintiff has the option to sue the defendant in the place where the event occurred or in the place where the damage arose if the two places are not identical⁷⁶. In infringement disputes concerning patents and trademarks, it was said that the place where the event occurs is the state where an alleged product is manufactured⁷⁷. The other view, however, implies that any act which is committed in the state where the right is valid is sufficient to give jurisdiction to the courts of that state. This concept is useful in cases where the affected product is manufactured outside the territory of the state of registration, or in cases where the place where the affected product is manufactured is impossible to be identified⁷⁸. In such circumstances, the plaintiff has an acceptable cause of action to sue the alleged defendant who committed in the state of registration an action which is regarded as an infringement in accordance with in the law of

⁷¹ *Kalman v PCL Packaging (UK) Ltd* [1982] FSR 406 (pat).

⁷² *ibid* at [424].

⁷³ Khaleb Ali Aldawody, *A Comparative Study on Private International Law: International Jurisdiction Rules, Conflict of Laws and Enforcement of Foreign Judgments* (1st edn, Dar Elthqafa 2011) 231.

⁷⁴ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 6.102.

⁷⁵ James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

⁷⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.82; James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 253; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.40; Sophie Neumann, 'Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law' [2011] *Journal of Private International Law* 583, 600; Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁷⁷ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.97.

⁷⁸ *ibid* 3.91.

the protecting state⁷⁹. The English Court of Appeal confirmed this provision in the case of *Mölnlycke AB v Procter Gamble Ltd*⁸⁰, when an alleged infringed product was manufactured in Germany and marketed in England. It upheld that the harmful event occurred in England⁸¹. Hence, a right holder is allowed to commence a claim against the alleged infringer who commits the infringement in the territory of the protecting state, providing that the action is defined in its own laws as an infringement.

It has been upheld that the place of damage is not sufficiently strong to give jurisdiction to the court over infringement disputes due to the limitation of the protection. Accordingly, the place where the event occurs and that where the damage is raised must both exist in the protecting state to give jurisdiction to the courts of that state⁸² due to the territorial protection issues⁸³. In practice, the Swedish Supreme Court understood this concept and stated in the case of *Aredal Foam Systems HB v MSR Dosiertechnik GmbH*⁸⁴ that an act of infringement of a trademark results only in direct damage (harmful event) in the protecting state⁸⁵. This interpretation is accepted in England. In the case of *Beecham Group Plc v Norton Healthcare Ltd*⁸⁶, it was said that if the act of infringement occurs outside the protecting state, the resulting damage from this action cannot be regarded as a direct damage, and therefore the authority to determine the dispute cannot be given, depending on this damage⁸⁷. Based on this fact, the amount of damage resulting from the act of infringement is restricted to that done in the protecting state due to the territoriality of the protection⁸⁸. Hence, if the act of infringement occurs outside the territory of the state of registration, jurisdiction cannot be given to its own courts, even if the right-holder or the licensee suffers an economic loss in the protecting state.

3.2.1.3.3 The Appropriate Approach regarding Saudi Law

With regard to Saudi law, it can be said with confidence that in infringement disputes relating to patents and trademarks, if a registered Saudi right is infringed in Saudi Arabia, the right holder has an acceptable cause of action to commence a claim against the alleged infringer before a competent Saudi forum, as has been regulated in article 53 of the Saudi Trademark Law and article 34 of The Saudi Patent

⁷⁹ *ibid* (n 77)3.93.

⁸⁰ *Mölnlycke AB v Procter Gamble Ltd* [1992] 1 WLR 1112 (Civ).

⁸¹ *ibid* at [1117].

⁸² Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.112.

⁸³ Sophie Neumann, 'Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law' [2011] *Journal of Private International Law* 583, 600.

⁸⁴ *Aredal Foam Systems HB v MSR Dosiertechnik GmbH* (Case 210-07) Before the Högsta Domstolen (Swedish Supreme Court) 27 April 2007, [2008] IL Pr 10.

⁸⁵ *ibid* at [7].

⁸⁶ *Beecham Group Plc v Norton Healthcare Ltd* [1997] FSR 81 (Ch).

⁸⁷ *ibid* at [98].

⁸⁸ Sophie Neumann, 'Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law' [2011] *Journal of Private International Law* 583, 600.

Law. In addition, applying this approach is in line with the principle established in Saudi law and ratified agreements, which provides that the Saudi court will have jurisdiction over a tort action that is committed in Saudi Arabia. On the contrary, article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf may be interpreted to give jurisdiction to the Committee in the Saudi Patent Office over an act of infringement which occurs in another of the Contracting States to the Regulation, even if the alleged infringer does not commit any act of infringement in Saudi Arabia. The Article states, ‘The competent authorities of each Member State shall examine all disputes pertaining to infringement, or imminent infringement of the patent.’ For jurisdictional purposes, the wording of this article allows the Committee in the Saudi Patent Office to hear all infringement actions relating to GCC patents, regardless of where the act of infringement occurs. This article must be reformed to be in line with the principle that only the court of the state where the act of infringement is committed has authority over that action. Hence, although the act of infringement is provided to be committed in Saudi Arabia to give jurisdiction to the Saudi forum, the wording of article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf could be interpreted to give authority to the competent Saudi forum over the act of infringement committed outside Saudi Arabia.

Article 43 of the Saudi Trademark Law and article 47 of the Saudi Patent Law play a significant role in defining the infringement actions. These articles limit precisely which events are capable of constituting an infringement of Saudi trademarks and patents. They provide that a right holder or a licensee has an acceptable cause of action to establish a claim against such as an importer, seller, or user of affected products, offeror for sale and storage. Based on these articles, if the owner or the licensee suffers only a financial loss in Saudi Arabia because his right is infringed abroad, he does not have a successful reason to commence a claim against the alleged infringer before the Saudi courts. Hence, the act of infringement in relation to a Saudi right must be committed in Saudi Arabia to commence a successful action before the Saudi forums. In cases where a Saudi right is manufactured or infringed outside Saudi Arabia, the plaintiff does not have a successful cause of action to constitute a claim against the manufacturer or the infringer, even if he suffers a financial loss in Saudi Arabia.

3.2.2 Jurisdiction over Contract Disputes

Before examining the rules of this section, it is significant to clarify whether or not Saudi law regards the nationality and place of residence of the defendant as grounds of jurisdiction for contracts. This is because in Europe, article 23 section 1 of the Brussels I Regulation allows the parties to conclude a non- exclusive jurisdiction agreement in cases where they or at least one of them is domiciled in a Member State of the Regulation. In such circumstances, the plaintiff is allowed to sue the defendant

before the courts of the Contracting State where the latter is domiciled⁸⁹. In this subject, it has been said that according to the provisions of the Brussels I Regulation, the parties to a contract for the exploitation of a patent or a trademark are allowed to commence a claim before the courts of the country where the defendant is domiciled⁹⁰. In Saudi law, article 24 of the Law of Procedure before Shari'ah Courts states, 'The Kingdom's courts shall have jurisdiction over cases filed against a Saudi, even if there is no record of his general or designated place of residence in the Kingdom.' In addition, the agreements which the Saudi government has ratified give jurisdiction to the courts of a Contracting State where the defendant has a place of residence. Article 25 of the Law of Procedure before Shari'ah Courts upholds, 'The Kingdom's courts shall have jurisdiction over cases filed against an alien who has a general or a designated place of residence in the Kingdom'. At first sight, it can be said that the Saudi courts could have authority over contract disputes, based on these grounds of jurisdiction. However, the Court of Appeal in the Board of Grievances provides a fixed principle regarding this point. It stated in its judgment *no 15/T/3 in 1424 H on case no 1804/1/Q in 1422 H*⁹¹ that the Saudi forums will have jurisdiction over a contract in two situations; if the contract is performed in Saudi Arabia and the parties do not choose a specific foreign court to determine their potential disputes, or if the parties to the contract agree to give jurisdiction to the Saudi forums⁹². The Court of Appeal in the Board of Grievances does not recognise the non-exclusive jurisdiction agreement and does not regard the nationality and place of residence of the defendant as grounds of jurisdiction for contract disputes. Based on these facts, this section will examine the question of the possibility of giving jurisdiction to Saudi forums over a contract in relation to the exploitation of a patent or a trademark in cases where the contract is performed in Saudi Arabia and in cases where the parties have an agreement to give the jurisdiction to the Saudi forums.

3.2.2.1 The Place of Performance

3.2.2.1.1 The General Principles

According to article 4 section C of the GCC Convention for the Execution of Judgments, article 28 section C of the Riyadh Arab Agreement for Judicial Cooperation, article 23 section E of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section E of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 26 section A of the Law of

⁸⁹ CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 77.

⁹⁰ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 3.12. Article 2:201 sections 1 and 2 of the Principles on Conflict of Laws in Intellectual Property provide another provision that will be applied to disputes concerning contracts for the exploitation of Intellectual property rights. The article implies that unless otherwise agreed by the parties, the forums of the country for which the license is granted or the right is transferred shall have authority.

⁹¹ The Court of Appeal in the Board of Grievances, *judgment no 15/T/3 in 1424 H on case no 1804/1/Q in 1422 H*, an unreported judgment.

⁹² *ibid.*

Procedure before Shari'ah Courts, in a contract dispute, the defendant can be sued before the courts of the state where the contract is performed. The bilateral agreements for Judicial Cooperation with the Republic of Kazakhstan and the Syrian Arab Republic do not recognise this ground of jurisdiction. However, the Court of Appeal in the Board of Grievances confirmed this principle in the judgment *no 15/T/3 in 1424 H on case no 1804/1/Q in 1422 H*⁹³. It emphasised that a Saudi court will have jurisdiction to determine a dispute involving an international element if the dispute is in connection with a contract, which is performed in Saudi Arabia, and the parties do not give jurisdiction over the dispute to a specific foreign court⁹⁴. Hence, the Saudi court will have jurisdiction to rule on the disputes in connection to contracts that are performed in Saudi Arabia, providing that the parties do not give the jurisdiction over the issues to a specific foreign court.

This principle is also recognised in Europe. For example, article 5 section 1 of the Brussels I Regulation applies the same rule. A practical example for it is that if a party to a license agreement fails to perform his obligations under the agreement, the other party could rely on this rule to commence the claim before the forums of the place of performance of the obligations at stake⁹⁵. Moreover, the English Commercial Court practised this principle in the case of *Rank Film Distributors Ltd v Lanterna Editrice SRL*⁹⁶, when the court had jurisdiction to decide the dispute, because a third installment of payment, which was the keystone of the litigation, was due to be paid in London⁹⁷. One of the principles, which is related to this ground of jurisdiction, is that if the obligations between the parties are performed in different states, the forum of each country will have authority over the obligations performed in its own jurisdiction. Thus, these obligations must be identified precisely to define which state forums will have jurisdiction to decide the case brought⁹⁸. Hence, the court of the state where the contract is performed has jurisdiction over the dispute in relation to that contract.

3.2.2.1.2 The Appropriate Rules for Saudi Law regarding Trademark and Patent Disputes

When it comes to patent and trademark disputes, it is obvious that this ground of jurisdiction suits the contractual obligations of both parties. It involves, for instance, a claim to terminate a contract in relation to the exploitation of a Saudi patent due to the failure to execute contractual requirements. If the contract in relation to the exploitation of a patent or a trademark is performed in Saudi Arabia, the right exploited must be Saudi, because if there is a risk that the right will be financially exploited in a state, it is recommended that the right concerned must be registered and protected in that state. Moreover, due to the

⁹³ *ibid.*

⁹⁴ *ibid.*

⁹⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 3.15.

⁹⁶ *Rank Film Distributors Ltd v Lanterna Editrice SRL* [1992] IL Pr 58 (QB).

⁹⁷ *ibid* at [59].

⁹⁸ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 3.16.

principle of territoriality, a foreign right cannot exist and be exploited in Saudi Arabia. It is, therefore, logical to incorporate into Saudi law the principle that if a contract is to exploit rights in many states, the Saudi court will have jurisdiction over contractual obligations that are performed in Saudi Arabia, providing that the parties do not choose a foreign court to hear the dispute.

3.2.2.2 The Parties' Agreement

3.2.2.2.1 The General Principles

The parties to a contract are allowed to choose a specific forum to decide their potential differences. This principle is regulated in article 28 of the Law of Procedure before Shari'ah Courts, article 4 section E of the GCC Convention for the Execution of Judgments, article 28 section E of the Riyadh Arab Agreement for Judicial Cooperation, article 17 section D of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 23 section G of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section G of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 19 section D of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. Moreover, this principle was confirmed in the judgment no *15/T/3 in 1424 H on case no 1804/1/Q in 1422 H*⁹⁹, when the Court of Appeal in the Board of Grievances emphasised that a Saudi court has jurisdiction to determine a dispute in relation to a contract if the parties to the contract agree to give the authority to the forum¹⁰⁰. Article 28 of the Law of Procedure before Shari'ah Courts confirms that in such circumstances, jurisdiction will be given to the Saudi court, even if it originally does not have a basis of jurisdiction to rule on the case. Moreover, the ratified conventions state in such situations, jurisdiction will be given to the chosen court, providing that the law of the Member State whose forum is chosen does not forbid this agreement. In relation to this point, article 28 section 1 of the Implementing Regulations of the Law of Procedure before Shari'ah Courts does not require any specific stipulation to apply this ground of jurisdiction and states that it will apply, even if the parties are not Muslim. Hence, the Saudi court will have jurisdiction over a dispute in relation to a contract if the parties give the authority to the forum over their potential differences.

In Europe, this ground of jurisdiction is also recognised in article 23 of the Brussels I Regulation and there are some significant principles which are related to it that should be mentioned. Section 1 of the Article provides that in cases where the parties choose a forum or the forums of a Contracting State, the chosen court(s) will have exclusive jurisdiction over the dispute, providing that the parties or at least one

⁹⁹ The Court of Appeal in the Board of Grievances, *judgment no 15/T/3 in 1424 H on case no 1804/1/Q in 1422 H*, an unreported judgment.

¹⁰⁰ *ibid.*

of them is domiciled in a Member State of the Regulation¹⁰¹. The implication of this rule is that other courts should decline its jurisdiction over the issue in favour of the chosen forum¹⁰². The parties are allowed to conclude a non-exclusive jurisdiction agreement. In such circumstance, Clarkson and Hill comment, ‘the claimant has the option of relying either on the agreement or on other provisions’ of the Regulation, such as the place where the defendant is domiciled¹⁰³. If the parties give jurisdiction to the forums of more than one Contracting State, the answer to the question of whether or not the agreement gives exclusive jurisdiction ‘depends on the words used and is a question of construction, which, in principle, ought to be answered by reference to the law governing the agreement.’¹⁰⁴ However, article 23 of the Brussels I Regulation will not apply where the plaintiff commences his claim before a court of another Contracting State and the defendant submits to the jurisdiction of that forum¹⁰⁵. It also will not apply where the core of the dispute is subject to the exclusive jurisdiction of a particular court¹⁰⁶, such as the jurisdiction enacted in article 22 of the Regulation. Hence, in general terms, article 23 of the Brussels I Regulation provides that if the parties to the contract choose a specific court to hear their potential disputes, the chosen forum will have exclusive jurisdiction over the issues.

According to article 4 section F of the GCC Convention for the Execution of Judgments, article 28 section F of the Riyadh Arab Agreement for Judicial Cooperation, article 17 section E of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 23 section H of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section H of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 19 section E of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, if the plaintiff commences his claim before a forum of a Member State and the defendant appears voluntarily before the court, jurisdiction will be granted to that court, providing that the appearance is not to reject the jurisdiction of the forum. Although the Law of Procedure before Shari'ah Courts does not contain this rule, article 28 of the Law could be interpreted to provide the same principle, because it states, ‘The Kingdom’s courts shall have

¹⁰¹ Section 3 of the Article implies that in cases where neither party is domiciled in a Contracting State, ‘the courts of other Member States shall have no jurisdiction over their disputes unless the court or courts chosen have declined jurisdiction.’ In addition, Section 4 of the Article provides that ‘The court or courts of a Member State on which a trust instrument has conferred jurisdiction shall have exclusive jurisdiction in any proceedings brought against a settlor, trustee or beneficiary, if relations between these persons or their rights or obligations under the trust are involved’.

¹⁰² James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 284; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 5.3.6; Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

¹⁰³ CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 77.

¹⁰⁴ *ibid.*

¹⁰⁵ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 299.

¹⁰⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 2.177; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 5.3.6.

jurisdiction to adjudicate cases when the litigants accept these courts' jurisdiction.' Hence, if the plaintiff commences his claim before a Saudi court and the defendant voluntarily appears before the court without resisting its jurisdiction, this means that the parties accept the jurisdiction of the forum. Hence, the Saudi forum will have jurisdiction over the defendant if he appears voluntarily before the court, without rejecting its jurisdiction.

Similarly, article 24 of the Brussels I Regulation recognises and applies the same principle, providing that the defendant is domiciled in a Member State of the Regulation¹⁰⁷. There are significant rules regarding this provision which must be mentioned. The voluntary appearance will not give jurisdiction to the forums of the Member States if the core of the dispute is subject to the exclusive jurisdiction of a particular court, such as the jurisdiction regulated in article 22 of the Regulations¹⁰⁸. In addition, the voluntary appearance of the defendant shall not give jurisdiction to the courts of the Contracting States if the appearance is to resist the jurisdiction of the courts¹⁰⁹. Accordingly, a forum of a Member State of the Brussels I Regulation will have authority over the defendant if he appears voluntarily before the court, providing that his appearance is not to reject the jurisdiction of the forum and the jurisdiction over the subject of the dispute is not exclusive to a specific court.

3.2.2.2.2 The Rules Regarding Trademark and Patent Disputes

It is significant to mention that Saudi law does not contain a special article to regulate the question of giving jurisdiction to a Saudi court by the parties' agreement over disputes concerning patents or trademarks. Moreover, no reported judgment from Saudi courts has been found as yet that presents an approach for Saudi law on this point. However, it has been said that the vast majority of contracts in relation to the exploitation of patents or trademarks contain jurisdiction clauses. Based on this fact, the parties to the license agreements always contain the forum-selection clauses in their contracts, in order to confirm the reliability of which forum will have jurisdiction to determine their potential disputes. In addition, in rare situations, the parties can make an agreement after the dispute is raised¹¹⁰. It is significant to answer the question of which court can resolve an action for infringement of a right when it is raised in connection with a license agreement. Before examining the approaches regarding this point, it is

¹⁰⁷ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 297.

¹⁰⁸ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 299; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 5.2.1.

¹⁰⁹ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 298; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 5.2.3; CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 167.

¹¹⁰ Alexander Peukert, 'Contractual Jurisdiction Clauses and Intellectual Property' in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

appropriate to present some examples. If the plaintiff claims that the defendant has not only failed to discharge his obligations under their contract, but has also exceeded his power and infringed the right¹¹¹. The question also arises when the claimant alleges that after terminating the contract, the defendant continues the process of production and infringes the right¹¹². This section is to illustrate the possibility of ruling on infringement actions raised in connection with contracts in relation to the exploitation of patents or trademarks.

There is an approach that tends to accept that if the parties are in agreement or have a similar agreement to use a certain type of a patent or a trademark and choose a particular court to decide the potential differences, the chosen forum will have jurisdiction over contractual obligations. In such circumstances, the chosen court could determine an action for infringement of the right exploited if the action is raised in connection with the license agreement. Based on this concept, if the parties to an infringement action do not have an agreement to exploit the right concerned, they are not allowed to agree to give jurisdiction over the action to a specific court¹¹³. This approach is followed in article 2 section 2 subsection O of the final draft of the 2005 Hague Choice of Court Convention. Moreover, Peukert reports that a German court upheld the same rule and stated that the infringement action cannot be decided by a court-selection clause unless the judgment is ‘based on breach of contract as well as on tort’¹¹⁴. In addition, before the US courts, the possibility of deciding an infringement claim in connection with a contractual relationship is dependent on the wording of the clauses of the agreement¹¹⁵. The rationale behind this rule is that a forum-selection clause provides the parties with a good way to consolidate the cases before a single court¹¹⁶. In addition, it gives the parties to a contract the certainty regarding the point of which court will have jurisdiction to hear their potential disputes¹¹⁷. Furthermore, respect should be given for the parties’ choice and, in these circumstances, the limitation on court jurisdiction must be reduced to the level where the interests of the state of registration might be affected. Because the unique characteristics of patents and trademarks, such as the interests of the state of registration, will not be affected, there is no need to restrict jurisdiction to the courts of the protecting state¹¹⁸. Hence, a forum may hear an action for infringement of a foreign right if the action is raised in connection with a license

¹¹¹ *ibid.*

¹¹² *ibid.*

¹¹³ Andrea Schulz, ‘The Hague Conference Project for a Global Convention on Jurisdiction, Recognition and Enforcement in Civil and Commercial Matters’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

¹¹⁴ Alexander Peukert, ‘Contractual Jurisdiction Clauses and Intellectual Property’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

¹¹⁵ *ibid.*

¹¹⁶ *ibid.*

¹¹⁷ *ibid.*

¹¹⁸ *ibid.*

agreement and the parties to the agreement agree that the jurisdiction over the potential issues should be dealt with by that court.

3.2.2.2.3 The Appropriate Approach for Saudi Law

In relation to Saudi law, it is appropriate to follow the approach that if the parties to a contract for the exploitation of a patent or a trademark give jurisdiction to a Saudi court over their potential differences, the forum will have exclusive jurisdiction over the contract disputes, even if the contract is performed abroad. The Saudi chosen court may determine an action for infringement of the right exploited, if the action is raised in connection with that contract. The rationale behind this approach is that it ensures that the parties to the contract have a certain clear rule regarding which forum will have jurisdiction to rule on their potential differences. In addition, it has been concluded above¹¹⁹ that the Saudi court does not have authority over proceedings for infringement of a foreign right, even if the defendant has a place of residence in Saudi Arabia, or has Saudi nationality. Similarly, the Saudi court should not have jurisdiction over this type of action if the parties agree to give jurisdiction over the issue to the forum. This principle exists to maintain the principle that jurisdiction over an infringement action must be exclusive to best forum to decide the issue, which is the court of the protecting state. This rule must be protected, in particular, when the parties to the dispute do not have a logical reason to agree to give jurisdiction to the Saudi forum over the action.

However, a rational reason may exist in cases where the parties to a contract relating to the exploitation of a patent or a trademark give jurisdiction to the Saudi forum to hear their potential differences. The above recommended approach will help the Saudi chosen forum and the parties to avoid the complicated situation which exists when the court is prohibited from hearing the infringement dispute. In such circumstances, in addition to the dispute commencing before the Saudi court, the parties face the difficulty of commencing a separate action before another court to rule on the infringement issue. The situation becomes more complex when the facts of both legal actions overlap; this means that both issues undoubtedly have to be decided before a single forum. Also, this approach grants the parties desirable advantages. They can consolidate the hearing of contractual and non-contractual obligations, which may arise in connection to their contract, before a single forum. In addition, the parties to a contract relating to the exploitation of patents or trademarks in different countries have a legal ground of jurisdiction to consolidate their potential disputes before a single court. Thus, in cases where the parties to a contract in relation to the exploitation of a patent or a trademark give jurisdiction to the Saudi forum over their potential differences, the court will have jurisdiction over the contractual obligations. It also has

¹¹⁹ See Sections 3.2.1.1.2.3 and 3.2.1.2, above.

jurisdiction over an action for infringement of the right exploited, providing that it arises in connection with that contract.

3.2.3 Jurisdiction over Validity Issues

In patent and trademark cases, the validity of these rights might be disputed. These may be challenged alone, in order to revoke the rights concerned. Moreover, during the infringement proceedings, the defendant might dispute the validity of the right concerned as a defence or as a counterclaim, in order to achieve a ruling that an invalid right cannot be infringed¹²⁰. In this context, it has been said that an action for infringement of a patent is necessary raise the question of the validity of that patent¹²¹. When it comes to jurisdiction over actions concerning the validity of patents or trademarks, it is significant to mention that Saudi law does not regulate the question of the possibility of giving jurisdiction to Saudi forums over actions relating to the validity foreign rights. In such circumstances, Fawcett and Torremans point out that because many states ‘do not have special rules on ... validity of intellectual property rights’, they should handle these disputes ‘under their general rules’¹²². Hence, it is important to mention that it has been concluded above¹²³ that article 24 of the Law of Procedure before Shari'ah Courts gives jurisdiction to the Saudi forums over a person who has Saudi nationality. Moreover, it has seen above¹²⁴ that Saudi law and the agreements which the Saudi government has ratified give jurisdiction to the Saudi courts over a defendant who has a place of residence in Saudi Arabia. It is significant to clarify the question of the possibility of giving jurisdiction to the Saudi forums over actions in relation to the validity foreign patents or trademarks in cases where the defendant has Saudi nationality, or has a place of residence in Saudi Arabia.

It has been concluded above¹²⁵ that the nationality and place of residence of the defendant should not give jurisdiction to the Saudi forum over actions for infringement of foreign rights. In relation to the validity issues, these grounds of jurisdiction should also not give authority to the Saudi forum over actions concerning the validity of foreign rights. The rationale behind this principle is that, it is to protect the interests of the state of registration which is also regarded as the best place to hear the action, because all elements required to resolve the issue properly are located in that country. In addition, it will be seen

¹²⁰ James Fawcett, ‘Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?’ in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002); James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.03; Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

¹²¹ Peter A Haas, ‘Extraterritorial Jurisdiction in Patent Infringement Issues’ [2001] *Intellectual Property Quarterly* 187, 202; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.05.

¹²² James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 1.27.

¹²³ See Section 3.2.1.2, above.

¹²⁴ See Section 3.2.1.1.1, above.

¹²⁵ See Sections 3.2.1.1.2.3 and 3.2.1.2, above.

later¹²⁶ that Saudi law should follow the principle that the courts of the state of registration will have exclusive jurisdiction over actions concerning the validity of its own rights, regardless of which way the validity is challenged. This ruling means that jurisdiction over actions relating to the validity of foreign rights cannot be given to the Saudi forum, even if the defendant has Saudi nationality or has a place of residence in Saudi Arabia. In this section, the provisions regarding the question of jurisdiction over actions in relation to the validity of patents or trademarks will be examined and evaluated, in order to suggest a best approach for Saudi law.

3.2.3.1 The Jurisdiction of Saudi Courts over actions relating to the validity of Saudi Patents and Trademarks

The first point which needs to be addressed is to identify which Saudi courts can hear actions concerning the validity of Saudi rights. In relation to the validity of Saudi trademarks, article 25 of the Saudi Trademark Law gives jurisdiction to the Board of Grievances to handle the cases of cancellation of registration of Saudi trademarks. This article lays down three circumstances where the plaintiff can make a claim to challenge the validity of Saudi trademarks as follows: ‘(a) If the owner of a trademark does not use it for a period of five consecutive years without a legitimate excuse. (b) If a trademark was registered in violation of public order or public morality. (c) If a trademark was registered through fraud or false information.’ Moreover, article 26 of the Law institutes two situations where Saudi trademarks could be cancelled directly by the law as follows: ‘(a) Trademarks whose registration is not renewed in accordance with this Law and its Implementing Regulations. (b) Trademarks owned by natural or juristic persons with whom dealing is prohibited pursuant to a decision issued by the competent authority.’ Hence, in Saudi Arabia, the Board of Grievances has authority over actions relating to the validity of Saudi trademarks.

In relation to a patent obtained by the Saudi Patent Law, article 32 of the Law gives jurisdiction to the Committee in the Saudi Patent Office over actions concerning the validity of Saudi patents. It states, ‘Any party with interest may challenge the decision of granting of a protection document before the Committee, and seek total or partial revocation, relying upon the violation of the stipulated conditions for granting the protection document.’ Thus, the Saudi Patent Law gives jurisdiction to the Committee in the Saudi Patent Office in respect of the validity of Saudi patents.

The Patent Regulation of the Cooperation Council for the Arab States of the Gulf does not contain a special article dealing solely with actions regarding the validity of GCC patents. In addition, article 24 of the Regulation states, ‘Any decision issued by the Office may be appealed within three months from the date it was known to be delivered, or from the date of its publication whatever the case may be.’ The

¹²⁶ See Section 3.2.3.5, below.

concern with this article is that it does not cover a case when an interested party raises a claim to challenge a registered patent outside the limited time period. Moreover, article 26 of the Regulation is not helpful, because it concerns, ‘all disputes pertaining to infringement, or imminent infringement of the patent’. However, there are two potential approaches to the question of which courts should have jurisdiction over actions concerning the validity of patents obtained in accordance with the rules of the Regulation. The first approach is that the Committee in the GCC Patent Office should have authority to rule on the actions. The second approach is to give jurisdiction to the authorised court of each state over the validity of GCC patents in its own jurisdiction. Hence, the Committee in the Saudi Patent Office only has jurisdiction over the validity of GCC patents in Saudi Arabia. The logical difference between the previous approaches is that if the validity of a GCC patent is decided by the Committee in the GCC Patent Office and concluded to be invalid, the judgment will affect the patent in all Contracting States of the Regulation. If the Committee in the Saudi Patent Office rules on the validity of a GCC patent and conclude that the patent is invalid, the award will only be applied for the GCC patent in Saudi Arabia, and the validity of the parallel patents in other Contracting States will not be affected at all.

According to Saudi law, the Saudi forums will have jurisdiction to determine actions for the validity of Saudi rights. However, Saudi law does not establish whether or not this jurisdiction is exclusive to the Saudi courts. Furthermore, it does not provide any rules with regards to the possibility of giving authority to the Saudi forums over actions concerning the validity of foreign patents or trademarks. Hence, in this section, I will examine the question of restricting jurisdiction over actions relating to the validity of patents and trademarks to the courts of the state of registration when validity is challenged as a defence or alone.

3.2.3.2 Jurisdiction over Actions Relating to the Validity is Exclusive to the Court of the Protecting State

The Brussels I Regulation contains a specific article relating to the jurisdiction over the validity of registered patents or trademarks. It states in article 22 section 4 that

The following courts shall have exclusive jurisdiction, regardless of domicile ... In proceedings concerned with the registration or validity of patents, trademarks, 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 is under the terms of an international convention deemed to have taken place.

Therefore, when the validity of these rights is raised, the general grounds of jurisdiction established in the Regulation are excluded by virtue of article 22 section 4. It restricts the jurisdiction over the validity of patents and trademarks to the courts of the state of registration and prevents other forums of the Member

States from determining the action. In this context, it has been said that if the core of a dispute is only the validity of a right, jurisdiction over the dispute will be exclusive to the courts of the state of registration and the courts of other Contracting States are precluded from ruling on the case¹²⁷. Furthermore, article 22 section 4 of the Lugano Convention 2007 provides the same principle; the courts of the state of registration have exclusive jurisdiction over the question of the validity of its own rights. In addition, sections 1 and 3 of article 109 of the Swiss Private International Law 2007 give exclusive jurisdiction to Swiss courts over disputes relating to the validity of registered Swiss intellectual property rights. In the case of *Napp Laboratories V Pfizer Inc*¹²⁸, the English court stated that jurisdiction regarding the validity of patents is exclusive to the courts of the state of registration¹²⁹. Moreover, the same principle is applied in Japan and Korea¹³⁰.

The rationale behind this rule is dependent upon the theory of the sovereign power of the court; when a state grants a right, it is because it exercises its national sovereignty¹³¹. In addition, in the case of *Gesellschaft für Antriebstechnik mbH & Co. KG v Lamellen und Kupplungsbau Beteiligungs KG*¹³², the European Court of Justice provided a justification of why the courts of the state of registration must have exclusive jurisdiction to decide on the validity of its own patents. It stated that the forums of the protecting state are regarded as the best courts to rule on the validity of patents¹³³. Moreover, the courts of the state of registration are familiar with the law that must be applied to the dispute¹³⁴. In this subject, Fawcett comments, ‘patent laws are different in different countries and the courts in a State other than the one in which registration or deposit occurred are going to find it difficult to understand the law of that State.’¹³⁵ Hence, jurisdiction over the validity of patents or trademarks is exclusive to the courts of the state of registration.

¹²⁷ James Fawcett, ‘Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?’ in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

¹²⁸ *Napp Laboratories V Pfizer Inc* [1993] FSR 150 (Ch).

¹²⁹ *ibid* at [152].

¹³⁰ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

¹³¹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 1.29.

¹³² Case C-4/03 *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG* [2006] ECR I-6509, [2007] IL Pr 34.

¹³³ *ibid* at [22].

¹³⁴ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 1.30.

¹³⁵ James Fawcett, ‘Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?’ in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

3.2.3.3 Jurisdiction over the Validity Issue when it is Raised as a Defence

During infringement proceedings concerning a patent or a trademark, the defendant may dispute the validity of the right concerned¹³⁶. In this context, it has been said that validity may be raised as an incidental matter in proceedings relating to a license agreement when the defendant alleges that the right in question is invalid. In an infringement action, although the validity and infringement are sides of the same coin, challenging the validity of the right at stake during the infringement hearing is regarded as an incidental question¹³⁷. In Saudi Arabia, there is no concern when the right at stake is Saudi, because the Saudi courts will have jurisdiction over actions relating to the validity of Saudi rights. A concern may emerge in cases where the right in question is foreign. In such circumstances, neither Saudi law nor the agreements ratified by the Saudi government provide an approach regarding this point. In addition, a reported judgment from Saudi courts presenting an approach for Saudi law has not yet been found. Hence, it is appropriate to examine approaches to such circumstances, in order to recommend appropriate concepts for Saudi law.

Article 22 section 4 of the Lugano Convention 2007 provides a helpful rule, as it states that jurisdiction over actions relating to the validity of patents and trademarks is exclusive to the courts of the state of registration, regardless of which way the issue is raised, whether as an action or as a defence. Additionally, on 13 July 2006, the European Court of Justice affirmed this principle in the case of *Gesellschaft für Antriebstechnik mbH & Co. KG v Lamellen und Kupplungsbau Beteiligungs KG*¹³⁸. It stated that the courts of the state where a patent is registered or deposited have exclusive jurisdiction over the validity of that patent, whether the validity is challenged as a counterclaim or as a defence¹³⁹. The Court of Justice also confirmed this provision in the case of *Roche Nederland BV v Primus*¹⁴⁰ and stated that the jurisdiction which is legalised in article 22 section 4 of the Brussel I Regulation is exclusive to the courts of the state of registration, regardless of which method is used to challenge the validity of registered patents¹⁴¹. The reason that encouraged the Court of Justice to uphold this view was to protect the nature of article 22 section 4 of Brussels I Regulation and to avoid the risk of conflicting

¹³⁶ James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002); James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.03; Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

¹³⁷ James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

¹³⁸ Case C-4/03 *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG* [2006] ECR I-6509, [2007] IL Pr 34.

¹³⁹ *ibid* at [31].

¹⁴⁰ Case C-539/03 *Roche Nederland BV v Primus* [2006] ECR I-6535, [2007] IL Pr 9.

¹⁴¹ *ibid* at [178].

judgments¹⁴². Hence, the courts of the state of registration will have exclusive jurisdiction over actions concerning the validity of its own patents and trademarks when validity is raised as a defence.

Contrary to the conclusion of the previous paragraph, there is another approach that prefers that if the validity of a right is incidentally challenged in infringement proceedings, the court, which decides on the infringement action, could rule on the validity of the right concerned. In this situation, the judgment relating to the validity of the right will affect only the parties to the dispute¹⁴³. In addition to article 209 section 2 of the Waseda Principles, the same rule is followed in Korea¹⁴⁴. Moreover, Fawcett and Torremans report that in Germany, the same approach is applied and the German forum ‘can rule on the validity issue when this is raised incidentally but this decision only binds the parties’.¹⁴⁵ The reason supporting this approach is that a court should be trusted to rule on a complex case, such as the validity of a foreign patent or trademark, in particular, when there is no effect on the public policy of the state where the right at stake is registered¹⁴⁶. The judgment in relation to the validity of the right is the same as the award from an arbitration tribunal, because both awards bind only the parties to the dispute¹⁴⁷. Moreover, in cases where the right at stake is concluded to be invalid, this approach may lead to lack of respect for the right, and therefore it may be infringed by a third party. In such circumstances, the owner has the full right to commence a dispute before the court of the state of registration to safeguard its right.¹⁴⁸ Hence, the court deciding the infringement action should have jurisdiction to rule on the validity of the same right if it is incidentally challenged during the infringement proceedings.

3.2.3.4 Jurisdiction over Infringement Proceedings when the Validity is raised as a Defence

When it comes to practical consideration, there is a controversial point regarding jurisdiction over the infringement action when the validity of the right is raised during the course of the infringement proceedings. The core of debate is whether a court which deals with the infringement issue exercises its

¹⁴² James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.29.

¹⁴³ James Fawcett, ‘Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?’ in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002); Andrea Schulz, ‘The Hague Conference Project for a Global Convention on Jurisdiction, Recognition and Enforcement in Civil and Commercial Matters’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); Annette Kur, ‘Jurisdiction and Enforcement of Foreign Judgments: The General Structure of the MPI Proposal’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); Alexander Peukert, ‘Contractual Jurisdiction Clauses and Intellectual Property’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

¹⁴⁴ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

¹⁴⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.77.

¹⁴⁶ Annette Kur, ‘Jurisdiction and Enforcement of Foreign Judgments: The General Structure of the MPI Proposal’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

¹⁴⁷ *ibid.*

¹⁴⁸ *ibid.*

jurisdiction, or should it stay its proceedings in favour of the courts of the state of registration? There are two well-known practical approaches to deal with this situation.

3.2.3.4.1 The English Solution

The English solution, which is the same of the Italian and the Belgian approaches¹⁴⁹, tends to accept that if the validity of the right is raised as a defence or as a counterclaim, the court dealing with the infringement action should decline its jurisdiction. The infringement and validity issues must be resolved before the courts of the state of registration¹⁵⁰. The reason behind this approach is that article 25 of the Brussels I Regulation states, ‘Where a court of a Member State is seised of a claim which is principally concerned with a matter over which the courts of another Member State have exclusive jurisdiction by virtue of Article 22, it shall declare of its own motion that it has no jurisdiction.’ Hence, the infringement action is mainly concerned with validity raised as a defence¹⁵¹. Moreover, there is no reason to give a narrow meaning to the phrase “principally concerned”. In particular, when a major dispute, such as the validity of the right, is involved, it is difficult for this to be regarded as an incidental matter¹⁵².

The English approach, which was also introduced by the UK delegation in the Hague Judgment Convention¹⁵³, was expressed in the case of *Coin Controls Ltd v Suzo International (UK) Ltd*¹⁵⁴, when the English court determined the infringement of three European patents (UK, Spain and Germany). In this case, the validity of the German and Spanish patents was put into the litigation. Hence, the English court concluded that it must decline its jurisdiction over the claims of infringement concerning the German and Spanish patents because they were caught by article 19 of the Brussels Convention (article 25 of the Regulation)¹⁵⁵. In this case, counsel for the claimant did not discuss the fact that the English court had jurisdiction over the validity which is raised during infringement proceedings¹⁵⁶. The English Court of Appeal confirmed this ruling in the case of *Fort Dodge Animal Health Ltd v Akzo Nobel NV*¹⁵⁷. In this case, the infringement action was brought before the Dutch court and the defendant commenced separate revocation proceedings to challenge the validity of the right concerned before the English court where the patent was registered. The English Court of Appeal ruled that it had jurisdiction over the infringement and

¹⁴⁹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.75.

¹⁵⁰ James Fawcett, ‘Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?’ in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

¹⁵¹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.70.

¹⁵² *ibid.*

¹⁵³ Annette Kur, ‘International Hague Convention on Jurisdiction and Foreign Judgments: A Way Forward for IP?’ [2002] *European Intellectual Property Review* 175,183; Adrian Briggs, ‘Jurisdiction over Defences and Connected Claims’ [2006] *Lloyd's Maritime and Commercial Law Quarterly* 447, 452.

¹⁵⁴ *Coin Controls Ltd v Suzo International (UK) Ltd* [1999] Ch 33 (Ch).

¹⁵⁵ *ibid* at [52].

¹⁵⁶ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.23.

¹⁵⁷ *Fort Dodge Animal Health Ltd v Akzo Nobel NV* [1998] FSR 222 (Civ).

validity issues by virtue of article 19 and article 16 section 4 of the Brussels Convention¹⁵⁸(article 25 and article 22 section 4 of the Regulation). This principle has been confirmed by the English courts in the cases of *Prudential Assurance Co Ltd v Prudential Insurance Co of America*¹⁵⁹, *Sandisk Corp v Koninklijke Philips Electronics NV*¹⁶⁰ and *Knorr-Bremse Systems for Commercial Vehicles Ltd v Haldex Brake Products GmbH*¹⁶¹. Thus, the English approach prefers to decline jurisdiction over the infringement action when the validity of right is challenged and both proceedings must be brought before the courts of the state of registration.

3.2.3.4.2 The Dutch Solution

A Dutch court introduced another solution in the case of *Expandable Grafts Partnership v Boston Scientific B.V.*¹⁶². The Court of Appeal of The Hague decided to rule on the infringement action with more caution by referring the action relating to the validity of the right to the courts of the state having exclusive jurisdiction over the matter and suspending the infringement proceedings until the judgment on the validity of the right is pronounced. As soon as the action relating to the validity of the right was ruled, the Dutch forum resumed the hearing of the infringement proceedings¹⁶³. The doctrine behind this approach is that jurisdiction over the infringement action is established when the dispute is commenced before the Dutch court and challenging the validity of the right concerned does not repeal the jurisdiction over the infringement action¹⁶⁴. Moreover, the court of the state of registration has authority to determine the validity of its own rights and because the action relating to the validity affects the infringement proceedings, the Dutch court has to stay its infringement proceedings until the validity of the right is decided¹⁶⁵. In addition, there is no benefit to join both issues before one forum, because they may depend on different evidence. In such circumstances, the only advantages, which would be gained by consolidating the disputes before a single court, are economic fruits¹⁶⁶.

¹⁵⁸ *ibid* at [244], [245].

¹⁵⁹ *Prudential Assurance Co Ltd v Prudential Insurance Co of America* [2003] EWCA Civ 327, [2003] 1 WLR 2295 [21].

¹⁶⁰ *Sandisk Corp v Koninklijke Philips Electronics NV* [2007] EWHC 332 (Ch), [2007] IL Pr 22 [39].

¹⁶¹ *Knorr-Bremse Systems for Commercial Vehicles Ltd v Haldex Brake Products GmbH* [2008] EWHC 156 (Pat), [2008] IL Pr 26 [43].

¹⁶² The Court of Appeal of the Hague, 23 April 1998, (*Expandable Grafts Partnership v Boston Scientific BV*) [1999] FSR 352.

¹⁶³ *ibid* at [29].

¹⁶⁴ James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002); James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.74.

¹⁶⁵ James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

¹⁶⁶ Stuart Dutson, 'The Infringement of Foreign Intellectual Property Rights: A Restatement of the Terms of Engagement' [1998] *International and Comparative Law Quarterly* 659,679.

A German court applied the same approach in the case of *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG*¹⁶⁷, when the German alleged infringer of a French patent raised a defence before the German court that the patent was invalid. The court decided that only French courts had the power to determine the validity of that patent and the German court was permitted to handle only the infringement proceedings. It is significant to note that although the German court referred the action relating to the validity of the patent to the French forums, it did not introduce any approach to deal with the question: Should the German court stay its proceedings until the validity of the patent was ruled? It was recommended that the infringement proceedings should be stayed until the French courts decided the validity of the patent¹⁶⁸. It has been suggested, as theory, that if a court decides not to stay infringement proceedings until the validity of the right is determined, it can carry on its proceedings based on the assumption that the right at stake is valid¹⁶⁹. Moreover, it is said that the previous approach from the German court is upheld when the validity of a right is the core of the dispute and the judgment may have *erga omnes* effects, but if the validity of the right is incidentally raised, the German court can decide action, providing that its judgment on the validity of the right affects only the parties to the dispute and no third party is affected¹⁷⁰.

The Swiss approach is in line with the Dutch notion, but it adds that challenging the validity of a right should be done within a certain time of commencing the infringement action. Hence, if the defendant does not challenge the validity of the right within a time limited period, his defence should be abandoned¹⁷¹. In addition, in England, this approach is acceptable in cases where there is an infringement issue before an English court and revocation proceedings before the European Patent Office. In such circumstances, the English proceedings must be stayed until the final judgment of the European Patent Office is pronounced¹⁷². Hence, in cases where the validity of the right is challenged during the infringement proceedings, the court of the state of registration has exclusive jurisdiction over the validity of the right concerned and the forum, which considers the infringement action, must stay its proceedings until the validity of the right is determined.

¹⁶⁷ *Gesellschaft für Antriebstechnik mbH & Co KG v Lamellen und Kupplungsbau Beteiligungs KG* Case 2U 104/01 Before the Oberlandesgericht (Regional Appeal Court) Düsseldorf 5 December 2002 [2003] IL Pr 41.

¹⁶⁸ Adrian Briggs, 'Jurisdiction over Defences and Connected Claims' [2006] *Lloyd's Maritime and Commercial Law Quarterly* 447, 452.

¹⁶⁹ Stuart Dutson, 'The Infringement of Foreign Intellectual Property Rights: A Restatement of the Terms of Engagement' [1998] *International and Comparative Law Quarterly* 659, 679.

¹⁷⁰ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.26, 7.77.

¹⁷¹ *ibid* 7.108.

¹⁷² *ibid* (n 170) 5.278.

3.2.3.5 The Appropriate Approach for Saudi Law

When evaluating the previous approaches to establish which of them is appropriate for Saudi law, several points must be mentioned. First, all the previous notions, whether they are enacted in national laws or international agreements, imply that if the core of a dispute is only the validity of a right, the courts of the state where the right at stake is registered have exclusive jurisdiction over the issue¹⁷³. Based on this fact, it can be said with confidence that this principle must be legalised in Saudi law. Therefore, the Saudi forum must not rule on any dispute when its core is the validity of a foreign right. At the same time, jurisdiction over the validity of Saudi patents or trademarks is exclusive to Saudi courts.

The second significant point is that there is a suitable suggestion with regards to the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. It is appropriate to give supranational jurisdiction to Committee in the GCC Patent Office over disputes relating to the validity, infringement and contracts for the exploitation of patents obtained in accordance with the rules of the Regulation. This suggestion is suitable to consolidate all proceedings concerning GCC patents before a single court.

The third point is that if jurisdiction is to be given over the validity of foreign rights that is incidentally challenged, such as a defence, the Saudi courts must have jurisdiction over infringement actions or license agreements concerning foreign rights. The rationale behind this is that if, for any reason, the Saudi forums do not have this authority, there is no benefit in regulation of jurisdiction over validity which is challenged as a defence during these proceedings, because the initial basis of jurisdiction over foreign rights is absent. However, as the Saudi courts may rule on the infringement actions or license agreements relating to foreign rights in certain circumstances, it must evaluate the various approaches to clarify which of them is appropriate to be incorporated into Saudi law.

The result of the first approach, which has been introduced by the Dutch courts, is that the courts of the state of registration have exclusive jurisdiction over the validity of its own rights. At the same time, the court ruling on the infringement action or the contract in relation to the exploitation of the right keeps its jurisdiction and stays its proceedings until the court hearing the validity of the right pronounces its judgment. The original proceedings will be resumed as soon as the action relating to the validity is determined. The procedures of this approach are consistent with the legislation in article 83 of the Law of Procedure before Shari'ah Courts. It states, 'If a court determines that its judgment on the merits of a case should be contingent on ruling on another issue on which the judgment depends, it shall order suspension of the case and the litigants may request proceeding with the case when the cause of suspension lapses.'

¹⁷³ In such circumstances, it is significant to mention that there is a theoretical approach that tends not to restrict jurisdiction over the validity issues to the state of registration, even if the validity is challenged alone. See James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

Article 83 section 1 of the Implementing Regulations states the original proceedings will be suspended, regardless of which court decides the other issue. Hence, if the Saudi court determines a dispute concerning a foreign right and the validity of this right is challenged as a defence, the forum cannot determine the validity issue, but pursuant to article 83 of the Law of Procedure before Shari'ah Courts, it must suspend its proceedings and refer the action regarding the validity to the courts of the state of registration. The proceedings of the Saudi forum will be resumed as soon as the judgment on the validity of the right is issued. In such circumstances, it is appropriate to apply the logical stipulation that the validity of the right must be disputed in good faith. Therefore, if it is raised in bad faith, in order to delay the original proceedings for instance, this defence should be ignored and the court considering the original issue should continue its proceedings¹⁷⁴.

The direct consequence of this approach is that the proceedings of the original claim and action for the validity of the right will be separated between the court of the state of registration and the forum deciding the original action. This situation becomes more complicated in cases where a court decides multiple infringement actions which occur in more than one state, or where the parties to a contract for the exploitation of patents or trademarks in different states give jurisdiction to a specific forum over their potential issues. In these circumstances, the validity of each right that has been violated must be decided separately before the courts of the states of registration¹⁷⁵. Hence, although the Dutch approach is consistent with the procedures of the Saudi courts, it leads to separate proceedings in different forums which are the Saudi court and the forums of the state of registration.

The other suggested approach gives jurisdiction to the court, which decides the original action, to rule on the validity of the right concerned if it is incidentally challenged, such as a defence. In these situations, the judgment on the validity of the right affects only the parties to the dispute. The argument against using this approach is that the Saudi forum and the litigants will not get an obvious benefit, other than avoiding the separation of both proceedings between the Saudi court and the forum of the state of registration. However, this advantage will be minimised by the fact that the court and the parties will be tasked with the heavy burden of examining the validity of a foreign right. In addition, the Saudi forum will suspend the original proceedings until the validity of the right is decided, regardless of which court rules on the action for the validity. As a result, giving jurisdiction over the validity of the right to the forums of the state of registration is better, in order to safeguard the interests of that state. Moreover, there is no need to give jurisdiction to the Saudi court over the validity of a foreign right and restrict the effect of the judgment on the validity to be between the parties to the dispute, such as has been followed in

¹⁷⁴ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.123. See also Muhammad Kamel, *The Objections on Hearing a Dispute* (Al Ma'ref Institution 1990) 113.

¹⁷⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.66.

arbitration awards. This concept becomes more logical when it is considered in conjunction with the fact that court confidentiality is not as high as the confidentiality of the proceedings in arbitration. Based on these arguments, in cases where a Saudi forum rules on a dispute relating to the infringement or exploitation of a foreign right, it is not practical to give jurisdiction to the Saudi court over the validity of the right that is incidentally challenged during the proceedings of the forum.

The effect of the third approach, which is followed in England, is that the court, which deals with the proceedings of the original issue, has to decline its jurisdiction at the moment the validity of the right concerned is challenged and refer both the original issue and action regarding the validity of the right to the forums of the state of registration. The direct positive consequence of this approach is that the original dispute and the issue of validity will be channelled into a single action before the courts of the protecting state¹⁷⁶.

However, the negative impact of this approach is that the court which initially has jurisdiction over the original dispute must decline its jurisdiction in favour of the courts of the state of registration¹⁷⁷. Moreover, when the court has jurisdiction over an infringement claim, there is no assumption to challenge the validity of the right concerned¹⁷⁸. Furthermore, it is not logical to repeal the jurisdiction over the infringement claim, which is given lawfully and lost again, by challenging the validity of the right¹⁷⁹. In addition, this approach will repeal the principles of consolidating multiple actions before a single court. In this subject, Fawcett and Torremans argue, ‘The exclusive jurisdiction allocated to the court of the Member State of registration will trump that allocated by Article 23 to the courts of another Member State which the parties have agreed are to have jurisdiction.’¹⁸⁰ For example, the Saudi forum may consolidate infringement actions committed in different states into a single action if certain requirements are met, as will be detailed later¹⁸¹. In addition, it has been concluded above¹⁸² that the parties to a contract relating to the exploitation of patents or trademarks in different countries may give jurisdiction to the Saudi forum to hear their potential issues. In the previous circumstances, applying the English approach will lead to the Saudi forum losing jurisdiction over a dispute concerning a foreign right if the validity of that right is challenged. In such circumstances, the Saudi forum must refer the original action and the issue of validity to the courts of the state of registration.

¹⁷⁶ *ibid* 7.56.

¹⁷⁷ *ibid* (n 175) 7.55.

¹⁷⁸ Adrian Briggs, ‘Jurisdiction over Defences and Connected Claims’ [2006] *Lloyd's Maritime and Commercial Law Quarterly* 447, 452.

¹⁷⁹ *ibid*.

¹⁸⁰ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.58.

¹⁸¹ See Section 3.3.2.4, below.

¹⁸² See Section 3.2.2.2.3, above.

Furthermore, applying this approach implies uncertainty regarding authority over the infringement proceedings, because the defendant may raise the issue of validity at any stage of the court proceedings. Therefore, the court must decline its jurisdiction and refer the infringement claim and the issue of the validity to the courts of the state of registration¹⁸³. Based on this fact, because challenging the validity of the right is a typical defence to protect the interests of the defendant, the core of the English approach is that the courts of the state of registration have exclusive jurisdiction over the original action and the issue of the validity. Hence, it is not practical to decline jurisdiction over the original issue at the moment of contesting the validity of the right concerned and refer both actions to the forums of the protecting state.

3.3 Jurisdiction over Cases with Multiple Defendants

In cross-border trademark and patent disputes concerning infringement, the defendants are likely to be multiple. For example, when a patentee registers his invention in different states, by a single request or several applications, and his patent is infringed in more than one country where his right is protected. One potential scenario is that an invention, which is protected by the Patent Regulation of the Cooperation Council for the Arab States of the Gulf, is illegally manufactured in Saudi Arabia and is distributed in the other Member States of the Regulation where the invention is also protected. In such circumstances, the logical question which needs to be addressed is the possibility of consolidating the infringement proceedings before a single forum, instead of separate hearings, and which grounds of jurisdiction should be called upon in these situations.

Infringement actions may occur in a single state when different defendants infringe the same right in one country. In such circumstances, it has been said that in local marketing, a dispute will be resolved without remarkable difficulties before a local forum under national law¹⁸⁴. The difficulties with global marketing are that trademarks and patents expand internationally quickly and it is possible for an infringement to occur in more than one state. In this context, it has been said that international companies often invest one invention in different states, in order to reduce the cost of the products and of the processes¹⁸⁵. Thus, in cross-border disputes concerning trademarks and patents, a reasonable approach is to consolidate infringement actions committed in more than one state before a single forum for several considerations. For instance, each state has specific procedures to handle these types of disputes and

¹⁸³ James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

¹⁸⁴ Rochelle C Dreyfuss, 'Resolving Patent Disputes in a Global Economy' in Toshiko Takenaka (ed), *Patent Law and Theory: A Handbook of Contemporary Research* (Edward Elgar Publishing 2008).

¹⁸⁵ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 1.05.

consolidating the actions before a single court will reduce the potential costs of several litigations¹⁸⁶. At the same time, it leads to timesaving for the parties and the forums¹⁸⁷. Moreover, when these disputes are decided separately before different forums, the relief granted by each court may be incompatible¹⁸⁸. However, Saudi law does not have a direct answer to the question of the possibility of consolidating trademark and patent infringement actions committed in more than one state into one action. No reported judgment from Saudi courts has been found as yet that presents an approach for Saudi law on this point. Hence, the aim of this section is to analyse and evaluate the principles of consolidating infringement actions in relation to patents and trademarks before a single court. This section is divided, in order to present an appropriate approach for Saudi law.

3.3.1 The General Principles

Saudi law contains a rule relating to suing a foreign party, who does not have a place of residence in Saudi Arabia, before Saudi forums. According to article 26 section C of the Law of Procedure before Shari'ah Courts, 'The Kingdom's courts shall have jurisdiction over cases filed against an alien who has no general or designated place of residence in the Kingdom in the following circumstances ... If the lawsuit is against more than one person and one of them has a place of residence in the Kingdom.' In this situation, it has been said that the defendants are regarded as multiple according to the law of the court holding the case¹⁸⁹. This principle has not been established in the GCC Convention for the Execution of Judgments, the Riyadh Arab Agreement for Judicial Cooperation and the bilateral agreements for Judicial Cooperation with the Republic of Kazakhstan, the Republic of Yemen, the Kingdom of Morocco and the Syrian Arab Republic. Hence, only the Law of Procedure before Shari'ah Courts rules that if the dispute is against multiple defendants and one of them has a place of residence 'or designated place of residence' in Saudi Arabia, the Saudi court is allowed to join the other defendants to be sued before the forum, even if they are resident outside Saudi Arabia.

When it comes to the European sphere, article 6 section 1 of the Brussels I Regulation regulates the question of suing the defendant in a state where he is not domiciled. It occurs in cases 'Where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings.' This article is so significant for patent and trademark disputes that, without an international treaty, a foreign dispute will be rejected

¹⁸⁶ Rochelle C Dreyfuss, 'Resolving Patent Disputes in a Global Economy' in Toshiko Takenaka (ed), *Patent Law and Theory: A Handbook of Contemporary Research* (Edward Elgar Publishing 2008).

¹⁸⁷ *ibid.*

¹⁸⁸ *ibid.*

¹⁸⁹ Faies Muhammad Badea Alama, *International Jurisdiction in accordance with the Rules of Jurisdiction in Jordan and Saudi Arabia* (Dar Al-Hikma 2008) 180.

absolutely, because it is illogical to discuss the infringement of foreign law before the court of a state where the defendant is not domiciled¹⁹⁰. Hence, the Brussels I Regulation recognises that if disputes are against multiple defendants, the actions could be consolidated before the court where one of them is domiciled.

3.3.2 The principles Regarding Patent and Trademark Disputes

3.3.2.1 The Traditional Concept of Trademark and Patent Disputes

The traditional concept of jurisdiction over actions for infringement of trademarks and patents is that these actions are dominated by the principle of territoriality. This means these rights are protected only in the territory of the state of registration¹⁹¹. In addition, a court is initially prevented from determining actions for infringement of foreign intellectual property rights¹⁹². Unfortunately, a reported judgment from Saudi courts presenting an approach for Saudi law on this point has not yet been found. However, internationally, there are many reported judgments that endorse this rule. In the case of *Steele v Bulova Watch Co*¹⁹³, the plaintiff sought to sue, before a US court, the alleged infringer of a trademark who committed the infringement in Mexico. The Supreme Court emphasised that the Federal Trademarks intended to protect only US Trademarks obtained in the US territories¹⁹⁴. The Federal Court of Australia allocated jurisdiction to hear the case of *Best Australia Ltd v Aquagas Marketing Pty Ltd*¹⁹⁵ to an Australian court and stated that the New Zealand court was unable to determine the case fully as it depended on the question of whether or not an Australian patent had been infringed¹⁹⁶. In the case of *Lucasfilm Ltd V Ainsworth*¹⁹⁷, the English Court of Appeal affirmed this principle and prevented the English court from deciding an action for infringement of a foreign right. It stated, ‘For a variety of

¹⁹⁰ Peter A Haas, ‘Extraterritorial Jurisdiction in Patent Infringement Issues’ [2001] Intellectual Property Quarterly 187, 202.

¹⁹¹ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 15.1.67.

¹⁹² Stuart Dutson, ‘The Infringement of Foreign Intellectual Property Rights: A Restatement of the Terms of Engagement’ [1998] International and Comparative Law Quarterly 659,679; Rochelle Cooper Dreyfuss, ‘An Alert to the Intellectual Property Bar: The Hague Judgments Convention’ [2001] University of Illinois Law Review 421; K Lipstein, ‘Intellectual Property: Jurisdiction or Choice of Law?’ [2002] The Cambridge Law Journal 295,300; Alexander Peukert, ‘Territoriality and Extraterritoriality in Intellectual Property Law’ in Gunther Handl and Joachim Zekoll (eds), *Beyond Territoriality: Transnational Legal Authority in an Age of Globalization* (Queen Mary Studies in International Law, Brill Academic Publishing 2011).

¹⁹³ The Supreme Court, *Steele v Bulova Watch Co*, 344 US 280 (1952) Reported at Rochelle C Dreyfuss, ‘Resolving Patent Disputes in a Global Economy’ in Toshiko Takenaka (ed), *Patent Law and Theory: A Handbook of Contemporary Research* (Edward Elgar Publishing 2008).

¹⁹⁴ Rochelle C Dreyfuss, ‘Resolving Patent Disputes in a Global Economy’ in Toshiko Takenaka (ed), *Patent Law and Theory: A Handbook of Contemporary Research* (Edward Elgar Publishing 2008).

¹⁹⁵ *Best Australia Ltd v Aquagas Marketing Pty Ltd* (1988) 83 ALR 217, reported at James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 6.70.

¹⁹⁶ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 6.70.

¹⁹⁷ *Lucasfilm Ltd v Ainsworth* [2009] EWCA Civ 1328, [2010] 3 WLR 333.

reasons ... we think that there are good reasons for holding that foreign intellectual property rights, registered or not, should not be justiciable here in the absence of a treaty governing the position.¹⁹⁸

In the case of *Voda v Cordis Corp*¹⁹⁹, Dinwoodie reports that the plaintiff brought his claim before the Federal District Court in Oklahoma in relation to the alleged infringements of three US patents and pleaded to jointly determine the alleged infringements of foreign patents, in order to reduce the cost of separate hearings and to avoid the risk of inconsistent judgments. The court accepted his claims and ruled on the foreign patents. However, the Court of Appeal for the Federal Circuit mentioned that the District Court abused its discretion to determine the foreign patents. Instead, it should have declined its jurisdiction over them 'because considerations of comity, judicial economy, convenience, fairness, and other exceptional circumstances'. Since the alleged acts and the applicable law of each foreign patent are different, they are regarded as factors against hearing these types of actions²⁰⁰. Thus, the general provision relating to jurisdiction over actions for infringement of trademarks or patents is that the principle of territoriality plays a significant role to prevent the forums, other than the courts of the state of registration, from hearing the disputes.

3.3.2.2 The Function of the Rules of Tort

Pursuant to article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf, 'The competent authorities of each Member State shall examine all disputes pertaining to infringement, or imminent infringement of the patent.' This article may be interpreted generously to give jurisdiction over an act of infringement, which is committed in any Contracting State of the Regulation, to the Committee in the Saudi Patent Office. In addition, it may provide that if parallel patents registered in accordance with the provisions of the Regulation are infringed in more than one Contracting State, the plaintiff is allowed to sue the alleged infringers together before any forum of the Member States, even if the patent in the state where the case is considered has not been infringed.

On the contrary, article 17 section 2 of Litigation Protocol of the Community Patent Convention and article 98 section 2 of the Community of Trademark Regulation 2009 have a fixed principle. They state clearly that when a forum of a Contracting State has jurisdiction over an infringement action which is committed in its own jurisdiction, it cannot expand its authority to determine any act that occurred in another Member State. Therefore, if the Community Regulations do not accept the extension of

¹⁹⁸ *ibid* at [148].

¹⁹⁹ The Court of Appeal for the Federal Circuit, *Voda v Cordis Corp*, 476 F 3d 887, 890 (Fed Cir 2007), reported at Graeme B Dinwoodie, 'Developing a Private International Intellectual Property Law: the Demise of Territoriality?' (2009) 51 William and Mary Law Review 711,800 < <http://scholarship.law.wm.edu/wmlr/vol51/iss2/12/> > accessed 03 Feb 2014. It is also reported in Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

²⁰⁰ Graeme B Dinwoodie, 'Developing a Private International Intellectual Property Law: the Demise of Territoriality?' (2009) 51 William and Mary Law Review 711,800 < <http://scholarship.law.wm.edu/wmlr/vol51/iss2/12/> > accessed 03 Feb 2014.

jurisdiction, it cannot be given when parallel rights are registered individually, in accordance with national laws²⁰¹. In this context, if the acts of infringement are committed in different countries and the plaintiff requests that the actions are consolidated before a single court, relying on a rule such as article 5 section 3 of the Brussels I Regulation, which gives jurisdiction over the action to the court of the state where the act is committed, this ground of jurisdiction is not helpful. Thus, his demand for consolidation will fail²⁰². The European Court of Justice confirmed this concept and stated, in the case of *Shevill v Presse Alliance S.A.*²⁰³, that if the damage occurred in more than one state, each country is authorised to remedy the damage occurring in its own jurisdiction²⁰⁴. In addition to Canadian Forums²⁰⁵, Kono and Jurcys report that the Supreme Court of Sweden affirmed this principle and upheld, ‘Claims brought pursuant to article 5 section 3 do not confer jurisdiction upon Swedish courts to decide over damages for the infringement of foreign trade marks.’²⁰⁶ Furthermore, it has been said that because of the territorial limitation of the rules of tort, this approach is approved among legal experts. Therefore, each court is allowed to handle only the act of infringement committed in its own jurisdiction²⁰⁷. However, in England, a different approach was abandoned. In the case of *Unilever plc v Gillette (UK) Ltd*²⁰⁸, the plaintiff sought to join a US defendant to infringement proceedings before the English court, because it was a joint tortfeasor with a defendant domiciled in the UK, it was accepted that a party who has committed the tort outside the UK could be sued. The Court of Appeal granted the applicant his request and did not apply the limitation on the subject matter when the act of tort was committed abroad²⁰⁹. Recently, this approach has changed and the act of infringement must be done in England to establish liability against the alleged infringer²¹⁰. Thus, in patent and trademark disputes, the rules of tort, which give jurisdiction over an infringement dispute to the courts of the state where the act is committed, cannot be expanded to give authority to the forums over an act of infringement committed abroad.

With regards to article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf, it cannot be used as a justification to give authority to the Committee in the Saudi Patent Office over an act of infringement relating to a GCC patent, which occurs outside Saudi Arabia. This is

²⁰¹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.124.

²⁰² Stuart Dutson, ‘The Infringement of Foreign Intellectual Property Rights: A Restatement of the Terms of Engagement’ [1998] *International and Comparative Law Quarterly* 659,679.

²⁰³ Case C-69/93 *Shevill v Presse Alliance SA* [1995] 2 WLR 499, [1995] ECR I-415, [1995] 2 AC 18.

²⁰⁴ *ibid* at [30], [31].

²⁰⁵ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

²⁰⁶ *ibid*.

²⁰⁷ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.118.

²⁰⁸ *Unilever plc v Gillette (UK) Ltd* [1989] RPC 583 (Civ).

²⁰⁹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 6.22.

²¹⁰ *ibid* 6.26.

because the second sentence of the article states, ‘Such authority shall settle the said disputes in pursuance of the provisions of this Regulation, and of its own regulations governing national patents, if any, respectively, otherwise according to the general rules.’ Based on this clause, the Committee in the Saudi Patent Office will apply the Saudi Patent Law to govern any issue which is not covered in the Regulation. This principle must be read in conjunction with the fact that the law applicable to govern infringement actions is the law of the state where the act of infringement occurs and, in such circumstances, another law, other than the law of the protecting state, must not be called upon at all, as will be seen later²¹¹. Moreover, the Saudi rules of choice of law prohibit the Saudi court from applying foreign law at all, as will be seen in the following chapter²¹². Based on these facts, the appropriate modification, in respect of jurisdiction, of article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf is that it must be reformed to articulate clearly that each court of the Member States has authority over an act of infringement which is committed in its own jurisdiction. Thus, the Saudi court cannot be given extraterritorial jurisdiction over infringement acts occurring in foreign states.

3.3.2.3 The Function of Article 6 section 1 of the Brussels I Regulation in Patent and Trademark Disputes

3.3.2.3.1 The First Approach

Generally, the reason to sue multiple defendants jointly, before a single court where one of them is domiciled, is to avoid the risk of irreconcilable judgments²¹³. Article 6 section 1 of the Brussels I Regulation articulates this justification. In patent and trademark disputes, the English Court affirmed in the case of *Coin Controls Ltd v Suzo International (UK) Ltd*²¹⁴ that if an invention is protected by the European Patent Convention and infringed in more than one Member State, Article 6 section 1 of the Brussels Convention will play its role, because ‘The U.K. and foreign patents are identical.’²¹⁵ The reason behind this approach is that because parallel European patents are identical, ‘There could be irreconcilable judgments since both actions are, in effect, concerned with the same patent.’²¹⁶ Thus, if multiple defendants infringe parallel rights, which are obtained by a single application, in more than one

²¹¹ See Section 4.4.8, below.

²¹² See Section 4.2.1, below.

²¹³ Marcus Norrgard, ‘Provisional Measures and Multiple Defendants in the MPI Proposal in Intellectual Property and Private International Law’ in Josef Drexler and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); Adrian Briggs, ‘Jurisdiction over Defences and Connected Claims’ [2006] *Lloyd’s Maritime and Commercial Law Quarterly* 447, 452; Sami Bade’ Mansour and Abduh Jamil Khasob and Nasri Intwan Dhiab, *Private International Law* (1st edn, Academic Institution for Studies and Publishing 2009)108; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 5.7.3.

²¹⁴ *Coin Controls Ltd v Suzo International (UK) Ltd* [1999] Ch 33 (Ch).

²¹⁵ *ibid* at [52].

²¹⁶ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.121.

state, it is acceptable to sue the defendants together before a single court, in order to avoid the risk of irreconcilable judgments.

3.3.2.3.2 The Second Approach

The European Court of Justice introduced a different approach relating to patent and trademark issues. In the case of *Roche Nederland BV v Primus*²¹⁷, the Court refused to apply article 6 section 1 of the Brussels I Regulation and rejected the request to sue the defendants together. It upheld that this article is not helpful in ‘European patent infringement proceedings involving a number of companies established in various Contracting States’ because each case focused on one patent and a separate action in one state. Therefore, there is no risk of irreconcilable judgments if the defendants are sued separately²¹⁸. In support, the European Court of Justice stated

where infringement proceedings are brought before a number of courts in different Contracting States in respect of a European patent granted in each of those States, against defendants domiciled in those States in respect of acts allegedly committed in their territory, any divergences between the decisions given by the courts concerned would not arise in the context of the same legal situation. Any diverging decisions could not, therefore, be treated as contradictory.²¹⁹

The Dutch Court applied the same approach in the case of *Expandable Grafts Partnership v Boston Scientific B.V.*²²⁰ and adopted the view that

Even if the outcome of the judgments in the Netherlands and in France would differ—which is possible in spite of the application of the same rules of substantive patent law—it cannot be said that the judgments are irreconcilable. The fact is that the national patents out of the European bundle exist independently of each other²²¹.

The English Court of Appeal understood this concept in the case of *Fort Dodge Animal Health Ltd v Akzo Nobel NV*²²². It stated that the risk of irreconcilable judgments does not exist if the issues, which concern the infringement of a European patent and occur in different states, are decided separately; this risk is impossible in such circumstances, because each judgment will be territorially limited²²³. Therefore, article 6 section 1 of the Brussels I Regulation will not be invoked²²⁴. In addition, Fawcett and Torremans report

²¹⁷ Case C-539/03 *Roche Nederland BV v Primus* [2006] ECR I-6535, [2007] FSR 5.

²¹⁸ *ibid* at [25].

²¹⁹ *ibid* (n 217) at [31],[32].

²²⁰ The Court of Appeal of the Hague, 23 April 1998, (*Expandable Grafts Partnership v Boston Scientific BV*) [1999] FSR 352.

²²¹ *ibid* at [18].

²²² *Fort Dodge Animal Health Ltd v Akzo Nobel NV* [1998] FSR 222 (Civ).

²²³ *ibid* at [242].

²²⁴ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.30.

that a German court refused to apply the Article in similar circumstances and justified its ruling by the fact that ‘a European patent is a bundle of national rights’²²⁵. Furthermore, Danish courts followed the approach that the Article does not apply to infringement claims relating to patent and trademark at all, even if ‘in a spider-in-the-web situation’²²⁶.

The justification behind this approach is that the advantage of consolidating the proceedings before a single court will be minimised if the defendants challenge the validity of the rights concerned, because the issue of the validity of the rights will be fragmented within the forums of the states of registration. This fragmentation leads ‘to justify another type of fragmentation (ie in relation to the infringement claim)’²²⁷. Moreover, Article 6 section 1 of the Brussels I Regulation is enacted to ‘avoid the risk of irreconcilable judgment resulting from separate proceedings’. This rationalisation does not exist in infringement disputes in relation to a European patent, because after granting, the rights exist independently for each country and the scope of protecting rights is different. Hence, the judgments concerning these rights are also different and ‘could not be said to be irreconcilable.’²²⁸ For the same reasons, the same approach must be applied if the rights at stake are parallel national patents or trademarks²²⁹.

There are direct impacts of these judgments on trademark and patent disputes. One is that in cases where the defendants infringe such a European patent in all or some of the Contracting States, article 6 section 1 of the Brussels I Regulation will not be applied, ‘even in the situation where defendant companies, which belong to the same group, have acted in an identical or similar manner in accordance with a common policy elaborated by one of them’²³⁰. The plaintiff will not be able to consolidate the infringement actions before a court where one of the defendants is domiciled. Instead, he must commence separate infringement proceedings before each court where his right has been contravened; this separate litigation will consume much time and money²³¹. For this reason and because the access to justice to enforce the rights concerned is undermined, ‘companies might be discouraged from applying for legal protection of their creative products.’²³² Hence, if patent and trademark infringement disputes occur in more than one Contracting State of the Brussels I Regulation, there is no need to consolidate the

²²⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.127.

²²⁶ *ibid* 5.128.

²²⁷ *ibid* (n 225) 11.10.

²²⁸ *ibid* (n 225) 5.123.

²²⁹ *ibid* (n 225) 5.135 and 5.138.

²³⁰ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 11.10.

²³¹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 11.06; Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

²³² Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

proceedings before a single forum, because in such circumstances, the risk of irreconcilable judgments does not exist. Therefore, article 6 section 1 of the Regulation will not be applied.

3.3.2.3.3 The Third Approach.

The third approach combines infringement actions committed in more than one state before a certain forum. The court must have a particular connection with the issues, in order to minimise the risk of ‘forum shopping’ and to safeguard against any court being able to try the disputes, even if it is clearly inappropriate²³³. Sender reports that the Court of Appeal of The Hague established an answer relating to the question of which court is proper to consolidate patent infringement disputes occurred in more than one country. It stated in the case of *Expandable Grafts Partnership v Boston Scientific B.V*²³⁴ that multiple defendants may be sued together before a court ‘where the allegedly infringing group of companies has its main centre of activities’²³⁵. Fawcett and Torremans comment, if there is a business plan which is created from the head office for several companies, which are belonging to one group of companies, ‘the action can only be brought before the courts of’ the state where the main office of the company is domiciled²³⁶. The stipulation of suing multiple defendants before the court of the state where the main infringer is domiciled will not harm the rights of the other defendants, because the disputes must be consolidated before one court and the forum of the state where the main infringer is domiciled is the appropriate court to consider the cases²³⁷.

In the case of *Akzo v Webster*²³⁸, Sender reports that a Dutch court refused to have jurisdiction over a United Kingdom based company which the plaintiff asked to be joined to the dispute, by virtue of Article 6 (1), as one of the defendants was domiciled in the Netherlands. The reason why the court rejected the request was because the vast majority of alleged infringements were in the UK and it was understood that accepting the claim against the UK defendants would be an abuse of process²³⁹.

²³³ Marcus Norrgard, ‘Provisional Measures and Multiple Defendants in the MPI Proposal in Intellectual Property and Private International Law’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

²³⁴ The Court of Appeal of the Hague, 23 April 1998 (*Expandable Grafts Partnership v Boston Scientific BV*) [1999] FSR 352.

²³⁵ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.50.

²³⁶ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.125. Article 2:206 section 3 of the Principles on Conflict of Laws in Intellectual Property provides the same type of limitation and states that the disputes could consolidate before the court of the Contracting State of the habitual residence of the defendant who ‘has coordinated the relevant activities or is otherwise most closely connected with the dispute in its entirety’.

²³⁷ Marcus Norrgard, ‘Provisional Measures and Multiple Defendants in the MPI Proposal in Intellectual Property and Private International Law’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

²³⁸ District Court the Hague, 23 December 1997 (*Akzo v Webster*) (1998) IER 75, (1999) BIE 55, (1999) NIPR 123, reported at Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.48.

²³⁹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.48.

According to Sender report, the Dutch court also provided another principle concerning the application of Article 6 (1) and concluded in the case of *Goldschmidt v Elzbieta*²⁴⁰ that the Article was not applied, because the defendants in this case were the manufacturer, the distributor and the buyer. It was believed the defendants should not be sued together before the Dutch court, in order not to deprive the manufacturer, domiciled in Belgium, from its natural court²⁴¹. However, article 2:206 section 3 subsections A and B of the Principles on Conflict of Laws in Intellectual Property provides an exception to this condition in cases where there are several defendants which are harmonious the activities, or where none of the defendants has coordinated the activities and there is no defendant has a close connection to the issues in its entirety. In such circumstances, the proceedings might be consolidated before the courts of any state where one of the defendants is habitually resident²⁴² unless ‘The contribution of the defendant who is habitually resident in the State where the court is located is insubstantial in relation to the dispute in its entirety or (b) the claim against the resident defendant is manifestly inadmissible.’ Hence, if multiple defendants commit infringement actions in different countries, the proceedings should be consolidated before the courts of the state which has a close connection to the issues.

It is also required that the defendants must have a connection. This stipulation will be satisfied if the defendants belong to same group²⁴³, Such as a parent company and its subsidiaries. In addition, Sender writes that the connection between the defendants is met if they are ‘companies belong to the same concern or companies with dependent branches, agencies or establishments in other States’²⁴⁴. However, there is an approach that accepts that the defendants do not need to be in the same group and the disputes against a manufacturer, seller and distributor could be consolidated before a single court²⁴⁵. Furthermore, if there is a direct contractual link between the defendants, they have a sufficient connection to apply the principle of article 6 section 1 of the Brussels I Regulation²⁴⁶. In such circumstances, Sender presents a more restrictive approach that tends to accept that the claimant has to prove ‘the existence of a contractual relationship between the defendant domiciled in the State of the seised court and the other co-

²⁴⁰ President District Court The Hague, 26 November 1997, (*Goldschmidt v Elzbieta*) (1998) IER 79, reported at Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.49.

²⁴¹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.49.

²⁴² James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 11.21.

²⁴³ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012); James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.124.

²⁴⁴ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.37.

²⁴⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 11.18.

²⁴⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.39.

defendants.²⁴⁷ Moreover, Norrgard suggests that if one company infringes such parallel rights in more than one state, ‘The court where the defendant is habitually resident has jurisdiction to rule on all infringement claims against that defendant, irrespective of the place of infringement.’²⁴⁸ Thus, the defendants should have a reasonable connection, in order to be sued together before a single forum.

Additionally, a connection between the infringed rights in law is required, in order to sue the defendants jointly. In this subject, it should be noted, as concluded above,²⁴⁹ that parallel rights, which are obtained in accordance with the rules of an international convention, are different and are independently protected in each state. Therefore, if they are infringed in more than one country, there is no chance of consolidating the actions before a single forum, because of the absence of the risk of irreconcilable judgments. However, Sender reports that the Court of Appeal in The Hague provided another concept in the case of *EKA v Nalco*²⁵⁰ and concluded that, ‘the alleged infringement of the same product in several countries conferred the required degree of connection for the purpose of article 6(1).’²⁵¹ Sender tends to accept that national patents ‘have essential elements in common such as a ‘common past’, the same protected product or process, protection against the same or similar allegedly infringing acts’²⁵². In addition, the results of judgments concluding infringement in one state and non-infringement in another state are contradictory and conflicting. These justifications are sufficient to apply article 6 section 1 and to consolidate all actions before a single court²⁵³. Kono and Jurcys report, ‘in the case of Community IP rights, the danger of irreconcilable judgments actually does exist because Community IP rights regulations create truly uniform supranational IP rights which are effective within the entire European Union.’²⁵⁴ In addition, Fawcett and Torremans present the concept that if the laws applicable to the disputes are harmonised to an important degree by rules of an international convention, such as the European Patent Convention, it can be said that the disputes ‘arise in the context of the same legal situation’²⁵⁵.

Complexity will emerge in cases where the rights in question are parallel national rights. In such circumstances, Fawcett and Torremans introduce a theoretical solution and accept that if the dispute ‘is

²⁴⁷ *ibid* 3.45.

²⁴⁸ Marcus Norrgard, ‘Provisional Measures and Multiple Defendants in the MPI Proposal in Intellectual Property and Private International Law’ in Josef Drexler and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

²⁴⁹ See Section 3.3.2.3.2, above.

²⁵⁰ Court of Appeal the Hague, 25 May 2000 (*EKA v Nalco*), reported at Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.30.

²⁵¹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.30.

²⁵² *ibid* 3.32.

²⁵³ *ibid* (n 251) 3.33.

²⁵⁴ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

²⁵⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 11.19.

limited to those aspects that have been harmonised as a result of the implementation of such an international convention, the issue may be consolidated in a single action²⁵⁶. Sender provides another approach that tends to accept that although the connection between parallel national rights in law is difficult to satisfy, because the scope of protection for them is not harmonised, actions for infringement of these rights might be consolidated before a single court if the other criteria for the consolidation are met²⁵⁷. As a result, the rights in question should have a connection, in order to sue the defendants together before a single forum.

Finally, a connection between the acts of infringement is required to consolidate multiple defendants into a single action. This stipulation will be met if the acts of infringement are the same or similar, such as the distribution and the advertisement²⁵⁸. However, there is a wider approach that considers the acts of infringement should be ‘in accordance with a common policy’. Based on this concept, it suffices to apply article 6 section 1 of the Regulation if the acts of infringement are manufacturing, selling and distributing, even if the defendants do not belong to the same group²⁵⁹. Hence, it is stipulated that to rule on infringement disputes together before a single court, the acts of infringement should have a sufficient degree of connection.

3.3.2.4 The Appropriate Approach for Saudi Law

When it comes to Saudi law, it is appropriate to reemphasise that the Committee in the GCC Patent Office should be given supranational jurisdiction to address infringement actions concerning GCC patents. The positive consequence of this suggestion is that in cases where parallel patents are infringed in more than one state, the plaintiff is allowed to consolidate the actions before a single forum. As to consolidating infringement actions before a single Saudi forum, it is significant to mention that it has been said that the principle of consolidating proceedings before a single forum will be applied effectively in cases where multiple defendants infringe the same right in the protecting state²⁶⁰. Hence, it is appropriate to incorporate into Saudi law a rule that if multiple defendants infringe the same Saudi right in Saudi Arabia, these actions could be consolidated before a single Saudi court, even if one of the alleged infringers is resident outside Saudi Arabia. There is a stipulation to this principle that consolidating the

²⁵⁶ *ibid.*

²⁵⁷ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 3.34.

²⁵⁸ *ibid* 3.28.

²⁵⁹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 11.18.

²⁶⁰ Marcus Norrgard, ‘Provisional Measures and Multiple Defendants in the MPI Proposal in Intellectual Property and Private International Law’ in Josef Drexler and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.144.

actions should not lead to delay in justice or weaken the interests of the defendants²⁶¹. This requirement should be honoured in Saudi law. Hence, if multiple defendants infringe the same Saudi right in Saudi Arabia, the Saudi court is allowed to consolidate the infringement proceedings into one action.

Concerns arise in cases where the acts of infringement occur in different countries. In such circumstances, the Saudi forum has a difficulty in connection with the Saudi rules of choice of law. They prevent the Saudi court from applying foreign law at all. If the forum intends to consolidate the infringement proceedings into one action, it has to apply the law of the protecting state to the act of infringement which occurs in each state. Moreover, the Saudi forum may not be allowed to rule on an action for infringement of a foreign right if jurisdiction over that action is exclusive to the courts of the state of registration. In such circumstances, if the Saudi court determines the action, its judgment on the dispute may not be recognised or enforced in accordance with the law of the protecting state.

Apart from the avoidance of the risk of irreconcilable judgments, there are many incentives to apply the principle of consolidating infringement actions committed in more than one country before a single forum. One is that the parties will have the advantage of saving their time and reducing the costs of the litigation process²⁶². In this subject, it has been said that the heavy burdens which result from separate litigation are sufficient justification to consolidate multiple defendants before a single court where the resources of the litigants are preserved²⁶³. Further, the possibility of harassment of the parties will be minimised; in particular, when it is easy to protect globally intangible rights which could be infringed in different states²⁶⁴. Moreover, the ground of *forum conveniens* will be regarded as a rationalisation to consolidate the disputes into a single action²⁶⁵, in order to reduce the costs of several actions. Based on these facts, the following paragraphs will present the stipulations for consolidating infringement actions, which are committed in more than one state, before a single Saudi forum.

The first stipulation is the connection between the alleged infringers. A Saudi forum which considers the disputes must evaluate the connection between the defendants. The defendant companies do not need to be in the same group. The connection between the defendants will be satisfied when they are a parent company and its subsidiaries. It will be met if the defendants are a manufacturer which exports the infringed products to distributors and sellers, or if the defendants are a company and its branches or

²⁶¹ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

²⁶² *ibid.*

²⁶³ Marcus Norrgard, 'Provisional Measures and Multiple Defendants in the MPI Proposal in Intellectual Property and Private International Law' in Josef Drexler and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

²⁶⁴ *ibid.*

²⁶⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 6.76.

agencies. Finally, this requirement will be satisfied if one international company infringes parallel rights in more than one country.

The second stipulation is that the rights in question must have a connection. This condition will be met if the rights at stake were obtained by one application. For example, parallel patents obtained in accordance with the provisions of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf State clearly have a reasonable connection. In relation to parallel national rights, although each right is separately examined and registered in each protecting state that has a different applicable law, the Saudi forum which deals with the cases should evaluate the connection between these rights.

The third stipulation concerns the question of which court should combine the proceedings. The Saudi forum could consolidate the proceedings into one action if the main defendant, who is alleged to be responsible for the vast majority of infringement activities, has a place of residence in Saudi Arabia and does his centre of infringement activities in Saudi Arabia.

3.4 Staying the Proceedings of the Saudi Forums

In patent and trademark disputes, the general concept of jurisdiction over infringement actions is that a Saudi forum is not allowed to determine an action for infringement of a foreign right. The court may rule on the action if it is in connection with a license agreement which contains a jurisdiction clause to give authority over the potential disputes to the Saudi forum. As to jurisdiction over a contract for the exploitation of a foreign right, the Saudi court could rule on the contract dispute if the parties agree to give jurisdiction to the Saudi court. Moreover, as will be explained in detail later²⁶⁶, the parties to trademark and patent cases are allowed to refer their disputes to arbitration. The question which must be illustrated is the possibility of resolving a cross-border dispute relating to a patent or a trademark before a Saudi court in cases where jurisdiction is given to a specific foreign court or an arbitration tribunal.

It is possible that there are several courts in different states that have jurisdiction over the same dispute. When, for example, a Swiss resident company infringes a Saudi right, the Saudi forum undoubtedly has authority to rule on the dispute. At the same time, According to article 109 section 1 of the Swiss Private International Law 2007, if the defendant is domiciled in Switzerland then a Swiss court also has authority to rule on the case. Based on this fact, the dispute is likely to be brought before both the Saudi and Swiss courts. Moreover, the parties to a contract in relation to the exploitation of a patent or a trademark may agree to give jurisdiction to rule on their potential differences to Saudi and foreign courts and the issue regarding the contract might be brought before both forums. Because both the Saudi and foreign courts have jurisdiction to rule on the litigation, the point which needs to be examined is the possibility of staying the proceedings of the Saudi court in favour of the foreign court in cases where both

²⁶⁶ See Section 6.2.1, below.

forums seize the same dispute. In this context, it is significant to mention that this question will arise when both courts have jurisdiction over the matter, but if one of them does not have authority to rule on the dispute, it has to dismiss the litigation due to the lack of jurisdiction²⁶⁷. The aim of this section is to analyse and evaluate the principles of the issue of staying the proceedings of the Saudi court. This section will be divided into three subsections: when the parties choose a particular foreign court or an arbitration tribunal to decide their disputes, and in terms of parallel proceedings between the Saudi and foreign forums.

3.4.1 The Forum Selection Clause

Although Saudi law recognises the principle that the Saudi court will have jurisdiction over a dispute if the parties agree to give authority to the forum, it does not expressly regulate the point of staying the proceedings of the Saudi court in favour of a foreign court which is chosen to determine the case. However, in the judgment *no 15/T/3/ 1424 H* of the case *no 1804/1/Q in 1422 H*²⁶⁸, the Court of Appeal in the Board of Grievances stated that in cases where a Saudi national is in a contract with a foreign non-Muslim party, the parties are allowed to choose a foreign court to determine their potential disputes. However, if the foreign party agrees to be under the jurisdiction of a Saudi court, it has to rule on the issue, even if the Saudi party rejects the jurisdiction of the Saudi forum. At the same time, if the foreign party refuses the jurisdiction of the Saudi forum, it should not have jurisdiction over the dispute at all. The court expressed the rationale behind this concept and said that it is due to the rules of Sharia and that the Saudi party is supposed to be Muslim. Hence, he is prevented from requesting that the litigation goes before a non-Sharia court, according to the words of God, ‘Have you not seen those who claim to have believed in what was revealed to you, [O Muhammad], and what was revealed before you? They wish to refer legislation to Taghut, while they were commanded to reject it.’²⁶⁹ Thus, the principle in Saudi law is that in cases where the parties to a contract are Saudi and foreign non-Muslim and when they choose a specific foreign court to hear their potential differences, only the foreign party is allowed to bring the contract disputes before the Saudi court. In this situation, the forum must rule on the cases and ignore the arguments of the Saudi party relating to its own jurisdiction.

Before considering this approach, it is significant to analyse the jurisdiction of Islamic forums, in the light of the rules of Sharia, because the Court of Appeal in the Board of Grievances relies on these rules to justify its judgments. In respect of this point, it is said that Islamic rules are only applicable in

²⁶⁷ James J Fawcett, ‘General Report’ in James J Fawcett (ed), *Declining Jurisdiction in Private International Law* (OUP 1995).

²⁶⁸ The Court of Appeal in the Board of Grievances, *judgment no 15/T/3 in 1424 H, case no 1804/1/Q in 1422 H*, an unreported judgment.

²⁶⁹ Verse No 60 of the Surat An-Nisā’ (The Women).

Islamic territories²⁷⁰. Even though the idiom of such private international law and other related phrases have not been recognised in Islamic laws, it does not mean the rules of Sharia do not contain provisions to establish this subject. They provide Muslims with general rules that are appropriate to their era.²⁷¹ Accordingly, it is difficult to say that the rules of Sharia contain domestic jurisdiction rules or international jurisdiction rules. Instead, Sharia regards the religion of litigants as an essential factor to give, or not to give, jurisdiction to Islamic courts. The following paragraphs will illustrate the point of giving jurisdiction to Islamic courts over disputes occurring in Islamic states in cases where one party is Muslim and in cases where both parties are not Muslim. Moreover, in cases where the dispute takes place outside Islamic territories, the possibility of suing a Muslim person before a non-Muslim court will be highlighted.

When a dispute involves a Muslim party, regardless of his race or language, in Islamic territories, Islamic scholars have unanimously stated that only Islamic courts have jurisdiction to determine the litigation, even if the other party is not Muslim²⁷². Moreover, although there are four famous schools of jurisprudence in Islam, namely: Hanbali, Hanafi, Maliki and Shafi'i, this principle will not change in cases where the Muslim party follows a different Islamic School from the judge of the dispute²⁷³. Thus, the non-Muslim party is undoubtedly under the jurisdiction of Islamic forums if the other party is Muslim and the dispute takes place in Islamic territories.

In cases where the issue occurs in Islamic territories and the litigants are not Muslim, it is significant to mention that the parties, whatever their religion, must honour the rules of Sharia when they run their businesses in Islamic societies²⁷⁴. In these circumstances, even though Islamic experts are in disagreement regarding the point of giving jurisdiction to Islamic forums over the parties²⁷⁵, they are in

²⁷⁰ Yousef Mahmud, *The Verdict of the War in Islamic Rules and Laws* (Dar Elfeker Alarabi 1990) 39; Tal'at Muhammad Dwidar, *Private International Law in Saudi Arabia* (Elmararef Institution 1998) 301; Humod Muhammad Alazzani, *The Scope and the Termination of Judicial Jurisdiction in Shari'ah: A Jurisprudence Comparative Study* (1st edn, Dar Alnahda Arabia 2004) 203.

²⁷¹ Ramsey Muhammad Ali Daraz, *The Concept of Conflict of Laws in Islamic Laws* (Dar Elgamaa Elgadida 2004) 34.

²⁷² Ahmad Muhammed Muligy Musa, *Determining the Scope of Judicial Jurisdiction: A Comparative Study* (Ain Shams University 1979) 348; Ahmad Meligy, *Islamic Judicial Laws* (1st edn, Wahba Library 1984) 89; Ahmad Salamah, *The Principles of Private International Islamic Laws* (Dar Alnahda Alarabia 1989) 142; Muhammad Alhusaini Musailahi, *Private International Law in Saudi Arabia* (8th edn, King Fahad Security College Press 1998) 450; Tal'at Muhammad Dwidar, *Private International Law in Saudi Arabia* (Elmararef Institution 1998) 302; Ahmed Abdulkareem Salamah, *Alwaseet in Saudi Private International Law* (1st edn, King Saud University 1998) 463; Humod Muhammad Alazzani, *The Scope and the Termination of Judicial Jurisdiction in Shari'ah: A Jurisprudence Comparative Study* (1st edn, Dar Alnahda Arabia 2004) 208; Shawkat Muhammad Olyan, *The Rights for Non-Muslims in Islamic Societies* (1st edn, Dar Alrashed 2004) 238.

²⁷³ Ahmad Muhammed Muligy Musa, *Determining the Scope of Judicial Jurisdiction: A Comparative Study* (Ain Shams University 1979) 348.

²⁷⁴ Dandal Jaber, *The Obligations and the Rights for Non-Muslim Minorities in Islamic Societies* (1st edn, Dar Ammar for Publishing and Distribution 2003) 416; Shawkat Muhammad Olyan, *The Rights for Non-Muslims in Islamic Societies* (1st edn, Dar Alrashed 2004) 236; Ramsey Muhammad Ali Daraz, *The Concept of Conflict of Laws in Islamic Laws* (Dar Elgamaa Elgadida 2004) 257.

²⁷⁵ Ahmad Muhammed Muligy Musa, *Determining the Scope of Judicial Jurisdiction: A Comparative Study* (Ain Shams University 1979) 364.

agreement that the Islamic forums must apply the rules of Sharia if they decide to rule on the dispute²⁷⁶. The vast majority of scholars accept that the Islamic courts will have jurisdiction over the issue if one of the parties agrees to be under the jurisdiction of the forums²⁷⁷. There is an exception that the judge is allowed to stay his jurisdiction over the issue in cases where he realizes that the parties have brought the dispute before the Islamic forum, in order to obtain a favourable judgment²⁷⁸ and they will not enforce the judgment if it is inappropriate for them. Hence, in Islamic territories, the Islamic courts will have jurisdiction over a dispute that between non-Muslim parties if one of them agrees to be under the jurisdiction of the Islamic forums.

Muslims are allowed to live and deal with non-Muslim persons in non-Islamic territories, providing that dealings are not inconsistent with Sharia²⁷⁹. In cases where a dispute involving a Muslim person occurs outside Islamic territories, Islamic experts have deep arguments relating to the possibility of suing a Muslim person before the courts of non-Muslim states. Actually, the vast majority of the Islamic specialists accept that a Muslim person cannot be the subject of the litigation before the forums of non-Muslim countries²⁸⁰. However, the Hanafi School accepts that because Islamic courts do not have sovereignty over a Muslim who lives outside the territories of Islamic states, the courts of non-Muslim states where the Muslim is living will have jurisdiction to hear a dispute against him, providing that the case concerns financial affairs²⁸¹.

After examining the jurisdiction of Islamic courts in the light of Sharia, the judgment from the Court of Appeal in the Board of Grievances will be discussed. In this context, there are logical arguments against the concepts which were concluded by the Court of Appeal in the Board of Grievances. Firstly, with regard to the rules of Sharia, there is a principle that states if Muslim parties are in a contract, they have to obey the clauses of the agreement, except those inconsistent with the rules of Sharia²⁸². Based on this principle, if the parties have agreed to give jurisdiction to a specific foreign court and one of them brings the case before a Saudi court, without raising any concern relating to the rules of Sharia, the court

²⁷⁶ Muhammad Alhusaini Musailahi, *Private International Law in Saudi Arabia* (8th edn, King Fahad Security College Press 1998) 451; Tal'at Muhammad Dwidar, *Private International Law in Saudi Arabia* (Elmararef Institution 1998) 302.

²⁷⁷ Ahmad Muhammed Muligy Musa, *Determining the Scope of Judicial Jurisdiction: A Comparative Study* (Ain Shams University 1979) 367; Ramsey Muhammad Ali Daraz, *The Concept of Conflict of Laws in Islamic Laws* (Dar Elgamaa Elgadida 2004) 277; Humod Muhammad Alazzani, *The Scope and the Termination of Judicial Jurisdiction in Shari'ah: A Jurisprudence Comparative Study* (1st edn, Dar Alnahda Arabia 2004) 220.

²⁷⁸ Abdul Alrahman Nasser Alsa'di, *The Explanation of the Holy Quran* (Abdul Alrahman Muala Alluayheq ed, 1st edn, Resalah Publishers 2002) 232.

²⁷⁹ Ramsey Muhammad Ali Daraz, *The Concept of Conflict of Laws in Islamic Laws* (Dar Elgamaa Elgadida 2004) 289.

²⁸⁰ *ibid* 290.

²⁸¹ *ibid* (n 279) 292.

²⁸² Ahmed Farraj Hussain, *The Entrance to Islamic Laws, the History of Islamic Fiqh, the Ownership and Contractual Doctrine* (Halabi Law Books 2002) 390. The foundation of this rule is the words of prophet Muhammed (peace be upon him) 'All the requirements agreed upon by the Muslims are compulsory, except a requirement which allows what is forbidden or prohibits what is permissible'. See Ahmed Abdulkareem Abdulalsalam Alharani, *A Principle in Love* (Muhammed Riyadh Alahmed Alathary ed, 1st edn, World of Books 2005) 108.

should stay its proceedings over the dispute due to the jurisdiction clause. Otherwise, it will disregard the principle of Islamic laws which obliges the parties to honour their agreement.

Secondly, the approach of the Saudi forum may lead to a negative consequence. Any foreign non-Muslim party, whatever its nationality, is authorised not to honour the jurisdiction clause with a Saudi national and brings his litigation before the Saudi court. In such circumstances, the forum must resolve the issue, even if its judgment on the dispute will not be enforced in Saudi Arabia. This approach is regarded as a legal loophole in the procedures of the Saudi court. In addition, because the foreign party is allowed not to honour the jurisdiction clause with the Saudi party, this approach is clearly against justice and the interests of the Saudi party. Thirdly, the Court of Appeal in the Board of Grievances did not show any obvious justification regarding the question of why only the foreign party is allowed to bring the action before the Saudi forum without the consent of the Saudi party, who may have logical arguments against the jurisdiction of the Saudi court. At the same time, it has been concluded unanimously that Islamic courts must have jurisdiction over a case occurring in Islamic regions when a party is Muslim. When this ruling is read in conjunction with the fact that the Court of Appeal in the Board of Grievances justified its approach based on the rules of Sharia and that the Saudi party is assumed to be Muslim, the Saudi court must not refuse its jurisdiction if the Saudi party brings a dispute, occurring in Saudi Arabia, before the forum.

Fourthly, the concept of the Saudi forum depends on the presumption that the Saudi party is Muslim and the foreign party is not Muslim. However, this assumption is wrong, because the Saudi Nationality Law does not stipulate that for a physical person to have Saudi nationality, he must be Muslim. Thus, the Saudi party might not be Muslim and the foreign party may be Muslim. In this situation, the approach of the Court of Appeal in the Board of Grievances will be applied incorrectly.

Fifthly, the approach of the Saudi forum is not helpful in cases where the parties are legal personalities, because they cannot be given a religion, such as Islam. In addition, the owners of foreign companies may be Muslims or even Saudi nationals and the owners of Saudi legal personalities might not be Muslims or Saudi nationals. Sixthly, if the approach of the Saudi court depends on the presumption that deciding the dispute before a foreign forum implies that the court will apply a rule inconsistent with Sharia, this supposition, with respect to the rules of choice of law for patent and trademark disputes, will be regarded as incorrect for various reasons. Firstly, in relation to the law applicable to contractual obligations, the parties are allowed to choose a specific law to govern the issues, as will be clarified later²⁸³. In such circumstances, the chosen law may not be inconsistent with the rules of Sharia. In addition, the parties may choose Saudi law to govern their contractual obligations. Secondly, with regard

²⁸³ See Sections 4.5 and 4.5.3, below.

to the applicable law to govern infringement actions, only the law of the protecting state is applicable to these disputes, even if they are resolved by the Saudi court, as will be seen later²⁸⁴.

Finally, in the previous judgment, the Court of Appeal in the Board of Grievances does not provide any helpful approach to cases where both parties are foreign non-Muslim or to cases where the litigants are Muslim or Saudi nationals. Also, it does not present any practical solution to the point when the parties choose a court of a Muslim state to govern their potential disputes. Based on the previous arguments, the Saudi legislators must revise the approach relating to the question of the possibility of hearing the contract disputes in cases where the litigants have agreed to give jurisdiction to a specific foreign court.

Before introducing an appropriate approach for Saudi law, it is significant to explain ideas which are followed in forums of other countries in similar circumstances. In England, New Zealand, Australia and Canada, the principle is that if the parties choose a particular forum to determine their dispute, other courts must decline their jurisdiction over the case²⁸⁵. The Irish High Court practiced this principle and concluded, in the case of *Ryanair Ltd v Bravofly*²⁸⁶, that because the parties had a jurisdiction clause and gave the authority to the English court, the Irish Court did not have jurisdiction over the issue²⁸⁷. Although this doctrine honours the parties' agreement to choose a particular forum to hear their dispute, there is an exception to this principle that a court which is not chosen may rule on the dispute if it is convinced that its judgment on the case is better than the award from the chosen forum. In this situation, the plaintiff should introduce logical reasons to persuade the forum to hear the litigation²⁸⁸. Hence, if the parties choose a specific court to rule on their dispute, the other forum must decline its jurisdiction over the issue unless the plaintiff convinces the court that its judgment on the case is better for justice than the award from the chosen court.

When suggesting an appropriate approach for Saudi law relating to patent and trademark disputes, it is suitable to uphold the principle that if the parties to a contract relating to the exploitation of a patent or a trademark choose a specific foreign court to hear their potential disputes, the Saudi court must refuse its jurisdiction over the disputes, even if the right exploited is Saudi. In such circumstances, the Saudi forum must stay its proceedings over the contractual obligations and the infringement action in connection with that contract due to the jurisdiction clause. However, there is an exception for this

²⁸⁴ See Section 4.4.8, above.

²⁸⁵ James J Fawcett, 'General Report' in James J Fawcett (ed), *Declining Jurisdiction in Private International Law* (OUP 1995).

²⁸⁶ *Ryanair Ltd v Bravofly* [2009] IEHC 41, [2009] IL Pr 41.

²⁸⁷ *ibid* at [75].

²⁸⁸ James J Fawcett, 'General Report' in James J Fawcett (ed), *Declining Jurisdiction in Private International Law* (OUP 1995); Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 7.3.46; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 3.143.

suggestion that the Saudi court may determine the dispute if the plaintiff convinces the court that litigating the case before the chosen forum is incompatible with the rules of Sharia or justice. In such circumstances, the Saudi court should evaluate the position and accept that it will hear the litigation if it is satisfied with the arguments of the claimant.

In respect of infringement actions which are not in connection with a license agreement, the suggested approach for Saudi law is that if the parties to an action for infringement of a Saudi right have agreed to refer the dispute to a specific foreign court and the plaintiff brings the action before a Saudi forum, it will have jurisdiction to resolve the case. This approach should be applied, even if the claimant does not show any reason to disregard the authority of the chosen court, because the Saudi court has exclusive jurisdiction to determine the dispute and there is no chance to give jurisdiction over the action to a foreign court. At the same time, in cases where the subject of a dispute is an action for infringement of a foreign right and the parties choose a foreign forum to determine the dispute, the Saudi court must not rule on the dispute, not because of the jurisdiction clause, but because of the lack of jurisdiction.

3.4.2 The Arbitration Agreement

The parties to a contract are allowed to refer their potential issues to arbitration. In Saudi Arabia, in the 'abandoned approach' when Saudi law did not regulate the question of staying the proceedings of the Saudi court in favour of arbitration, the Court of First Instance in the Board of Grievances issued its Judgment *no D/TG/3 1424H on 10 November 2003 on the case no 1804/1/Q in 1422 H*²⁸⁹. The court stated that although the litigants had an agreement to allocate jurisdiction over the dispute to the French Arbitration Tribunal, the Board of Grievances had jurisdiction to determine the dispute. The rationale behind this conclusion is that the issue, which was between Saudi and foreign parties, was in relation to a contract that was performed in Saudi Arabia and the plaintiff, who was the national party, brought the case before the Board of Grievances. Therefore, it had to apply the rules of Sharia which gives jurisdiction to Islamic courts over an issue if it occurs in Islamic regions and if one party is Muslim, or agrees to the jurisdiction of Islamic forums²⁹⁰. However, the Court of Appeal in the Board of Grievances issued its judgment *no 15/T/3/ 1424 H on the case no 1804/1/Q in 1422 H*²⁹¹ that refused to accept this concept and emphasised that the parties are allowed to allocate jurisdiction to a foreign arbitration tribunal, even if the contract is performed in Saudi Arabia. In such circumstances, the Saudi forum does

²⁸⁹ The Court of First Instance in the Board of Grievances, *judgment no D/TG/3 1424H, case no 1804/1/Q in 1422 H*, on 10 November 2003, an unreported judgment.

²⁹⁰ *ibid.*

²⁹¹ The Court of Appeal in the Board of Grievances, *judgment no 15/T/3 in 1424 H, case no 1804/1/Q in 1422 H*, an unreported judgment.

not have jurisdiction over the dispute and the Saudi party does not have the right to refuse the authority of the foreign arbitration tribunal, even if he alleges that the case will be heard before a non-Muslim court²⁹².

The rationale behind this ruling is that in such circumstances, resolving the dispute by arbitration in a foreign state will not affect Saudi public policy, because the arbitration award will not be enforced in Saudi Arabia if it is inconsistent with Sharia or Saudi public policy. Furthermore, giving jurisdiction over the issue to a foreign arbitration tribunal, such as the French Arbitration Tribunal, does not mean the dispute will be resolved by non-Muslim arbitrators, because the parties are allowed to select particular skilled arbitrators who might be Muslims. In addition, if the Saudi court determines the issue, its judgment will not be enforceable, because one of the requirements to enforce a court judgment is that the judgment is not issued in contravention of the valid arbitration agreement. Moreover, if the Saudi forum stays its proceedings over the issue, it does not mean the dispute will be determined by rules inconsistent with Sharia, but it means the Saudi court does not have jurisdiction over the case because of the valid arbitration agreement²⁹³. Hence, if a contract is performed in Saudi Arabia and the parties have agreed to refer their dispute to arbitration, the Saudi party is not allowed to bring the dispute before Saudi courts.

The Court of Appeal in the Board of Grievances ruled that in such circumstances, if the foreign party brings the dispute before the Saudi court, it must determine the case, even if the Saudi party resists the jurisdiction of the forum, because the Saudi party is supposed to be Muslim. Therefore, according to the rules of Sharia, he is not allowed to commence his claim before a non-Muslim court²⁹⁴. However, this approach is inconsistent with the outstanding principle which prefers the court proceedings to be stayed in favour of arbitration if the parties have a valid arbitration agreement. Also, it is inconsistent with the approach and the reasons given by the same court regarding refusal of jurisdiction by the Saudi forum when the Saudi party brings the case before the court in such circumstances. Recently, the Saudi Arbitration Law 2012 provides an answer to the question of staying the proceedings of Saudi courts in favour of arbitration. According to article 11 section 1 of the Law, the Saudi court must stay its proceedings if the parties have a valid agreement to refer their disputes to arbitration. Similarly, in England, the same approach is applied²⁹⁵. The obvious reason supporting this concept is that a court judgment issued contrary to a valid agreement to refer the dispute to arbitration will not be enforceable²⁹⁶.

²⁹² *ibid.*

²⁹³ *ibid.*

²⁹⁴ *ibid.*

²⁹⁵ James J Fawcett, 'General Report' in James J Fawcett (ed), *Declining Jurisdiction in Private International Law* (OUP 1995); James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 451; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 3.145.

²⁹⁶ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 570; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in*

Hence, the Saudi forum must stay its proceedings when the parties have agreed to refer the dispute to arbitration.

3.4.3 The Parallel Proceedings

The third situation which requires a court to stay its own proceedings is in the case of parallel proceedings involving the same parties and the same cause of action²⁹⁷. This is to prevent the risk of parallel proceedings and to avoid inconsistent judgments being issued for the same dispute²⁹⁸. In Saudi law, article 71 of the Law of Procedure before Shari'ah Courts allows a defendant to raise the defence of transferring 'the case to another court, because the same dispute or some other related case is before that court'. This defence should 'be made before any request or defense is made in the case; otherwise, any right not so presented shall be forfeited'. However, this article does not establish in law which court should decide the dispute. Furthermore, the agreements which the Saudi government has ratified do not contain a specific article to regulate this subject. Moreover, no reported judgment from Saudi courts has been found as yet that presents an approach for Saudi law on this point. Hence, this section is divided to analyse and evaluate the principles of the issue of parallel proceedings, in order to introduce an appropriate approach for cross-border disputes concerning patents and trademarks which are brought before Saudi forums.

3.4.3.1 The Requirements of the Principles of Parallel Proceedings

The requirements which must be met to investigate the question of which forum should decide a dispute in parallel proceedings are that both proceedings must be held by courts with competent jurisdiction and must involve the same cause of action and the same parties²⁹⁹. However, in trademark disputes, it has been said that the cause of action of both proceedings will not be regarded as the same if one of the actions is for the infringement of a mark and the other is for passing off³⁰⁰. In addition, in the case of *Prudential Assurance Co Ltd v Prudential Insurance Co of America*³⁰¹, the English Court of

English Courts (4th edn, Hart Publishing 2010) para 12.4.22; CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 185.

²⁹⁷ James J Fawcett, 'General Report' in James J Fawcett (ed), *Declining Jurisdiction in Private International Law* (OUP 1995); Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 9.1.1.

²⁹⁸ Okasha Muhammad Abdulaal, *Private International Law: Egyptian Nationality, International Jurisdiction Rules and Enforcement of Foreign Judgments* (1st edn, Dar Algamaa Elgadida 1996) 515; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 9.1.1; Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

²⁹⁹ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 9.1.15.

³⁰⁰ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 306.

³⁰¹ *Prudential Assurance Co Ltd v Prudential Insurance Co of America* [2003] EWCA Civ 327, [2003] 1 WLR 2295.

Appeal stated, in infringement proceedings which concerned parallel national trademarks, that, ‘Those proceedings may be said to involve “the same cause of action”.’³⁰² However, recently, this concept has been abandoned. Instead, each right is regarded as a different right, even if the rights are obtained by an international convention³⁰³. In the case of *Research in Motion UK Ltd v Visto Corp*³⁰⁴, there was litigation in Italy and in England, over issues in connection with parallel European patents, the English Court of Appeal ruled that, ‘We do not consider that the English and the Italian proceedings are related’.³⁰⁵ In the case of *Roche Nederland BV v Primus*³⁰⁶ the European Court of Justice ruled that, ‘Parallel proceedings concerning patents granting in different countries have different cause of action.’³⁰⁷ In Austria, the same approach is followed³⁰⁸. In addition, in this subject, Kono and Jurcys report that

In the area of IP rights, the same cause of action exists only when both actions instituted before courts of different states are related to the same right. In other words, both actions should concern an IP right protected in the same country. Yet, in situations where parallel proceedings concern the protection of different national rights, it is obvious that these proceedings do not have the same cause of action.³⁰⁹

Hence, the stipulations which are required to investigate the issue of parallel proceedings are that the cause of action and the parties in both cases are the same and the forums which consider the dispute must have jurisdiction over the action.

3.4.3.1.1 The First Approach

If the previous criteria are met, there is an approach that tends to accept that the dispute should be resolved by the court which has close connections with the issue, because it is more appropriate for this forum to rule on the case and to create the judgment³¹⁰. In this context, it is stated that in parallel proceedings, the most effective system to define which forum should have priority to determine the issue is not the plaintiff or defendant's choice, but the priority should be given to the best equipped court to deal with the litigation, such as the court whose acts will be applicable to the dispute.³¹¹ The Law of Procedure

³⁰² *ibid* at [23].

³⁰³ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 5.169.

³⁰⁴ *Research in Motion UK Ltd v Visto Corp* [2008] EWCA Civ 153, [2008] FSR 20.

³⁰⁵ *ibid* at [39].

³⁰⁶ Case C-539/03 *Roche Nederland BV v Primus* [2006] ECR I-6535, [2007] FSR 5.

³⁰⁷ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

³⁰⁸ *ibid*.

³⁰⁹ *ibid*.

³¹⁰ Hesham Ali Sadeq, *The Conflict of International Jurisdiction Rules* (1st edn, Dar Elmatboaat Elgameya 2001) 75; Faies Muhammad Badea Alama, *International Jurisdiction in accordance with the Rules of Jurisdiction in Jordan and Saudi Arabia* (Dar Al-Hikma 2008) 118.

³¹¹ William E O'Brian Jr, ‘The Hague Convention on Jurisdiction and Judgments: The Way Forward’ [2003] *The Modern Law Review* 491,509.

before Shari'ah Courts seems to apply this approach, because article 71 section 3 of the Implementing Regulations of the Law states that in the case of parallel proceedings, if a claim commences early in front of a Saudi court, this does not prevent the forum from cancelling the dispute. Based on this approach, if an action for infringement of a patent or a trademark is seised by the court of the state where the defendant is resident and the same issue is held by the forum of the country where the act of infringement occurs, the court of the latter state should have priority to determine the issue. This is because it is the best forum to decide the case and all elements required to resolve the dispute successfully are located in the protecting state. Thus, in parallel proceedings, jurisdiction should be given to the best court to handle the dispute.

3.4.3.1.2 The Second Approach

The second approach gives jurisdiction to the first court holding the dispute and the court which considers the case second must decline its jurisdiction over the issue, providing that the judgment from the first court is enforceable in the state of the second court³¹². Article 27 of the Brussels I Regulation gives jurisdiction to the first forum holding the issue. In addition, it is suggested that this principle should be applied, even if the jurisdiction of EC/EFTA states is given based on traditional national rules³¹³. Furthermore, this approach will be applied in cases where the parties to a contract select two courts in different Member States of the Brussels I Regulation to determine their potential disputes. Therefore, the forum which holds the issue first should have priority to decide it. This rule was confirmed in the case of *Meeth v Glacetal Sarl*³¹⁴, when the parties gave jurisdiction to “their respective states”. The European Court of Justice upheld that the chosen forums had exclusive jurisdiction over the case and the court to which the case was referred second should decline its jurisdiction in favour of the first court³¹⁵. However, the principle of giving priority to the first forum holding the dispute will not be applied in cases where the issue is subject to the exclusive jurisdiction of the second court³¹⁶. Furthermore, it is significant to mention that article 27 section 2 of the Brussels I Regulation introduces effective procedures to resolve the possible situation that both forums announce that they do not have jurisdiction over the dispute. It

³¹² James J Fawcett, ‘General Report’ in James J Fawcett (ed), *Declining Jurisdiction in Private International Law* (OUP 1995).

³¹³ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) paras 9.1.5, 9.1.6; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 6.92.

³¹⁴ Case 23/78 *Meeth v Glacetal Sarl* [1978] ECR 2133, [1979] 1 CMLR 520.

³¹⁵ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 289.

³¹⁶ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 9.1.37; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.155; Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

follows the process that the court which receives the dispute second should stay its proceedings until the first court establishes its jurisdiction. If it is established, the other, second, court must decline its jurisdiction over the case³¹⁷. Hence, the second solution to address the issue of parallel proceedings is that the court that receives the dispute second must decline its jurisdiction in favour of the first court.

In Saudi Arabia, the GCC Convention for the Execution of Judgments, the Riyadh Arab Agreement for Judicial Cooperation and the bilateral agreements for Judicial Cooperation with the Republic of Kazakhstan, the Republic of Yemen, the Kingdom of Morocco and the Syrian Arab Republic do not directly regulate the question of which courts of the Contracting States should have the priority in the case of parallel proceedings. However, it seems to me that these agreements apply the principle that a court of a Contracting State which first considers the case should have the priority to determine the dispute and the other, second, courts should stay its own proceedings over the case. The rationale behind this concept is that according to article 16 section C of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 21 section C of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 21 section C of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco, article 18 section C of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, article 2 sections D and C of the GCC Convention for the Execution of Judgments and article 30 sections C and E of the Riyadh Arab Agreement for Judicial Cooperation, a judgment from a court of a Contracting State will be unfruitful in two situations. In cases where the required court considered the case before the court which issues the judgment holds the dispute, or in cases where a court of a Contracting State was issued, before the court making the required award, a final judgment on the same cause of action between the same parties. Hence, it seems that in the issue of parallel proceedings, the agreements, which the Saudi government has ratified, give the priority to hear the case to the court receiving the dispute first.

3.4.3.2 The Appropriate Approach for Saudi Law Regarding Patent and Trademark Disputes

When it comes to Saudi law, it is essential to emphasise that in patent and trademark disputes, the principles of the case of parallel proceedings will not be applied if the jurisdiction is exclusive to a particular forum. For instance, these rules will not be applied in cases where the core of the dispute concerns the validity of a patent or a trademark, because authority over this action is exclusive to the courts of the state of registration and other courts do not have jurisdiction to rule on the case. It is also not applied when the parties to a contract for the exploitation of a patent or a trademark give authority over the contract disputes to a particular court, because other forums will not have jurisdiction over these

³¹⁷ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 310.

issues. Hence, the rules of parallel proceedings will not be applied when the core of the dispute is subject to the exclusive jurisdiction of a specific forum; due to this exclusivity, the other forum should decline its jurisdiction over the case.

In the case of infringement action unconnected to a license agreement, apart from the fact that the courts of the state of registration are undoubtedly the best forums to determine the dispute, in cases where the action concerns a foreign right, the Saudi court is not allowed to rule on the dispute, either firstly or secondly, because it does not have jurisdiction over the case. It has been concluded above³¹⁸ that the implication of article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf is that jurisdiction over an action for infringement of GCC patents is exclusive to the courts of the state where the act of infringement occurs. Hence, the courts of other Contracting States do not have jurisdiction over the action. Moreover, in cases where the rights at stake are obtained, in accordance with the provisions of an international convention or a community regulation, such as the Patent Regulation of the Cooperation Council for the Arab States of the Gulf, and are infringed in more than one Contracting State, these infringement actions are not the same, or even related. This is because after the rights have been granted, they are regarded as different, based on the principle of territoriality. As a result, if the parallel rights are infringed in more than one protecting state, each country will rule on its own right, without consideration to the proceedings held in another Contracting State. In addition, it has been concluded above³¹⁹ that pursuant to Saudi law, the Saudi court does not have authority over an act of infringement relating to a foreign right, even if the defendant has a place of residence in Saudi Arabia or has Saudi nationality. Based on these facts, there is no need to create a principle in Saudi law regarding parallel proceedings for infringement of foreign rights, because the Saudi court has no jurisdiction over this type of action.

In situations where the case concerns an action for infringement of a Saudi right, the previous approaches lead to the same conclusion when the Saudi court holds the dispute first, because the Saudi forum is the best court to determine the case. However, the Saudi court may be referred the case second, in situations where a foreign court was referred the dispute first and has authority over the dispute. For example, according to article 109 section1 of the Swiss Private International Law 2007, a Swiss forum will have jurisdiction over an action for infringement of a patent or a trademark if the defendant is domiciled in Switzerland. In such circumstances, when the right in question is infringed in Saudi Arabia and the defendant is domiciled in Switzerland, the Swiss court could consider the dispute first. In these situations, the appropriate approach for Saudi law is that if a foreign judgment relating to the infringement of a Saudi patent or trademark is capable of recognition or enforcement in accordance with Saudi law, the

³¹⁸ See Sections 3.2.1.3.3 and 3.3.2.2, above.

³¹⁹ See Sections 3.2.1.1.2.3 and 3.2.1.2, above.

Saudi court should stay its proceedings over the issue in favour of the foreign court considering the dispute first. However, it seems that Saudi law will not recognise or enforce the judgment in such circumstances. Therefore, it is appropriate to apply the approach that the court which most suited to hear the case should have the priority to rule on the dispute. In this subject, Kono and Jurcys report, ‘Courts second seized should not defer to foreign proceedings where it is obvious that a judgment of a court first seized cannot be recognized in the forum country.’³²⁰ In such circumstances, the foreign forum may stay its proceedings on the ground of *forum non- conveniens*, when the defendant shows that the Saudi court is the best forum to decide the case. Finally, it is significant to mention that this suggested approach might be used in bad faith to postpone the original case when, for example, the defendant of the foreign proceedings brings the action before the Saudi forum late.

Theoretically, in cases where the parties to a contract for the exploitation of a patent or a trademark give jurisdiction to Saudi and foreign courts and the right exploited belongs to a third state, the court previously seizes the dispute should have the priority to hear the case. This is because both forums have equal interests in relation to the subject matter of the dispute. Also, they are given jurisdiction over the issue by the same ground of jurisdiction. In cases where the court which receives the dispute first is the forum of the protecting state, there is no reluctant giving the priority to that court, because generally it is the best court to decide the case. However, difficulties will emerge in cases where the right is exploited in Saudi Arabia and a Saudi forum seizes the dispute second, or when the Saudi court seizes the dispute first and the other forum which receives the dispute second is the forum of the state of registration. The answer to this point is unclear. One of suggestions is that the court of the protecting state should have the priority to decide the dispute, because the contract is performed in the territory of the protecting state, while the other court seized of the matter first has the jurisdiction only by the parties’ agreement. The other theoretical concept is that the court which seizes the case first should have the priority to decide the case, because its authority is based on a legal ground of jurisdiction.

3.5 The Conclusion

In conclusion, this chapter has focused on international jurisdiction rules established in Saudi law and agreements which are ratified by the Saudi government. The main aim of this chapter is to answer the question of whether or not these rules are suitable to be applied in cross-border disputes relating to patents or trademarks. These disputes are various; they may arise in connection with infringement actions or contracts in relation to the exploitation of patents or trademarks. Saudi law and the signed agreements do not contain a special rule to regulate the jurisdiction of Saudi forums over these types of disputes;

³²⁰ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

therefore, the general rules of jurisdiction, which are legalised in Saudi law and the ratified agreements, will be applied to these types of cases. In this chapter, the relevant jurisdiction rules have been analysed and evaluated, in order to clarify whether or not they are appropriate to give jurisdiction to Saudi forums over these types of disputes.

With regard to jurisdiction over the validity of patents or trademarks, the Saudi Patent and Trademark Laws give authority over the validity of Saudi rights to Saudi competent forums. The Patent Regulation of the Cooperation Council for the Arab States of the Gulf does not contain a specific article to answer the question of which court should have jurisdiction over the validity of GCC patents. The provisions for authority over the validity of patents or trademarks have been analysed and the various approaches for different circumstances have been evaluated. Moreover, this study has illustrated the possibility of consolidating infringement actions committed in more than one country before a single Saudi forum. In addition, this research has also highlighted and evaluated the principles of staying the proceedings of Saudi forums in favour of foreign courts or arbitration tribunals. Finally, this chapter has reached some essential conclusions which will be presented below.

3.5.1 The Remarkable Findings

Saudi law gives authority to a Saudi forum over a defendant if he has Saudi nationality. This ground of jurisdiction is recognised in the Law of Procedure before Shari'ah Courts, whilst the agreements which the Saudi government has ratified do not recognise it. However, in cross-border patent and trademark disputes, the Saudi forum should not have jurisdiction over an action for infringement in relation to a foreign right, even if the defendant has Saudi nationality. The rationale behind this approach is that the nationality of the defendant does not provide a strong connection with his national state, in particular, when the dispute does not have a connection with the state of nationality. Hence, it is illogical to give jurisdiction to the Saudi forum over an action for infringement of a foreign right, based on the ground of jurisdiction that the defendant has Saudi nationality. Otherwise, a judgment issued by the Saudi court may not be capable of being recognised or enforced, in accordance with the law of protecting state. In addition, suing the defendant in the state of his nationality may lead to his interest being harmed if he resides outside that country³²¹.

The place of residence of the defendant is a debatable ground to give jurisdiction over actions for infringement of foreign rights. For instance, while article 2 of the Brussels I Regulation gives jurisdiction over infringement actions to the courts of the state where the defendant is domiciled³²², in England, this ground of jurisdiction is set aside. In cases where a dispute relating to the infringement of a foreign right

³²¹ See section 3.2.1.2, above.

³²² See Section 3.2.1.1.2.1, above.

is brought before an English court, based on the ground of jurisdiction that the defendant resides in England, the forum may stay its proceedings on the ground that there is a court that is more appropriate to rule on the case³²³.

In Saudi Arabia, the Saudi forum should not have jurisdiction over an action for the infringement of a foreign right in cases where the plaintiff brings the dispute before the court, based on the ground of jurisdiction that the defendant has a place of residence in Saudi Arabia. The rationale behind this approach is that in cases where the infringed right is a patent obtained in accordance with the rules of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf, this Regulation contains its own jurisdiction rules. Article 26 of the Regulation seems to follow the rule that only the courts of the state where the act of infringement is committed will have jurisdiction over that action. Therefore, when a GCC patent is infringed outside Saudi Arabia, there is no chance to give authority to the Saudi court over that case, even if the defendant has a place of residence in Saudi Arabia³²⁴.

In cases where the infringed right is foreign and the defendant is a legal personality, which has a place of residence in Saudi Arabia, this same suggested approach must be followed, because the actions of the branches of overseas companies must be committed in Saudi Arabia, in order to give jurisdiction to the Saudi forum over these actions. Therefore, these branches are responsible for their own activities in Saudi Arabia. Based on this fact, the plaintiff is not allowed to sue them before the Saudi forum if the acts of infringement occur outside the Saudi territory. The same suggested approach should be upheld in cases where the alleged infringer is a parent company or its subsidiaries, because each company has a separate legal personality. Hence, the claimant does not have a legal ground of jurisdiction to litigate against one of them before the Saudi court if the other infringes a foreign patent or trademark; the liability of each company is restricted to its own activities³²⁵.

In cases where the defendant, who has a place of residence in Saudi Arabia and infringes a foreign right, is a physical person, Saudi law should not have jurisdiction over the action. This approach is recommended, in order to maintain the principle that the best forum to determine the infringement action is the court of the state where the act of infringement is committed, in particular, when the claimant does not have a logical reason to litigate against the defendant in his own state³²⁶.

The acts of infringement relating to trademarks or patents are classified as tort obligations. According to Saudi law, the Saudi forum will have jurisdiction over an action for infringement of a Saudi right if the act of infringement is committed in Saudi Arabia. Therefore, the claimant does not have a valid cause of action to bring a dispute, relating to the infringement of a Saudi right, before the Saudi

³²³ See Section 3.2.1.1.2.2, above.

³²⁴ See Section 3.2.1.1.2.3, above.

³²⁵ *ibid.*

³²⁶ *ibid.*

court if the act of infringement occurs abroad. However, article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf could be interpreted to give jurisdiction to the Committee in the Saudi Patent Office over an act of infringement which occurs outside Saudi Arabia. For this reason, this article must be revised to be in line with the provision that only the forums of the state where the act of infringement is committed have authority to rule on the action³²⁷.

Generally, the rules of tort apply to the place where the act is committed and the place where the damage arose. However, in infringement disputes relating to trademarks or patents, the Saudi court must not have jurisdiction over an action committed outside the territory of Saudi Arabia, even if the damage arose in Saudi Arabia. The causes of action which constitute the infringement of Saudi rights are defined in the Saudi Patent Law, the Saudi Trademark Law and the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. A right holder or a licensee is allowed to raise his claim against an alleged infringer who acts in Saudi Arabia in one of certain specific actions. These regulations do not regard a financial loss as a reason to constitute an infringement. Theoretically, if a Saudi patent is manufactured abroad, there is no cause of action to sue the manufacturer before the Saudi court, even if the right holder or licensee suffers financially in Saudi Arabia, but the obligation will be against an importer or a seller of the affected product in Saudi Arabia³²⁸.

In respect of jurisdiction over contracts in relation to the exploitation of patents or trademarks, the Saudi forum may have jurisdiction over the contract disputes in certain circumstances. The first scenario is that the forum will have jurisdiction over the dispute if the contract is performed in Saudi Arabia and the parties to the contract do not choose a specific foreign court to rule on their potential issues. In such circumstances, because of the territorial limitation of protection, the right exploited must be registered and protected in Saudi Arabia. In addition, if a contract is for the exploitation of parallel rights in many states, the Saudi court will have jurisdiction over obligations performed in Saudi Arabia. The plaintiff must identify these obligations precisely. Therefore, the Saudi forum will not have jurisdiction over obligations in relation to the exploitation of foreign rights³²⁹.

The second situation is that the Saudi court will have jurisdiction to determine a dispute if the parties agree to give authority to the forum, or when the plaintiff brings the issue before the court and the defendant appear voluntarily before that forum, even if it did not originally have jurisdiction over the case. However, this ground of jurisdiction will not apply if the subject matter of the dispute is subject to exclusive jurisdiction of a specific court, such as the jurisdiction over the validity of a patent, which is exclusive to the courts of the state of registration. In addition, if the plaintiff brings the action before the

³²⁷ See Section 3.2.1.3.3, above.

³²⁸ *ibid.*

³²⁹ See Section 3.2.2.1.2, above.

Saudi forum and the defendant appears before the court to resist its jurisdiction, this submission will not give authority to the Saudi court³³⁰.

In patent and trademark disputes, the parties' agreement and the voluntary submission of the defendant before the Saudi court will give jurisdiction to the forum over contractual obligations, even if the right exploited is foreign. The Saudi forum could rule on an action for infringement of a foreign right if the action is raised in connection with a contract in relation to the exploitation of the right concerned and the parties to the contract give authority to the Saudi court to decide on their potential disputes. Based on this fact, if the parties to an action for infringement of a foreign right are not in agreement to exploit the infringed right, the Saudi court is not allowed to rule on the action, even if the parties agree to give jurisdiction to the Saudi forum over the dispute. This approach is suggested, because the parties to the contract relating to the exploitation of a patent or a trademark often select the court which will have jurisdiction to resolve any potential differences. Hence, this approach is appropriate to avoid the difficulty which may occur when the Saudi court is prevented from deciding the infringement dispute. In such circumstances, the parties are compelled to commence a separate claim before a foreign court to decide the infringement action. The situation becomes more complex when the facts of both litigations overlap, which means that both issues undoubtedly have to be determined by a single forum. Finally, this approach gives the parties to a contract for the exploitation of patents or trademarks many advantages. They can consolidate proceedings relating to contractual and non-contractual obligations before a single forum, even if the contract is to exploit rights in different countries³³¹.

Saudi law gives authority to rule on the validity of Saudi rights to Saudi competent forums. On the contrary, the Patent Regulation of the Cooperation Council for the Arab States of the Gulf does not contain a special article to regulate the question of which forum should hear the validity of GCC patents³³². In cases where the core of a dispute concerns only the validity of a right, jurisdiction over the dispute must be exclusive to the courts of the state of registration³³³. There are two theoretical concepts in relation to jurisdiction over the validity of patents obtained in accordance with the rules of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. The first approach gives exclusive authority to the Committee in the GCC Patent Office over the issue of the validity, and logically, if a GCC patent is concluded to be invalid, the decision will be applied in all Contracting States of the Regulation. The second approach gives exclusive jurisdiction to an authorised court in each Member State over the validity of GCC patents in its own jurisdiction. Based on this view, the Committee in the Saudi Patent Office only has jurisdiction over the validity of GCC patents in Saudi Arabia and if a GCC patent

³³⁰ See Section 3.2.2.2.1, above.

³³¹ See Section 3.2.2.2.3, above.

³³² See Section 3.2.3.1, above.

³³³ See Section 3.2.3.5, above.

is concluded to be invalid, the result will only affect the patent in Saudi Arabia. As to the validity of parallel patents in the other Contracting States of the Regulation, these will not be affected at all due to the independence of each patent in each Member State³³⁴.

In cases where Saudi legislators want to regulate the authority of a Saudi forum over the validity of a foreign right which is challenged during infringement proceedings, or throughout a dispute concerning a contract in relation to the exploitation of the right, it is significant to mention that in order to regulate this point in Saudi law, the Saudi court must have jurisdiction over disputes relating to the infringement and exploitation of foreign rights. The rationale behind this concept is that if the Saudi court does not have jurisdiction over these cases, there is no need to legislate on the question of deciding the validity of a foreign right when it is raised incidentally. Depending on the presumption that the Saudi court is allowed to hear the issue in connection with an infringement action or a license agreement relating to a foreign right, if the validity of the right is incidentally challenged during the proceedings of the Saudi forum, it must not rule on the issue of the validity. At the same time, it must not lose its jurisdiction over the original action. Instead, the court should refer the issue of the validity to the courts of the state of registration and suspend its proceedings until judgment on the validity is pronounced. This approach is preferred, in order to protect the jurisdiction of the Saudi forum over the original action and to avoid uncertainty regarding jurisdiction over the original action³³⁵. Moreover, article 83 of the Law of Procedure before Shari'ah Courts provides a foundation for this approach. It states, 'If a court determines that its judgment on the merits of a case should be contingent on ruling on another issue on which the judgment depends, it shall order suspension of the case and the litigants may request proceeding with the case when the cause of suspension lapses.' The negative consequence of this approach is that the proceedings of the issue of the validity and of original action will be decided separately before the court of the state of registration and the Saudi court. However, this drawback is minimised by the fact that the original action will be suspended until the issue of the validity is decided, regardless of which court determines the validity of the right. Therefore, the appropriate approach for Saudi law is that jurisdiction over the issue of the validity is exclusive to the courts of the state of registration, whether the issue is raised alone or as a defence³³⁶.

The traditional concept of jurisdiction over an action for infringement relating to a patent or a trademark is that the forums of the state of registration have jurisdiction to determine the dispute. In addition, a court cannot rule on an action for infringement of a foreign right³³⁷.

³³⁴ See Section 3.2.3.1, above.

³³⁵ This is the result of the English approach, which transfers jurisdiction over the infringement action to the court of the protecting state at the time the validity of that right is disputed.

³³⁶ See Section 3.2.3.5, above.

³³⁷ See Section 3.3.2.1, above.

The principle is that the court which has authority because the act of infringement occurs in its own jurisdiction cannot expand its authority to determine an action for infringement which is committed in a foreign state. This approach must be applied, even if the acts of infringement concern parallel rights, which obtained in accordance with the rules of such an international convention or a community regulation. Based on this fact, it is appropriate to revise article 26 of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. This article may be interpreted generously to give jurisdiction to the Committee in the Saudi Patent Office over any act of infringement committed in the other Contracting States of the Regulation. For this reason, this article must be reformed to provide the principle that the Committee in the Saudi Patent Office has jurisdiction over the act of infringement which is committed in Saudi Arabia. This suggestion is supported by the fact that the last sentence of the Article states a court of a Member State will apply its own patent law to resolve any matter which is not governed by the Regulation. This principle must be read in conjunction with the fact that only the law of the protecting state must be applied to the infringement action. Therefore, because the Committee in the Saudi Patent Office is not allowed to apply the Saudi Patent Law to an action for infringement of a GCC patent committed outside Saudi Arabia, it should have jurisdiction over an infringement action which occurs in Saudi Arabia³³⁸.

Consolidating the infringement actions before a single Saudi forum is acceptable in certain circumstances, providing that it does not lead to postponement of the proceedings of the Saudi court, or weakening the interests of the defendants. The first scenario is in cases where the multiple defendants infringe the same Saudi right in Saudi Arabia. These actions could be consolidated before a single Saudi forum, even if one of the defendants is resident abroad³³⁹.

The second situation is when the infringement actions are committed in different states. In order to consolidate these actions before a single Saudi forum, certain stipulations must be met and the Saudi court should evaluate the satisfaction of these conditions. The first requirement is that the defendants must have a connection, such as a parent company and its subsidiaries, or a company and its branches or agencies. This requirement will be also satisfied when the infringers are a manufacturer which exports the affected products through distributors and sellers. The second stipulation is that a connection between the rights in question is required. This condition is met when the infringed rights are parallel patents obtained according to the provisions of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. As to parallel national rights, because each right is separately examined and registered in accordance with the law of each state of registration, the Saudi forum holding the cases should evaluate the connection between the rights concerned. If the previous requirements are met and the main infringer,

³³⁸ See Section 3.3.2.2, above.

³³⁹ See Section 3.3.2.4, above.

who is alleged to be responsible for the vast majority of infringement activities, has a place of residence in Saudi Arabia and does his centre of infringement activities in Saudi Arabia, the Saudi competent court is allowed to consolidate the proceedings into one action³⁴⁰.

Generally, if the Saudi court does not have jurisdiction to rule on a cross-border dispute concerning a patent or a trademark, it must dismiss the case because of the lack of jurisdiction. At the same time, in cases where the Saudi forum has authority to hear the litigation, it does not mean that it cannot stay its proceedings, because there are certain circumstances in which the Saudi forum must stay its proceedings over the case. In patent and trademark disputes, there are three scenarios in which the Saudi court might be asked to stay its proceedings³⁴¹.

The first scenario is when the case is in connection with a contract in relation to the exploitation of a patent or a trademark and the parties give jurisdiction over their potential differences to a foreign court. In such circumstances, if the plaintiff brings the action before the Saudi court, it must stay its proceedings over the dispute in favour of the chosen court, even if the contract is performed in Saudi Arabia. However, the Saudi forum may hear the issue in two circumstances. First, if the plaintiff argues that litigating the dispute before the chosen forum involves applying a rule that is inconsistent with the rules of Sharia. Second, when he introduces logical reasons showing that a judgment from the Saudi forum on the dispute is better than the decision from the chosen court. In such circumstances, the Saudi forum must evaluate the arguments and if it is convinced, the court should rule on the case. On the other hand, in cases where the core of a dispute is an action for infringement of a Saudi right, the Saudi court should have jurisdiction to rule on the dispute, even if the parties have agreed to give authority over the action to a foreign court and the claimant does not show any reason to disregard the jurisdiction clause. This is because the parties' agreement must be set aside in such cases³⁴².

The suggested approach is different from the conclusions in the judgment *no 15/T/3/ 1424 H* on the case *no 1804/1/Q in 1422 H*³⁴³. The Court of Appeal in the Board of Grievances stated that in cases where a national party is in a contract with a foreign non-Muslim and the parties choose a foreign court to determine their potential differences, the Saudi court is allowed to rule on the dispute, providing that the foreign party brings the action before it. In such circumstances, the court must ignore any argument from the national party against its own jurisdiction. The Court of Appeal in the Board of Grievances justified its judgment on the basis that the national party is supposed to be Saudi and Muslim. Therefore,

³⁴⁰ *ibid.*

³⁴¹ See Section 3.4, above.

³⁴² See Section 3.4.1, above.

³⁴³ The Court of Appeal in the Board of Grievances, *judgment no 15/T/3 in 1424 H on case no 1804/1/Q in 1422 H*, an unreported judgment.

according to the rules of Sharia, he cannot bring his dispute before a non-Sharia court³⁴⁴. The default implied in this approach is that the national party does not have the right to deny the jurisdiction of the Saudi court, even if he has reasonable arguments against this jurisdiction. At the same time, he is not allowed to bring the action before the Saudi court, even if he has a logical reason to disregard the jurisdiction clause³⁴⁵.

In addition, according to the rules of Sharia, if a dispute occurs in Islamic states and involves a Muslim party, it is unanimously agreed that only Islamic courts have jurisdiction to hear the case. The Court of Appeal in the Board of Grievances seems to apply this principle incorrectly, because it does not allow the national party, who is assumed to be Muslim, to bring the action before the Saudi court at all. Furthermore, there is a principle in the rules of Sharia that implies that when Muslim parties are in a contract, they have to obey the clauses of the contract, providing that these stipulations are not inconsistent with Sharia. The approach of Court of Appeal in the Board of Grievances seems to be inconsistent with this principle, because the forum allows the plaintiff not to honour the jurisdiction clause, even if he does not show any concern regarding the rules of Sharia. Moreover, because the implication of the Saudi approach is that the foreign party is permitted not to honour the forum-selection clause, without presenting any rational reason, this approach is regarded as a legal loophole in the judicial procedure of the Saudi forum. In addition, this approach is not applied if the parties are legal entities, because they do not have religion and the owners of these legal entities might be Saudi or foreign nationals. Furthermore, this approach seems to be applied incorrectly in cases where the Saudi party is not Muslim and the foreign party is Muslim³⁴⁶.

Also, according to the rules of choice of law relating to patent and trademark disputes, the Saudi approach is not helpful. This is because if the case is considered by a foreign court, it does not mean that the forum will apply a rule inconsistent with Sharia, even if the right concerned is Saudi. If the dispute is in connection with a contract in relation to the exploitation of a trademark or a patent, the parties have the right to choose a specific law to govern contractual obligations and they may choose Saudi law to govern the disputes. In general terms, it is mandatory to apply the law of the protecting state to infringement actions, even if the actions are ruled by a Saudi forum. Finally, the approach of the Court of Appeal in the Board of Grievances applies only in cases where one party is Saudi and the other is foreign non-Muslim. Thus, if both parties are foreign non-Muslim or if both parties are Muslim, or even Saudi, the Court of Appeal in the Board of Grievances does not provide a helpful approach³⁴⁷.

³⁴⁴ *ibid.*

³⁴⁵ See Section 3.4.1, above.

³⁴⁶ *ibid.*

³⁴⁷ *ibid.*

The second scenario is when the parties have a valid agreement to refer the dispute to arbitration. Article 11 section 1 the Saudi Arbitration Act 2012 adopts the principle that the Saudi forum must stay its proceedings over the issue if the parties have agreed to submit the dispute to arbitration. This article amends the abandoned approach presented in the judgment of the Court of Appeal in the Board of Grievances no *15/T/3/ 1424 H* on the case no *1804/1/Q in 1422 H*³⁴⁸. It upheld that when the parties to a contract are national and foreign non-Muslim and when they have an agreement to resolve their dispute before a foreign arbitration panel, the Saudi court will have jurisdiction over the case if the foreign non-Muslim party brings the action before the forum³⁴⁹.

The third scenario relates to parallel proceedings. Article 71 of the Law of Procedure before Shari'ah Courts allows a defendant to raise the defence to stay the proceedings of the Saudi court because the same dispute has commenced before another court. However, this article does not provide remediation for the question of which forum should have the priority to determine the dispute. Unfortunately, a judgment from Saudi courts presenting an approach on this point has not yet been found³⁵⁰. In such circumstances, certain conditions must be met to examine the question of which forum should have the priority to hear the dispute. Firstly, both forums must have jurisdiction over the case. Secondly, the cause of action and the parties of both proceedings must be the same³⁵¹.

In relation to incorporate appropriate rules, regarding the issue of parallel proceedings, into Saudi law, it is significant to mention that if a dispute concerns an action for infringement of a foreign right, or a patent obtained according to the rules of the Patent Regulation of the Cooperation Council for the Arab States of the Gulf and infringed outside Saudi Arabia, the Saudi legislators do not need to establish a principle. This is because the Saudi court does not have jurisdiction over these cases. Moreover, for the same reason, there is no need to establish a rule regarding a dispute that is subject to the exclusive jurisdiction of a specific court, such as an issue concerning the validity of a foreign right. It is exclusive to the courts of the state of registration. However, the legislators do need to legalise the principles regarding the issue of parallel proceedings in certain circumstances. In cases where the parties to a contract in relation to the exploitation of a patent or a trademark give jurisdiction over their potential disputes to Saudi and foreign courts, and in situations when the dispute concerns an action for infringement of a Saudi right and a foreign court has jurisdiction to rule on the case³⁵². In these situations, if both courts seize the same dispute, the legislators have two approaches; one prefers to give jurisdiction to the most

³⁴⁸ The Court of Appeal in the Board of Grievances, *judgment no 15/T/3 in 1424 H on case no 1804/1/Q in 1422 H*, an unreported judgment.

³⁴⁹ See Section 3.4.2, above.

³⁵⁰ See Section 3.4.3, above.

³⁵¹ See Section 3.4.3.1, above.

³⁵² See Section 3.4.3.2, above.

appropriate forum to rule on the case³⁵³. The other approach gives the priority to handle the dispute to the first court seizing the issue³⁵⁴. Both approaches lead to the same result when the issue concerns an action for infringement of a Saudi right and when the Saudi court, which is the best forum to decide the issue, seizes the dispute first. However, if the Saudi court holds the dispute second, it should have the priority to handle the dispute. The relational behind this approach is that the Saudi court is certainly the best forum to determine the case and because a judgment on the dispute issued by a foreign court may not be recognised or enforced in accordance with Saudi law. In such circumstances, the foreign court may stay its proceedings on the ground of *forum non- conveniens*³⁵⁵.

In cases where the parties to a contract for the exploitation of a patent or a trademark give authority over their potential disputes to Saudi and foreign courts, the appropriate approach for Saudi law is that if the right exploited is not Saudi and does not belong to the state of the other court, the court that holds the dispute first should be given the priority to rule on the issue. This is because both forums have equal interests regarding the case and their jurisdiction is given by virtue of the same ground of authority. Therefore, the jurisdiction should be given to the first forum receives the dispute. The same approach should be applied in cases where the forum, which seizes the dispute first, belongs to the protecting state, because it is the best court to rule on the action. Difficulties will emerge when the right exploited belongs to the state which its court holds the dispute second. One of the theoretical suggestions is that the forum of the state of registration should have the priority to decide the dispute, because the contract is performed in its own jurisdiction and it is the best forum to rule on the case. The other theoretical concept is that the court that seizes the case first should have the priority to determine the case, because it holds the issue, based on a legal ground of jurisdiction³⁵⁶.

3.5.2 The Recommendations

The foregoing analysis of the rules of international jurisdiction of Saudi courts does suggest that the Saudi legislators must consult a State-holder with a view to devising an appropriate legislative framework. They should take account of such EU rules and find suitable solutions for Saudi law. In addition, the legislators should take into account the rules of Sharia and Saudi public policy. They should revise any approach that is inconsistent with them, because in practice, the Saudi forums will not apply a rule inconsistent with Sharia or Saudi public policy. The rules which are in connection with cross-border disputes relating to patents or trademarks should be promulgated in separate articles.

³⁵³ See Section 3.4.3.1.1 above.

³⁵⁴ See Section 3.4.3.1.2, above.

³⁵⁵ See Section 3.4.3.2, above.

³⁵⁶ *ibid.*

In my opinion, it is practically possible to incorporate the following approaches into Saudi law. It seems to me that these approaches are not inconsistent with Sharia and Saudi public policy. Therefore, there is no need to revise them.

Firstly, the approaches in connection with the issue of the validity of patents or trademarks are as follows:

- A) The Saudi courts do not have jurisdiction over the validity of foreign patents and trademarks, whether it is raised alone or as a defence.
- B) The Saudi forums have exclusive jurisdiction over the validity of Saudi patents and trademarks, regardless of which way the validity is challenged.

There is a need to revise Saudi law. Article 25 of the Saudi Trademark Law and article 32 of the Saudi Patent Law, which give jurisdiction to Saudi courts over the issue of the validity of Saudi trademarks and patents, must be reformed to state that the jurisdiction of Saudi forums over these matters is exclusive. In addition, the Law of Procedure before Shari'ah Courts must be amended to articulate the principle that the courts of the state of registration have exclusive jurisdiction over the validity of its own patents and trademarks.

The Patent Regulation of the Cooperation Council for the Arab States of the Gulf must be revised to establish an approach relating to jurisdiction over the validity of GCC patents, whether to give exclusive jurisdiction over the issue to the GCC Patent Office, or to give exclusive authority to competent forums of each Member State regarding the validity of GCC patents in its own jurisdiction.

Secondly, the approaches in connection with infringement actions are as follows:

- A) The Saudi courts have exclusive jurisdiction over infringement actions relating to Saudi patents and trademarks³⁵⁷.
- B) The Saudi forums do not have jurisdiction over the acts of infringement in relation to foreign patents and trademarks.

The analysis above clearly shows that there is a strong case to include these rules in Saudi law by revising the rule enacted in article 4 section D of the GCC Convention for the Execution of Judgments, article 28 section D of the Riyadh Arab Agreement for Judicial Cooperation, article 17 section C of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 23 section F of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section F of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco, article 19 section C of the

³⁵⁷ This suggestion must be read in conjunction with the approach that at the enforcement stage, when a foreign court rules on an action for infringement of a Saudi right and the ensuing judgment is sought to be recognised or enforced in Saudi Arabia, the Saudi court must apply the international jurisdiction rules established in Saudi law to verify whether or not the court granting the judgment has jurisdiction over the dispute. The implication of this approach is that jurisdiction over infringement actions concerning Saudi rights is exclusive to the Saudi forums. See Section 5.5.2.3, below.

bilateral agreement for Judicial Cooperation with the Syrian Arab Republic and article 26 section A of the Law of Procedure before Shari'ah Courts. These articles imply that Saudi courts have jurisdiction over the acts of infringement which occur in Saudi Arabia. They must be reformed, in order to incorporate into Saudi law the previous approaches.

Thirdly, if a dispute is in connection with a contract for the exploitation of a patent or a trademark, Saudi law has recognised the principle that the Saudi forum will have jurisdiction to hear the dispute if the contract is performed in Saudi Arabia and the parties do not choose a particular foreign court to rule on their potential differences. Hence, there is no need to give a recommendation for Saudi law regarding this point. However, because the bilateral agreements for Judicial Cooperation with the Republic of Kazakhstan and the Syrian Arab Republic do not contain this rule, these agreements must be revised and involve this principle.

Fourthly, when the parties to a contract in relation to the exploitation of a patent or a trademark select a Saudi court to determine their potential issues, whether or not the contract is performed in Saudi Arabia, my opinion is that it is practically possible to incorporate the following approach into Saudi law.

- A) The chosen court has exclusive jurisdiction over the contract disputes.
- B) In addition to contractual obligations, the chosen forum is allowed to rule on infringement actions raised in connection with the contract.

In order to include these approaches in Saudi law, the legislators must revise the principle which states that Saudi forums shall have jurisdiction over a dispute if the parties agree to give the jurisdiction to the courts. It is established in article 28 of the Law of Procedure before Shari'ah Courts, article 4 section E of the GCC Convention for the Execution of Judgments, article 28 section E of the Riyadh Arab Agreement for Judicial Cooperation, article 17 section D of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 23 section G of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 23 section G of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 19 section D of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic.

Fifthly, there is a need to regulate the question of consolidating infringement actions before a single Saudi forum when the defendants are multiple. It is apparent from the foregoing analysis that it is practical to apply the following approaches in Saudi law.

- A) The Saudi forum is allowed to consolidate the infringement actions, providing that hearing the issues together does not negatively affect justice, or delay the proceedings of the court.
- B) If the previous stipulation is satisfied, the Saudi forum can consolidate the infringement proceedings, which concern the same Saudi right, in one action.

- C) When defendants infringe parallel rights in more than one state, the Saudi court could consolidate the proceedings into one action, providing that the main infringer who is alleged to be responsible for the vast majority of infringement activities, has a place of residence in Saudi Arabia and does his centre of infringement activities in the Saudi territory. Moreover, the Saudi court has to be convinced that the defendants could be sued together in a single action and the infringed rights have a reasonable degree of connection.

To incorporate these principles into Saudi law, the Saudi legislators should revise the judicial agreements which the Saudi government has ratified. They should also reform article 26 section C of the Law of Procedure before Shari'ah Courts, which gives jurisdiction to Saudi courts over a foreign defendant, who does not have a place of residence in Saudi Arabia in cases where 'the lawsuit is against more than one person and one of them has a place of residence in the Kingdom'.

Sixthly, the Saudi legislators must regulate the question regarding the jurisdiction of Saudi forums over a contract in relation to the exploitation of a patent or a trademark in cases where the parties choose a specific foreign forum to rule on their potential issues. The previous investigation has shown that Saudi law must be reformed to enact the following approaches.

- A) The Saudi forum must decline its jurisdiction if the parties have a valid agreement to refer their dispute to a specific foreign forum.

However, the Saudi court may hear the case in two circumstances:

- A) If the plaintiff claims that a judgment from the Saudi court will result in better justice, and will resolve the dispute, than the award from the chosen court.
- B) If the plaintiff argues that litigating the dispute before the chosen court involves or leads to application of a rule inconsistent with the rules of Sharia.

In these situations, the Saudi court should evaluate the arguments and if the forum is convinced, it should rule on the dispute.

Seventhly, the previous analysis has shown that Saudi law must have an answer to the question of which court should have the priority to decide contract disputes in cases where the parties give jurisdiction to Saudi and foreign courts over the disputes and there are parallel proceedings in the chosen forums. In my opinion, the suitable approaches relating to this question are as follows:

- A) When the contract is performed in a third state, or in the state whose forum seizes the case first, the first court seized with the issue should have the priority to decide the dispute.
- B) In cases where the right exploited belongs to the state whose forum seizes the dispute second, the legislators have two possible practical approaches to be followed, either to give priority to the court which seized the issue first, or to the court of the protecting state.

C) In both situations, when the Saudi court does not have the priority to decide the issue, it should stay its proceedings in favour of the other court, and if the jurisdiction of the forum having the priority to hear the dispute is established, the Saudi court must decline its jurisdiction over the issue.

Saudi law and the judicial agreements which the Saudi government has ratified should be revised to involve these rules.

Eighthly, there are two recommendations relating to the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. Firstly, article 26 of the Regulation must be modified to state the approach that the court of each Contracting State has jurisdiction over an act of infringement that occurs or may be committed in its own jurisdiction. Secondly, the Committee in the GCC Patent Office should be given supranational jurisdiction over disputes relating to contracts of exploitation, infringement and validity of patents obtained, in accordance with the provisions of the Regulation. The direct positive consequence of this suggestion is that when parallel GCC patents are infringed, or exploited by an unauthorised person, in more than one Member State, the plaintiff is allowed to consolidate the actions before a single forum, which has also jurisdiction over the validity of the rights.

Chapter 4: The Rules of Applicable Laws

4.1 The Introduction

Once a Saudi forum has jurisdiction over a cross-border dispute relating to a patent or a trademark, it must handle the question of which law must be applied to the case. As has been mentioned above³⁵⁸, Saudi law upholds a characteristic principle of applicable law, because only Saudi law and the rules of Sharia are applied to the disputes brought before Saudi forums. The aims of this chapter are to analyse and evaluate the Saudi rules of choice of law, in order to establish whether or not they are suitable to be applied in cross-border disputes concerning patents and trademarks. This chapter also intends to revise these rules and make them more flexible and advanced, in order to attract parties to bring these types of disputes before Saudi forums.

In this chapter, the Saudi rules of choice of law will be explained. The defaults and the potential drawbacks involved in these principles will be highlighted. In addition, this chapter will explain the question of which law is acceptable in the light of Sharia. Next, this study will explain and evaluate the question of which law should be applied to actions for infringement of patents or trademarks. Moreover, this chapter will investigate the question of which law must be applied to contracts in relation to the exploitation of patents or trademarks. Additionally, I will clarify the exceptions that prevent Saudi courts from applying foreign law. Finally, this chapter will conclude with notable findings and recommendations.

4.2 The Principle of Applicable Law in Saudi Arabia

4.2.1 The General Principles

Saudi law does not contain a special principle to define which law is applicable to patent and trademark disputes brought before Saudi forums. However, in general terms, the Saudi regulations have emphasised that disputes brought before the Saudi courts must be governed only by the rules of Sharia and laws which are promulgated by the Saudi government, providing that these laws are not inconsistent with Sharia. This rule is articulated in article 1 of the Law of Procedure before Shari'ah Courts which states, 'Courts shall apply to cases before them provisions of Shari'ah laws, in accordance with the Qur'an and Sunnah of the Prophet (peace be upon him), and laws promulgated by the State that do not conflict with the Qur'an and Sunnah.' The new Law of Procedure before Shari'ah Courts, which is not yet issued, seems to apply the same approach³⁵⁹. This concept is also confirmed in article 48 of the Basic Law

³⁵⁸ See Sections 3.2.1.1.2.3 and 3.3.2.4 above.

³⁵⁹ Adnan Al Shabrawi, 'Okaz Announces the Detail of the Adjusted Law of Procedure before Shari'ah Courts' *Okaz Newspaper* (Jeddah, 16 July 2013) <http://t.co/c7AD2U33LA> accessed 14 September 2013. While article 1 of the new Law of Procedure before Shari'ah Courts which was issued in November 2013 affirms this principle, article 1 of the new Law of

of Governance. In Arabic text, the articles state that the laws must be promulgated by Wali Alamr. The term of Wali Alamr is used in Islamic societies to describe an Islamic governor and authority³⁶⁰. Based on these facts, the concept, which suggests that the Saudi courts are prevented from applying foreign law if it is inconsistent with the rules of Sharia,³⁶¹ is incorrect. This is because the previous articles state that the forums apply only two kinds of rules: the rules of Sharia and laws which are promulgated by the Saudi government, providing that these laws are not incompatible with Islamic laws. As a consequence, only the Saudi regulations and the rules of Sharia are applied to the cases brought before the Saudi courts, which are prevented from applying foreign law at all, even if it is not incompatible with the rules of Sharia.

One further matter that needs to be addressed is the reason why the Saudi legislators prefer the previous approach. However, the obvious answer to this question has not yet been found. Hence, in the following section, the Saudi rules of choice of law will be evaluated, in order to verify whether or not they are appropriate to be applied in patent and trademark disputes.

4.2.2 The Evaluation of the Saudi Principle of Applicable Law

The Saudi forum will apply the rules of choice of law enacted in Saudi law without difficulty when the dispute concerns the infringement of a right obtained, in accordance with Saudi law or the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. The reason behind this concept is that the Saudi court will govern the action by the law of the protecting state, as will be seen later³⁶². The law governing an action for infringement of a Saudi right or a GCC patent is Saudi law and the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. Both laws are promulgated by the Saudi government. Moreover, the Saudi rules of choice of law will not raise any concern if the core of a dispute is the validity of a Saudi right, because Saudi law will govern the case. For the same reason, these rules will be applied without difficulty if the dispute concerns a contract in relation to the exploitation of a patent or a trademark and the parties choose Saudi law to govern contractual obligations. Hence, the Saudi forum will not face the complication of applying the Saudi rules of choice of law when the law applicable to the dispute is promulgated by the Saudi government or the rules of Sharia.

Contrary to the conclusion of the previous paragraph, the Saudi rules of choice of law are criticised, due to the fact that patent and trademark disputes are not necessarily between national parties

Procedure before the Board of Grievances which was also issued in November 2013 does not restrict the applicable laws to those which are promulgated by Wali Alamr.

³⁶⁰ Ramsey Muhammad Ali Daraz, *The Summary in the Principles of Administration in Islam* (1st edn, Al Halabi Legal Publication 2009) 152.

³⁶¹ Muhammad Alhusaini Musailahi, *Private International Law in Saudi Arabia* (8th edn, King Fahad Security College Press 1998) 441.

³⁶² See section 4.4.8, below.

or concerning Saudi rights. According to the Saudi rules of international jurisdiction, which has been examined in the previous chapter, the disputes brought before Saudi courts may involve a foreign party, or may concern a foreign right. In such circumstances, the Saudi principles of applicable law will raise a concern if the law of a foreign state is the applicable law. For example, if parallel rights are infringed in more than one state and the Saudi court decides to consolidate the proceedings into one action, the forum may apply the law of the protecting state to the infringement action occurring in each country. Moreover, in general terms, the parties to a contract are allowed to choose a specific law to govern contractual obligations³⁶³. In this situation, if the parties to a contract in relation to the exploitation of a patent or a trademark give authority over their disputes to a Saudi forum and choose foreign law to govern the contractual obligations, the court should honour the parties' choice and apply the chosen law. Hence, the Saudi rules of choice of law raise concerns in situations where it is mandatory to apply foreign law, or where the parties to the dispute select foreign law to govern their disputes which are brought before the Saudi forum.

The concepts of justice and comity compel courts to respect and apply the laws of foreign states. English courts have long recognised these concepts. They respect and apply the laws of a foreign state to the disputes brought before them, because these laws involve crucial facts for the disputes; therefore, applying the foreign laws is significant for the realisation of justice³⁶⁴. In addition, in relation to applicable law, there are certain situations when the English courts rely on the concept of comity. The English forums do not enforce a contract involving a clause which constitutes a wrongful act for a foreign state, even if it is permitted in English law. At the same time, the English courts do not rule on an act authorised by the foreign laws when it is committed in that state³⁶⁵. Hence, justice and comity impose an obligation on the forums to respect and apply the foreign laws.

When foreign law is the applicable law to a dispute brought before a Saudi forum, the Saudi rules of choice of law give the court a dilemma, whether to stay its proceedings over the case, or to apply Saudi law to the dispute, although the foreign law might not be inconsistent with the rules of Sharia. The former option is unacceptable and in this subject, Sender concludes

The principle that a court will not exercise jurisdiction where it is unable to provide a remedy under the local law is contrary to the foundations of the jurisdiction rules. Indeed, declining

³⁶³ Okasha Muhammad Abdulaal, *Private International Law in United Arab Emirates*, vol 1 (1st edn, Dar Elmatboat Eljamiaiah 1997) 611.

³⁶⁴ Lawrence Collins, 'Comity in Modern Private International Law' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

³⁶⁵ *ibid.*

jurisdiction to avoid applying foreign law to the dispute goes against the duty of the courts to ensure the adequate judicial protection of the parties.³⁶⁶

The latter option is also unacceptable, because the Saudi court must apply the law of the protecting state to an action for infringement of a foreign right and apply the law chosen by the parties to contractual obligations. The facts involved in both laws are significant to achieve justice. Moreover, if the Saudi court applies Saudi law to an action for infringement of a foreign right, it might harm the interests of the protecting state. Therefore, the Saudi forum will disregard the concept of international comity. For example, it exists when Saudi law prevents the parties from exercising a right which is allowed by the law of the protecting state, or if the law of the state of registration regards certain acts to constitute an infringement liability, whilst Saudi law disregards these acts as infringement actions. In addition, applying the Saudi rules of choice of law will indubitably harm the interests of the parties to a contract in relation to the exploitation of a patent or a trademark if they have selected a specific law to govern contractual obligations. Clearly, if only the laws chosen by the parties provide a solution for a certain issue³⁶⁷. The direct consequence of the Saudi rules of choice of law is that parties will avoid bringing their disputes before the Saudi forum, in particular, when they have several options to resolve their issues, such as arbitration. Moreover, when a right holder wants to exploit his right in Saudi Arabia and prefers to give jurisdiction to the Saudi court over the potential differences, the Saudi rules of choice of law will undermine the possibility of the exploitation if the owner prefers a particular foreign law to govern contractual obligations. Certainly, it is not practical to apply the Saudi rules of choice of law to trademark and patent disputes.

Based on the previous facts, the Saudi rules of choice of law must be reformed and the Saudi forum should apply foreign law, providing that the law is not inconsistent with Saudi public policy or the rules of Sharia. In this context, it is significant to note that recently, Saudi law has permitted the parties to choose foreign law to govern their disputes. For instance, article 38 section 1 of the Saudi Arbitration Law 2012 honours the parties' choice to select a particular foreign law to govern their cases, providing that the chosen law is not inconsistent with Sharia or Saudi public policy. In contrast, the previous Saudi Arbitration Law 1983 implied that the arbitration tribunal should apply only Saudi law and the rules of Sharia to the issues³⁶⁸.

³⁶⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 2.25.

³⁶⁷ Richard Fentiman, 'Choice of Law and Intellectual Property' in Josef Drexler and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

³⁶⁸ In this subject, article 1 of the Law of Procedure before the Board of Grievances, which was issued in November 2013, does not restrict the applicable laws to those which are promulgated by Wali Alamr. It states that the Board of Grievances will apply the rules of Sharia and the law which is not inconsistent with Sharia. Based on this fact, the Board of Grievances is allowed to apply foreign law, providing that it is not inconsistent with the rules of Sharia.

4.3 The Principle of Applicable Law in the Light of the Rules of Sharia

Whilst suggesting ideas to revise the Saudi rules of choice of law, it is appropriate to clarify the question of which law is acceptable in the light of the rules of Sharia. This point is essential, because the rules of Sharia dominate all laws in Saudi Arabia. In addition to article 1 of the Law of Procedure before Shari'ah Courts and article 48 of the Basic Law of Governance, this fact is confirmed in article 7 of the Basic Law of Governance. It states, 'Governance in the Kingdom of Saudi Arabia derives its authority from the Book of God Most High and the Sunnah of his Messenger, both of which govern this Law and all the laws of the State.' Moreover, article 46 of the Law states, 'The Judiciary shall be an independent authority. There shall be no power over judges in their judicial function other than the power of the Islamic Shari'ah.' Therefore, the aim of this section is to examine the concept of applicable law in the light of the rules of Sharia.

In Islamic law, the parties are allowed to make contracts and run businesses, providing that these actions do not contain any clauses or subjects which are inconsistent with the rules of Sharia. There are a sufficient amount of principles in Islamic Jurisprudence to confirm this conclusion. For instance, it is said that a sale agreement is acceptable in the light of Sharia, providing that it does not contain any of the following issues: A) there is unawareness regarding the price, goods or the time when the sale is delayed. B) The subject matter of the sale is not available at the time of concluding the contract or could not be submitted without harming the seller. C) The sale is a result of compulsion. D) There is a limited time for the dealing, such as buying a car for only two months. E) The sale involves a stipulation which is incompatible with the rules of Sharia. For example, the purchaser accepts the deal, providing that he borrows from the seller a certain amount of money³⁶⁹. In addition, the parties to a contract have to honour the clauses of the contract, except those inconsistent with Islamic rules³⁷⁰. Moreover, the rules of Sharia accept any commercial dealing, providing that it does not lead to unfairness or injustice for both the parties, or one of them³⁷¹. It is also said that the rules of Sharia do not accept any trade dealing if it contains any one of the following issues: fraud, interest or deceit. These issues are the main reasons to refuse commercial dealings in Islamic jurisprudence³⁷². Moreover, pursuant to the rules of Sharia, property is not acceptable if it is the result of interest, gambling, fraud or any means which harm societies,

³⁶⁹ Muhammad Ibrahim Altuwajery, *The Encyclopedia of Islamic Jurisprudence*, vol 3 (1st edn, International Ideas Home 2009) 388.

³⁷⁰ Ahmed Farraj Hussain, *The Entrance to Islamic Laws, the History of Islamic Fiqh, the Ownership and Contractual Doctrine* (Halabi Law Books 2002) 390.

³⁷¹ *ibid* 553.

³⁷² Muhammad Ibrahim Altuwajery, *The Encyclopedia of Islamic Jurisprudence*, vol 3 (1st edn, International Ideas Home 2009) 387.

such as drug or alcohol trade³⁷³. Muslim judges should therefore accept all trading affairs, agreements and stipulations between the parties, except those inconsistent with the rules of Sharia.

When the latter conclusion is compared with the Saudi rules of choice of law, it is noted that according to the rules of Sharia, the court must initially review the applicable law and refuse to apply any clause or matter inconsistent with Sharia; whilst the Saudi rules of choice of law prevent the Saudi court from applying foreign law at all, even if the law is not incompatible with the rules of Sharia. Therefore, if the Saudi rules of choice of law are legalised in order to protect the rules of Sharia and to avoid applying any principle which may be inconsistent with Islamic laws, this approach seems to me to be a prejudgment in addition to the inconsistency with Islamic jurisprudence. Thus, based on the rules of Sharia, the Saudi court can apply foreign law, providing that the law is not inconsistent with Sharia.

Interestingly, while article 1 of the Law of Procedure before Shari'ah Courts and article 48 of the Basic Law of Governance state that the Saudi court applies the rules of Sharia and laws which are promulgated by the Saudi government and are not inconsistent with Islamic laws, articles 7 and 46 of the Basic Law of Governance imply a different provision. They state, 'the Book of God Most High and the Sunnah of his Messenger', which are the original sources for Sharia, dominate the judiciary and all the laws of the Saudi government. Therefore, according to articles 7 and 46 of the Basic Law of Governance, the Saudi forum is allowed to apply the law of a foreign state, providing that it is not inconsistent with the Quran or the Sunnah. However, article 1 of the Law of Procedure before Shari'ah Courts and article 48 of the Basic Law of Governance, which are legalised to define the rules of choice of law for Saudi forums, prevent the courts from applying foreign law at all.

After examining and evaluating the Saudi rules of choice of law, it is significant to examine the question of which law should be applied to govern patent and trademark cases. These disputes might be in connection with contracts in relation to the exploitation of patents and trademarks, or issues regarding infringement actions.

4.4 The Applicable Law to Govern Infringement Actions

Globally, there are few cases addressing the question of which law must be applied to govern an action for infringement of a foreign patent, because a court seldom rules on this type of action³⁷⁴. In Saudi Arabia, it is difficult to find a reported judgment which answers that question. Moreover, the Saudi Trademark and Patent Laws do not regulate question of which law must be applied to govern

³⁷³ Ahmed Farraj Hussain, *The Entrance to Islamic Laws, the History of Islamic Fiqh, the Ownership and Contractual Doctrine* (Halabi Law Books 2002) 321.

³⁷⁴ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.02.

infringement proceedings³⁷⁵. On the contrary, the Patent Regulation of the Cooperation Council for the Arab States of the Gulf regulates this point in article 26 of the Regulation.

This section will examine and evaluate the approaches to which law should be applied to govern actions for infringement of patents and trademarks. The aim of this examination is to show a best approach to be incorporated into Saudi law.

4.4.1 The Law of the State of Origin

The first concept, which seems to be introduced as a theory,³⁷⁶ tends to accept that the law of the state of origin is the superior law to govern issues relating to patents and trademarks, such as infringement actions. The rationale behind this concept is that these rights are a kind of property, so a rule of choice of law, which provides that the law of *lex situs* is applicable to property, should be applied to define the law applicable to patents and trademarks³⁷⁷. In this situation, it is significant to answer the question: what is the state of origin for a trademark or a patent? There are many concepts to define the state of origin. The first approach is that the state of origin for patents is the first country which registers the patent. The following patents for the same invention registered in other states are governed by the law of the first state³⁷⁸. The rationale behind this concept is that this approach regards all patents registered in other countries for the same invention to be related to the first patent. Therefore, applying law other than the law of the first state registering the patent may have a negative impact on the novelty of invention and the rights of the owner of the patent³⁷⁹. As to a trademark, the state of origin is the first country where the mark is used³⁸⁰. Based on this approach, if the owner registers his patent, or uses his trademark, in other countries, the law of first state where the patent is registered and where the mark is used will govern an action for infringement of the right, even if the act of infringement is committed outside the territory of that state. However, the state of registration is the state where a patent or a trademark is registered and protected. Applying the law of the state of registration implies that the law of the state where the right at stake is registered and infringed will be called upon to govern infringement actions concerning that right. For example, if parallel national patents are registered in Saudi Arabia and Qatar and are infringed in both states, the Saudi court will apply Saudi law to govern infringement actions occurring in Saudi Arabia and the Qatari forum will call upon Qatari law to govern infringement actions committed in Qatar.

³⁷⁵ It is significant to mention that article 37 of the Saudi Patent Law states, ‘The Committee shall not refuse to issue a decision in the lawsuit on the ground that there is no provision to govern the dispute in the Law or the Implementing Regulations. In that case the Committee shall refer to the general rules observed in the Kingdom.’

³⁷⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.164.

³⁷⁷ Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 35.

³⁷⁸ *ibid* 53.

³⁷⁹ *ibid*.

³⁸⁰ *ibid* (n 377) 55.

The second approach to define the state of origin for a trademark³⁸¹ or a patent is that it is the state where the right is granted and in cases where the owner registers his right in many countries, each state will apply its own law to the right granted in its own territory. This approach regards the state of origin as same as the protecting state³⁸². In infringement actions, this concept implies that the law of the state where the right in question is registered and granted will be called on to govern the actions. Finally, there is an approach concerning trademarks that tends to accept that the state of origin for a trademark is the state where the institution which uses that mark is located³⁸³. Based on this approach, when the trademark is infringed in the state where the institution which uses the mark is located, the law of that country will be called on to govern the infringement actions. In such circumstances, applying this approach will lead to the same conclusion as applying the law of the state of registration, because in both situations, the law of state where the act of infringement is committed is the applicable law to govern the action. Concerns will emerge when the institution, which uses the trademark, is located only in state A and its mark is registered and infringed in states B, C and D. The implication of this approach is that the law of the state where the institution is located (A) will be called on to govern the acts of infringement which are committed in states B, C and D. In contrast, applying the law of the state of registration implies that the law of the state where the right in question is registered and infringed will govern infringement actions committed in its own territory. Hence, a theoretical approach prefers that the law of the state of origin should be applied to govern infringement actions concerning patents or trademarks.

There are reasonable arguments against this concept³⁸⁴. One is that applying the law of the state of origin to actions for infringement of patents is not practical, because the patents from each state are independent and granted based on the governmental power of the state of registration. Thus, the principle of territoriality is inconsistent with this approach³⁸⁵. Moreover, if a patentee, for example, wants to protect his invention in many states, he must submit applications to these countries which require certain examinations and procedures, in order to give protection³⁸⁶. If the invention is protected and infringed in more than one country, there is no reason to give priority to the law of one of the protecting states to govern all the infringement actions, because each state has equal interests to apply its own law to the

³⁸¹ *ibid* (n 377) 57.

³⁸² *ibid* (n 377) 51.

³⁸³ *ibid* (n 377) 57.

³⁸⁴ The arguments should be against the concepts that provide that the state of origin for a patent is first state where the patent is registered and the state of origin for a trademark is the first country where the trademark is used, or the state where the institution which uses the trademark is located.

³⁸⁵ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.163.

³⁸⁶ Khalid Yahea Alsabahen, *The Novelty in Patents: A Comparative Study in Jordanian Laws, Egyptian Laws and International Agreements* (1st edn, Dar Althaqafa 2009) 137.

infringement action occurring in its own territory³⁸⁷. In addition, although applying this approach reduces the risks of changing the applicable law anywhere³⁸⁸, it may harm the interests of the litigants. For instance, if the law of a state grants a patentee a certain right and the law of the country of first registration deprives the patentee of that right, this is regarded as unfair treatment for the patentee³⁸⁹. Furthermore, according to the provisions of the Paris Convention, applying this approach to infringement actions is not acceptable, because the Convention respects the independence of each right in each Member State³⁹⁰. For these reasons, it seems that the approach of governing infringement actions in relation to patents by the law of the state of origin is abandoned completely³⁹¹. Hence, it is not practical to apply the law of the state of origin to actions for infringement of patents or trademarks.

4.4.2 The Law of the Protecting State

The second famous and ‘irresistible’³⁹² notion upholds the principle that the law applicable to actions for infringement of patents and trademarks is the law of the protecting state³⁹³. In order to define the meaning of the protecting state, Fawcett and Torremans report that, ‘the protecting state is not where the proceedings are pending’, but it is ‘the state where the infringement took place’³⁹⁴. In the vast majority of cases, although the law of the protecting state is the law of the state where the case is

³⁸⁷ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.25; Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 54.

³⁸⁸ Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 36; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 12.17.

³⁸⁹ Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 67.

³⁹⁰ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.163.

³⁹¹ *ibid* 5.164.

³⁹² Richard Fentiman, ‘Choice of Law and Intellectual Property’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

³⁹³ Hassan Alhadawi, *The Rules of Conflict of Laws in Private International Law in Iraq* (2nd edn, Alershad Press 1972) 201; Okasha Muhammad Abdulaal, *Private International Law in United Arab Emirates*, vol 1 (1st edn, Dar Elmatboat Eljamiaiah 1997) 610,615; Mamdoh Abdulkareem Hafeth Armosh, *Private International and Comparative Laws*, vol 1 (Dar Althaqafa Library 1998) 157; Ahmed Alfadhly, *The Summary of Private International Law, Conflict of Laws, Conflict of International Jurisdiction Rules and Enforcement of Foreign Judgments: An Analysis Study* (1st edn, Dar Qendel 2004) 177; Elke Schaper, ‘Choice of Law Rules in the EU: Special Issues with Respect to Community Rights, Infringement of Community Trade Marks and Applicable Law’ in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); Osama Alagoz and Sami Bade’ Mansour, *Private International Law* (3rd edn, Zein Juridical Library 2009) 344; Sami Bade’ Mansour and Abduh Jamil Khasob and Nasri Intwan Dhiab, *Private International Law* (1st edn, Academic Institution for Studies and Publishing 2009) 552; Okasha Muhammad Abdulaal, *Conflict of Laws: A Comparative Study* (1st edn, Dar Elmatboat Eljamiaiah 2010) 631; Khaleb Ali Aldawody, *A Comparative Study on Private International Law: International Jurisdiction Rules, Conflict of Laws and Enforcement of Foreign Judgments* (1st edn, Dar Elthqafa 2011) 213; Amer Mahmud Alkaswany, *The Applicable Law to Intellectual Property Cases: A Comparative Study* (1st edn, Dar Wael 2011) 242, 312; Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

³⁹⁴ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.22.

decided³⁹⁵, the impotence of this approach emerges when the alleged infringers commit the wrongs in more than one state. In such circumstances, each action will be independently governed by the law of state where the action occurs³⁹⁶. The same approach is followed in article 93 of the Belgian Code of Private International Law, article 10.4 of the Spanish Civil Code, article 110 of the Swiss Private International Law 2007 and article 8 section 1 of the Rome II Regulation. It has been said that prior to the Rome II Regulation, there was no inconsistency in applying the law of the protecting state to infringement actions. Therefore, the Regulation confirms this approach³⁹⁷, which is also traditionally accepted³⁹⁸. In practice, a German Court confirmed this ruling and stated that the law applicable to a patent infringement dispute is the law of the protecting state³⁹⁹. Hence, the law of the protecting state is the best law to govern infringement actions.

The reasons why the law of the protecting state should govern infringement actions are several. Firstly, patents and trademarks have a close connection to the state of registration⁴⁰⁰. Hence, applying the law of that state is essential to protect the public interests and economic aspects of the protecting state⁴⁰¹. Secondly, the procedures of registering and protecting a right involve a competent officer making an examination to clarify whether or not the requirements embodied in its national law are satisfied⁴⁰². If certain stipulations are met and the right is registered and protected, it is illogical to apply a law other than the law of protecting state to infringement actions concerning that right. Thirdly, due to the principle of the territoriality, a court must apply the law of the protecting state to infringement actions⁴⁰³. Fourthly, the state where the protection is demanded is often the state where the wrongful action occurs and where the dispute is decided. Hence, the court has no difficulties understanding foreign law, because it will

³⁹⁵ Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 66.

³⁹⁶ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.22.

³⁹⁷ Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* (1st edn, OUP 2008) para 8.22; ThCJA Van Engelen, 'Jurisdiction and Applicable Law in Matters of Intellectual Property' [2010] 14.3 Electronic Journal of Comparative Law < <http://www.ejcl.org/143/art143-19.pdf> > accessed 12 Feb 2014.

³⁹⁸ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 15.1.66.

³⁹⁹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.105; K Lipstein, 'Intellectual Property: Parallel Choice of Law Rules' [2005] *The Cambridge Law Journal* 593, 613.

⁴⁰⁰ Sophie Neumann, 'Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law' [2011] *Journal of Private International Law* 583, 600; Amer Mahmod Alkaswany, *The Applicable Law to Intellectual Property Cases: A Comparative Study* (1st edn, Dar Wael 2011) 240.

⁴⁰¹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.22; Sophie Neumann, 'Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law' [2011] *Journal of Private International Law* 583, 600.

⁴⁰² Amer Mahmod Alkaswany, *The Applicable Law to Intellectual Property Cases: A Comparative Study* (1st edn, Dar Wael 2011) 240.

⁴⁰³ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 15.1.67; Sophie Neumann, 'Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law' [2011] *Journal of Private International Law* 583, 600.

apply its own law to the action⁴⁰⁴. Hence, applying the law of the protecting state to infringement actions brings complete protection to the interests of the state of registration.

4.4.3 The Law of the State where the Act Occurs

In England, there is another approach. English law does not contain a specific rule to regulate the question of which law should be applied to govern actions for infringement of trademarks or patents.⁴⁰⁵ However, it is upheld that if a UK right is infringed in England, English law will be mandatorily applied to the dispute⁴⁰⁶. The law applicable to the tort is based on the fact that the law of the state where the act of infringement is committed will govern the proceedings and the event which constitutes the tort against a registered right must occur within the territory of the protecting state⁴⁰⁷. This principle was endorsed in the case of *Mölnlycke AB v Procter Gamble Ltd*⁴⁰⁸. The English court upheld that an action for infringement of a UK patent must occur within the English territory, in order to be considered under English law⁴⁰⁹. The Dutch approach to which law should govern infringement actions is similar to the English concept, because article 3 section 1 of the Dutch Private International Law applies the law of the state where the act of infringement takes place, and the Law does not contain a special rule regarding intellectual property rights. In practice, the Dutch Supreme Court stated in the case of *Bigott v Doucal*⁴¹⁰ that the rules of tort are the laws applicable to copyright infringement disputes and it has been said that the same rules will be applied to actions for infringement of patents or trademarks⁴¹¹. The Canadian approach is also the same⁴¹². In this subject, Kono and Jurcys report, ‘the law of jurisdiction in which the tort occurred’ will govern tort obligations⁴¹³. Hence, the English, Canadian and Dutch approaches prefer to apply the rules of tort to infringement actions in respect of patents or trademarks.

⁴⁰⁴ Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 66.

⁴⁰⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.62.

⁴⁰⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.17; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.94.

⁴⁰⁷ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.116.

⁴⁰⁸ *Mölnlycke AB v Procter Gamble Ltd* [1992] 1 WLR 1112 (Civ).

⁴⁰⁹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.115; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.67.

⁴¹⁰ Dutch Supreme Court, 27 Jan 1995 (*Bigott v Doucal*) [1995] NIPR 388; reported at Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.123.

⁴¹¹ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.123.

⁴¹² Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴¹³ *ibid.*

The crucial point which needs to be clarified is what is the positional difference between applying the rules of tort and applying the law of the protecting state to infringement actions? It has been said that in most cases, the conclusion is the same⁴¹⁴. An Italian author reached this conclusion when he interpreted article 54 of the Italian Private International Law, which states, ‘the rights on intangible property are ruled by the law of the state of exercise’. This is because in both approaches, judges must apply the law of the state where the alleged act is committed to decide whether or not that act is eligible to constitute infringement⁴¹⁵. The most interesting example is the practice of the Austrian Supreme Court. Although article 34 section 1 of the Austrian Private International Law 1978 refers to the law of the country where the infringement or exploitation takes place, it turns, with support from scholars, into the law of the protecting state; in particular, where the acts occur in more than one state⁴¹⁶. Moreover, the result of applying the Canadian approach is that the law of the protecting state is the applicable law to infringement actions, because Canadian forums determine only infringement actions concerning Canadian IP rights, which occur in the territory of Canada⁴¹⁷. Consequently, the law of the protecting state is the suitable law to govern infringement actions in respect of patents and trademarks.

4.4.4 The Applicable Law Regarding the Patent Regulation of the Cooperation Council for the Arab States of the Gulf

The Patent Regulation of the Cooperation Council for the Arab States of the Gulf has an answer to the question of which law must be applied to actions for infringement of patents obtained according to the provisions of the Regulation. According to article 26 of the Regulation, the law of the protecting state must be applied in such circumstances. It states, ‘Such authority shall settle the said disputes in pursuance of the provisions of this Regulation, and of its own regulations governing national patents, if any, respectively, otherwise according to the general rules.’ This article establishes the same principle as article 8 section 2 of the Rome II Regulation and article 101 sections 1 and 2 of the Community Trademark Regulation 2009. All these regulations establish the principle that if a right is registered in accordance with the provisions of a community regulation, the rules of the regulation must be applied to an action for infringement of that right. They also introduce a solution to avoid inconsistency between the

⁴¹⁴ Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 287; Elke Schaper, ‘Choice of Law Rules in the EU: Special Issues with Respect to Community Rights, Infringement of Community Trade Marks and Applicable Law’ in Josef Drexler and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

⁴¹⁵ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.157.

⁴¹⁶ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 5.111; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.22.

⁴¹⁷ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

principles of legislation in national laws of the Contracting States and the provisions of the community regulation. They establish the rule that in cases where there is an issue that is not governed by the rules of the community regulation, the national laws of the state where the act of infringement is committed will be called on to govern that matter. As a result, it confirms again that the law of the state of registration has the priority to govern infringement actions in respect of patents and trademarks.

4.4.5 The Possibility of Changing the Applicable Law

One further point to address is the possibility of changing the law applicable to infringement actions. Neither Saudi law, nor the Patent Regulation of the Cooperation Council for the Arab States of the Gulf gives an answer to this question. On the contrary, article 8 section 3 of the Rome II Regulation provides a reasonable solution and states that the law applicable to infringement disputes cannot be changed by the parties' agreement. In Spain, the same principle is followed⁴¹⁸. The rationale behind this concept is that patents and trademarks have a strong link with the economy and public policy of the state of registration⁴¹⁹. Thus, these interests may be harmed if a law other than the law of protecting state governs actions for infringement of these rights⁴²⁰. This approach becomes more logical when it is read in conjunction with the fact that there are close links between the scope of protection and the definition of which acts may constitute a violation and establish an acceptable cause of action to commence the infringement claim⁴²¹. Therefore, the litigants cannot agree to change the law applicable to govern infringement actions at all.

4.4.6 The Drawbacks Implicated in the Principles of the Applicable Law

Based on the conclusion of the previous paragraph, it has been said that one of the major setbacks of applying the law of the protecting state to infringement disputes emerges when a court decides to consolidate infringement actions committed in more than one state into a single action. In such circumstances, the forum and the parties face the heavy burden of separately investigating the law of each state in respect of each right. Van Engelen points out that this investigation is not only to define the acts of infringement, 'but also all other provisions of that applicable foreign law with regard to liability, damages and available remedies'⁴²². In this subject, it has been said that because of the principle of territoriality, the forum is not allowed to apply a single law to remedy infringement actions that occur

⁴¹⁸ *ibid.*

⁴¹⁹ *ibid.*

⁴²⁰ ThCJA Van Engelen, 'Jurisdiction and Applicable Law in Matters of Intellectual Property' [2010] 14.3 Electronic Journal of Comparative Law < <http://www.ejcl.org/143/art143-19.pdf> > accessed 12 Feb 2014; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.42.

⁴²¹ Sophie Neumann, 'Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law' [2011] *Journal of Private International Law* 583, 600.

⁴²² ThCJA Van Engelen, 'Jurisdiction and Applicable Law in Matters of Intellectual Property' [2010] 14.3 Electronic Journal of Comparative Law < <http://www.ejcl.org/143/art143-19.pdf> > accessed 12 Feb 2014.

both inside and outside its own state's jurisdiction⁴²³. Therefore, the cost of litigation will be increased⁴²⁴ and the benefits of consolidating separate infringement actions before a single forum will be undermined⁴²⁵.

There are three potential solutions to avoid this disadvantage. Before presenting these approaches, it is significant to re-emphasize that if parallel rights registered in accordance with a community regulation or an international convention are infringed in more than one Member State, there is no need to apply the law of each Member State to an action committed in its own territory. The rationale behind this concept is that in such circumstances, if a court decides to consolidate the infringement actions committed in different Contracting States into a single action, the forum will apply the principles of the community regulation to govern these actions. As to the national laws of each Member State where the act of infringement is committed, these laws will be called only to govern any issue that is not legalised in the community regulation. Hence, actions for infringement of parallel rights registered in accordance with a community regulation will be governed according to the rules of the regulation and, in such circumstances, the court is exempted from applying a separate law to govern each action.

There are three solutions to avoid applying the laws of different states to infringement actions committed in more than one country. The first logical solution tends to place a heavy burden on the litigants. In this concept, the court seizing the disputes will choose and apply a closely connected law to the actions. In cases where the court governs a right by a rule which is different from the rule established in the law of the state protecting that right, the parties are obliged to inform the court about this mistake. The core of this approach is introduced in section 321 of the American Law Institute Principles and article 3:603 of the Principles for Conflict of Laws in Intellectual Property. It has been said that the court could rely on certain factors to establish which law has a close connection to the actions. Some of these factors are as follows: A) The law of the place of residence of the parties. B) The law of a country where the contract of the parties is concentrated. C) The range of the investment and the activities of the parties. D) 'The principle market toward which the parties directed their activities.'⁴²⁶ As a result, the first approach

⁴²³ Richard Fentiman, 'Choice of Law and Intellectual Property' in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴²⁴ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴²⁵ Marcus Norrgard, 'Provisional Measures and Multiple Defendants in the MPI Proposal in Intellectual Property and Private International Law' in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); Richard Fentiman, 'Choice of Law and Intellectual Property' in Josef Drexl and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005); ThCJA Van Engelen, 'Jurisdiction and Applicable Law in Matters of Intellectual Property' [2010] 14.3 Electronic Journal of Comparative Law < <http://www.ejcl.org/143/art143-19.pdf> > accessed 12 Feb 2014.

⁴²⁶ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

prefers to apply the law of the closest state to the disputes and the parties must inform the court if it applies a principle which is different from the rule enacted in the law of the protecting state.

The second solution is to accept that when the act of infringement occurring in a state is small, the court should ignore the law of that state and, in such circumstances, applying the rules of *de minimis* is helpful. An example is where trademarks are infringed on the Internet in 20 states, but the impact of damage in some of these states is extremely low, or not at all. In these situations, there is no need to apply the laws of the 20 countries whose protection is sought and consideration should not be given to an act of infringement which results in a small amount of damage⁴²⁷. The third approach is contained in article 110 section 2 of the Swiss Private International Law 2007. It implies that after raising the dispute, the parties are allowed to sign an agreement to apply the law of the forum which holds the dispute. Hence, there is an approach that tends not to apply the law of a state if the damage that occurs in that state is extremely minor, while there is an approach that permits the parties to agree to apply the law of the court deciding the case to infringement actions.

4.4.7 The Scope of the Applicable Law

Another matter that needs to be clarified is the scope of the law of the protecting state. It has been said that this is not limited to defining only which acts constitute the infringement, but it expands to cover the conditions of liability, the assessment of damages and the suitable remedies for the infringement⁴²⁸. Moreover, the status and the validity of patents and trademarks must be governed by the law of the protecting state⁴²⁹. It has been said that in theory, if a forum has jurisdiction over the validity of a foreign right, it has to apply the law of the state of registration, because its judgment has *erga omnes* effects. Consequently, the outcome of applying law other than the law of the protecting country may violate the principle of international comity and public policy of the state of registration⁴³⁰. The law of the protecting state is also applied to govern the issue of who is entitled to acquire a patent or a trademark and matters relating to the creation of the right⁴³¹. Hence, the law of the protecting state is the law applicable to the validity of the right, the conditions of liability, the assessment of damages and the suitable remedies for the infringement.

⁴²⁷ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.48.

⁴²⁸ Marta Pertegás Sender, *Cross-border Enforcement of Patent Rights: An Analysis of the Interface between Intellectual Property and Private International Law* (1st edn, OUP 2002) para 2.121; Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* (1st edn, OUP 2008) para 8.25; Sophie Neumann, 'Intellectual Property Rights Infringements in European Private International Law: Meeting the Requirements of Territoriality and Private International Law' [2011] *Journal of Private International Law* 583, 600.

⁴²⁹ Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* (1st edn, OUP 2008) para 8.18.

⁴³⁰ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 93.

⁴³¹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 13.114, 13.115.

4.4.8 The Appropriate Approaches for Saudi Law

It is significant to re-emphasise that neither the Saudi Trademark Law, nor the Saudi Patent Law has an answer to the question of which law must be applied to infringement actions relating to patents or trademarks. However, it can be said with confidence that the appropriate law to govern these actions is the law of the protecting state. Therefore, the Saudi court must apply Saudi law to an act of infringement in relation to a Saudi patent and trademark. At the same time, when the Saudi forum considers an action for infringement of a foreign patent and trademark, the court must apply the law of the state of registration to the action.

There are several rationales for this suggestion. The first reason is that the state of registration runs its own examinations and protects these rights in accordance with its own laws. After the registration, protection is only given in the territory of the state of registration. The law of the protecting state must therefore govern the infringement actions occurring in that state. The second reason is that causes of action which constitute the infringement of a registered trademark or patent are defined precisely in the law of the protecting state. For example, article 43 of the Saudi Trademark Law clarifies certain actions which constitute liability for the infringement and articulates that any person who commits one of specific actions against a Saudi registered trademark is regarded as an infringer of that mark. Article 47 of the Saudi Patent Law implies that a patentee can commence a claim against any person who infringes his patent without his consent, providing that the infringement action is committed in Saudi Arabia. The Article regards certain actions as exploitation of the invention. Therefore, it is not logical to apply foreign law to actions for infringement of Saudi patents and trademarks, because the foreign law may regard an act as an infringement that constitutes a liability, while Saudi law does not regard it as an infringement of Saudi rights. Thirdly, applying a law other than the law of protecting state to infringement actions is inconsistent with the principle of territoriality and may harm the public interests and economy of the protecting state. Hence, the Saudi forum must apply the law of the protecting state to actions for infringement of patents and trademarks.

The Saudi court should apply the law of the protecting state to govern liability, the assessment of damages and the suitable remedies for the infringement. With regard to the issue of the validity of a right, it has been concluded above⁴³² that the Saudi forum does not have jurisdiction over the validity of a foreign right. Therefore, there is no need to establish a rule regarding this point. However, in theory, if the Saudi forum is allowed to hear the validity of a foreign right, the court must apply the law of the protecting state to govern the issue. In cases where the Saudi forum rules on the validity of a Saudi right, the court must not call upon foreign law to validate or invalidate the right concerned. Instead, the court

⁴³² See Section 3.2.3.5, above.

must apply Saudi law to govern the validity of the right. Finally, the litigants are prevented from choosing foreign law to govern infringement actions and the issue of the validity. Hence, the Saudi court must apply the law of the protecting state to infringement actions, validity issues, liability, assessment of damages and suitable remedies for the infringement.

In cases where the Saudi forum consolidates infringement actions committed in more than one state into one action, it must apply the law of the protecting state to each action. In such circumstances, it should be noted that there are many international conventions, such as the Paris Convention, which have been ratified to establish general principles concerning patents and trademarks. These agreements tend to institute minimum standards, in order to protect these rights. For example, article 25 section 2 of the Paris Convention states, ‘At the time a country deposits its instrument of ratification or accession, it will be in a position under its domestic law to give effect to the provisions of this Convention.’ Hence, the Paris Convention provides the Contracting States with minimum standards of protection for patents and trademarks⁴³³. In addition, when the defendants infringe parallel rights registered in accordance with a community regulation, the Saudi forum and the litigants will not face particular difficulties relating to the law applicable to infringement actions. The court will apply the rules of the community regulation to the infringement actions and will call on the national laws of each protecting state, in which its own right is concerned, to a point that is not legalised in the community regulation. Based on this fact, as there is a community regulation in the Arab States of the Gulf to regulate the principles of patents between these states, it is significant to issue the Trademark Regulation of the Cooperation Council for the Arab States of the Gulf, in order to harmonize the rules of trademarks between the Arab States of the Gulf.

When the Saudi forum consolidates infringement actions relating to parallel national rights into one action, it is logical to follow the approach that the court should apply a closely connected law to the disputes. The parties should inform the court if it governs a right by a rule which is different from the rule established in the law of the state protecting the right concerned. The rationale behind this suggestion is that this approach raises a concern if there is a difference between the principles of applicable law and the rules of law of the protecting state. In such circumstances, each party will protect his interests and inform the court about the rules of the law of the protecting state. This approach becomes more logical when it is considered in conjunction with the fact that there are international agreements, such as the Paris Convention, that provide minimum standards of protection for patents and trademarks. Based on this fact, in theory, while the laws of the protecting states may have differences relating to the issues of the assessment of damages and suitable remedies for the infringement, the laws may not have a distinction concerning the events which constitute the infringement.

⁴³³ Khalid Yahea Alsabahen, *The Novelty in Patents: A Comparative Study in Jordanian Laws, Egyptian Laws and International Agreements* (1st edn, Dar Althaqafa 2009) 135.

4.5 The Applicable Law to Contractual Obligations

Pursuant to the Saudi Trademark Law, the Saudi Patent Law and the Patent Regulation of the Cooperation Council for the Arab States of the Gulf, a right holder is allowed to assign, license or exchange his right to a person, a company or an institution in order to exploit the right. Here, the logical question arises: if a Saudi forum is chosen to rule on a contract in relation to the exploitation of a patent or a trademark, which law can the court apply? As outlined above⁴³⁴, according to the Saudi rules of choice of law, the Saudi forum must apply Saudi law and the rules of Sharia to the disputes, regardless of the nature of the cases and the nationality of the litigants. Based on this fact, if the parties agree to apply foreign law to contractual obligations, Saudi law will override this agreement. Hence, the aim of this section is to analyse and evaluate the principles of the question of which law should be applied to govern contracts in relation to the exploitation of patents or trademarks. This examination is significant to clarify an appropriate approach to be incorporated into Saudi law.

The agreed principle is that the parties are allowed to choose a specific law to govern contractual obligations. Not only that, but they can also alter their agreement and select another law to govern the obligations. In addition to article 3 section 1 of the Rome I Regulation, this principle has been followed in many countries, such as Jordan, Iraq, Egypt⁴³⁵ and England⁴³⁶. In situations where the parties to a contract choose a particular court to determine their potential disputes, the jurisdiction clause does not include the choice of applicable law to govern their litigation. However, in England, it is likely that the parties have in mind to apply the law of the chosen court to the cases⁴³⁷. Therefore, the parties to a contract are allowed to select a specific law to govern their contractual obligations.

However, if there is an absence of choice, there are two approaches, one of them could be called the 'restrict notion' and the other concept is more flexible in comparison.

4.5.1 The First Approach

This approach concludes that there are certain fixed standards that have to be applied to clarify the suitable and applicable law to govern contractual obligations. The principle, which is followed in Jordan, Iraq and Egypt, is that in the absence of choice, the law governing a contract that involves a foreign element is the law of the community place of residence of the litigants. However, if the parties do not

⁴³⁴ See Section 4.2.1, above.

⁴³⁵ Mamdoh Abdulkareem Hafeth Armosh, *Private International and Comparative Laws*, vol 1 (Dar Althaqafa Library 1998) 164; Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 316; Ahmed Alfadhly, *The Summary of Private International Law, Conflict of Laws, Conflict of International Jurisdiction Rules and Enforcement of Foreign Judgments: An Analysis Study* (1st edn, Dar Qendel 2004) 185, 186; Khaleb Ali Aldawody, *A Comparative Study on Private International Law: International Jurisdiction Rules, Conflict of Laws and Enforcement of Foreign Judgments* (1st edn, Dar Elthqafa 2011) 216.

⁴³⁶ CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 203.

⁴³⁷ CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 212; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.36.

have a community place of residence, the law of the state where the contract is concluded is the applicable law to govern that contract⁴³⁸. In addition, the abandoned Taiwanese Private International Law 1953 applied a rigid approach. According to article 6 of the Law, the applicable law will be defined, based on the following factors: the nationality of the parties if they have identical nationality, the place where the contract was concluded, the place where the deal was created and the place of residence of the offeror⁴³⁹. Article 122 section 1 of the Swiss Private International Law 2007 applies the same concept to a contract relating to the exploitation of a patent or a trademark. The article establishes a fixed principle to clarify the applicable law and states, ‘Contracts concerning intellectual property rights shall be governed by the law of the state’ where the licensor or transferor ‘has his place of habitual residence’. The American Law Institute Principles are in line with this approach and state in section 315 subsection 2 of the Principles that, ‘The contract is presumed to be most closely connected to the state in which the assignor or the licensor resided at the time of the execution of the contract.’⁴⁴⁰ Hence, in the absence of choice, the forum deciding the dispute will not face particular difficulties determining the law applicable to contractual obligations, because it applies specific standards to realise that law.

4.5.2 The Second Approach

The second approach allows the court to evaluate the situation and apply the suitable law to the dispute. This approach, which is upheld in England, accepts that in the absence of choice, the court should consider the centre of gravity of the contract, in order to expose the proper law, and apply the law of the state which has ‘closest and most real connection’ to the dispute⁴⁴¹. Article 20 section 2 of the Taiwanese Private International Law 2011 and article 8 of the Japanese Private International Law 2006 apply the same concept⁴⁴². Hence, in the absence of choice, the forum should govern contractual obligations by the law of the country having a close connection to the dispute.

The Rome I Regulation applies the same approach. The law of the state of residence of a party who affects the performance of the contract is the most appropriate law to be applied. In cases where that party is a legal personality, the law of the state where its central administration is located is the best law to

⁴³⁸ Mamdoh Abdulkareem Hafeth Armosh, *Private International and Comparative Laws*, vol 1 (Dar Althaqafa Library 1998) 164; Abdulkareem Mohsen Abo Dalo, *Conflict of Laws in the Intellectual Property: A Comparative Study* (1st edn, Dar Wael 2004) 316; Ahmed Alfadhly, *The Summary of Private International Law, Conflict of Laws, Conflict of International Jurisdiction Rules and Enforcement of Foreign Judgments: An Analysis Study* (1st edn, Dar Qendel 2004) 184; Khaleb Ali Aldawody, *A Comparative Study on Private International Law: International Jurisdiction Rules, Conflict of Laws and Enforcement of Foreign Judgments* (1st edn, Dar Elthqafa 2011) 219.

⁴³⁹ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴⁴⁰ *ibid.*

⁴⁴¹ CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 204; See also James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 708.

⁴⁴² Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

govern the contract⁴⁴³. If the contract is performed in a specific place of business, the law of that place is the best law to govern the contract⁴⁴⁴. In addition, the court may clarify the law applicable to the contract depending on its nature or its subject⁴⁴⁵. With regard to patent and trademark disputes, it is noted that in the absence of choice, article 4 section 1 of the Rome I Regulation introduces fixed rules to clarify the characteristic performer of a franchise contract, a distribution contract and a contract for the sale of goods. According to subsection E, the franchise contract is governed by the law of the state where the franchisee has habitual residence. Pursuant to subsection F, the distribution contract is governed by the law of the country where the distributor has habitual residence. Subsection A states that the sale of goods contract is governed by the law of the state where the seller has habitual residence.

The original proposal of the Regulation was contained a principle which concerned a contract for exploitation of intellectual property rights⁴⁴⁶ and applied the law of the assignor or licensor. This rule was deleted, because it was thought to be insignificant⁴⁴⁷. In addition, the contract in relation to exploitation of a trademark or a patent does not have a clear meaning. Therefore, it may contain many elements which are legalised in article 4 section 1 of the Rome I Regulation. Because there may be conflict between these elements, it was considered unproductive to institute a specific rule for contracts for the exploitation of intellectual property rights. For example, a contract for franchising or distributing may contain sufficient elements of intellectual property. Thus, if there is a principle in article 4 section 1 of the Regulation regarding intellectual property rights and the law of the state where the assignor or licensor has a place of residence is applied, there may be a clash with the other rules in article 4 section 1⁴⁴⁸. Inconsistency will exist, because the franchise contract is governed by the law of the state where the franchisee has habitual residence, while the deleted principle relating to the contract for the exploitation of intellectual property rights applied the law of the state where the assignor or licensor has a place of residence. In such circumstances, the laws of the states where the licensee has a place of residence and where the licensor has habitual residence become applicable to the contract. Therefore, article 4 section 2 of the Regulation will operate to disregard the previous principles and applies, ‘the law of the country where the party required to effect the characteristic performance of the contract has his habitual residence’. Hence, if the parties to a contract in relation to the exploitation of a patent or a trademark do not choose the law

⁴⁴³ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.46.

⁴⁴⁴ *ibid.*

⁴⁴⁵ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 709.

⁴⁴⁶ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 723; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.53.

⁴⁴⁷ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.53.

⁴⁴⁸ *ibid* 14.53.

applicable to contractual obligations, it is not practical to institute a fixed single rule to establish the applicable law.

Contrary to the conclusion of the previous paragraph, there are two situations in which it may be effective to apply the rules of article 4 section 1 of the Rome I Regulation to identify the applicable law. The first scenario is in a simple type of a contract. For example, if a patent or a trademark is assigned for money. This contract could be governed by the law of the place of habitual residence of the assignor, or the transferor, because the contract resembles a sale contract and it is obvious that the characteristic performance of the contract is the assignment⁴⁴⁹. The second situation is when the contract could be described clearly as a distribution or franchise contract. In such circumstances, the court may apply the law of the state of the distributor or franchisee to govern the contract. The elements of trademark and patent included in this contract may be governed by the same applicable law, in particular, when there is no inconsistency with the other rules enacted in article 4 section 1 of the Regulation and the contract is not closer to another specific country⁴⁵⁰. Hence, in the absence of choice, the forum could apply the rules which are established in article 4 section 1 of the Rome I Regulation to govern a contract of sale, distribution or franchising, providing that the patent and trademark contract resembles them.

Complexities emerge in circumstances where a contract for the exploitation of a patent or a trademark is in connection with more than one state. For instance, if the license is granted to exploit a patent, the licensor often imposes some conditions to restrict the freedom of exploiting of his invention. In such circumstances, although the commercial risks are on the licensee, the characteristic performance of the licensor undoubtedly affects the contract. The characteristic performance of the licensee or the transferee also affects the contract, because it is performed chiefly in his habitual residence or principal place of business⁴⁵¹. Moreover, complications will also emerge when payment is on a percentage basis, or when one contract is to produce and distribute, with marketing, the invention⁴⁵². In these situations, it is difficult to establish a single fixed rule to identify the law applicable to contractual obligations and it is not helpful to govern them by the law of the state of the party who performs the contract. The best solution seems to be that the law of the state having a closest connection to the contract should govern

⁴⁴⁹ CLIP, 'Comments on the European Commission's Proposal for a Regulation on the Law Applicable to Contractual Obligations (Rome 1) of 15 Dec 2005 and European Parliament Committee on Legal Affairs' Draft Report on the Proposal of 22 Aug 2006' (Max Planck Institute for Intellectual Property and Competition Law, Munich, 4 January 2007) available at <http://www.ip.mpg.de/shared/data/pdf/clip-rome-i-comment-04-01-20062.pdf> accessed on 26/09/2013; James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.63.

⁴⁵⁰ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.57.

⁴⁵¹ CLIP, 'Comments on the European Commission's Proposal for a Regulation on the Law Applicable to Contractual Obligations (Rome 1) of 15 Dec 2005 and European Parliament Committee on Legal Affairs' Draft Report on the Proposal of 22 Aug 2006' (Max Planck Institute for Intellectual Property and Competition Law, Munich, 4 January 2007) available at <http://www.ip.mpg.de/shared/data/pdf/clip-rome-i-comment-04-01-20062.pdf> accessed on 26/09/2013.

⁴⁵² James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.59, 14.64.

contractual obligations⁴⁵³. Hence, in a complex type of a contract, the law of the closest connected state to the contract is the best law to govern contractual obligations.

Various approaches are suggested to the question of which state has a closest connection to the complex type of a contract relating to the exploitation of a patent or a trademark. The first approach applies the law of the state where the defaulting party is resident⁴⁵⁴. The second concept inclines to govern the contract by the law of the country of habitual residence of the licensee⁴⁵⁵. The third approach applies the law of the state of habitual residence of the licensor⁴⁵⁶. The fourth view prefers to apply the law of the protecting state⁴⁵⁷. Although each case must be determined independently, the fourth approach seems to be the most convincing concept to be followed⁴⁵⁸. This approach is suggested in article 306 of the Transparency Principles⁴⁵⁹. In India, the same approach seems to be applied in such circumstances, because two of the options are the law of the protecting state and the law of the country where the obligations are performed⁴⁶⁰. Hence, in complex types of contracts in relation to the exploitation of patents or trademarks, if the parties do not select the law applicable to contractual obligations, it appears that the best law to govern these contracts is the law of the protecting state.

In cases where the parties to a contract for the exploitation of patents or trademarks in more than one state do not choose the law applicable to contract, there are two approaches. The first concept tends to apply the law of the state of habitual residence of the licensee⁴⁶¹. The second approach is contained in article 306(2) of the Transparency Principles. It provides that in such circumstance, the law of the state of habitual residence of the right holder should be applied to the effects and formation of the contract. Kono and Jurcys report that this approach is preferred to minimise the difficulties linked with applying the law of the state having a closest connection to the contract⁴⁶². Article 306(3) of the Transparency Principles provides an ‘escape clause’ to this approach, because it implies that ‘the law of another state that is more closely connected to the contract may be applied.’⁴⁶³ Hence, in cases where the parties to a contract for the exploitation of parallel rights in many states do not choose the law applicable to the contract, the laws of habitual residence of the licensee and the right holder are suggested to be applied.

⁴⁵³ *ibid* 14.67.

⁴⁵⁴ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴⁵⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.77.

⁴⁵⁶ *ibid* 14.69.

⁴⁵⁷ *ibid* (n 455) 14.87.

⁴⁵⁸ *ibid* (n 455) 14.126.

⁴⁵⁹ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴⁶⁰ *ibid*.

⁴⁶¹ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.127.

⁴⁶² Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴⁶³ *ibid*.

4.5.3 The Appropriate Approaches for Saudi Law

It has been concluded above⁴⁶⁴ that the Saudi rules of choice of law must be revised and Saudi courts should be allowed to apply foreign law. Assuming that this recommendation is accepted, if the parties to a contract in relation to the exploitation of a patent or a trademark give jurisdiction to a Saudi forum over their potential disputes and choose foreign law to govern contractual obligations, the Saudi court must honour the parties' choice and apply the chosen law to the issues.

However, in the absence of choice, the Saudi forum must not follow the first approach which tends to apply specific standards to clarify the applicable law although the court may not face difficulties identifying the applicable law if it applies these standards. The rationale behind this conclusion is that this approach does not give flexibility to the Saudi forum to evaluate the circumstances of the issue and identify the most appropriate law to govern the contractual obligations. This flexibility is needed in patent and trademark disputes. For instance, if a contract to produce and exploit a Saudi patent is concluded in Japan and one of the parties resides in Qatar and the other is domiciled in India, the parties do not have a community place of residence. In such circumstances, according to the Jordanian, Iraqi and Egyptian approach, the contract should be governed by the law of the state where the contract is concluded. If the Saudi forum applies this standard, it should apply Japanese law to govern the contractual obligations, because the contract is concluded in Japan. Pursuant to article 122 section 1 of the Swiss Private International Law 2007, in the absence of choice, the contract will be governed by the law of the country where the licensor 'has his place of habitual residence'. If this place of habitual residence is in Oman and the Saudi forum applies this standard, it will apply Omani law to govern the contractual obligations. Applying specific standards to clarify the applicable law implies a critical fault, as it ignores entirely that there is a state which may have close connected elements to the issue and its law should be applied to the contractual obligations. In the previous examples, Saudi law might have the priority to govern the contractual obligations, because the contract is performed in Saudi Arabia and concerns the Saudi patent. For these considerations, this approach should be disregarded.

Instead, the Saudi forum should determine each case independently to define the state closely connected to the issue, in order to apply the law of that state to the contractual obligations. There are several factors which must be taken into account to clarify the appropriate law. For example, the community place of residence of the parties, the law of the state of registration of the right exploited and the law of the state where the contract is performed. The last factor should be given more consideration, because the exploitation of patents and trademarks is the most significant factor and occurs more often than not in the protecting state.

⁴⁶⁴ See Section 4.2.2, above.

4.6 The Exceptions on Applying Foreign Law

When a Saudi court decides to apply foreign law, it does not mean this law is applied without restrictions, because the forum is allowed to observe the foreign law and not to apply it in certain circumstances.

4.6.1 The Public Policy

The first situation concerns the concept of public policy, which is generally regarded as a reason to refuse to apply foreign law to the disputes if the law is inconsistent with the public policy of the forum seised⁴⁶⁵. This principle is recognised worldwide; the implication and meaning of public policy varies from a state to another⁴⁶⁶. The general definition of this phrase is that it is an emergency rule that leads a court not to apply foreign law in certain situations, because applying this law will produce an unacceptable judgment⁴⁶⁷. Hence, the court will not apply foreign law if it is inconsistent with its own public policy.

When considering an appropriate approach for Saudi law, it can be said that if the Saudi forum reaches the conclusion that the law of a foreign state is inconsistent with Saudi public policy, the court must refuse to apply the law to the dispute. At the same time, because the rules of Sharia are regarded as Saudi public policy⁴⁶⁸, the Saudi forum must not apply the law of a foreign state if it is inconsistent with these rules. This approach is in line with previous suggestions⁴⁶⁹ that the Saudi forum should apply foreign law, providing that it is not inconsistent with the rules of Sharia or Saudi public policy. No reported judgment from Saudi courts has been found as yet which can be used as an example of refusal to apply foreign intellectual property laws when they are inconsistent with the rules of Sharia. However, the High Court in the Board of Grievances has issued many judgments confirming the principle that trademarks which are incompatible with the rules of Sharia and Saudi public policy must not be registered in Saudi Arabia. This principle is articulated in article 2 section D of the Saudi Trademark Law. For example, in the case no 405/1/Q in 1427 H⁴⁷⁰, the High Court in the Board of Grievances issued its judgment no 350/T/5 in 1427 H on 27 August 2006 and affirmed the order from the Saudi Trademark

⁴⁶⁵ Fua'ad Dheb, *Private International Law: Conflict of Laws* (University of Aleppo 1992) 136; Ahmed Alfadhly, *The Summary of Private International Law, Conflict of Laws, Conflict of International Jurisdiction Rules and Enforcement of Foreign Judgments: An Analysis Study* (1st edn, Dar Qendel 2004) 200.

⁴⁶⁶ Ahmed Alfadhly, *The Summary of Private International Law, Conflict of Laws, Conflict of International Jurisdiction Rules and Enforcement of Foreign Judgments: An Analysis Study* (1st edn, Dar Qendel 2004) 201; Khaleb Ali Aldawody, *A Comparative Study on Private International Law: International Jurisdiction Rules, Conflict of Laws and Enforcement of Foreign Judgments* (1st edn, Dar Elthqafa 2011) 240.

⁴⁶⁷ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.173.

⁴⁶⁸ The High Court in the Board of Grievances, *case no 2496/1/Q in 1425H, judgment no 137/T/4 in 1427 H, on 2 October 2006*, reported at Collection of Administrative Judgments and Principles, the Board of Grievances (1427 H) 2084.

⁴⁶⁹ See Section 4.2.2, above.

⁴⁷⁰ The High Court in the Board of Grievances, *case no 405/1/Q in 1427 H, judgment no 350/T/5 in 1427 H, on 27 August 2006*, reported at Collection of Administrative Judgments and Principles, the Board of Grievances (1427 H) 1733.

Office to refuse registration of a trademark because it contained a racist phrase. The court justified its judgment by the fact that the trademark was inconsistent with Saudi public policy and the rules of Sharia which reject the racism⁴⁷¹. Moreover, on 13 February 2006, the High Court in the Board of Grievances issued its judgment no 31/T/5 in 1427 H on the case no 695/1/Q in 1426 H⁴⁷² to cancel the order from the Saudi Trademark Office to register a trademark. The High Court in the Board of Grievances reasoned its judgment by the fact that the trademark contained a phrase which was inconsistent with the rules of Sharia and Saudi public policy⁴⁷³.

Also, in the light of the rules of Sharia, commercial dealing will not be allowed if the parties do not define the price of the deal⁴⁷⁴. Moreover, the deal will be refused when the goods are not available when the contract is concluded, or when the seller does not possess the goods⁴⁷⁵. Based on these principles, if the parties to a contract for the sale of a patent or a trademark give jurisdiction to a Saudi forum to rule on their disputes, it should not allow the deal when, for instance, the seller is not the owner of the right, or when the right in question was not available at the time of concluding the contract. In addition, usurious sales are prevented in the rules of Sharia⁴⁷⁶. Hence, when the parties to a contract in relation to the exploitation of a patent or a trademark choose foreign law to be the applicable law and give jurisdiction to a Saudi forum over their potential disputes, the court must not apply a rule of the chosen law if it forces a losing party to pay interest to the other party. In this subject, it is significant to mention that in the case no 2496/1/Q/ in 1425H⁴⁷⁷, the High Court in the Board of Grievances issued its judgment no 137/T/4 in 1427 on 2 October 2006 which refused to enforce part of a foreign judgment. This is because the judgment obliged the defendant to pay a certain amount of money as interest to the plaintiff. The forum justified its judgment by the fact that paying interest is not acceptable in the rules of Sharia⁴⁷⁸. Furthermore, according to the rules of Sharia, alcohol trade is not acceptable⁴⁷⁹. Based on this fact, it seems to me that a symbol or a name for alcoholic beverages, such as Scotch Whisky, which has been registered as a trademark, in accordance with a foreign IP law, is inapplicable in Saudi Arabia. This is because that trademark is inconsistent with the rules of Sharia and Saudi public policy. Therefore, the

⁴⁷¹ *ibid* 1736.

⁴⁷² The High Court in the Board of Grievances, *case no 695/1/Q in 1426 H, judgment no 31/T/5 in 1427 H, on 13 February 2006*, reported at Collection of Administrative Judgments and Principles, the Board of Grievances (1427 H) 1579.

⁴⁷³ *ibid* 1581.

⁴⁷⁴ Muhammad Ibrahim Altuwajery, *The Encyclopedia of Islamic Jurisprudence*, vol 3 (1st edn, International Ideas Home 2009) 388.

⁴⁷⁵ *ibid* 386, 388.

⁴⁷⁶ *ibid* (n 474) 387.

⁴⁷⁷ The High Court in the Board of Grievances, *case no 2496/1/Q/ in 1425H, judgment no 137/T/4 in 1427 H, on 2 October 2006*, reported at Collection of Administrative Judgments and Principles, the Board of Grievances (1427 H) 2080.

⁴⁷⁸ *ibid* 2086.

⁴⁷⁹ Ahmed Farraj Hussain, *The Entrance to Islamic Laws, the History of Islamic Fiqh, the Ownership and Contractual Doctrine* (Halabi Law Books 2002) 321.

Saudi court must not apply foreign law if it is incompatible with Saudi public policy or the rules of Sharia.

When the Saudi forum decides not to apply foreign applicable law for any reason, it is significant to ask the question: which law should be applied to the issue? In such circumstances, there is an approach that prefers to apply the law of the court holding the dispute. This concept is applied in Jordan⁴⁸⁰ and article 28 of the Civil Treatment Law of the United Arab Emirates applies the same principle. The same approach is recommended to be followed in England where the courts could apply English law if the applicable foreign law is not proved⁴⁸¹. In the case of *Global Multimedia International Ltd v ARA Media Services*⁴⁸², it was suggested that, ‘as foreign law is in most cases a question of fact to be proved by evidence, in the absence of such evidence the court has no option but to apply English law.’⁴⁸³ Also, the claim may fail if the proper applicable law to a contract is not English law and the principles of private international law in England indicate that, ‘some other system of law is applicable to the claim and if the relevant principles of that system of law are not sufficiently proved.’⁴⁸⁴ The conclusion is that the court could apply its national law if the chosen foreign law cannot be applied for any reason.

Assuming that the previous approach is recommended to be incorporated into Saudi law, it is significant to mention that in patent and trademark disputes, this approach might be effectively applied in cases where the Saudi forum decides not to apply the foreign law which governs a contract for the exploitation of a patent or a trademark. However, difficulties may emerge in relation to infringement actions which involve foreign rights. For example, if a Saudi court decides an action for infringement of a foreign right and concludes that the law of the protecting state could not be applied to the action for any reason, there is a concern as to applying Saudi law to the dispute. The rationale behind this concept is that if the court applies Saudi law to the dispute, its judgment may not be enforced, in accordance with the law of the state of registration of the right concerned. In addition, it has been concluded above⁴⁸⁵ that the Saudi court must apply the law of the protecting state to infringement actions and it cannot apply another law to the issues. In such subject, it has been said that the law of the court or the legislation concerned cannot be used to solve the problem in trademark and patent disputes⁴⁸⁶. Therefore, it may be appropriate to stay the court proceedings in such circumstances.

⁴⁸⁰ Khaleb Ali Aldawody, *A Comparative Study on Private International Law: International Jurisdiction Rules, Conflict of Laws and Enforcement of Foreign Judgments* (1st edn, Dar Elthqafa 2011) 250.

⁴⁸¹ Lawrence Collins and others (eds), *Dicey, Morris & Collins on the Conflict of Laws*, vol 1 (15th edn, Sweet & Maxwell 2012) para 9025.

⁴⁸² *Global Multimedia International Ltd v ARA Media Services* [2007] 1 All ER (Comm) 1160.

⁴⁸³ *ibid* at [38].

⁴⁸⁴ *ibid*.

⁴⁸⁵ See Section 4.4.8, above.

⁴⁸⁶ Richard Fentiman, ‘Choice of Law and Intellectual Property’ in Josef Drexler and Annette Kur (eds), *Intellectual Property and Private International Law: Heading for the Future* (Hart Publishing 2005).

4.6.2 Fraud, the Mandatory Provisions, Overriding Mandatory Provisions and the Property Aspects of Patents or Trademarks

The second reason leading the court to refuse to apply foreign law to the dispute is in relation to the theory of fraud towards the law. This occurs when a party's legal conduct is intended to change the rules of applicable law and to obtain a judgment favourable to him⁴⁸⁷. In this context, it has been said that if the parties to a contract choose a specific law to govern contractual obligations, the chosen law must have a logical connection with that contract and there must be real benefits to this choice. If not, there is a possibility of fraud⁴⁸⁸. Hence, the court must evaluate the connection between the law chosen by the parties and the contract, and the forum may refuse to apply the chosen law if it is satisfied that the choice is based on fraud towards the original law.

However, the Rome I Regulation presents another approach and does not stipulate the connection between the chosen law and the contract or nationality or the domicile of the parties⁴⁸⁹. Instead, article 3 section 3 states that in cases where the parties to a contract choose the law of a state and 'all other elements relevant to the situation at the time of the choice are located in a country other than the country whose law has been chosen', the mandatory provisions of that other state have to be applied. These provisions have been defined as 'which cannot be derogated from by agreement'. Clarkson and Hill say, 'if a contract entirely connected with France contains a provision for disputes to be litigated in England under Brazilian law the English court, while applying Brazilian law generally, must nevertheless apply any relevant mandatory provisions of France law.'⁴⁹⁰

In addition, article 9 of the Regulation imposes upon the court, which seizes the dispute, a duty to apply the 'overriding mandatory provisions'. Section 1 of the Article defines these provisions as provisions the respect for which is regarded as crucial by a country for safeguarding its public interests, such as its political, social or economic organisation, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to the contract under this Regulation.

Sections 2 and 3 of the article imply that the court is allowed to apply its own 'overriding mandatory provisions' and those of a state 'where the obligations arising out of the contract have to be or have been performed'. Section 3 of the article limits the application of the overriding mandatory provisions of the

⁴⁸⁷ Ahmed Alfadhly, *The Summary of Private International Law, Conflict of Laws, Conflict of International Jurisdiction Rules and Enforcement of Foreign Judgments: An Analysis Study* (1st edn, Dar Qendel 2004) 208; Khaleb Ali Aldawody, *A Comparative Study on Private International Law: International Jurisdiction Rules, Conflict of Laws and Enforcement of Foreign Judgments* (1st edn, Dar Elthqafa 2011) 252.

⁴⁸⁸ Okasha Muhammad Abdulaal, *Private International Law in United Arab Emirates*, vol 1 (1st edn, Dar Elmatboat Eljamiaiah 1997) 325.

⁴⁸⁹ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴⁹⁰ CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 232.

state where the obligations of the contract have to be performed, ‘in so far as those overriding mandatory provisions render the performance of the contract unlawful’. In this subject, Clarkson and Hill write

The effect of article 9(3) is that where the applicable law is the law of country X but the obligations arising out of the contract have to be, or have been, performed in country Y, effect may be given to the overriding mandatory provisions of the law of country Y in so far as those overriding mandatory provisions render the performance of the contract unlawful.⁴⁹¹

Hence, article 9 of the Rome I Regulation provides that the ‘overriding mandatory provisions’ of the forum and the state of performance may be applied.

There are two aspects of patent and trademark provisions that will lead them to be identified, in general terms, as overriding mandatory rules. The first theory is the link between these rules and competition laws which are always mandatory⁴⁹². The second theory is based on the principle of territoriality. In this subject, Fawcett and Torremans state that in relation to infringement rules ‘Inside the territory of a State, these infringement rules are of mandatory application to the exclusion of other rules.’⁴⁹³ This concept was used in the case of *Mölnlycke AB v Procter Gamble Ltd*⁴⁹⁴, where Fawcett and Torremans point out that when an act of infringement concerns a UK patent, ‘There is no discussion of whether English law was applicable under the tort choice of law rules; it was assumed that the infringement provisions in the Patents Act 1977 would apply automatically in this scenario.’⁴⁹⁵ This approach may apply without concerns in relating to the property aspects of patents or trademarks. However, if this approach is applied to contractual area, it means that all contractual dealings will be governed by the law of protecting state⁴⁹⁶. The main problem is ‘the identification of rules as being mandatory in nature’, because not all rules of patents and trademarks are identified ‘as being mandatory in nature’ although in patent and trademark laws, the overriding mandatory provisions are more ‘than in most ‘normal’ areas of law’⁴⁹⁷. Hence, overriding mandatory rules play a significant role in a contract relating to the exploitation of a patent or a trademark even though not all intellectual property rules are identified as being mandatory.

In cases where the parties are in a contract for the exploitation of a patent or a trademark, there is an approach that prefers that the law of the protecting state should govern the property aspects of the right

⁴⁹¹ *ibid* 233.

⁴⁹² James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 14.165.

⁴⁹³ *ibid* 14.166.

⁴⁹⁴ *Mölnlycke AB v Procter Gamble Ltd* [1992] 1 WLR 1112 (Civ).

⁴⁹⁵ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 15.67.

⁴⁹⁶ *ibid* 14.166.

⁴⁹⁷ *ibid* (n 495) 14.172.

exploited⁴⁹⁸. As to the contractual obligations, they will be subject to the law chosen by the parties. In Canada, the same approach is followed. In this subject, Kono and Jurcys report, ‘In cases of IP-related contracts, Canadian Courts would distinguish the law applicable to contractual obligations and the law which governs issues related to IP rights themselves. The law chosen by the parties ... would not affect such issues as the transferability or waivability of IP rights.’⁴⁹⁹ The same notion is also followed in Japan ‘and matters pertaining to the IP right itself, which would be subject to’ the law of protecting state in a contract relating to transfer of IP rights. Article 24 of the Korean Private International Law is in line with this concept⁵⁰⁰. On the contrary, according to article 302 section 2 of the Waseda Principles and article 20 section 2 of the Korean Principles, the parties to a license agreement are allowed to choose a particular law to govern the proprietary aspects of IP rights, such as the validity, existence and transferability, providing that the judgment relating to these issues affects only the parties to the dispute⁵⁰¹. Hence, in a contract for the exploitation of a patent or a trademark, the law of the state of registration is the applicable law to the property aspects of the right exploited and the parties are not allowed to agree to apply another law to these issues.

When suggesting an appropriate approach for Saudi law, it is important to mention that in patent and trademark disputes, it is difficult to refuse to apply the chosen law to contracts in relation to the exploitation of patents or trademarks and justify the refusal on the grounds of fraud towards the original law. This is because the parties have the complete freedom to select the law applicable to the issues. In such circumstances, if the chosen law is required to have a real connection with the contract, the parties might have a few potential options, such as the law of the state where the right is protected and exploited and the laws of the states where the parties are resident. The situation becomes more complex in cases where the license is granted to exploit parallel rights in more than one country. In addition, the law governing infringement disputes is the law of the protecting state and the litigants are not allowed to agree to apply another law to the actions. Hence, in patent and trademark disputes, it seems to me that it is difficult to use the concept of fraud as a justification to refuse to apply foreign law.

However, it is significant to re-state the conclusions reached above,⁵⁰² that the Saudi court must apply the law of the protecting state to infringement actions and the parties are not allowed to agree to apply another law to the disputes. It has also concluded⁵⁰³ that Saudi law must honour the parties’ choice

⁴⁹⁸ It significant to mention that it has been concluded that the property aspects of transfer patents or trademarks are not governed by the Rome I or the Rome II Regulations. See Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁴⁹⁹ Toshiyuki Kono and Paulius Jurcys, ‘General Report’ in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁵⁰⁰ *ibid.*

⁵⁰¹ *ibid.*

⁵⁰² See Section 4.4.8, above.

⁵⁰³ See Section 4.5.3, above.

to apply a specific law to contracts in relation to the exploitation of patents or trademarks. It therefore follows that if the parties to a contract for the exploitation of a Saudi right choose foreign law to govern the contract disputes, the Saudi forum must apply Saudi law to disputes, such as infringement actions. This is because in such circumstances, the application of Saudi law is mandatory and foreign law cannot be applied to these actions. The contractual obligations can be governed by the law chosen by the parties. If the right exploited is foreign, the Saudi court must apply the law of the protecting state to infringement actions, regardless of which law is chosen to govern contractual obligations. Similarly, for the same reason, the Saudi court should govern issues relating to property aspects of patents or trademarks, such as the creation, duration and transferability of rights, by the law of the protecting state, regardless of which law is chosen to govern the contract disputes. In addition, the Saudi court is recommended to apply provisions of the law of the state of performance that are mandatory to be applied, in order to safeguard public interests, such as social, political or economic organisation of that state, irrespective of which law is applicable to the contract. The application of this principle should be limited to circumstances where the performance of the contract is illegal in accordance with the law of the place of performance. Finally, as has been examined above⁵⁰⁴ that the Saudi court must not apply foreign law if it is inconsistent with the rules of Sharia or Saudi public policy. The explanation which has been made in that section applies in this context also.

4.7 The Conclusion

Throughout the discussion in this chapter, the Saudi rules of choice of law have been explained and evaluated. In addition, the question of which law is applicable in the light of the rules of Sharia has been illustrated. Moreover, this study has analysed the question of which law should be applied to govern infringement actions and contracts in relation to the exploitation of trademarks and patents. Moreover, the limitations which prevent Saudi courts from applying foreign law have been briefly introduced. Finally, I will focus on some essential outcomes for consideration.

4.7.1 The Remarkable Findings

The Saudi rules of choice of law, which apply to all disputes brought before Saudi forums, state that the court can only apply the rules of Sharia and laws which are promulgated by the Saudi government and not incompatible with the rules of Sharia. The implication of these principles is that the Saudi court is not allowed to apply foreign law to disputes at all, even if the law is not inconsistent with the rules of Sharia⁵⁰⁵. In practice, these principles may be applied without concern if Saudi law or the rules of Sharia are the law applicable to the issues. However, in cross-border disputes relating to trademarks and patents,

⁵⁰⁴ See section 4.6.1, above.

⁵⁰⁵ See Section 4.2.1, above.

which are brought before the Saudi court, the applicable law may be foreign. It exists in circumstances where the forum rules on an action for infringement of a foreign right, or in cases where the parties to a contract in relation to the exploitation of a patent or a trademark give jurisdiction to the Saudi court and choose foreign law to govern contractual obligations. In such circumstances, the Saudi forum has two theoretical approaches to handle the situation; staying its own proceedings or applying Saudi law to the disputes⁵⁰⁶.

The former approach is not acceptable, because it is contrary to the duty of the court to bring justice for the parties. The latter approach is also unacceptable, because it leads to harm to the interests of the parties who choose a specific law to govern their contractual obligations. Moreover, Saudi law might not provide any solution to the disputes brought before the Saudi forum. Furthermore, based on justice and international comity, the Saudi court must regard and apply the laws of foreign states, because the facts which involve foreign applicable law are significant to the realisation of justice. Saudi law might also prevent the parties from enforcing a right authorised, in accordance with the original applicable law, or may give the litigants a right which is denied according to the original applicable law. The direct negative consequence of applying the Saudi rules of choice of law is that parties will avoid bringing their disputes before Saudi forums. This outcome must be considered in conjunction with the fact that there are several legal means to resolve disputes, such as arbitration. Moreover, this approach may lead to undermining the possibility of exploiting patents or trademarks registered in Saudi Arabia. It may occur in cases where a right holder, a licensee or a professional exploiter, who wants to exploit these rights in Saudi Arabia, prefers a Saudi court to decide potential differences and choose a particular foreign law to govern contractual obligations. Certainly, it is not practical to follow the Saudi rules of choice of law and these rules should be revised. The Saudi forum must be allowed to apply foreign law, providing that it is not inconsistent with Saudi public policy or the rules of Sharia⁵⁰⁷.

In the light of the rules of Sharia, the principle of applicable law is that the parties are allowed to make contracts and run businesses, providing that these actions do not contain any clauses or subjects inconsistent with the rules of Sharia. Consequently, when this conclusion is considered in conjunction with the Saudi rules of choice of law, it seems to me that the Saudi approach is inconsistent with the rules of Sharia. This is because it prevents the Saudi court from applying foreign law at all, even if the law is not inconsistent with the rules of Sharia, while Islamic jurisprudence obliges Islamic courts to review the applicable law initially and not to apply a clause or a matter inconsistent with the rules of Sharia. On the other hand, the Saudi forum could apply foreign law if it relies on articles 7 and 46 of the Basic Law of Governance, as these articles conclude, ‘the Book of God Most High and the Sunnah of his Messenger’,

⁵⁰⁶ See Section 4.2.2, above.

⁵⁰⁷ *ibid.*

which is the original sources for the Islamic jurisprudence, dominate the judiciary and all the laws of the Saudi government. The Saudi forum can therefore apply foreign law if it is not inconsistent with the rules of Sharia. Unfortunately, the Saudi forum is not allowed to apply foreign law, because article 1 of the Law of Procedure before Shari'ah Courts and article 48 of the Basic Law of Governance state that the Saudi court only applies the rules of Sharia and the 'laws promulgated by the State that do not conflict with the Qur'an and Sunnah'. These articles clarify the Saudi rules of choice of law⁵⁰⁸.

The Saudi Trademark and Patent Laws do not have a direct answer to the question of which law should govern infringement actions⁵⁰⁹. In this situation, there are two potential approaches: applying the law of the state of origin⁵¹⁰, or applying the law of the protecting state⁵¹¹. The former approach is only introduced theoretically, because it is inconsistent with the principle of the independence of each right in each state. Applying this theory leads to a negative impact on the parties to the dispute, the public interests and economy of the protecting state. Hence, in practice, this concept must be disregarded⁵¹².

The Saudi court must apply the law of the protecting state to infringement actions and the issue of the validity of trademarks or patents⁵¹³. The meaning of the law of the protecting state is that it is the law of the state where the right in question is registered and protected⁵¹⁴. The reason behind this suggestion is that this approach confirms the principle of independence and the principle of the territoriality of these rights. Moreover, it protects the public interests and economy of the state of registration. In addition, there is no strong argument against this approach⁵¹⁵. Some countries apply the rules of tort to infringement actions. These rules imply that the law of the state where the act of infringement is committed must be called on to govern the issue. Based on this fact, applying the rules of tort will result in the same conclusion as applying the law of the protecting state, because both approaches apply the law of the state of registration⁵¹⁶.

The Patent Regulation of the Cooperation Council for the Arab States of the Gulf confirms that the law of the protecting country is the applicable law to infringement actions, because article 26 of the Regulation states the principles of the Regulation must be applied to infringement actions relating to GCC patents. In cases where there is an issue that is not legalised in the Patent Regulation of the Cooperation

⁵⁰⁸ See Section 4.3, above.

⁵⁰⁹ See section 4.4, above.

⁵¹⁰ See Section 4.4.1 above.

⁵¹¹ See Section 4.4.2 above.

⁵¹² See Section 4.4.1, above.

⁵¹³ See Section 4.4.8, above.

⁵¹⁴ See Section 4.4.2, above.

⁵¹⁵ See Sections 4.4.2, and 4.4.8, above.

⁵¹⁶ See Section 4.4.3, above.

Council for the Arab States of the Gulf, the court, which seizes the dispute, must call on law of the state where the act of infringement is committed to govern that issue⁵¹⁷.

The parties are not allowed to agree to apply a law other than the law of the protecting state to infringement actions. This is to protect the public policy and economy of the state of registration.⁵¹⁸ Based on this fact, if parallel rights are infringed in more than one state and all actions are consolidated before a single court, the litigants and the forum will face the difficulty of investigating the law of each state, where the act of infringement occurs, in order to apply the law of the protecting state to the action occurring in that state. In these circumstances, the benefits of consolidating separate infringement proceedings before a single forum will be minimised, because the court holding the disputes is not allowed to apply a single law to all the actions⁵¹⁹.

When a Saudi forum decides to consolidate infringement actions committed in more than one country into one action, the court must apply the law of the protecting state to each action. Two principles are important to achieve this target. The first principle occurs when the rights at stake are parallel patents registered in accordance with the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. The Saudi forum will apply the principles of the community regulation to infringement actions. The law of a Member State, where there is an infringement committed within its national territory, will be called on to govern any issue which is not covered in the community regulation. It is important to mention that in order to harmonize trademark laws of the GCC Countries, the Trademark Regulation of the Cooperation Council for the Arab States of the Gulf, which has not yet been issued, should be promulgated and be in operation as soon as possible⁵²⁰.

The second principle is that in cases where the rights at stake are parallel national rights, it is appropriate to follow the approach that the Saudi court should apply the law of the state most closely connected to the disputes. If the forum applies a rule which is different from that established in the law of the protecting state, the parties should inform the court about this mistake. The rationale behind this suggestion is that there will be concerns about applying this approach if there is a difference between the ruling based on the law of the state most closely connected to the disputes and the principles of the law of the protecting state. In these situations, each party will protect his interests and inform the court about the rule in the law of the protecting state. This approach becomes more logical when it is considered in conjunction with the fact that there are international conventions, such as the Paris Convention, that provide minimum standards of the protection for patents and trademarks. The Saudi court may have no concerns regarding the issue of which acts establish liability for infringement, because these acts may not

⁵¹⁷ See Section 4.4.4, above.

⁵¹⁸ See Section 4.4.5, above.

⁵¹⁹ See Section 4.4.6, above.

⁵²⁰ See Section 4.4.8, above.

differ in the laws of the protecting states. However, these laws may have different approaches relating to the points of the assessment of damages and suitable remedies for the infringement⁵²¹.

The Saudi court must honour the parties' choice and apply the chosen law to contractual obligations in respect of a contract for the exploitation of a patent or a trademark. If a choice has not been made, the court must determine each case independently and it is appropriate to apply the law of the state most closely connected to the dispute. One of the most significant factors is the performance of the contract which occurs in the state where the right is registered and exploited. Generally, priority might be given to the law of the protecting state to govern contractual obligations⁵²².

When the Saudi forum decides to apply foreign law to patent and trademark disputes, the court is allowed not to apply the foreign law in certain circumstances. The first situation is when the parties to a license agreement choose a specific foreign law to govern the contract disputes. The chosen law will not govern infringement actions and property aspects concerning the right exploited, because the Saudi court must apply the law of the protecting state to these issues and the parties are not allowed to agree to apply another law to these disputes. In addition, the Saudi court should apply provisions established in the law of the state of performance which are crucial to be applied, in order to safeguard public interests, such as social, political or economic organisation of the state of performance, regardless of which law is applicable to the contract. The application of this ruling should be limited to situations where the performance of the contract is illegal pursuant to the law of the place of performance.⁵²³ The second limitation is that the Saudi forum must refuse to apply foreign law if it is inconsistent with Saudi public policy or the rules of Sharia. It is significant to mention that when the Saudi court decides not to apply foreign law for any reason, it may be effective to apply Saudi law to contractual obligations in respect of a contract for the exploitation of a patent or a trademark. However, there are concerns that the Saudi court is not allowed to apply Saudi law to actions for the infringement of foreign rights, because the law of the protecting state is the only law applicable to these disputes. In such circumstances, it may be appropriate to stay the court proceeding⁵²⁴.

4.7.2 The Recommendations

The previous analysis of the Saudi rules of choice of law does strongly recommend that the Saudi government must reform these rules to be more flexible, in order to attract litigants to bring their cases before Saudi forums. The Saudi legislators should consider such EU rules to find appropriate solutions for

⁵²¹ *ibid.*

⁵²² See Section 4.5.3, above.

⁵²³ See Section 4.6.2, above.

⁵²⁴ See Section 4.6.1, above.

Saudi law. They should also revise any approach that is inconsistent with the rules of Sharia or Saudi public policy, in order to be applicable in Saudi Arabia.

This investigation has shown that the Saudi legislators must revise article 1 of the Law of Procedure before Shari'ah Courts and article 48 of the Basic Law of Governance, because they prevent Saudi forums from applying foreign law at all, even if it is not inconsistent with the rules of Sharia. The findings of this study have recommended that the appropriate approach is as follows:

- A) The Saudi court may apply foreign law to cross-border disputes relating to patents or trademarks, providing that the law is not inconsistent with the rules of Sharia or Saudi public policy.

It has been shown that there is a strong need to revise Saudi law, in order to establish which law must be applied to infringement claims, validity issues and property aspects of patents or trademarks. In my opinion, it is appropriate and practical to incorporate into Saudi law the following approaches which are not inconsistent with the rules of Sharia or Saudi public policy. Therefore, there is no need to revise them.

- A) The Saudi forum must govern these issues by the law of the state where the protection is sought.
- B) The litigants are not allowed to agree to apply another law to these disputes.
- C) In cases where the Saudi court consolidates infringement proceedings, which concern parallel national rights and occur in more than one state, into a single action, the forum should apply the law of the state which has a close connection to the disputes. The litigants must inform the court if it applies a rule that is different from the rule established in the law of the state of registration.

The foregoing analysis has shown that the Saudi legislators should also reform Saudi law and sanction the question of which law must be applied to the contractual obligations of contracts in relation to the exploitation of patents or trademarks. In my opinion, the most possible and practical approach is that:

- A) The Saudi forum shall apply the law which is chosen by the parties to contractual obligations, providing that this law is not inconsistent with the rules of Sharia or Saudi public policy.
- B) In the absence of choice, the Saudi court should apply the closest connected law to the dispute.

Chapter 5: The Rules for Enforcement of Foreign Judgments

5.1 The Introduction

Recently, the subject of enforcement of foreign judgments has been extremely significant for cross-border disputes concerning trademarks or patents, because the plaintiff might have different grounds of jurisdiction to bring his dispute before different foreign courts. For example, in chapter three, where jurisdiction rules over these types of disputes have been analysed, it is noted that in cases where a dispute concerns an infringement issue, the plaintiff has more than one ground of jurisdiction to sue the alleged infringer. He can commence his claim before the court of the state where the defendant has a place of residence. He also can sue the alleged infringer before the forum of the state where the act of infringement is committed. In addition, in cases where multiple defendants infringe parallel rights in more than one country, the disputes might be consolidated before a single forum. Hence, cross-border disputes relating to trademarks or patents could be resolved before foreign courts and a Saudi forum may be asked to recognise or enforce the ensuing judgments if the losing parties have assets in Saudi Arabia. It is therefore significant to consider in detail: how does Saudi law handle foreign judgments in relation to patent and trademark disputes? It is important to note that when a judgment is pronounced in court, its effect does not exist directly outside the state where the judgment is issued, because of the protection of state sovereignty⁵²⁵. Instead, when a successful party wants to recognise or enforce a foreign judgment in Saudi Arabia, Saudi law stipulates certain criteria to recognise or enforce the judgment and give the provision of *res judicata* to that award. Thus, it is appropriate to examine and analyse the question of how Saudi law handles foreign judgments in relation to patent and trademark cross-border disputes. This is because these disputes may be determined outside Saudi Arabia and the Saudi forum may be required to recognise or enforce the ensuing judgments on the assets of the judgment debtors in Saudi Arabia.

The main aim of this chapter is to analyse the rules for enforcement of foreign judgments established in Saudi law and the agreements that the Saudi government has ratified. The chapter will be limited to the examination of those which may be affected in cross-border disputes relating to trademarks and patents. This examination is to clarify the question of whether or not Saudi law deals effectively with foreign judgments concerning these types of disputes. Several points must be examined and evaluated to achieve this target. Firstly, this study will illustrate briefly the most vital impacts of foreign judgments. Next, I will explain the method of enforcement of foreign judgments in Saudi Arabia. This chapter will focus on the question of which party can take advantage of these judgments and the possibility of changing or adjusting the subject of foreign judgments at the enforcement stage. Then, I will examine and evaluate the requirements which must be met in all foreign judgments to be capable of being enforced in

⁵²⁵ Muhand Esad, *Private International Law*, vol 2 (Office of Academic Publications 1989) 57.

Saudi Arabia. Finally, this chapter will conclude with the most significant findings and recommendations will be presented.

5.2 The Consequences of Foreign Judgments

It is significant to understand the impact of foreign judgments. The effects of these judgments will exist as soon as the original court issues the judgments. Therefore, there is no need to commence an enforcement claim to enforce the effects. In this section, the influences of foreign judgments will be briefly explained.

5.2.1 The Provisions of *Res Judicata*

The doctrine of *res judicata* holds that the subject of a dispute cannot be heard again if a court with competent jurisdiction over the dispute and the parties issues a final conclusive judgment on the litigation⁵²⁶. A judgment will fall within the provisions of *res judicata* if it is pronounced by a forum with competent jurisdiction, whatever its name, providing that it is regarded as a judicial tribunal according to the law of the state where the judgment is issued. It is also stipulated that the judgment is conclusive and made on its merits⁵²⁷. As soon as the judgment is subject to the provisions of *res judicata*, the parties are prevented from litigating the same cause of action again or recovering the damage against the same party in the former dispute⁵²⁸. The rationale behind this principle is to conclude the dispute finally and to avoid resolving the same case twice, which might result in inconsistent judgments for the same cause of action and between the same parties⁵²⁹. It is also to protect the interests of the successful party from losing his rights which are acquired outside the state where the judgment is sought to be enforced. In particular, when these rights are obtained in an acceptable manner within the law and there is no reason to refuse enforcement of the judgment⁵³⁰. After examining the meaning of the doctrine of *res judicata*, it is significant to examine Saudi law to clarify how the law applies this principle.

The rules of Sharia in relation to judgments issued by Islamic forums recognise the concept of *res judicata*. There are certain requirements which must be met to enable the provision of *res judicata* to apply to judgments of the Islamic courts. The judge who hears the issue must be qualified in accordance

⁵²⁶ Peter R Barnett, *Res Judicata, Estoppel and Foreign Judgments: The Preclusive Effects of Foreign Judgments* (1st edn, OUP 2001) para 1.11; James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 544; KR Handley, *Spencer Bower and Handley: Res Judicata* (4th edn, LexisNexis Butterworths 2009) para 1.01.

⁵²⁷ Peter R Barnett, *Res Judicata, Estoppel and Foreign Judgments: The Preclusive Effects of Foreign Judgments* (1st edn, OUP 2001) para 1.18.

⁵²⁸ Azalden Abdullah, *Private International Law*, vol 2 (9th edn, General Egyptian Book's Organization 1986) 836; Peter R Barnett, *Res Judicata, Estoppel and Foreign Judgments: The Preclusive Effects of Foreign Judgments* (1st edn, OUP 2001) para 1.41.

⁵²⁹ Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 28.

⁵³⁰ Hassan Alhadawi and Khaleb Ali Aldawody, *Private International Law, Conflict of Laws, Conflict of International Jurisdictions Rules and Enforcement of Foreign Judgments* (1st edn, the Ministry of High Education in Iraq 1982) 278.

with the rules of Sharia. The judgment must concern a real dispute between a specific attended debtor and creditor and must oblige certain obligations. If these criteria are met, the dispute must not be litigated again, unless an interested party discovers a testimony which would change the core of the judgment⁵³¹. Umar ibn al khattab, who is the second Khalifa for the Muslims, decided a legacy issue and after a long period of time, he was asked to rule on a dispute which was similar to the former issue. However, his judgment for the latter issue was different from the decision of the first dispute. When he was reminded about this dissimilarity, he answered that the former issue had its own judgment and the recent dispute has its own judgment. Ibn Qayyim al-Jawziyyah, a famous scholar in Islamic Jurisprudence, commented on this ruling and stated that in such circumstances, Umar ibn al khattab provided Muslim scholars with a fixed principle that judgments issued by Islamic forums will not be repealed or changed later⁵³². This ruling means that, a judgment, which is issued by a Muslim judge, has the concept of res judicata.

Saudi law gives the provision of res judicata to a judgment issued in Saudi Arabia. In such circumstances, the dispute cannot be heard again if a Saudi competent court issues a final judgment for the same cause of action between the same parties. This principle will be applied, regardless of whether or not the dispute is in connection with a trademark or a patent. However, this principle has an exception. Pursuant to article 42 of the Law of Procedure before the Board of Grievances and article 192 of the Law of Procedure before Shari'ah Courts, any interested party can ask the Saudi forum to reconsider the final judgment in certain circumstances. When, for instance, new events, facts or documents which would result in change to the core of the final decree are discovered. Thus, in general terms, Saudi forums cannot re-consider a final Saudi judgment.

Saudi law applies the provision of res judicata to a judgment issued in a foreign state. The Legal Declaration no 7 on 24 June 1985 from the head of the Board of Grievances states that if there is a judgment issued in a state which does not have a ratified judicial agreement with the Saudi government, the principles, which are adopted in article 2 of the Convention of Enforcing of the Judgments among the League of Arab States 1952, will be applied to that judgment. The implication of section D of the Article is that one of the reasons to refuse enforcement of a foreign judgment is in cases where the same cause of action between the same parties was subject to a previous judgment, whether it was issued in Saudi Arabia, or in a third party, providing that the first judgment is recognised in Saudi Arabia. Thus, Saudi law applies the provision of res judicata to a foreign judgment, providing that it is recognised in Saudi Arabia.

⁵³¹ Muhammad Naeem Yaseen, *The Res Judicata of a Judicial Judgment in Shari'ah Rules and Laws* (1st edn, Dar Alfurqan 1984) 9.

⁵³² Muhammad Ibn Abu Bakr Ibn Ayoub, *I'laam ul Muwaqqi'een 'an Rabb il 'Aalameen*, vol 2 (Mashhor Hassan Alsalman ed, 1st edn, Dar Ibn Aljawzi 2002) 207.

Pursuant to article 16 section C of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 21 section C of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 21 section C of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco, article 18 section C of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, article 30 section D of the Riyadh Arab Agreement for Judicial Cooperation and article 2 section C of the GCC Convention for the Execution of Judgments, in cases where a court of a Member State gives a final judgment on a dispute, it is not helpful to commence a claim before another forum of another Contracting State between the same parties and regarding the same cause of action. The agreements establish the principle that a judgment from a forum of a Contracting State will be unenforceable if a court of another Member State issued previously a judgment over the same cause of action and between the same parties. Hence, the ratified agreements provide Saudi law with the principle that the provision of *res judicata* must be given to a final judgment issued by a court of a Member State, providing that the judgment is recognised in Saudi Arabia.

5.2.2 Legal Documents

A foreign judgment, whether or not it is in connection with trademark and patent disputes, plays a significant role in a Saudi court, even if the judgment is not enforceable in Saudi Arabia for any reason. In such circumstances, the judgment is not worthless, because it is still beneficial for the parties of the proceedings in the Saudi forum, even if they did not participate in the proceedings of the foreign court which issued the judgment. In these situations, the fact is that any interested party can use the evidence of the foreign judgment, such as witnesses, expertise, the proceedings of inspection and admission, to support his claim in proceedings brought before another forum⁵³³. This principle is followed in Saudi law. An official document is regarded as an instrument of evidence before the Saudi forum. Article 138 of the Law of Procedure before Shari'ah Courts defines the official document as 'a paper on which a public officer or a person assigned to public service records what he has done or what he has received from those concerned, in conformity with legal conditions and within his authority and jurisdiction'. In addition, Article 138 section 1 of the Implementing Regulation of the Law states that any party is allowed to present any documents supporting his claims. These articles do not limit the accepted official documents

⁵³³ Hassan Alhadawi and Khaleb Ali Aldawody, *Private International Law, Conflict of Laws, Conflict of International Jurisdictions Rules and Enforcement of Foreign Judgments* (1st edn, the Ministry of High Education in Iraq 1982) 279; Azalden Abdullah, *Private International Law*, vol 2 (9th edn, General Egyptian Book's Organization 1986) 856; Ibrahim Ahmed Ibrahim and Ahmed Qesmat Aljedawi, *Private International Law: International Jurisdiction Rules and International Impacts of Judgments* (1st edn, Dar Alnahda Alarabia 1998) 266; Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 35; Jamal Mahmoud Alkhurdi, *International Jurisdiction Rules and Enforcement of Foreign Judgments* (1st edn, Dar Alnahdha Alarabia 2001) 166; Qassem Aldhamor, *Enforcement of Foreign Judgments in accordance with Jordanian Laws and International Conventions: A Comparative Study* (1st edn, Dar Wael 2003) 66.

to those created inside Saudi Arabia or those issued on behalf of specific parties. However, article 140 sections 1 and 2 of the Implementing Regulation of the Law rule that the official documents could be refused in two circumstances, if they are counterfeit or inconsistent with the rules of Sharia. In addition, article 153 the Law of Procedure before Shari'ah Courts allows the Saudi forum, which holds the dispute, to evaluate the documents and it can accept or disallow these papers, even if there is no argument regarding these papers made before the court. It is provided that if the court refuses the documents, it must articulate in its judgment the justification for refusing the papers. Hence, a foreign judgment could be used as an official paper before the Saudi forum, even if the judgment is unenforceable in Saudi Arabia.

5.3 The Method to Enforce Foreign Judgments

When it comes to the issue of how the Saudi court enforces a foreign judgment, it is significant to mention that article 13 of the Board of Grievances Law gives jurisdiction to the Board of Grievances over the case of enforcing a foreign judgment in Saudi Arabia. In addition, article 6 of the Law of Procedures before the Board of Grievances states that a foreign judgment will be enforced in Saudi Arabia based on the principle of reciprocity. The Article does not define the method that should be followed to enforce a foreign judgment in Saudi Arabia. However, if the method of enforcement of foreign judgments is the principle of reciprocity, there is a logical argument against this concept. It implies that it must be known initially how the courts of the state where the required judgment was issued enforce a national award issued in the country where the required judgment is sought to be enforced, in order to apply the same technique⁵³⁴. For example, in Sweden, the method of enforcement of foreign judgments is that the judgment creditor of a foreign action is required to commence a claim before the Swedish court and use the foreign judgment as evidence against the losing party⁵³⁵. Hence, if the method to enforce a foreign judgment in Saudi Arabia is the principle of reciprocity and if the Saudi court is asked to enforce a Swedish judgment, the forum should follow the same manner which is applied in Sweden. The plaintiff must commence a claim in Saudi Arabia and use the Swedish judgment as evidence against the losing party. In addition, at the enforcement stage, the court which has been asked to enforce a foreign judgment is allowed to adjust that judgment if it is issued in a state which authorises its courts to adjust foreign

⁵³⁴ Azalden Abdullah, *Private International Law*, vol 2 (9th edn, General Egyptian Book's Organization 1986) 888; Ibrahim Ahmed Ibrahim and Ahmed Qesmat Aljedawi, *Private International Law: International Jurisdiction Rules and International Impacts of Judgments* (1st edn, Dar Alnahda Alarabia 1998) 285; Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 54; Jamal Mahmoud Alkhurdi, *International Jurisdiction Rules and Enforcement of Foreign Judgments* (1st edn, Dar Alnahdha Alarabia 2001) 141.

⁵³⁵ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

judgments⁵³⁶. For instance, if Japanese law allows Japanese forums to adjust foreign judgments sought to be enforced in Japan, the Saudi court can adjust a Japanese judgment when it is sought to be enforced in Saudi Arabia. Based on these considerations, it is not practical to use the principle of reciprocity as a method to enforce a foreign judgment in Saudi Arabia.

The Legal Declaration no 7 on 24 June 1985 from the head of the Board of Grievances provides the Saudi court with a method to enforce a foreign judgment in Saudi Arabia. It states that to enforce a foreign judgment in Saudi Arabia, the duties of the Saudi forum are to ensure certain criteria are satisfied in the judgment and the court is prevented from examining the subject matter of the issue or reconsidering the original claim. The Court of Appeal in the Board of Grievances confirmed this concept in its judgment no 95/T/4 in 1427 H on 28 June 2006 on the case no 1927/2/Q/ in 1424 H⁵³⁷. It stated that it cannot review the subject of a foreign judgment, but it is enforceable in Saudi Arabia if all the required criteria are satisfied⁵³⁸. It could therefore be said that reciprocity, which is stipulated in article 6 of the Law of Procedures before the Board of Grievances, means the capability to enforce a Saudi judgment in the state where the required judgment is issued, regardless of which method is applied in that state to enforce the Saudi judgment. Thus, at the enforcement stage, the Saudi court is prevented from examining the subject matter of a foreign judgment and its function is limited to ensuring that certain requirements are met in that judgment.

Article 32 of the Riyadh Arab Agreement for Judicial Cooperation and article 7 of the GCC Convention for the Execution of Judgments define a specific procedure to enforce an award issued by a forum of a Member State. The same procedure is articulated in article 21 of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 25 of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 25 of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 23 of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. These agreements uphold the procedure that to enforce a judgment issued in a Contracting State, the required court is not allowed to examine the subject matter of the judgment and its duties are limited to observing whether or not the principles adopted in the agreements have been fulfilled. Hence, the Saudi court will enforce a judgment, which is issued by a court of a Member State of the judicial agreements, without examining the subject of the dispute, providing that the judgment must satisfy certain requirements.

⁵³⁶ Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 54; Jamal Mahmoud Alkhurdi, *International Jurisdiction Rules and Enforcement of Foreign Judgments* (1st edn, Dar Alnahdha Alarabia 2001) 142.

⁵³⁷ The High Court in the Board of Grievances, *case no 1927/2/Q/ in 1424 H*, judgment no 95/T/4 in 1427 H, on 28 June 2006, reported at Collection of Administrative Judgments and Principles, the Board of Grievances (1427 H) 2074.

⁵³⁸ *ibid* 2078.

5.4 The Parties and Subject of Trademark and Patent Disputes

When a foreign judgment is sought to be enforced in Saudi Arabia, it is significant to clarify which parties can enjoy the benefit of that judgment. At the same time, it is important to examine the possibility of changing or adjusting the subject of a foreign judgment. Saudi law does not directly regulate these issues and no reported judgment from Saudi courts has been found as yet that presents an approach for Saudi law on these points. Hence, in this section, the principles of these issues will be examined and evaluated, in order to present appropriate suggestions for Saudi law.

The previous section has concluded that according to Saudi law and the ratified agreements, to enforce a foreign judgment in Saudi Arabia, the duties of the Saudi court are limited to ensuring that certain criteria are satisfied and the court is prevented from examining the subject of the original dispute. It has been said that the implication of this principle is that at the enforcement stage, the litigants and the court are not allowed to add or accept additional requests on the subject of a foreign judgment⁵³⁹. Actually, these requests could result in removal of some of the obligations established in the required judgment or adding more obligations. Therefore, they would change the subject of that judgment. Hence, at the enforcement stage, the parties and the forum are not allowed to adjust or change the subject of the foreign judgment.

In England, the question of which parties may enjoy the benefit of a foreign judgment is based on the nature of the dispute; whether it is in personam or in rem. The judgment becomes in personam if it relates to a right or a liability against a person⁵⁴⁰ and only the parties in the foreign judgment can enjoy the benefit or carry the burden of that judgment⁵⁴¹. Based on this fact, the parties to the proceedings before the court granting the judgment must be identical at the enforcement stage, regardless of who is the plaintiff or the defendant before the court making the judgment⁵⁴². When this definition is applied to a judgment in connection with a patent and trademark dispute, it seems that a foreign judgment which constitutes a liability against a party in an infringement dispute, or an issue relating to a license agreement, is classified as a judgment in personam. Moreover, it has been said that a judgment which

⁵³⁹ Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 112, 113; Qassem Aldhamor, *Enforcement of Foreign Judgments in accordance with Jordanian Laws and International Conventions: A Comparative Study* (1st edn, Dar Wael 2003) 53.

⁵⁴⁰ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 516; CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 162.

⁵⁴¹ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 551; KR Handley, *Spencer Bower and Handley: Res Judicata* (4th edn, LexisNexis Butterworths 2009) para 1.01.

⁵⁴² Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 115; Qassem Aldhamor, *Enforcement of Foreign Judgments in accordance with Jordanian Laws and International Conventions: A Comparative Study* (1st edn, Dar Wael 2003) 53.

validates such a right is classified as a judgment in personam⁵⁴³. Therefore, if the judgment is in personam, the parties to the original lawsuit and enforcement proceedings must be the same.

A judgment in rem determines a matter which concerns the status of thing or a person, such as a marriage, divorce ‘or effects a disposition of movable or immovable property’⁵⁴⁴. Furthermore, a judgment which relates to the ownership or disposing of a right is regarded as a judgment in rem. The benefit and burden of a judgment in rem is broadly to be in front of the whole world⁵⁴⁵. When this concept is applied to patent and trademark disputes, it has been said that a judgment which invalidates a right is regarded as a judgment in rem, providing that it does not have a retrospective effect⁵⁴⁶. Thus, theoretically, if a right is concluded to be invalid, this conclusion will not affect a judgment which previously confirmed the validity of that right and obliged the infringer to pay compensation for damages to the plaintiff. Hence, in patent and trademark disputes, a judgment which invalidates a patent or a trademark is regarded as a judgment in rem.

When it comes to Saudi law, it is appropriate to follow the principles that a judgment which constitutes a liability in a dispute, such as an infringement action, must have the same litigants at the enforcement stage before the Saudi forum as at the proceedings where the judgment was made. With regard to a judgment concerning the validity of a right, the principle is that a judgment which invalidates a right is a judgment in rem. However, this principle has an exception. If a court rules on an infringement action or a contract for the exploitation of a foreign right and during the court proceedings, the forum concludes that the right is invalid, its judgment regarding the validity issue will be in personam between the parties to the litigation,⁵⁴⁷ in order to protect the interests of the state of registration. However, it is significant to mention that it has been concluded above⁵⁴⁸ that according to Saudi law, the validity issue is subject to the exclusive jurisdiction of the forum of the state of registration and the court does not have jurisdiction to decide the validity of a foreign right, regardless of which way the validity is challenged. Hence, it seems that at the enforcement stage, if the validity of a right is ruled by a court other than the forum of the state of registration, the judgment will be ineffective due to the lack of jurisdiction⁵⁴⁹.

⁵⁴³ KR Handley, *Spencer Bower and Handley: Res Judicata* (4th edn, LexisNexis Butterworths 2009) para 10.19.

⁵⁴⁴ KR Handley, *Spencer Bower and Handley: Res Judicata* (4th edn, LexisNexis Butterworths 2009) para 4.20; See also James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 532.

⁵⁴⁵ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP, 2008) 533; CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 162.

⁵⁴⁶ KR Handley, *Spencer Bower and Handley: Res Judicata* (4th edn, LexisNexis Butterworths 2009) para 10.19.

⁵⁴⁷ James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 7.77.

⁵⁴⁸ See Section, 3.2.3.5, above.

⁵⁴⁹ See more detail relating to this ruling in Section 5.5.2.3, below.

Moreover, the Saudi court might not be asked to recognise or enforce a judgment which affirms only the validity or invalidity of a foreign right, because of the principle of territoriality⁵⁵⁰.

5.5 The Grounds for Enforcement of Foreign Judgments

Saudi law stipulates particular requirements which must be available in a foreign judgment for it to be enforced in Saudi Arabia. In this situation, it is important to mention that if a court enforces a foreign judgment, it means that the forum recognises that award, because there is no enforcement without recognition⁵⁵¹. The required conditions are as follows:

5.5.1 The Principle of Reciprocity

Article 6 of the Law of Procedures before the Board of Grievances implies that the principle of reciprocity is required to enforce a foreign judgment in Saudi Arabia. In this subject, it has been said that the reciprocity must be with the state where the judgment is issued, regardless of the nationality of the parties⁵⁵². The Saudi government has ratified various judicial conventions namely: the Riyadh Arab Agreement for Judicial Cooperation, the GCC Convention for the Execution of Judgments, the Judicial Cooperation Agreement with the Republic of Kazakhstan, the Judicial Cooperation Agreement with the Republic of Yemen, the Judicial Cooperation Agreement with the Kingdom of Morocco and the Judicial Cooperation Agreement with the Syrian Arab Republic. One of the articulated targets of these agreements is to enforce judgments issued in the Contracting States. However, the Legal Declaration no 7 on 24 June 1985 from the head of the Board of Grievances states that at the enforcement claim, if the plaintiff appearing before the Saudi forum belongs to a state which does not have a ratified judicial agreement with the Saudi government, he must confirm that his country is obliged to apply the principle of reciprocity with Saudi Arabia. The wording of this principle results in a negative outcome in cases where the claimant obtains a judgment from a country which has ratified a judicial agreement with the Saudi government, but he is not a national of that country. In these circumstances, the ratified judicial agreement will be unhelpful although all the ratified agreements state that the Contracting States shall enforce a judgment issued by a court of any Member State. Based on this fact, the normal logical rule must be that if the state where the judgment is issued does not have a ratified judicial agreement with the

⁵⁵⁰ The Saudi court may be asked to recognise this type of judgment in cases where it rules on an action for infringement of a foreign right and the defendant raises a judgment from the court of the state of registration which implies that the right concerned is invalid.

⁵⁵¹ Peter R Barnett, *Res Judicata, Estoppel and Foreign Judgments: The Preclusive Effects of Foreign Judgments* (1st edn, OUP 2001) para 2.03; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 1.2.6; CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 161.

⁵⁵² Azalden Abdullah, *Private International Law*, vol 2 (9th edn, General Egyptian Book's Organization 1986) 893; Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 53; Jamal Mahmoud Alkhurdi, *International Jurisdiction Rules and Enforcement of Foreign Judgments* (1st edn, Dar Alnahdha Alarabia 2001) 143.

Saudi government, the plaintiff must confirm that judgments issued by Saudi courts is capable of being enforced in the country whose court made the required judgment. Hence, the principle of reciprocity is a mandatory requirement to enforce a foreign judgment in Saudi Arabia.

Although the aim of requiring the principle of reciprocity is to impose foreign courts to enforce judgments issued in the required state⁵⁵³, there are logical arguments against this condition. Firstly, the principle of reciprocity is a political theory and should not be applied to private commercial relationships among companies or physical persons. Therefore, the court must depend only on justice to refuse or enforce a foreign judgment⁵⁵⁴. Secondly, at the enforcement proceedings, the forum and the plaintiffs may face difficulty verifying the principle of reciprocity⁵⁵⁵. Thirdly, applying this principle may result in harm to the interests of the national party⁵⁵⁶. It exists if a Saudi national obtains a judgment from a foreign court against a foreign person, who has assets in Saudi Arabia, and if the Saudi forum refuses to enforce the judgment, based on the ground that the Saudi national does not verify the principle of reciprocity. The interests of the Saudi party are harmed, in particular, when all other requirements to enforce the judgment are met.

Finally, it has been concluded above⁵⁵⁷ that when a judgment meets the provisions of *res judicata*, the same cause of action between the same parties must not be litigated again. Therefore, if a foreign judgment meets the provisions of *res judicata*, in accordance with Saudi law, and if the Saudi court does not enforce the judgment, because the plaintiff does not affirm the principle of reciprocity with the state where the judgment is issued, the parties and the court are in a complicated situation. If the forum decides to reconsider the same issue, it will harm the interests of the successful party and disregard the provisions of *res judicata*. In a cross- border dispute relating to a patent or a trademark, the situation becomes more complex, because Saudi forums may not have jurisdiction to hear the issue. As a result, the dispute will be left without a solution. Based on these considerations, in order to enforce a foreign judgment in Saudi Arabia, Saudi law should abandon this stipulation. The same approach is followed in the American Law

⁵⁵³ Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 57; Qassem Aldhamor, *Enforcement of Foreign Judgments in accordance with Jordanian Laws and International Conventions: A Comparative Study* (1st edn, Dar Wael 2003) 25.

⁵⁵⁴ Muhand Esad, *Private International Law*, vol 2 (Office of Academic Publications 1989) 77; Ibrahim Ahmed Ibrahim and Ahmed Qesmat Aljedawi, *Private International Law: International Jurisdiction Rules and International Impacts of Judgments* (1st edn, Dar Alnahda Alarabia 1998) 288; Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 58; Jamal Mahmoud Alkhurdi, *International Jurisdiction Rules and Enforcement of Foreign Judgments* (1st edn, Dar Alnahdha Alarabia 2001) 147.

⁵⁵⁵ Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 58; Jamal Mahmoud Alkhurdi, *International Jurisdiction Rules and Enforcement of Foreign Judgments* (1st edn, Dar Alnahdha Alarabia 2001) 147.

⁵⁵⁶ Muhand Esad, *Private International Law*, vol 2 (Office of Academic Publications 1989) 77; Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 58; Ahmed Alfadhly, *The Summary of Private International Law, Conflict of Laws, Conflict of International Jurisdiction Rules and Enforcement of Foreign Judgments: An Analysis Study* (1st edn, Dar Qendel 2004) 261.

⁵⁵⁷ See Section 5.2.1, above.

Institute Principles, the Principles of the Conflict of Laws in Intellectual Property and the Korean Principles⁵⁵⁸. Saudi law has another option that this stipulation is not mandatory and the foreign judgment may be enforced in Saudi Arabia, even if the plaintiff does not affirm the principle of reciprocity. The same view is followed in article 7 section 2 of the Jordanian Act of Enforcement of Foreign Judgments which states that Jordanian courts may not enforce a judgment issued in a state which does not enforce Jordanian judgments.

5.5.2 A Court with Competent Jurisdiction

When a foreign judgment is issued in a state which does not have a ratified judicial agreement with the Saudi government, the Saudi forum will call on Saudi law to enforce that judgment. In such circumstances, the principles of the Legal Declaration no 7 on 24 June 1985 from the head of the Board of Grievances will be applied. It provides that the court granting the judgment must have jurisdiction to hear the dispute. However, this principle does not define which state should call on its own international jurisdiction rules to clarify whether or not the original court has jurisdiction to issue the judgment. Hence, in this section, it is appropriate to analyse and evaluate the question of which states' law must be applied to verify whether or not the court making the judgment has jurisdiction to rule on a cross-border dispute in relation to a patent or a trademark. The aim of this investigation is to show a suitable approach to be incorporated into Saudi law.

5.5.2.1 The First Approach

There are two practical approaches. The first approach upholds that the court where the judgment is sought to be enforced must apply international jurisdiction rules established in its own laws to verify whether or not the court granting the judgment has jurisdiction to issue it. This principle is followed in article 25 section B of the Riyadh Arab Agreement for Judicial Cooperation, article 1 section A of the GCC Convention for the Execution of Judgments, article 16 section D of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 21 section D of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 21 section D of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 18 section D of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. The same concept is also followed in England⁵⁵⁹ and

⁵⁵⁸ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁵⁵⁹ Peter R Barnett, *Res Judicata, Estoppel and Foreign Judgments: The Preclusive Effects of Foreign Judgments* (1st edn, OUP 2001) para 2.17; CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 164.

Korea⁵⁶⁰. Hence, the law of the state where the foreign judgment is sought to be enforced must be applied to verify the authority of the forum granting the judgment over the dispute at stake.

5.5.2.2 The Second Approach

The second approach is that the forum where the judgment is sought to be enforced must verify the jurisdiction of the original forum according to the law of the state where the required judgment is issued. This approach is followed in article 298 of the Law of Procedures before Egyptian Courts⁵⁶¹ and in Lebanon⁵⁶². However, the first approach is criticised due to the fact that the international jurisdiction rules of courts in each state are regulated independently, based on the sovereignty of the national authority. The first approach implies that the court of the state where the judgment is sought to be enforced will apply its rules of international jurisdiction to evaluate the international jurisdiction rules of the court of the country where the required judgment was issued. At the same time, the forum granting the award should check its jurisdiction, based on the international jurisdiction rules of the state where its judgment may be enforced. This mechanism is contrary to the considered procedures⁵⁶³. The situation becomes more complex when the judgment is likely to be enforced in more than one state. Hence, the law of the court granting the judgment must be applied to check whether or not it has authority to rule on the dispute.

5.5.2.3 The Appropriate Approaches for Saudi Law relating to Patent and Trademark Disputes

When it comes to evaluate the previous approaches to be incorporated into Saudi law regarding patent and trademark disputes, two significant elements must be emphasised. Firstly, at the enforcement stage, the jurisdiction rules of the state where the required judgment is issued are already considered. This is because a foreign judgment must not be recognised or enforced if it is unrecognisable or unenforceable in the state where the award is issued. Thus, if a court does not have jurisdiction to rule on a dispute, its judgment on that case is unrecognisable and unenforceable in the state where the court is located and it is not recognised or enforced in the other countries. In this subject, Clarkson and Hill state, 'if the judgment is void under the foreign law, in the sense of being a nullity even without its having been set aside by the

⁵⁶⁰ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁵⁶¹ Azalden Abdullah, *Private International Law*, vol 2 (9th edn, General Egyptian Book's Organization 1986) 899; Ibrahim Ahmed Ibrahim and Ahmed Qesmat Aljedawi, *Private International Law: International Jurisdiction Rules and International Impacts of Judgments* (1st edn, Dar Alnahda Alarabia 1998) 289.

⁵⁶² Muhand Esad, *Private International Law*, vol 2 (Office of Academic Publications 1989) 71.

⁵⁶³ Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 77.

court, it cannot be recognized or enforced in England⁵⁶⁴. At the enforcement stage, the defendant should play his role to raise this defence before the required court and to inform the forum that the court making the judgment does not have jurisdiction over the dispute⁵⁶⁵. Secondly, because a cross-border dispute relating to a trademark or a patent has a close connection to the state where the right at stake is registered and protected, the court where the judgment is sought to be recognised or enforced should honour the jurisdiction rules of the state of registration. This is to protect the interests and economy of the protecting state.

Based on the previous facts, in patent and trademark disputes, in order to answer properly the question of which law should be applied to check whether or not the forum granting the judgment has jurisdiction to hear the dispute, it must clarify which state has a close connection to the dispute and in which state the required judgment is issued. In such circumstances, three potential scenarios should be illustrated.

The first situation is when a dispute concerns a Saudi right. The Saudi court must apply the international jurisdiction rules established in Saudi law to verify whether or not the court granting the award has jurisdiction over the issue. This approach is suggested to protect the national interests from being harmed if a foreign court rules on the dispute, contrary to the international rules of jurisdiction legalised in Saudi law. For example, it has been concluded above⁵⁶⁶ that the Saudi courts do not have jurisdiction over an action for infringement of a foreign right, even if the defendant has a place of residence in Saudi Arabia, because the courts of the state where the act of infringement is committed are the best forums to rule on the issue. This principle is to protect the interests and economy of the state of registration. At the same time, jurisdiction over an action for infringement of a Saudi right is exclusive to Saudi forums. If a foreign court determines the action, its judgment may harm the interests and economy of the Saudi government. Hence, in cases where a foreign judgment relates to a Saudi patent or trademark, the Saudi court must call on international jurisdiction rules adopted in Saudi law to verify whether or not the court granting the judgment has jurisdiction to issue it.

According to the international jurisdiction rules of Saudi courts, it can be said with confidence that if jurisdiction over a dispute is exclusive to Saudi competent courts, the Saudi forum must refuse to recognise or enforce a judgment from a foreign court regarding that matter. The same principle is recognised in article 25 section B of the Riyadh Arab Agreement for Judicial Cooperation. It confirms that a judgment created by a forum of a Contracting State will not be enforced if it is issued contrary to

⁵⁶⁴ CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 185; See also Peter R Barnett, *Res Judicata, Estoppel and Foreign Judgments: The Preclusive Effects of Foreign Judgments* (1st edn, OUP 2001) para 2.16; Pippa Rogerson and John Collier, *Collier's Conflict of Laws* (4th edn, Cambridge University Press 2013) 253.

⁵⁶⁵ James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 551.

⁵⁶⁶ See Section 3.2.1.1.2.3, above.

the exclusive jurisdiction of the courts of the state where the judgment is sought to be enforced or another court of another Member State. The same rule is also followed in the Brussels I Regulation, Belgium, France, Italy, Spain and Canada⁵⁶⁷. In this subject, Kono and Jurcys report that

Although a personal jurisdiction requirement could be easily established, subject-matter jurisdictions of a foreign court would hardly be recognized if the subject-matter jurisdiction of Canadian courts would over the case ... This would be especially the case with regard to the infringement or validity of a Canadian patent.⁵⁶⁸

Hence, the Saudi court must not recognise or enforce a foreign judgment if the dispute is subject to the exclusive jurisdiction of Saudi courts.

According to Saudi law, jurisdiction over disputes relating to Saudi patents and trademarks will be exclusive in certain circumstances. The first situation is when the case concerns an action for infringement of a Saudi right. In such circumstance, the jurisdiction is exclusive to Saudi forums. Theoretically, if a foreign court hears the action, its judgment must not be recognised or enforced in Saudi Arabia. Secondly, it has been concluded above⁵⁶⁹ that jurisdiction over the validity of a Saudi right is exclusive to Saudi courts. Thus, if a foreign court rules on the validity of a Saudi right, the Saudi forum must refuse to recognise or enforce its judgment. This is because the foreign court does not have jurisdiction over the issue. Moreover, in such circumstances, it has been said that the ensuing judgment is inconsistent with the public policy of the state of registration⁵⁷⁰. Thirdly, pursuant to Saudi law, if the parties to a contract for the exploitation of a Saudi right choose a particular Saudi or foreign court to determine their potential differences, the chosen court will have exclusive jurisdiction over the cases. Therefore, in general terms, if another forum hears the disputes, the Saudi court must refuse to recognise or enforce the judgment⁵⁷¹. Fourthly, the Saudi forum must not recognise or enforce a foreign judgment if it is issued contrary to a valid agreement to refer the dispute to arbitration. Hence, if jurisdiction over disputes relating to Saudi patents and trademarks is exclusive to a specific court or an arbitration tribunal, the Saudi court must refuse to recognise or enforce foreign judgments issued contrary to the exclusivity of jurisdiction.

Contrary to the conclusion of the previous paragraph, the Saudi forum should recognise or enforce a foreign judgment in relation to a Saudi patent or trademark in two circumstances. The first situation

⁵⁶⁷ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁵⁶⁸ *ibid.*

⁵⁶⁹ See Section 3.2.3.5, above.

⁵⁷⁰ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁵⁷¹ It should regard the principle that the plaintiff convinces a court that its judgment on the dispute is better for justice. See more details for this principle on Section 3.4.1, above.

concerns infringement actions committed in more than one state. In cases where one of the actions occurs in Saudi Arabia and the disputes are consolidated, into a single action, before a foreign court where certain criteria for the consolidation are met, the Saudi forum should recognise or enforce the part of the judgment relating to the Saudi right. The second situation occurs when the judgment concerns a contract for the exploitation of a Saudi patent or trademark. If the parties give jurisdiction to a specific foreign court, the Saudi court should recognise or enforce the judgment of the chosen court, even if it rules on an action for infringement of the right concerned, providing that the action is raised in connection with the contract.

It should be mentioned that there is a rule that accepts that the judgment which concerns an action for infringement of a foreign right will not be recognised if the court of the state of registration had previously invalidated the right concerned⁵⁷². It is appropriate for Saudi law to follow this principle. Hence, if a foreign court decides on an action for infringement of a Saudi right and a Saudi competent court had invalidated that right before the foreign court issues its judgment, the Saudi forum must refuse to recognise or enforce the foreign judgment on the infringement action. This is because the foreign judgment is irreconcilable with the Saudi judgment which invalidates the right concerned. In addition, it is necessary to examine the issue that, when a foreign court has jurisdiction over a dispute relating to a Saudi right and during the proceedings of the court, the validity of the right is incidentally challenged as a defence. In such circumstances, there are two possible scenarios. Firstly, if the foreign court refers the issue of validity to a Saudi competent court and issues its judgment after the Saudi forum ruling on the validity of the right, the foreign judgment should be recognised or enforced in Saudi Arabia. Secondly, if the foreign court decides the validity of the Saudi right, the foreign judgment relating to the original action should not be recognised or enforced in Saudi Arabia. The rationale behind this concept is that in such circumstances, the foreign judgment depends on whether or not the right at stake is valid and the foreign forum does not have jurisdiction over the validity of the Saudi right. Moreover, the foreign judgment regarding the original action may be inconsistent with Saudi public policy. In addition, this judgment might not be recognised or enforced in the country where it is issued. Thus, it does not deserve to be recognised or enforced in other countries. However, the Saudi court may recognise or enforce this judgment if Saudi law allows a foreign forum, which had jurisdiction over the original proceedings, to decide the validity of the Saudi right that is challenged as a defence. In such circumstances, the Saudi court should also recognise or enforce the judgment in relation to the validity of the Saudi right, providing that it affects only the parties to the dispute.

⁵⁷² James J Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn, OUP 2011) para 19.30.

The second situation is when a foreign judgment is issued in the state where the right in question is created and protected. For example, if a Japanese right is infringed in Japan and a Japanese court determines the dispute, the Saudi court must apply international jurisdiction rules established in the law of the state of registration to verify the jurisdiction of the court granting the judgment over the action. Article 111 section 2 of the Swiss Private International Law 2007 applies the same approach, because it rules that a foreign judgment relating to an IP infringement action will be recognised in Switzerland if it is issued in the state where the act of infringement is committed⁵⁷³. Hence, the Saudi court should apply the jurisdiction rules of the protecting state, in order to recognise or enforce a judgment issued in that state.

The problems will emerge in the third situation when the Saudi court is asked to recognise or enforce a foreign judgment relating to a right which is not Saudi and does not belong to the state where the judgment is issued. For instance, if a Japanese right is infringed in Japan and the alleged infringer is domiciled in Switzerland, Swiss forums will have jurisdiction to decide the dispute, because article 109 section 1 of the Swiss Private International Law 2007 gives jurisdiction to Swiss courts over IP disputes if the defendant is domiciled in Switzerland. In such circumstances, Saudi forums do not have a close connection to this dispute and do not have jurisdiction over the issue. When a Swiss forum rules on the dispute and an interested party seeks to recognise or enforce the Swiss judgment in Saudi Arabia, the Saudi court will not recognise or enforce the award if it calls on the international jurisdiction rules established in Saudi law. This is because Saudi law rejects the place of residence of the defendant as a ground of jurisdiction over actions for infringement of foreign patents or trademarks. On the contrary, there is an approach that accepts that if the courts of the state, where the foreign judgment is sought to be recognised or enforced, do not have jurisdiction over the issue, the required court should verify the jurisdiction of the court granting the judgment, in accordance with the jurisdiction rules of the state where the judgment was issued⁵⁷⁴. Similarly, according to the Korean Principles, a foreign judgment will be enforced if the jurisdiction of the court making the judgment 'was asserted on a ground which is not prescribed in the Korean Principles'⁵⁷⁵. Based on this approach, the Saudi court should recognise or enforce a foreign judgment if the court making the award has jurisdiction to rule on the case.

Theoretically, in the above example, if the Swiss court rules on the dispute, its judgment should be recognised or enforced in Saudi Arabia, because the Swiss forum has jurisdiction to determine the case. However, if the defendant is domiciled in Canada and a Canadian court decides the dispute, the Saudi

⁵⁷³ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁵⁷⁴ Hassan Alhadawi and Khaleb Ali Aldawody, *Private International Law, Conflict of Laws, Conflict of International Jurisdictions Rules and Enforcement of Foreign Judgments* (1st edn, the Ministry of High Education in Iraq 1982) 267.

⁵⁷⁵ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

court should not recognise or enforce the judgment, as has been concluded above⁵⁷⁶ that the Canadian court does not have jurisdiction over an action for infringement of a foreign right. This concept is supported by the fact that if the court granting the judgment does not have jurisdiction over the dispute, its judgment will not be recognised or enforced in the state where the court is located and as a direct result, this judgment is not recognisable or enforceable in other countries. However, the suggested approach for Saudi law is that the Saudi court must honour the jurisdiction rules of the state of registration, in order to protect the interests of that state which has a close connection to the dispute. In addition, in such circumstances, if the Saudi court recognises or enforces the judgment and ignores the rules of jurisdiction of the protecting state, this recognition or enforcement is regarded as a legal loophole in the procedures of justice in Saudi Arabia. It exists clearly when the courts of the protecting state have exclusive jurisdiction over the subject of the dispute. Article 111 section 2 of the Swiss Private International Law 2007 provides the same principle in cases where a foreign judgment concerns the validity, existence or registration of a foreign right. It states that a foreign judgment relating to these issues will be recognised in Switzerland if it is recognisable in the protecting state⁵⁷⁷. Hence, in cases where a foreign judgment concerns a right that does not belong to the state where the judgment is issued, the Saudi court should recognise or enforce the judgment if the court granting the judgment has jurisdiction over the dispute and the required judgment is recognisable in the state where the right concerned is registered.

5.5.3 Applying Correct Laws

Apart from the requirement that a foreign judgment must be issued by a court with competent jurisdiction, Saudi law and the agreements, which the Saudi government has ratified, do not stipulate that the original forum must apply the correct law to the dispute. No reported judgment from Saudi courts has been found as yet that presents an approach for Saudi law on this point. Hence, the aim of this section is to examine the principles of this requirement, in order to suggest an appropriate approach for Saudi law.

One approach prefers that the forum granting the judgment must apply the appropriate rules of applicable law established in the law of the state where the judgment is sought to be enforced⁵⁷⁸. If the original court does not apply suitable rules, its judgment will not be enforced in that state. However, this approach has an exception. A foreign judgment may be enforced in cases where the courts of the state

⁵⁷⁶ See Section 3.2.1.1.2.2, above.

⁵⁷⁷ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

⁵⁷⁸ Azalden Abdullah, *Private International Law*, vol 2 (9th edn, General Egyptian Book's Organization 1986) 920; Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 69; Qassem Aldhamor, *Enforcement of Foreign Judgments in accordance with Jordanian Laws and International Conventions: A Comparative Study* (1st edn, Dar Wael 2003) 39.

where the judgment is sought to be enforced do not have jurisdiction over the dispute and the court making the award governed the dispute in accordance with its rules of choice of law⁵⁷⁹. The rationale behind this approach is to avoid the possibility that if the courts of the enforcing state have jurisdiction over the dispute, the litigants may bring the action before a court of another state, in order to avoid the applicable rules established in the law of the enforcing state. It is therefore stipulated that the enforcing court will apply its own rules of choice of law to protect its own jurisdiction from fraud⁵⁸⁰. In this context, it has been said that if the court granting the judgment applies the wrong rules of law to the issue, its judgment should not be enforced, because it is inconsistent with public policy⁵⁸¹. Hence, in order to enforce a foreign judgment, the court granting the award must apply the correct rules of law to the dispute.

Contrary to the conclusion of the previous paragraph, in England, there is another view. At the enforcement stage, it is not acceptable to raise the defence that the original court applied the wrong law to the dispute⁵⁸². In this subject, Collier reports, 'is not a defence, even though that court applied the wrong law or, thought it applied the correct law, it got it wrong'.⁵⁸³ The argument against the first approach is that if the enforcing forum stipulates that the correct law must be applied to the dispute, the court granting the judgment must apply the rules of choice of law of a state where the ensuing judgment may be enforced⁵⁸⁴. The situation becomes more complex if the judgment might be enforced in more than one state. Moreover, it could be said that at the enforcement stage, the general principle is that a court where the judgment is sought to be enforced is prevented from examining the subject of the dispute. Therefore, it is not allowed to review the judgment to verify whether or not the court granting it applied the correct law to the dispute. Hence, at the enforcement stage, the forum where the foreign judgment is sought to be enforced must not stipulate that the correct law was applied to the dispute.

With regard to patent and trademark disputes, it has been concluded above⁵⁸⁵ that the Saudi court must apply the law of the protecting state to infringement and validity issues. In addition, the parties are not allowed to agree to apply another law to these issues. The question then arises: could the Saudi forum enforce a foreign judgment in relation to an infringement claim or a validity issue when the court granting the award does not apply the law of protecting state to the dispute? Before presenting the suggested

⁵⁷⁹ Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 71.

⁵⁸⁰ *ibid* 69.

⁵⁸¹ Azalden Abdullah, *Private International Law*, vol 2 (9th edn, General Egyptian Book's Organization 1986) 921.

⁵⁸² James J Fawcett and Janeen M Carruthers and Peter North, *Cheshire, North & Fawcett Private International Law* (14th edn, OUP 2008) 539.

⁵⁸³ J G Collier, *Conflict of Laws* (3rd edn, Cambridge University Press 2001) 118.

⁵⁸⁴ Raied Humod Aljazazi, *Enforcement of the Foreign Judgments in Private International Law: A Comparative Study* (1st edn, Dar Almanahig 1999) 71.

⁵⁸⁵ See Section 4.4.8, above.

approach, it is appropriate to restate that in such circumstances, if the original forum does apply the law of the protecting state to these issues, its judgment may not be enforced in the state where it is issued. Therefore, it is difficult to enforce this judgment in other countries.

The process which is suggested to verify whether or not the forum granting the judgment has jurisdiction over the dispute should be upheld in this situation. Hence, if a foreign judgment concerns an action for infringement of a Saudi patent or trademark and the court granting the award does not apply Saudi law to the action, the judgment should not be enforced in Saudi Arabia. The rationale behind this concept is that this judgment is inconsistent with Saudi public policy and is issued contrary to the rules of justice. In addition, it may harm Saudi economic interests. If the right in question belongs to the state where the judgment is issued, the Saudi forum may not be reluctant to enforce this judgment, because it is issued by the court of the protecting state which is the best place for the action to be heard. The Saudi court may face a concern if a foreign judgment concerns a right that is not Saudi and does not belong to the state where the judgment is issued. The Saudi forum is strongly recommended to honour the rules of choice of law established in the law of the protecting state. The rationale behind this approach is that if the court making the judgment does not apply the law of protecting state to the action and if the Saudi court enforces the ensuing judgment, this enforcement is regarded as a legal loophole in the Saudi judicial procedures. In addition, it is contrary to international comity. In Japan, there is a comment supporting this approach and it has been said that if the court granting the judgment does not apply the mandatory rules of the protecting state, its judgment should not be recognised or enforced in Japan⁵⁸⁶. Thus, at the enforcement stage, in cases where a foreign judgment, which is sought to be enforced or recognised in Saudi Arabia, concerns an infringement action or a validity issue, the Saudi forum must honour the rules of choice of law of the protecting state of the right in question.

5.5.4 Compatibility with the Rules of Sharia

In Saudi Arabia, the foundation of the law is the rules of Sharia which are obtained from the Book of God and the Sunnah (Traditions) of His Messenger. For this reason, article 1 of Law of Procedure before Shari'ah Courts and articles 7, 46 and 48 of Basic Law of Governance state that Saudi forums have to honour Islamic laws when they determine issues brought before them and refuse to apply rules incompatible with Sharia. Furthermore, pursuant to articles 30 section A of the Riyadh Arab Agreement for Judicial Cooperation, article 2 section A of the GCC Convention for the Execution of Judgments, article 16 section A of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 22 section A of the bilateral agreement for Judicial Cooperation with the Republic of Yemen,

⁵⁸⁶ Toshiyuki Kono and Paulius Jurcys, 'General Report' in Toshiyuki Kono (ed), *Intellectual Property and Private International Law: Comparative Perspectives* (Hart Publishing 2012).

article 22 section A of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 18 section A of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, the Saudi court must refuse to enforce a foreign judgment inconsistent with the rules of Sharia or Saudi public policy. Thus, the Saudi forum will not enforce a foreign judgment inconsistent with Islamic laws.

5.5.5 Complete Required Documents

Pursuant to the Legal Declaration no 7 on 24 June 1985 from the head of the Board of Grievances, article 34 of the Riyadh Arab Agreement for Judicial Cooperation, article 9 of the GCC Convention for the Execution of Judgments, article 20 of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 24 of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 24 of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 22 of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, to enforce a foreign judgment in Saudi Arabia, the plaintiff must submit specific formal documents which affirm that the judgment is final and is issued in a manner consistent with natural justice. For example, article 9 of the GCC Convention for the Execution of Judgments obliges the plaintiff to bring the following official papers

- A) A true copy of the judgment with the signatures therein being attested by the competent authority.
- B) A certificate that the judgment became final, unless the same is stated in the judgment.
- C) In the case of a judgment issued in absence, a copy of the notification of the judgment, certified as a true copy of the original, or any other document that may confirm that the defendant was properly notified.

This requirement was affirmed in the case no *5227/1/Q in 1425 H*⁵⁸⁷, when the Court of Appeal in the Board of Grievances issued its judgment no *33/T/4 in 1427 H on 27 March 2006* and decided to enforce a foreign judgment. The court stated that it enforced the judgment, because it did not involve a rule inconsistent with the rules of Sharia and the claimant submitted all the required documents which confirmed that the judgment was made in a manner consistent with natural justice⁵⁸⁸. However, in the judgment no *18/D/F/12 in 1413 H* on the case no *1593/1/Q in 1413 H on 26 April 1993*⁵⁸⁹ and the judgment no *15/ D F/12 in 1413 H* on the case no *1198/1/Q in 1412 H on 17 March 1992*⁵⁹⁰, the Court of First Instance in the Board of Grievances refused to enforce foreign judgments. One of the reasons for

⁵⁸⁷ The High Court in the Board of Grievances, *case no 5227/1/Q in 1425 H*, judgment no *33/T/4 in 1427 H*, on 27 March 2006, reported at Collection of Administrative Judgments and Principles, the Board of Grievances (1427 H) 2069.

⁵⁸⁸ *ibid* 2073.

⁵⁸⁹ The Court of First Instance in the Board of Grievances, *judgment no 18/D/F/12 in 1413 H*, *case no 1593/1/Q in 1413 H*, 26 April 1993, an unreported judgment.

⁵⁹⁰ The Court of First Instance in the Board of Grievances, *judgment no 15/ D F/12 in 1413 H*, *case no 1198/1/Q in 1412 H*, 17 March 1992, an unreported judgment.

refusal was that the applicants did not provide all the required certificates. Hence, in order to enforce a foreign judgment in Saudi Arabia, the plaintiff must submit certain formal documents.

5.5.6 Finality and Conclusiveness

According to the Legal Declaration no 7 on 24 June 1985 from the head of the Board of Grievances, article 15 of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 21 of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 21 of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 17 of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, only a final foreign judgment is capable of enforcement in Saudi Arabia. Even though the Riyadh Arab Agreement for Judicial Cooperation and the GCC Convention for the Execution of Judgments do not expressly require this condition, it must be satisfied to enforce a judgment issued in the Contracting States of these agreements. This is because article 1 section A and article 9 section B of the GCC Convention and article 25 section B and article 34 section B of the Riyadh Arab Agreement stipulate that to enforce a judgment which is issued in a Member State of the Conventions, the judgment must comply with the provision of *res judicata*. As seen above⁵⁹¹, the judgment must be final and conclusive, in order to satisfy the provisions of *res judicata*. The Saudi court confirmed this stipulation in the case *no 5227/1/Q in 1425 H*⁵⁹² when the Court of Appeal in the Board of Grievances issued the judgment *no 33/T/4/1427 H on 27 March 2006* and stated that a foreign judgment must be final and conclusive to be enforced in Saudi Arabia⁵⁹³. In this situation, it is significant to mention that conclusiveness will be assessed in accordance with the law of the state where the judgment is issued⁵⁹⁴. This rule is recognised in England and in this context, it has been said that it is crucial to require this condition, because if a foreign judgment is not final, the original forum may change or cancel the judgment⁵⁹⁵. Thus, the foreign judgment must be conclusive and final to be capable of being enforced in Saudi Arabia.

5.5.7 Related to Private Laws

Pursuant to the Legal Declaration no 7 on 24 June 1985 from the head of the Board of Grievances, the Saudi forum will enforce foreign judgments made in connection with private obligations, such as commercial and civil matters, or those in connection with status laws. Judgments related to criminal law will not be enforced in Saudi Arabia. Pursuant to article 1 of the GCC Convention for the Execution of

⁵⁹¹ See Section 5.2.1, above.

⁵⁹² The High Court in the Board of Grievances, *case no 5227/1/Q in 1425 H*, judgment *no 33/T/4 in 1427 H*, on 27 March 2006, reported at Collection of Administrative Judgments and Principles, the Board of Grievances (1427 H) 2069.

⁵⁹³ *ibid* 2072.

⁵⁹⁴ Jamal Mahmoud Alkhurdi, *International Jurisdiction Rules and Enforcement of Foreign Judgments* (1st edn, Dar Alnadhha Alarabia 2001) 155.

⁵⁹⁵ CMV Clarkson and Jonathan Hill, *The Conflict of Laws* (4th edn, OUP 2011) 174.

Judgments, article 21 of the bilateral agreement for Judicial Cooperation with the Republic of Yemen and article 21 of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco, the courts of the Contracting States will enforce judgments in relation to administrative, commercial and civil law and those in connection with status laws. Article 15 of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan and article 17 of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic do not state that judgments made in connection with administrative law are capable of being enforced in the Member States. However, article 25 section B of the Riyadh Arab Agreement for Judicial Cooperation states the Contracting States should enforce judgments made in connection with ‘civil cases including judgments related to civil rights made by penal courts and in commercial, administrative and personal statute’. On the other hand, according to article 21 section E of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 21 section E of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 25 section C of the Riyadh Arab Agreement for Judicial Cooperation, judgments made in connection with the issues ‘of bankruptcy, taxes and fees’ will not be capable of being enforced in the Contracting States. Based on this fact, it seems to me that if a foreign judgment obliges the judgment debtor to pay fees for registering a trademark or a patent, the Saudi court must refuse to enforce the judgment, because it is created in favour of a foreign country.

5.6 The Conclusion

In conclusion, this chapter has illustrated the principles for enforcement of foreign judgments established in Saudi law and the agreements which the Saudi government has ratified. In this chapter, the impact of foreign judgments has been highlighted. Furthermore, this study has focused on the method applied to enforce foreign judgments in Saudi Arabia. In addition, this research has answered the question of which party can take advantage of foreign judgments and the possibility of changing or adjusting the subject of foreign judgments at the enforcement stage. Moreover, this chapter has also analysed and evaluated the conditions required to enforce foreign judgments in Saudi Arabia. Throughout this examination, significant points have been established that will be presented below.

5.6.1 The Remarkable Findings

A foreign judgment will satisfy the provisions of *res judicata* if it is final and is issued by a court with competent jurisdiction, whatever its name. Thus, in patent and trademark disputes, a final judgment issued by an office that is located outside Saudi Arabia will be regarded as a foreign judgment, providing that the office is allowed to decide the issue. If a judgment meets the provision of *res judicata*, the parties

to that judgment are prevented from litigating the same cause of action again⁵⁹⁶. In addition, according to article 138 of the Law of Procedure before Shari'ah Courts, the parties are allowed to submit official documentation issued by an authorised office to support their claims brought before Saudi courts. Based on this fact, if a foreign judgment is not enforceable in Saudi Arabia for any reason, the evidence, which was involved in that judgment, such as witnesses, expertise, the proceedings of inspection and admitting, could be used to support any claim brought before Saudi forums⁵⁹⁷.

When the Saudi court wants to enforce a foreign judgment, it must follow the method that the forum will examine the satisfaction of certain stipulations to ascertain whether or not these requirements have been met in the judgment. In addition, the court is prevented from examining the subject of the foreign judgment at all⁵⁹⁸. Based on this fact, at the enforcement stage, the Saudi forum is not allowed to adjust or change the subject of the foreign judgment.⁵⁹⁹.

The question of which parties may enjoy the benefit of a foreign judgment will depend on the nature of that judgment. Hence, if a judgment is in personam, which constitutes a liability or obligations against a certain party, its effects will be limited to the parties who participated in the proceedings of the court making the award. At the enforcement stage, only the parties of the original proceedings can enjoy the advantages or carry the burden of that judgment. Based on this definition, in patent and trademark disputes, a foreign judgment will be regarded as a judgment in personam if it concerns an action for infringement or a license agreement and constitutes a liability against a party. Moreover, a judgment which validates a right and constitutes obligations against a defendant is also regarded as a judgment in personam. On the other hand, if a judgment is to determine the status of the property, such as a judgment issued to invalidate a patent, it is defined as a judgment in rem. Its result will affect the whole world, providing that it does not have a retrospective effect. However, a judgment issued to invalidate a right may become a judgment in personam if a court decides a dispute concerning an infringement or a license agreement in respect of a foreign right and, during the court proceedings, the validity of the right concerned is challenged as a defence. In such circumstances, if the court invalidates the right, its judgment will affect only the parties to the original proceedings, in order to protect the interests of the state of registration. Finally, it is significant to emphasise that in general terms, the Saudi forum may not be asked to recognise or enforce a foreign judgment that concerns only the validity of a foreign right, because of the principle of territoriality.⁶⁰⁰

⁵⁹⁶ See Section 5.2.1, above.

⁵⁹⁷ See Section 5.2.2, above.

⁵⁹⁸ See Section 5.3, above.

⁵⁹⁹ See Section 5.4, above.

⁶⁰⁰ *ibid.*

Saudi law stipulates that to enforce a foreign judgment in Saudi Arabia, the plaintiff must affirm that the courts of the state where the judgment is issued are obliged to enforce judgments issued by Saudi courts. The Saudi government has ratified six judicial agreements and one of the expressed targets of these conventions is to enforce judgments issued in the Member States. In cases where a foreign judgment is issued in a state which has not signed any judicial cooperation agreement with the Saudi government, the plaintiff must confirm that the forums of the state where the judgment is issued are obliged, practically, to enforce judgments created in Saudi Arabia. If he fails to verify the principle of reciprocity, his foreign judgment will not be enforced in Saudi Arabia. Saudi law should ignore the principle of reciprocity, or at least not make it a mandatory requirement to enforce foreign judgments in Saudi Arabia. The rationale behind this approach is that reciprocity is a political concept and enforcing foreign judgments must be based on justice and cooperation between the courts, to allow the parties to achieve their rights if they are obtained consistently within the law. Secondly, the plaintiff may not be able to verify and satisfy this requirement. Therefore, his interests are likely to be harmed. Thirdly, this condition may result in a negative effect on the interests of the national party if he obtains a foreign judgment which fulfils all other requirements, but the Saudi court decides not to enforce the award, based on the ground that the plaintiff has not satisfied this requirement. Finally, this condition may lead the dispute being left without a solution. For example, if a foreign judgment meets the provisions of *res judicata* in accordance with Saudi law, it means that Saudi courts are not allowed to reconsider the same cause of action between the same parties. In such circumstances, if the Saudi forum refuses to enforce the judgment, based on the ground that the plaintiff does not satisfy that the courts of the country where the award is issued are obliged, practically, to enforce judgments created in Saudi Arabia, there are two potential scenarios. The first one is that if the Saudi court has jurisdiction over the issue and reconsiders the dispute, this means the forum disregards the provisions of *res judicata* and may harm the interests of a successful party. The second scenario is that if Saudi forums do not have jurisdiction over the dispute, this means that the issue will be left without a solution. In patent and trademark disputes, the latter scenario is quite likely to occur, because of the restriction of jurisdiction over these types of disputes⁶⁰¹.

Saudi law requires that a foreign judgment must be issued by a court with competent jurisdiction to be recognised or enforced in Saudi Arabia. However, it is significant to mention that Saudi law does not define which law must be called on to verify whether or not the court granting the judgment has jurisdiction over the issue⁶⁰². The agreements, which the Saudi government has ratified, uphold that the law of the state where the judgment is sought to be recognised or enforced must be applied to check

⁶⁰¹ See Section 5.5.1, above.

⁶⁰² See Section 5.5.2, above.

whether or not the original court had jurisdiction over the case⁶⁰³. There is a contrary approach that tends to accept that the law of the state where the judgment is issued must be applied to decide whether or not the court granting the judgment had jurisdiction to rule on the dispute⁶⁰⁴. In patent and trademark disputes, there are two elements that play fundamental roles to define which country should apply its own international jurisdiction rules to verify the jurisdiction of the court making the judgment. The first element is that the courts of the state where the judgment is sought to be recognised or enforced should honour jurisdiction rules and protect the interests of the state where the right in question is created and protected. The second element is that if a foreign judgment is not recognisable or enforceable in the state where the judgment is issued, it must not be recognised or enforced in other countries. Consequently, if the court granting the judgment does not have jurisdiction to rule on a dispute, its judgment on that case will not be recognised or enforced in the state where the original forum is located. Therefore, it does not deserve to be recognised or enforced in other countries. The conclusion of this element is that at the enforcement stage, the jurisdiction rules of the court granting the award are already respected⁶⁰⁵.

Based on the previous facts, the Saudi court should apply the international jurisdiction rules established in Saudi law if it is asked to recognise or enforce a foreign judgment relating to a Saudi patent or trademark. Hence, the Saudi forum must not recognise or enforce a foreign judgment if it is issued contrary to the exclusive jurisdiction of a specific court or an arbitration tribunal. This occurs in certain circumstances. The first situation is when jurisdiction over a dispute is exclusive to a Saudi forum. For example, Saudi courts have exclusive jurisdiction over the validity of Saudi rights. They also have exclusive authority over actions for infringement of Saudi patents or trademarks. The second situation is when the parties have a valid agreement to give jurisdiction over their dispute to a foreign court or an arbitration tribunal. Hence, when a foreign court rules on a dispute concerning a Saudi patent or trademark, the Saudi forum must refuse to recognise or enforce its judgment if the jurisdiction over the dispute is exclusive to specific courts or arbitral tribunals⁶⁰⁶.

However, the Saudi court should recognise or enforce a foreign judgment relating to a Saudi right in two circumstances. The first situation is in cases where actions for infringement of parallel rights are committed in more than one state. In this situation, if one of these actions occurs in Saudi Arabia and the infringement proceedings are consolidated before a foreign court where certain criteria for the consolidation are met, the Saudi forum must not refuse to recognise or enforce the part of the judgment which concerns the Saudi right. The second situation is when a foreign judgment concerns a contract for the exploitation of a Saudi patent or trademark. In such circumstances, if the parties give jurisdiction to a

⁶⁰³ See Section 5.5.2.1, above.

⁶⁰⁴ See Section 5.5.2.2, above.

⁶⁰⁵ See Section 5.5.2.3, above.

⁶⁰⁶ *ibid.*

foreign court, the Saudi forum should recognise or enforce the judgment of the chosen court, even if it determines an action for infringement of the right concerned, providing that the action is raised in connection with the contract. However, in the former situations, if the defendant challenges the validity of the Saudi right by way of defence and the forum granting the judgment rules on the validity issue, the Saudi court must refuse to recognise or enforce the judgment relating to the original dispute. This is because ruling on the validity of the right is a significant step to resolve the original issue properly and the foreign court does not have jurisdiction over the validity of the Saudi right. Moreover, the Saudi forum must refuse to recognise or enforce a foreign judgment relating to an action for infringement of a Saudi right if a Saudi court invalidates the right concerned before the foreign court issues its judgment. This is because an invalid right cannot be infringed⁶⁰⁷.

In cases where a foreign judgment concerns a right registered in the state where the judgment is issued, the Saudi forum should apply international jurisdiction rules established in the law of the state where the judgment is created to verify whether or not the original court has jurisdiction to issue the award⁶⁰⁸.

In cases where a foreign judgment concerns a right which does not belong to the state where the judgment is issued, the suggested approach for Saudi law is that the jurisdiction rules of the court making the judgment must be called on to verify the jurisdiction of that forum over the issue. Hence, if it does not have authority to rule on the dispute, the Saudi court must not recognise or enforce the ensuing judgment, not only because of the lack of jurisdiction, but also because this judgment is not capable of being recognised or enforced in the state where the original court is located. Therefore, it does not deserve to be recognised or enforced in other countries. However, when the court granting the award has authority to hear the dispute, the Saudi court is strongly recommended to honour the rules of jurisdiction established in the law of the state of registration of the right in question, in order to protect the public interests and economy of the protecting state. If the Saudi court disregards the rules of jurisdiction of the protecting state and recognises or enforces the judgment, it seems that this recognition or enforcement is inconsistent with the principle of international comity and creates a legal loophole in the justice procedures of Saudi forums. Clearly, when the courts of the state of registration have exclusive jurisdiction over the issue presented⁶⁰⁹.

To enforce a foreign judgment relating to an infringement action or the issue of validity of a patent or a trademark, neither Saudi law, nor the ratified agreements stipulates that the forum granting the judgment must apply the correct law to the case. Unfortunately, an authority from Saudi courts presenting

⁶⁰⁷ *ibid.*

⁶⁰⁸ *ibid.*

⁶⁰⁹ *ibid.*

an approach on this point has not yet been found. However, the suggested approach for Saudi law is that the Saudi court should refuse to enforce a foreign judgment in relation to an action for infringement of a Saudi right if the court of origin does not govern the action by Saudi law. The rationale behind this approach is that in such circumstances, applying Saudi law is mandatory and the parties are not allowed to agree to apply another law to the dispute. This recommendation is presented, in order to protect Saudi economy and financial interests. Moreover, applying foreign law to the action is inconsistent with Saudi public policy. When a foreign judgment relates to an action for infringement of a foreign right, it is significant to mention again the principle that a foreign judgment, which is not recognisable or enforceable in the state where the award is issued, does not deserve to be recognised or enforced in Saudi Arabia. The suggested approach for Saudi law is that when the right in question belongs to the state where the judgment is issued, the Saudi court may not face difficulty enforcing the judgment, because it is issued in the state of registration, which is the best place for the issue to be heard. When the right at stake does not belong to the state where the judgment is issued, the Saudi forum is strongly recommended to honour the rules of choice of law of the protecting state. If the law of the state of registration is mandatory to govern the action and the forum granting the judgment does not apply the law of that state to the dispute, the Saudi forum should refuse to enforce the judgment. The rationale behind this approach is that if the Saudi court enforces the award in these circumstances, this enforcement seems to be against international comity and is regarded as a legal loophole in the procedures of justice of Saudi forums⁶¹⁰.

To enforce a foreign judgment in Saudi Arabia, Saudi law stipulates certain traditional requirements which must all be satisfied in the judgment. One is that the judgment must not be inconsistent with the rules of Sharia or Saudi public policy⁶¹¹. The second requirement is that the plaintiff must submit certain documents which affirm that the judgment is final and is made in a manner consistent with natural justice⁶¹². Moreover, the judgment must be conclusive and final, in accordance with the law of the state where the judgment is issued⁶¹³. Finally, the judgment must be in connection with private law. Hence, a judgment which obliges a party to pay a penalty to a foreign authority will not be enforced in Saudi Arabia⁶¹⁴.

5.6.2 The Recommendations

The foregoing analysis of the Saudi rules for enforcement of foreign judgments does strongly suggest that the Saudi legislators should advise the Saudi government to establish the principles for enforcement of foreign judgments in a separate law. Moreover, in the suggested law, the approaches

⁶¹⁰ See Section 5.5.3, above.

⁶¹¹ See Section 5.5.4, above.

⁶¹² See Section 5.5.5, above.

⁶¹³ See Section 5.5.6, above.

⁶¹⁴ See Section 5.5.7, above.

relating to patent and trademark disputes should be clarified and legalised in separate rules. The Saudi legislators should consider such EU rules to find appropriate solutions for Saudi law. They should also reform any appropriate approach to be consistent with Saudi public policy and the rules of Sharia.

The previous investigation clearly shows that there is a strong need to revise the requirements that must be met to enforce a foreign judgment in connection with a patent and trademark dispute. In my opinion, the following rules are practical and possible to be incorporated into Saudi law, because they are not inconsistent with Saudi public policy or the rules of Sharia. Hence, there is no need to revise these approaches.

- A) The principle of reciprocity must not be mandatory to enforce a foreign judgment.
- B) The Saudi court should recognise and enforce a foreign judgment if it is recognisable in the protecting state of the right in question.

The target of latter rule is that the forum granting the judgment must honour the rules of jurisdiction and the rules of choice of law of the state of registration. In order to incorporate this principle into Saudi law, it is significant to revise article 25 section B of the Riyadh Arab Agreement for Judicial Cooperation, article 1 section A of the GCC Convention for the Execution of Judgments, article 16 section D of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 21 section D of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 21 section D of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 18 section D of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. These articles must be adjusted. This is because they imply that the Saudi forum must apply the Saudi rules of international jurisdiction to verify whether or not the court making the award has jurisdiction over the dispute.

Chapter 6: The Rules of Arbitration

6.1 The Introduction

The previous chapters have explained the principles for resolving cross-border trademark and patent disputes before Saudi public forums and some significant suggestions have been made. For example, it has been concluded above⁶¹⁵ that the issue of validity of a patent or a trademark is subject to the exclusive jurisdiction of the courts of the state of registration. Hence, in cases where a Saudi court hears a dispute relating to a foreign right and the validity of that right is challenged as a defense, it is recommended that the Saudi court must suspend its proceedings and refer the validity issue to the forums of the state of registration. The Saudi court should resume its proceedings over the original dispute as soon as the judgment on the validity issue is pronounced. Moreover, it has been seen above⁶¹⁶ that the Saudi rules of choice of law prevent the Saudi forums from applying foreign law. Therefore, these rules may minimise the possibility of resolving cross-border patent and trademark disputes before the Saudi courts in cases where foreign law is the law applicable to the disputes. Furthermore, it has been concluded above⁶¹⁷ that the Saudi court must apply the law of the protecting state to infringement actions. Consequently, in cases where the Saudi forum consolidates infringement actions committed in more than one state into one action, the court may be obliged to investigate the law of each state in which its own right is concerned. Hence, when the Saudi public court determines cross-border disputes relating to patents or trademarks, it may follow some strict rules.

It has been concluded above⁶¹⁸ that in patent and trademark disputes, the parties are allowed to agree to refer their differences to arbitration. In this context, it has been said that arbitrating international trademark and patent disputes is a better means to resolve the cases⁶¹⁹. Recently, a significant number of IP disputes have been resolved by arbitral tribunals⁶²⁰. This is due to confidentiality and because in arbitration, the parties have complete autonomy to choose professional arbitrators⁶²¹. Moreover, as has been concluded above⁶²², when infringement actions occur in more than one country, a Saudi court is allowed to consolidate the actions into one action if certain requirements are met and all of these conditions are satisfied in rare circumstances. On the contrary, it has been said that arbitration could

⁶¹⁵ See Section 3.2.3.5, above.

⁶¹⁶ See Sections 4.2.1 and 4.2.2 above.

⁶¹⁷ See Section 4.4.8, above.

⁶¹⁸ See Section 3.4.2, above.

⁶¹⁹ Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] *The John Marshall Review of Intellectual Property Law* 384,409 < <http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁶²⁰ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 49, 313.

⁶²¹ Nigel Blackaby and others, *Redfern and Hunter on International Arbitration* (5th edn, OUP 2009) para 2.118.

⁶²² See Section 3.3.2.4, above.

remedy the question of joining separate proceedings into a single action⁶²³. Hence, arbitration is a popular means to resolve international patent and trademark disputes.

Based on the previous conclusion, the aim of this chapter is to investigate the principles provided in Saudi law, such as the Saudi Arbitration Law, the Saudi Patent Law and the Saudi Trademark Law, in order to clarify whether or not these rules are applied effectively to arbitration in cross-border disputes relating to trademarks and patents. There are certain issues that will be examined. This chapter will highlight the points of the jurisdiction of an arbitration tribunal over a patent and trademark dispute and the possibility of deciding the issue by a Saudi public forum when the parties agree to refer the dispute to arbitration. Moreover, this study will explain the meaning of the doctrine of arbitrability. Also, it will examine which law should be applied to verify whether or not the validity of Saudi patents and trademarks is capable of arbitration. In addition, this research will illustrate whether or not the validity of Saudi rights is capable of being arbitrated. Furthermore, this chapter will examine the question of which law should be applied to contracts for the exploitation of patents or trademarks, infringement proceedings and validity issues. Finally, this chapter will conclude with notable findings and recommendations will be presented.

6.2 The Jurisdiction of Arbitral Tribunals

The effect of arbitration agreements is that jurisdiction over arbitrable disputes will be transferred to arbitration tribunals. Therefore, competent public forums will lose its jurisdiction over these cases. It is provided that in order to stay the court proceedings in favour of arbitration, certain requirements must be satisfied. In this section, these criteria will be discussed.

6.2.1 Establishing the Jurisdiction of Arbitral Tribunals

In the chapter examining the principles of jurisdiction over patent and trademark disputes, it has been concluded that if the parties have an agreement to refer the dispute to arbitration, the Saudi court must stay its proceedings in favour of arbitration, providing that the arbitration agreement is valid⁶²⁴. Article 11 section 1 of Saudi Arbitration Act 2012 provides this principle. In addition, article 12 of the Law states that the Saudi court must stay its proceedings if the parties agree during the court proceedings to refer the dispute to arbitration. Hence, in cases where the parties have an arbitration agreement, or agree to refer the dispute to arbitration during the trial of the Saudi court, the forum must stay its proceedings over the issue.

⁶²³ Joseph P Zammit and Jamie Hu, 'Arbitrating International Intellectual Property Disputes' [2009] (4) *Dispute Resolution Journal* 74, 80.

⁶²⁴ See Section 3.4.2, above.

Contrary to the conclusion of the previous paragraph, if the parties do not have an arbitration agreement, or if the agreement does not bind one of them, the Saudi court must not grant a stay in favour of arbitration. Similarly, it has been said that the forum must not stay its proceedings if the dispute presented falls outside the scope of the arbitration agreement⁶²⁵. In this situation, there is no defence to claim a stay of the court proceedings and refer the dispute to arbitration⁶²⁶. However, if the arbitration tribunal rules on the issue, its award will not be enforced in Saudi Arabia, because article 50 section 1 subsection F of the Saudi Arbitration Law 2012 states the arbitral award will not be enforced if it has not been agreed that the dispute will be referred to arbitration. Thus, the Saudi forum must grant a stay in favour of arbitration if the parties have a valid arbitration agreement which compels both of them and covers the dispute presented.

Furthermore, the proceedings of the Saudi court should not be stayed at the moment the defence of an arbitration agreement is raised, because there are certain stipulations, all of which must be satisfied before granting the stay. One of these criteria is that pursuant to article 9 section 2 of Saudi Arbitration Act 2012, the arbitration agreement must be written. Secondly, it must not be void and null, inoperative or incapable of being performed, otherwise the Saudi court must not grant the stay in favour of arbitration. According to article 10 section 1 of the Saudi Arbitration Act 2012, the arbitration agreement will be regarded as null if a party is not competent to enter into the contractual agreement. Similarly, this requirement is also recognised in article 9 section 4 of the English Arbitration Act 1996 and in this context, it has been said that if the parties terminate the agreement, it will be inoperative⁶²⁷. Finally, the time of raising the defence of the arbitration agreement is significant to granting of the stay. This is because article 11 section 1 of the Saudi Arbitration Law 2012 states that the defendant must raise his defence to refer the dispute to arbitration at the time of commencing the action before the Saudi court and before taking any further step. In this subject, it has been said that the stay must not be granted if the defendant responds to the claim without raising the defence of the arbitration clause⁶²⁸. Hence, a valid arbitration agreement plays a role to prevent the Saudi court from hearing the dispute presented if the agreement is written and the defendant requests the forum to stay its proceedings at the time of commencing the action before it.

Verifying the ability of the issue to be referred to arbitration is significant to granting of the stay. The Saudi Arbitration Law 2012 does not establish this requirement and a court judgment or an arbitration

⁶²⁵ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 21.2.5.

⁶²⁶ *ibid* 21.2.20.

⁶²⁷ *ibid* (n 625) 21.2.29.

⁶²⁸ Ahmed Ibrahim Abdulaltuab, *The Arbitration Agreement and its Defenses: A Comparative Study* (1st edn, Dar Alnahda Al Arabya 2008) 212; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn Hart Publishing, 2010) para 21.2.23.

award presenting an approach for Saudi law regarding this condition has not yet been found. However, in patent and trademark disputes, it is significant to stipulate in Saudi law that before granting the stay, the Saudi court must verify whether or not the subject matter of the dispute is capable of being arbitrated. The rationale behind this concept is that the Saudi government is a Contracting State to the New York Convention and article II section 3 of the Convention plays a significant role when a defendant makes a claim to stay the proceedings of the courts of the Member States in favour of arbitration. This article provides that the forum should ‘refer the parties to arbitration, unless it finds that the said agreement is null and void, inoperative or incapable of being performed’. However, section 1 of the article II states, ‘Each Contracting State shall recognize an agreement in writing ... concerning a subject matter capable of settlement by arbitration.’ This section indicates another requirement to recognise the arbitration agreement which is that the dispute must be capable of being arbitrated. In this subject, Born reports that

Notwithstanding the Convention’s language and drafting history, all opinions in *Scherk* and *Mitsubishi*, like the opinions in *Eco Swiss* and *Fincantieri*, concluded that Contracting State may refuse to refer parties to arbitration on “non- arbitrability” grounds, even though article II (3) does not itself contain such an exception.⁶²⁹

Hence, in order to recognise the arbitration agreement and to grant a stay in favour of arbitration, the subject matter of the dispute must be capable of arbitration,

In practice, no court judgment or arbitration award has been found as yet that presents an approach for Saudi law on this principle. However, this rule has been confirmed by sufficient reported judgments issued by foreign courts. The Court of Appeal of the District of Puerto Rico practiced this principle in the case of *Mitsubishi Motors Corp v Soler Chrysler-Plymouth Inc*⁶³⁰ and concluded that because the dispute ‘antitrust’ is non-arbitrable, the claim before the court, which concerns this issue, must not be stayed in favour of arbitration⁶³¹. One point that should be emphasised is that in this dispute, the arbitration agreement covered an antitrust claim. The Paris Court of First Instance understood this principle in the case of *Velcros v Overseas Textile Machinery (OTM)*⁶³², when the parties were in a contract to license a trademark and the dispute was brought before the court to terminate the contract. It concluded that because there was a clause to refer the dispute to arbitration and a dispute concerning the contract is arbitrable, the court refused to rule on the issue and referred it to arbitration⁶³³. Hence, if the

⁶²⁹ Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 441.

⁶³⁰ United States Supreme Courts, *Mitsubishi Motors Corp v Soler Chrysler-Plymouth Inc*, 473 US 614 (1985), reported at Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 246; Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 433.

⁶³¹ Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 434.

⁶³² *Velcros v Overseas Textile Machinery (OTM)*, Paris Court of First Instance (TGI), 17 March 1981, reported at Edouard Fortunet, ‘Arbitrability of Intellectual Property Disputes in France’ [2010] *Arbitration International* 281, 299.

⁶³³ Edouard Fortunet, ‘Arbitrability of Intellectual Property Disputes in France’ [2010] *Arbitration International* 281, 299.

subject matter of the dispute is not arbitrable, a party to the arbitration agreement can commence his claim before the public forum in spite of the arbitration clause, because it is non-recognised.

The Saudi Arbitration Law 2012 is the same as the English Arbitration Act 1996, because both regulations do not expressly require that to grant a stay in favour of arbitration, the subject matter of the dispute must be capable of arbitration. However, there is a suggestion in English law which states that to grant a stay in favour of arbitration, the English court, which holds the case, should ensure that the subject matter of the issue is capable of being ruled by arbitration⁶³⁴. It is appropriate to incorporate this recommendation into the Saudi Arbitration Law 2012. The reason behind this suggestion is that pursuant to article 50 section 2 of the Saudi Arbitration Law 2012, article V section 2 subsection A of the New York Convention, article 37 section A of the Riyadh Arab Agreement for Judicial Cooperation, article 22 section A of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 26 section A of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 26 section A of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 24 section A of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, arbitral awards must not be enforced in Saudi Arabia if the subject matter of the disputes are not arbitrable according to Saudi law. Hence, the Saudi forum should stay its proceedings over a dispute if the parties have a valid agreement to arbitrate the case and the subject matter of the issue is capable of being arbitrated.

After suggesting that the Saudi forum must not grant the stay if the subject of the issue is not arbitrable, it is appropriate to examine the doctrine of arbitrability and explain its effects on trademark and patent disputes.

6.2.2 The Doctrine of Arbitrability

Arbitrability means the ability to resolve a certain type of issue by arbitration⁶³⁵. Each state has the complete freedom to define which subjects could be arbitrated and which issues have to be referred to its public courts, in order to protect its own political, economic and social elements⁶³⁶. Researching the doctrine of arbitrability is significant to the state where arbitration will take place and also to state where

⁶³⁴ Mihail Danov, 'The Law Governing Arbitrability under the Arbitration Act 1996' [2008] *Lloyd's Maritime and Commercial Law Quarterly* 536, 546.

⁶³⁵ Nigel Blackaby and others, *Redfern and Hunter on International Arbitration* (5th edn, OUP 2009) para 2.111; Anne-Sophie Papeil, 'Conflict of Overriding Mandatory Rules in Arbitration' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010); Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] *The John Marshall Review of Intellectual Property Law* 384,409 < <http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁶³⁶ Nigel Blackaby and others, *Redfern and Hunter on International Arbitration* (5th edn, OUP 2009) para 2.114; Anne-Sophie Papeil, 'Conflict of Overriding Mandatory Rules in Arbitration' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

an arbitration award is sought to be enforced⁶³⁷. For example, according to article 50 section 2 of the Saudi Arbitration Law 2012, article 37 section A of the Riyadh Arab Agreement for Judicial Cooperation, article 22 section A of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 26 section A of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 26 section A of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 24 section A of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, the arbitration award must not be enforced if the dispute is not capable of arbitration pursuant to the law of the state where the award is sought to be enforced. In this context, it has been said that the obvious advantage implied by this principle is that a court can refuse to enforce the arbitration award on the bases that the issue is not arbitrable⁶³⁸. Thus, the Saudi court is allowed to refuse to enforce an arbitration award if the dispute is not capable of being arbitrated in accordance with Saudi law.

6.2.3 The Law Applicable to Govern Arbitrability

When considering the question of which law should be applied to the arbitrability of an issue during the proceedings of a Saudi public forum or an arbitration tribunal, it is significant to mention that the Saudi Arbitration Laws 1983 and 2012 have drawn a general concept of the subjects that can be arbitrated. However, they do not define which law should be applied to verify the arbitrability of the issue when it is brought before the Saudi court or arbitration tribunal. An authority expressing an approach for Saudi law on this point has not yet been found. On the contrary, Saudi law provides a fixed answer to the question of which law should be applied to verify the arbitrability of the issue at the enforcement stage. According to article 50 section 2 of the Saudi Arbitration Act 2012, article 37 section A of the Riyadh Arab Agreement for Judicial Cooperation, article V section 2 subsection A of the New York Convention, article 22 section A of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 26 section A of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 26 section A of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 24 section A of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, the law of the country where the arbitral award is sought to be enforced should be applied to verify whether or not the subject matter of the dispute is capable of being arbitrated. Based on this fact, the Saudi forum should refuse to enforce the arbitration award if Saudi law prevents the arbitrators from considering the dispute. Hence, while Saudi law does not contain an answer to the question of which law should be applied to the arbitrability of the dispute when it is brought before the Saudi public forum or

⁶³⁷ Joseph P Zammit and Jamie Hu, 'Arbitrating International Intellectual Property Disputes' [2009] (4) *Dispute Resolution Journal* 74, 80.

⁶³⁸ Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 422.

arbitral tribunal, at the enforcement stage, the Saudi court must decide the arbitrability of the issue in accordance with Saudi law.

In relation to the preceding conclusions, the Saudi Arbitration Act 2012 does not provide an answer to the issue of which law should be applied to check whether or not the subject of a dispute brought before the Saudi court or arbitration tribunal is arbitrable. Moreover, the New York Convention does not present any solution to this issue. Although article II section 1 of the Convention allows the courts of the Contracting States not to recognise any arbitration agreement if the subject matter of the dispute is not arbitrable, the article does not define which law should be applied to verify the arbitrability of the subject of issue. Based on this fact, there are several approaches regarding the question of which law should be applied to check whether or not the dispute is capable of being arbitrated. In this section, these concepts will be examined and evaluated, in order to identify which concept is appropriate to be incorporated into Saudi law.

6.2.3.1 The Law Governing the Arbitration Agreement

The first approach is to apply the law governing the arbitration agreement⁶³⁹. It is justified by the fact that the New York Convention supports this approach and article II section 1 of the Convention should be interpreted 'as expressly providing that the law which governs the arbitration agreement should determine the question of the arbitrability'⁶⁴⁰. In addition, this approach is preferred when an arbitration tribunal faces the question of arbitrability in IP arbitration. It has been pointed out that arbitrators are not obliged to apply the rules of conflict of laws and do not have a provision of *lex fori*⁶⁴¹. However, this approach has an exception, as it is said that the arbitrators may apply the law of the country where the arbitration is seated, in certain circumstances. The first situation is when the law governing the arbitration agreement rejects the arbitrability of the issue and the law of the seat of the arbitration does not correspond with that rule. The second situation is when the parties do not define a specific law to govern the arbitration agreement⁶⁴². Hence, the law governing the arbitration agreement has the priority, in general, to verify the arbitrability of the subject of the issue.

This approach is arguable by the fact that, pursuant to the New York Convention, the law governing the arbitration agreement should not be applied to verify the arbitrability of the issue. Article II of the Convention covers only the law governing the arbitration agreement, and according to that article,

⁶³⁹ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 21.2.11.

⁶⁴⁰ Mihail Danov, 'The Law Governing Arbitrability under the Arbitration Act 1996' [2008] *Lloyd's Maritime and Commercial Law Quarterly* 536, 546.

⁶⁴¹ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 54.

⁶⁴² *ibid* 55.

arbitrability should be examined distinguishably by another law⁶⁴³. Moreover, in most cases, the arbitration agreement does not contain a clause expressing which law must be applied to the agreement. In such circumstances, the English approach is that the law of the state where the arbitration is seated will be applied to the agreement, because this law has a real connection to the dispute⁶⁴⁴. Hence, the law governing the arbitration agreement should not be applied to verify whether or not the dispute is arbitrable.

6.2.3.2 The Law of the Court

The second approach is inclined to apply the law of the court which holds the dispute⁶⁴⁵. This approach is accepted widely in comparison with the first concept. It was recognised in the case of *Mitsubishi Motors Corporation v Soler Chrysler-Plymouth Inc*⁶⁴⁶. A US court applied the law of the court to examine the arbitrability of the issue ‘an antitrust claim’⁶⁴⁷ although the sale agreement contained a clause to arbitrate controversies in Japan according to the rules and regulations of the Japanese Commercial Arbitration Association⁶⁴⁸ and contained a clause to apply Swiss law to the agreement⁶⁴⁹. In spite of these facts, Soler raised his claim based on the Sherman Act, the Puerto Rico Competition Statute and the Puerto Rico Dealers’ Contracts Act⁶⁵⁰. Furthermore, when an antitrust claim is brought before a Japanese arbitration tribunal, American law was the applicable law to the arbitrability of the dispute and there was no argument against this application. The question raised was: should the Swiss law govern the antitrust claim rather than the US law, as the former law was agreed to govern the agreement? In response to this enquiry, it was said that applying the US law vindicates the US antitrust policy and the principles of the conflict of laws intended to apply the US law in that case, because the applicable law clause in that dispute did not cover the law governing the arbitrability of the issue. The International Chamber of Commerce argued the possibility of applying the law chosen to the agreement to examine the arbitrability

⁶⁴³ Mihail Danov, ‘The Law Governing Arbitrability under the Arbitration Act 1996’ [2008] Lloyd’s Maritime and Commercial Law Quarterly 536, 546.

⁶⁴⁴ *ibid.*

⁶⁴⁵ Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 21.2.10.

⁶⁴⁶ United States Supreme Court, *Mitsubishi Motors Corporation v Soler Chrysler-Plymouth Inc*, 1985, 473 US 614, reported at Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 246; Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 433.

⁶⁴⁷ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 248.

⁶⁴⁸ *ibid* 246.

⁶⁴⁹ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) no 19 page 250; Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) no 85 page 436.

⁶⁵⁰ Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 434.

of the dispute and stated that it is conceivable, but unlikely to fall within the scope of the clause concerning the choice of law⁶⁵¹.

An Italian court applied the same approach in the case of *Coveme v CFI*⁶⁵². In this case, Born reports that the law applicable to the arbitrability was French law and the defendant argued that Italian law should not be applied to verify the arbitrability of the issue. In spite of these facts, it was concluded that according to the Italian law, where the dispute is held in Italy, and pursuant to article II and V of the New York Convention, ‘There is no doubt that, contrary to defendant’s theory, Italian law applies to review arbitrability.’⁶⁵³ This approach was also suggested to be applied in the case of *Fincantieri-Cantieri Navali Italiani SPA v Ministry of Defense, Armament and Supply Directorate of Iraq*⁶⁵⁴, when the Italian party raised his claim before an Italian forum. The defendant said that there was an agreement to refer potential disputes between the parties to arbitration in accordance with the Conciliation and Arbitration Rules of the Paris Chamber of Commerce⁶⁵⁵. Varady, Barcelo III and Von Mehren report that the Italian court should apply Italian law to check the arbitrability of the issue and they affirm that ‘The arbitrability of the dispute must be ascertained according to Italian law as this question directly affects jurisdiction.’⁶⁵⁶

A Belgian court also followed the same approach in the case of *M.S.A v Company M*⁶⁵⁷, when the parties were agreed to arbitrate potential disputes and appointed Swiss law to be the applicable law. The Belgian party commenced a claim before the Court of First Instance of Brussels which decided, according to Belgian law, that the issue was not arbitrable. Therefore, it had jurisdiction to hear the case⁶⁵⁸. The Swiss party appealed the judgment and objected to the jurisdiction of the court because of the arbitration clause. The Court of Appeal revised the judgment. In the comments, it was said that the lower court applied Belgian law, because it read article II sections 1 and 3 in conjunction with article V section 2 subsection A of the New York Convention. However, the Belgian Court of Appeal rejected this notion, because the latter article concerns the stage of enforcement proceedings when the law of the court where

⁶⁵¹ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) no 19 page 250; Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) no 85 page 436.

⁶⁵² *Coveme v CFI*, XVII YB Comm Arb 534 (1992) (Bologna Tribunal), reported at Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 425.

⁶⁵³ Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 425.

⁶⁵⁴ *Fincantieri-Cantieri Navali Italiani SPA v Ministry of Defense, Armament and Supply Directorate of Iraq*, Italy, Court of Appeal of Genoa, 1994 21 Yearbk Comm Arb’n 594(1996), Arb’n 594 (1996), reported at Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 236; Gary Born, *International Arbitration: Cases and Materials* (Aspen Publishers 2011) 440.

⁶⁵⁵ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 237.

⁶⁵⁶ *ibid* 240.

⁶⁵⁷ *MSA v Company M*, Court of Appeal of Brussels 1985 14 Yearbk Comm Arb’n 618 (1989), reported at Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 277.

⁶⁵⁸ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 277.

the arbitration award is sought to be enforced is applied to verify whether or not the subject matter of the dispute is arbitrable. The Belgian Court of Appeal commented that the present case concerned the validity of the arbitration agreement and there was no reason to follow the approach that the law of the court holding the case should be applied to examine the arbitrability of the issue. The Court of Appeal followed the first concept and stated that the arbitrability of the dispute should be examined by the law governing the validity of the arbitration agreement⁶⁵⁹. As a result of the second concept, the court seizing the dispute should apply its own law to verify the arbitrability of the issue.

However, there is an argument against this approach. It has been suggested that it is not acceptable to apply the law of the forum where the dispute is brought to verify the arbitrability of the issue, because the New York Convention does not indicate that this is the approach⁶⁶⁰. In addition, it may result in an unacceptable outcome when the claimant brings his case before a court which could find in his favour. This possibility becomes clearer when the dispute is within the scope of the Brussels I Regulation or, in general terms, when the plaintiff has more than one ground of jurisdiction to bring his claim before courts in different states⁶⁶¹. Hence, this approach is not practical and should not be applied.

6.2.3.3 The Law of the seat of Arbitration

The third approach upholds that the law of the country where the arbitration is seated should be applied to examine the arbitrability of the issue⁶⁶². The rationale behind this approach is that this country is the most closely connected state to the arbitration trial. When the parties agree to hold the tribunal in that state, it seems that they agree to choose its law to govern the arbitrability of the issue⁶⁶³. In addition, arbitrability is a matter of procedure which has a stronger link to the jurisdiction of the court and the public than the substantive laws. Hence, because arbitrability is a matter of procedure, the law of the seat of arbitration should be applied to clarify whether or not the issue is arbitrable⁶⁶⁴. In practice, Varady, Barcelo III and Von Mehren report that a Swiss tribunal upheld this approach in the case of *Consultant (France) v Egyptian Local Authority*⁶⁶⁵. In this case, the parties agreed to refer their potential disputes over the contract to arbitration in Geneva under the Rules of the International Chamber of Commerce and the arbitration agreement contained a clause indicating that Egyptian law was the applicable law.

⁶⁵⁹ *ibid* 278.

⁶⁶⁰ Mihail Danov, 'The Law Governing Arbitrability under the Arbitration Act 1996' [2008] *Lloyd's Maritime and Commercial Law Quarterly* 536, 546.

⁶⁶¹ *ibid*.

⁶⁶² Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 21.2.10.

⁶⁶³ Mihail Danov, 'The Law Governing Arbitrability under the Arbitration Act 1996' [2008] *Lloyd's Maritime and Commercial Law Quarterly* 536, 546.

⁶⁶⁴ *ibid*.

⁶⁶⁵ *Consultant (France) v Egyptian Local Authority*, 17 Yearbk Comm Arb'n 153 (1992) (ICC Arbitral Award, Geneva, Switzerland, 1990), reported at Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 281.

Depending on the clause of applicable law, the Egyptian party requested that the arbitrability of the issue was governed in accordance with Egyptian law. The arbitrators responded that because Geneva is the seat of arbitration, ‘It is necessary to determine to which extent the Swiss rules governing international arbitration apply to decide on the issue of arbitrability and enable an arbitral tribunal to refuse to apply foreign legal provisions according to which the dispute would not be arbitrable.’⁶⁶⁶ Therefore, the tribunal refused to apply Egyptian law to examine the arbitrability of the issue and instead applied Swiss law. Thus, the law of the state where arbitration is held should be applied to the arbitrability of the dispute.

6.2.3.4 The Law Applicable to Govern the Arbitrability of Validity of Patents and Trademarks

In patent and trademark disputes, the essential question is which of the previous approaches is appropriate to follow when the arbitrability of the validity of a patent or a trademark is questioned before an arbitration tribunal or a Saudi forum? Before examining this question, it is significant to answer the question: Which court should have jurisdiction over the validity of a patent or a trademark? This is because the arbitrability of the issue may be raised before the court in two situations, under the jurisdiction of the forum if the dispute is brought before the court, or as a question from the arbitration tribunal to the forum. In relation to this, it has been said that

In the US and elsewhere, there is sometimes discussion by judges and others as to whether a particular dispute is arbitrable, in the sense that it falls within the scope of the arbitration agreement. The concern in such cases is with the court’s jurisdiction over a particular dispute rather than a more general enquiry as to whether is of type that comes within domain of arbitration.⁶⁶⁷

Hence, the Saudi court may be asked to decide the arbitrability of the validity of a patent or a trademark as a dispute under its jurisdiction or as an enquiry from an arbitration panel.

It has been concluded above⁶⁶⁸ that according to Saudi law, jurisdiction over the validity of patents and trademarks is exclusive to the courts of the state of registration, and, furthermore, a Saudi forum does not have jurisdiction over the validity of foreign rights. Based on this fact, the plaintiff is not allowed to rely on the principle of forum shopping and bring the action before a court other the forums of the state where the right concerned is registered. Moreover, the Saudi court will apply the provisions, provided in article II section 1 of the New York Convention, as that in cases where the validity of a Saudi right is brought before a Saudi court which concludes that the validity of the right is not arbitrable, the court does not face the difficulty of determining the difference. This is because the arbitration agreement

⁶⁶⁶ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 281.

⁶⁶⁷ Nigel Blackaby and others, *Redfern and Hunter on International Arbitration* (5th edn, OUP 2009) n 162 page 123.

⁶⁶⁸ See Section 3.2.3.5, above.

is not recognised and the Saudi court has jurisdiction over the validity of the Saudi right. On the contrary, if the Saudi court is asked to decide the arbitrability of the validity of a foreign right and concludes that the issue is not arbitrable, the Saudi court is not allowed to rule on the validity of the foreign right, because of the lack of jurisdiction. Hence, jurisdiction over the validity of patents and trademarks is exclusive to the courts of the state of registration.

When it comes to the situation where an arbitration tribunal questions a Saudi court about the arbitrability of the validity of a foreign right, there is an essential fact that must be restated: arbitrability should be decided by the courts of the state having a close connection to the subject matter of the dispute. This is to protect the public policy and economic interests of its society⁶⁶⁹. Varady, Barcelo III and Von Mehren point out that the strong factor, which must be taken into account in the decision to arbitrate or not concerning a certain subject, is where public interests are at risk. Courts and other authorities only have jurisdiction to decide on a dispute falling into ‘areas in which society (the state) has strong vested interests and policies’⁶⁷⁰. Based on these facts, if the question is not referred to the court of the state of registration, the answer, regardless of what it is, will not protect the public interests of the state where the forum is located. At the same time, the country where the right at stake is registered, not only has the close connection required to answer the enquiry relating to the arbitrability of the validity of its own right, but also its economic interests and public policy may be harmed if a foreign court answers that enquiry. All these considerations support the approach that the Saudi forum must not answer or handle any enquiry regarding the arbitrability of validity of foreign patents and trademarks.

Having said that the Saudi court has exclusive jurisdiction to decide, or answer, the enquiry regarding validity of Saudi patents or trademarks and it does have authority in relation to the validity of foreign rights, the dilemma of which law the Saudi forum must apply to the arbitrability of the validity of Saudi rights is almost resolved. The Saudi forum must apply Saudi law in such circumstances. In the same subject, it has been said that because the courts of the country having exclusive jurisdiction over the subject matter of the dispute have a particular connection to the issue, only the law of that jurisdiction must be applied to rule on whether or not the subject matter of the dispute is arbitrable⁶⁷¹. Moreover, the same concept seems to have been applied in Germany and France, because the implication of leading cases in these states is that the connection between the facts of a case and the other mandatory ‘legal rules expressing public policy’ in that case should be taken into account, regardless of which law governs the

⁶⁶⁹ Nigel Blackaby and others, *Redfern and Hunter on International Arbitration* (5th edn, OUP 2009) para 2.114; Anne-Sophie Papeil, ‘Conflict of Overriding Mandatory Rules in Arbitration’ in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁶⁷⁰ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 232.

⁶⁷¹ Stavros Brekoulakis, ‘Law Applicable to Arbitrability: Revisiting the Revisited Lex Fori’ in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009).

contract⁶⁷². This approach is suggested for a number of reasons. It is consistent with the outstanding principle which has been suggested for incorporation into Saudi law that a Saudi public court must apply the law of the protecting state to validity and infringement issues. Therefore, the forum must apply the law of the protecting state to verify the arbitrability of the validity of Saudi rights. Furthermore, the principle of giving exclusive jurisdiction over the validity of patents and trademarks to the court of the state of registration is based on the meaningful connection between that forum and its society. Hence, it is illogical to call on law, other than the law of the protecting state, to examine the arbitrability of the validity of these rights; otherwise, it may contravene public policy, affect the economy of the protecting state and result in an unenforceable award. In addition, applying the suggested approach undermines the concern that the plaintiff could obtain a preferable judgment, because this approach provides certainty that only the law of the protecting state will examine the arbitrability of the subject matter of the issue. Based on this fact, theoretically, if a Saudi court is allowed to examine the arbitrability of the validity of a foreign right, it must apply the law of the state of registration to the issue, instead of applying Saudi law. In this subject, Brekoulakis write, ‘If pending has no territorial connection with the national courts of referral, the national law of the courts of referral (lex fori) will be irrelevant to the matter of arbitrability.’⁶⁷³ Hence, the Saudi court must apply the law of the protecting state to verify the arbitrability of the validity of patents and trademarks.

In consideration of which law an arbitration tribunal should apply to the arbitrability of an issue, it is generally said that the tribunal determines arbitrability in accordance with the law of the country where the arbitration is seated. This arises from the principle of article V section 1 subsection A of the New York Convention and to avoid issuing an unsound award in the country where the arbitration is seated⁶⁷⁴. However, if the arbitration tribunal considers a dispute which does not have a territorial connection with the state where the arbitration is seated, the arbitrators are not obliged to apply the national law of that state to examine the arbitrability of the issue concerned⁶⁷⁵. At the same time, they are not obliged to apply the law of the state having territorial connection with the dispute, because the trial is held outside the territory of that country which does not have power outside its borders to force the tribunal to apply its law⁶⁷⁶. In these circumstances, the only essential point which needs to be taken into account is the ability to solve the dispute successfully. The core of the solution is involved in the law of the country having the close connection to the dispute. Consequently, if the matter concerned is arbitrable according to the

⁶⁷² Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 255.

⁶⁷³ Stavros Brekoulakis, ‘Law Applicable to Arbitrability: Revisiting the Revisited Lex Fori’ in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009).

⁶⁷⁴ *ibid.*

⁶⁷⁵ *ibid.*

⁶⁷⁶ *ibid.*

national law of that state, the tribunal can hear it, but if the law of that state refuses to arbitrate on the issue, the arbitration tribunal must refuse its jurisdiction over that matter⁶⁷⁷. Hence, it is appropriate to incorporate into Saudi law the principle that the arbitration tribunal should apply the law of the country having close connection to the dispute, in order to verify whether or not it is capable of arbitration. In disputes concerning the validity of patents or trademarks, it seems to be the law of the protecting state.

6.2.3.5 The Law Applicable to Govern the Arbitrability of Validity of Patents and Trademarks at the Enforcement Stage

At the enforcement stage, there are two theoretical scenarios that must be highlighted when considering which law the Saudi forum should apply to govern the arbitrability of validity of patents or trademarks

The first scenario is based on the presumption that an arbitration award is capable of being enforced. The approach of this assumption is helpful in cases where the arbitration tribunal is allowed to issue an award with *erga omnes* effects. For example, the principle in Belgian law regarding only patents and Swiss law is that the successful party is allowed to ask a competent authority to enforce the arbitral award concerning the validity issue and to cancel the relevant right⁶⁷⁸. The general principle in this circumstance is that the law of the state where the arbitration is seated should be called on, because the award will be set aside if it is not recognised or enforced in that state. The vast majority of arbitration laws recognise this principle⁶⁷⁹. Moreover, according to article 50 section 2 of the Saudi Arbitration Act 2012, article 37 section A of the Riyadh Arab Agreement for Judicial Cooperation, article V section 2 subsection A of the New York Convention, article 22 section A of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 26 section A of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 26 section A of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 24 section A of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, the forum of the state where the arbitration award is sought to be enforced must apply its own law to govern the issue of arbitrability. If the dispute is not arbitrable in accordance with the law of the required court, the award will not be enforced. Because a reported judgment from Saudi courts relating to this principle has not yet been found, it is appropriate to mention that this principle has been recognised and practiced in many other countries. For example, the U.S. Supreme Court practiced this rule in the case of *Libyan American Oil Co (LIAMCO) v Socialist People's Arab Jamahiriya*⁶⁸⁰, and

⁶⁷⁷ *ibid.*

⁶⁷⁸ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 292.

⁶⁷⁹ Mihail Danov, 'The Law Governing Arbitrability under the Arbitration Act 1996' [2008] *Lloyd's Maritime and Commercial Law Quarterly* 536, 546.

⁶⁸⁰ US Supreme Court, *Libyan American Oil Co (LIAMCO) v Socialist People's Arab Jamahiriya*, 482 F Supp 1175 (DDC 1980) in 20 ILM 1 (1981), reported at Anne-Sophie Papeil, 'Conflict of Overriding Mandatory Rules in Arbitration' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

concluded it should refuse to enforce the arbitral award, based on the enforcement of article V section 2 subsection A of the New York Convention⁶⁸¹. Hence, in general terms, at the enforcement stage, the laws of countries where the arbitration is seated and where the arbitration award is sought to be enforced may be called on to govern the arbitrability of the subject matter of the dispute, and the award should be set aside if the dispute is not arbitrable in accordance with the laws of these countries.

However, in trademark and patent disputes, there is a different approach that tends to accept that the court of the state where the arbitral award is sought to be enforced must not apply its own law to examine whether or not the subject matter of the dispute is arbitrable. At the same time, the law of the state where the arbitration is seated should not be called on to govern the issue of arbitrability. Instead, the law of the country which has a close connection to the dispute must be called on in such circumstances⁶⁸². It seems to be the law of the protecting state. Hence, at the enforcement stage, the court should apply only the law of the state of registration to verify whether or not the dispute is capable of being arbitrated.

The second scenario is based on the presumption that in patent and trademark disputes, an enforceable arbitration award is the award which constitutes a liability against a party⁶⁸³. If this concept is accepted in Saudi law and the Saudi court is asked to enforce an arbitral award which relates solely to the validity of a patent or a trademark, it will not apply article 50 section 2 of the Saudi Arbitration Act 2012, article 37 section A of the Riyadh Arab Agreement for Judicial Cooperation, article V section 2 subsection A of the New York Convention, article 22 section A of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 26 section A of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 26 section A of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 24 section A of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. The justification behind this concept is that the previous articles institute the principle that the Saudi forum will not enforce an arbitration award if the issue is not arbitrable according to Saudi law. This ruling will not apply as an arbitration award that concerns only the validity of a patent or a trademark is unenforceable. However, it is possible that an arbitration tribunal rules on a dispute in connection with an infringement, or a contract for the exploitation, of a patent or a trademark and during the arbitration process, the validity of the right is incidentally raised as a defence. If the tribunal arbitrates on the issue of the validity and if the arbitration award relating to the original claim is sought to be

⁶⁸¹ Anne-Sophie Papeil, 'Conflict of Overriding Mandatory Rules in Arbitration' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁶⁸² Stavros Brekoulakis, 'Law Applicable to Arbitrability: Revisiting the Revisited Lex Fori' in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009).

⁶⁸³ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 275.

enforced in Saudi Arabia, the law of the protecting state should be applied to govern the arbitrability of the validity of the right⁶⁸⁴.

The reasons why an arbitration award that only concerns the validity of a patent or a trademark cannot be enforced are complicated and several. Firstly, a factor is the territorial limitation of the existence of patents and trademarks. They are granted independently; in order to grant a right, each state runs its own examination and applies its own requirements, which are based on its national law. In addition, in cases where parallel rights registered in accordance with the provisions of a community regulation, such as the Patent Regulation of the Cooperation Council for the Arab States of the Gulf, they will also be independent after granting. The meaning and consequence of this theory is that if a patent is invalidated in country A, there is no effect for the protection of the parallel patents in other countries. In this context, it has been said that according to the principle of the independence of patents and trademarks, there is no concern if an arbitral tribunal deals with multiple rights and decides that certain claims are invalid and in other claims establish liability and infringement against the defendants. The rationale behind this ruling is that each court will enforce a section concerning the right registered in its own jurisdiction⁶⁸⁵. Therefore, there is no obvious advantage to enforce an arbitral award which only confirms, or not, the validity of a right in a country other than the state of registration. This is because there are certain procedures that must be followed in each state, in order to protect patents or trademarks and because of the principle of territoriality. Hence, the litigants are not allowed to ask a court other than the forum of the protecting state to enforce an arbitral award relating only to the validity of a patent or a trademark.

Secondly, apart from the principle of the independence of patents and trademarks, there are certain administrative authorities in each state that have authority to protect, or to invalidate these rights. The courts of the protecting state are unlikely to be required to enforce an arbitration award which affirms the existence of these rights⁶⁸⁶. At the same time, if the award is to invalidate a right, the owner has nothing to be enforced and the successful party may not obtain an advantage by enforcing the award, in particular, when it binds only the parties to the arbitration⁶⁸⁷. Moreover, he could acquire an advantage by keeping the confidentiality of the award from his competitors⁶⁸⁸. Hence, because there are certain administrative authorities in each state that have jurisdiction to invalidate patents and trademarks, and because the

⁶⁸⁴ This approach is helpful when the Saudi court is asked to recognise an arbitral award regarding the validity of a patent or a trademark. In such circumstances, the forum must refuse to recognise the award if the validity of the right is not arbitrable in accordance with the law of the protecting state of the right concerned.

⁶⁸⁵ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 60, 275.

⁶⁸⁶ *ibid* 60.

⁶⁸⁷ *ibid*.

⁶⁸⁸ *ibid*.

arbitration award does not affect a third party, the courts of a protecting state might not be asked to enforce the arbitration award when it concerns only the validity of its own patents or trademarks.

6.2.4 The Jurisdiction of Arbitral Tribunals over Validity Issues

The Saudi Arbitration Act 2012 does not provide a direct answer to the question of which disputes in relation to trademarks and patents are capable of being arbitrated. Furthermore, a court judgment or an arbitration award providing an approach for Saudi law on this point has not yet been found. However, it has been said that there is no doubt that all disputes⁶⁸⁹ concerning the economic value or the exploitation of patents or trademarks, involving a license or transfer agreement, are arbitrable without objection⁶⁹⁰. Moreover, it has been concluded that in many states, infringement claims are arbitrable⁶⁹¹. The difficulties will emerge in cases where the validity of patents or trademarks is challenged during the arbitration proceedings concerning infringement or license agreements and in cases where the parties agree to arbitrate the validity of these rights. The question arises: May Saudi law allow the arbitrators to rule on the validity of Saudi patents and trademarks? The general answer is that each state tends to protect its own economy and social policy⁶⁹². Hence, in this section, it is significant to examine the question of the possibility of arbitrating on the validity of patents or trademarks, in order to suggest an appropriate approach to be established in Saudi Law.

6.2.4.1 The Positive Approach

There are two main approaches to handle the question of whether or not the validity of patents or trademarks is capable of arbitration. The first approach is that the validity of these rights is arbitrable, providing that the award binds only the parties to the arbitration⁶⁹³. This approach is followed in several

⁶⁸⁹ It is significant to mention that there is a concept that says 'infringement disputes do not go to arbitration'. See James Fawcett, 'Special Rules of Private International Law for Special Cases: What Should We Do about Intellectual Property?' in James Fawcett (ed), *Reform and Development of Private International Law: Essays in Honour of Sir Peter North* (OUP 2002).

⁶⁹⁰ MA Smith and others, 'Arbitration of Patent Infringement and Validity Issues Worldwide' [2006] *Harvard Journal of Law and Technology* 299,357 <<http://jolt.law.harvard.edu/articles/pdf/v19/19HarvJLTech299.pdf> > accessed 15 Feb 2014; Anna P Mantakou, 'Arbitrability and Intellectual Property Disputes' in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009); Nigel Blackaby and others, *Redfern and Hunter on International Arbitration* (5th edn, OUP 2009) para 2.118; Edouard Fortunet, 'Arbitrability of Intellectual Property Disputes in France' [2010] *Arbitration International* 281, 299; Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 52; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 21.2.12; Khalid Hassan, *Cancellation of an Arbitral Award: A Comparative Study* (Dar Alnadhha Alarabia 2010) 275; Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] *The John Marshall Review of Intellectual Property Law* 384,409 <<http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁶⁹¹ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 52.

⁶⁹² Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] *The John Marshall Review of Intellectual Property Law* 384,409 <<http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁶⁹³ MA Smith and others, 'Arbitration of Patent Infringement and Validity Issues Worldwide' [2006] *Harvard Journal of Law and Technology* 299,357 <<http://jolt.law.harvard.edu/articles/pdf/v19/19HarvJLTech299.pdf> > accessed 15 Feb 2014; Joseph P Zammit and Jamie Hu, 'Arbitrating International Intellectual Property Disputes' [2009] (4) *Dispute Resolution Journal* 74, 80; Daniel Schimmel and Ila Kapoor, 'Resolving International Intellectual Property Disputes in Arbitration' [2009] (2)

countries, such as the USA⁶⁹⁴, Canada and India⁶⁹⁵. In Germany, there was a view that accepted that in spite of serious discussion about arbitrating the validity of German patents and limiting the arbitration award to the parties involved, the tribunal can arbitrate only on actions for the infringement of German patents and the traditional view about the validity of German patents is that it is not arbitrable. The rationale behind this notion was that jurisdiction over the validity of German patents is exclusive to the Federal Patent Court and also due to public order⁶⁹⁶. However, the former reason has been rejected recently and the arbitrators are allowed to rule on the validity of the German rights, providing that the arbitration award binds only the parties to the proceedings⁶⁹⁷. In Switzerland, the laws are so liberal that the arbitration tribunal can remove the right from the registry⁶⁹⁸. In Italy, it was said that Italian law refuses to allow arbitration on validity⁶⁹⁹. However, the Italian Supreme Court in the case of *Giordani v Battiatì*⁷⁰⁰ and the Corte di Cassazione in the case of *Scherk v Grandes Marques*⁷⁰¹ provided the rule that in patent and trademark disputes, if the invalidity of these rights is incidentally raised, the arbitral tribunal is allowed to arbitrate on the issue⁷⁰². Hence, there is an approach that accepts arbitration on the validity of patents and trademarks, providing that the arbitral award binds only the parties to dispute.

When it comes to the arguments in favour of arbitrating the validity of patents and trademarks, it has been said that a right holder is free to manage his right. According to trademark and patent laws, he can assign and exchange his right, as well as donate it. Therefore, he can also put the validity of his property under the examination of a specific arbitrator and agree to the result from the arbitration tribunal⁷⁰³. Moreover, with regards to the theory of public policy, it is said that arbitrating the validity of such patents is not inconsistent with the concept of public policy, because the power of the courts of the

Intellectual Property and Technology Law Journal 5, 9; Domenico Di Pietro, 'General Remarks on Arbitrability under the New York Convention' in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009); Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] The John Marshall Review of Intellectual Property Law 384,409 < <http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁶⁹⁴ Anna P Mantakou, 'Arbitrability and Intellectual Property Disputes' in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009).

⁶⁹⁵ Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] The John Marshall Review of Intellectual Property Law 384,409 < <http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁶⁹⁶ MA Smith and others, 'Arbitration of Patent Infringement and Validity Issues Worldwide' [2006] Harvard Journal of Law and Technology 299,357 <<http://jolt.law.harvard.edu/articles/pdf/v19/19HarvJLTech299.pdf> > accessed 15 Feb 2014.

⁶⁹⁷ Domenico Di Pietro, 'General Remarks on Arbitrability under the New York Convention' in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009).

⁶⁹⁸ *ibid.*

⁶⁹⁹ Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] The John Marshall Review of Intellectual Property Law 384,409 < <http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁷⁰⁰ *Giordani v Battiatì*, 3 October 1956, No 3329, reported at Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 74.

⁷⁰¹ *Scherk v Grandes Marques*, 12 May 1977, reported at Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 74.

⁷⁰² Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 74.

⁷⁰³ *ibid* 70.

state of registration still remains to invalidate these rights before the public⁷⁰⁴. In this context, it is appropriate to take Canadian law as an ideal practical approach to show whether or not the concept of public policy prevents the arbitration tribunal from ruling on the validity of patents and trademarks. In spite of the fact that, ‘Article 2639 of the Civil Code of Quebec restricts disputes over matters of public order from being submitted to arbitration.’⁷⁰⁵, according to Canadian law, the validity of patents and trademarks is arbitrable and the arbitration award affects only the parties to the arbitration⁷⁰⁶. Hence, arbitrating the validity of a patent or a trademark is not inconsistent with the concept of public policy⁷⁰⁷. In practice, the arbitral tribunal in the Interim Award in International Chamber of Commerce stated in case no 6097 in 1989⁷⁰⁸ that it had jurisdiction over the invalidity issue, because its award will not affect a third party. It was said that the jurisdiction of the tribunal is different from the exclusive jurisdiction of the German Federal Patent Office and the Federal Supreme Court, because the public forums issue judgments with *erga omnes* effects⁷⁰⁹.

Furthermore, there is no legal justification to exclude the validity of these rights from arbitration. Otherwise, it may be understood as exceeding of the power of the tribunal⁷¹⁰. In addition, in a technological dispute, such as a patent dispute, the parties are often powerful and professional corporations. They will do the best to protect their interests, and therefore, they will select skillful and professional arbitrators who have the capacity to maintain the balance between the public and the parties' interests⁷¹¹. Moreover, even though a patent is granted based on the sovereignty of the state of registration and the granter has the right to invalidate that patent, it is worthless to rely on this theory to prevent arbitration on validity. This is because any commercial arbitration involves the stipulation that an authority concedes a definite part of its jurisdiction to an arbitration tribunal and works together to enforce the outcome⁷¹². In addition, in cases where the dispute concerns a contract for the exploitation of a patent or a trademark, preventing arbitrators from ruling on the validity of the right exploited will result in a concern. If the tribunal suspends its proceedings and refers the validity to a public competent court and if the forum concludes, after long time, to invalidate the right, the contract ceases to have existence,

⁷⁰⁴ Wei-Hua Wu, ‘International Arbitration of Patent Disputes’ [2011] The John Marshall Review of Intellectual Property Law 384,409 <<http://repository.jmls.edu/ripl/vol10/iss2/10/>> accessed 14 Feb 2014.

⁷⁰⁵ MA Smith and others, ‘Arbitration of Patent Infringement and Validity Issues Worldwide’ [2006] Harvard Journal of Law and Technology 299,357 <<http://jolt.law.harvard.edu/articles/pdf/v19/19HarvJLTech299.pdf>> accessed 15 Feb 2014.

⁷⁰⁶ Wei-Hua Wu, ‘International Arbitration of Patent Disputes’ [2011] The John Marshall Review of Intellectual Property Law 384,409 <<http://repository.jmls.edu/ripl/vol10/iss2/10/>> accessed 14 Feb 2014.

⁷⁰⁷ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 55.

⁷⁰⁸ Interim Award in Case no 6097 (1989), the ICC International Court of Arbitration, reported at Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 74.

⁷⁰⁹ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 74.

⁷¹⁰ Wei-Hua Wu, ‘International Arbitration of Patent Disputes’ [2011] The John Marshall Review of Intellectual Property Law 384,409 <<http://repository.jmls.edu/ripl/vol10/iss2/10/>> accessed 14 Feb 2014.

⁷¹¹ *ibid.*

⁷¹² MA Smith and others, ‘Arbitration of Patent Infringement and Validity Issues Worldwide’ [2006] Harvard Journal of Law and Technology 299,357 <<http://jolt.law.harvard.edu/articles/pdf/v19/19HarvJLTech299.pdf>> accessed 15 Feb 2014.

because the validity of the right exploited is the core of object of the contract. In relation to payment which has been made before invalidating the right, the Paris Cour de Cassation preferred the solution that the payment is un-refundable. However, there is an option to oblige the licensor to refund the payment to licensee, because of the lack of object⁷¹³. Thus, there are several reasons supporting the approach that the arbitration tribunal can arbitrate the validity of patents and trademarks, providing that the arbitration award will bind only the parties to the arbitration.

6.2.4.2 The Negative Approach

The second view is that the validity of patents and trademarks is not arbitrable⁷¹⁴. This approach is followed in the European Union Countries⁷¹⁵, France, China⁷¹⁶, Singapore, Romania⁷¹⁷, Greece⁷¹⁸ and England⁷¹⁹. There are some USA courts that follow this concept⁷²⁰. However, in France, this approach has been adjusted recently and tribunals can arbitrate on the validity of patents. The Paris Court of Appeal concluded on 28 February 2008 that arbitrators are allowed to decide on the validity of patents when it is raised as a defence, providing that the arbitral award will bind only the parties to the dispute. If the validity issue is brought alone before an arbitral tribunal, it cannot be arbitrated⁷²¹. In addition, disputes in connection with contracts for the exploitation of patents and trademarks are arbitrable, in accordance with the conclusions of the Paris Court of First Instance. However, reliance on the concept of public policy, French law refuses to arbitrate on the validity and infringement issues concerning trademarks⁷²². Hence, the outcome of the second approach is that the validity of patents and trademarks is not arbitrable.

There are a variety reasons supporting this approach. One of the arguments against arbitrating the validity of patents and trademarks is that this is because each government has exclusive authority to grant

⁷¹³ Edouard Fortunet, 'Arbitrability of Intellectual Property Disputes in France' [2010] *Arbitration International* 281, 299.

⁷¹⁴ Khalid Hassan, *Cancellation of an Arbitral Award: A Comparative Study* (Dar Alnahdha Alarabia 2010) 275.

⁷¹⁵ Anna P Mantakou, 'Arbitrability and Intellectual Property Disputes' in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009).

⁷¹⁶ Joseph P Zammit and Jamie Hu, 'Arbitrating International Intellectual Property Disputes' [2009] (4) *Dispute Resolution Journal* 74, 80; Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] *The John Marshall Review of Intellectual Property Law* 384,409 < <http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁷¹⁷ Daniel Schimmel and Ila Kapoor, 'Resolving International Intellectual Property Disputes in Arbitration' [2009] (2) *Intellectual Property and Technology Law Journal* 5, 9.

⁷¹⁸ Anna P Mantakou, 'Arbitrability and Intellectual Property Disputes' in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009).

⁷¹⁹ Nigel Blackaby and others, *Redfern and Hunter on International Arbitration* (5th edn, OUP 2009) para 2.118; Jonathan Hill and Adeline Chong, *International Commercial Disputes: Commercial Conflict of Laws in English Courts* (4th edn, Hart Publishing 2010) para 21.2.12.

⁷²⁰ Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] *The John Marshall Review of Intellectual Property Law* 384,409 < <http://repository.jmls.edu/ripl/vol10/iss2/10/> > accessed 14 Feb 2014.

⁷²¹ Daniel Schimmel and Ila Kapoor, 'Resolving International Intellectual Property Disputes in Arbitration' [2009] (2) *Intellectual Property and Technology Law Journal* 5, 9; Edouard Fortunet, 'Arbitrability of Intellectual Property Disputes in France' [2010] *Arbitration International* 281, 299.

⁷²² Edouard Fortunet, 'Arbitrability of Intellectual Property Disputes in France' [2010] *Arbitration International* 281,299.

and protect these rights in its own territory and as they are extracted from the public⁷²³. Hence, the arbitral tribunal must deny arbitrating the validity of these rights because it is subject to the exclusive jurisdiction of certain public forums⁷²⁴. Otherwise, arbitrating the issue leads to an assault on the power of the state of registration⁷²⁵. The second reason is that the validity of such patents is within the category of public law, whilst arbitration can only run in private law. Hence, as only public forums have sufficient facilities to maintain a balance between the interests of patentees and of the public, a private trial should be prevented from arbitrating the validity of patents⁷²⁶. In addition, allowing a private trial to modify or invalidate these rights could harm the national system of patents or trademarks, because after they have been granted, these rights serve the public. For instance, a trademark protects people from confusion in the market⁷²⁷. Moreover, patents and trademarks are given based on the sovereignty of the state of registration, so these rights should be cancelled by the same power not by an individual or a private trial⁷²⁸. Hence, the arbitrators must be prevented from ruling on the validity of patents and trademarks.

6.2.4.3 The Appropriate Approach for Saudi Law

The Saudi Arbitration Law 2012 does not have a direct answer to the question of arbitrating the validity of Saudi patents or trademarks. In addition, it is difficult to find a court judgment or an arbitration award expressing an approach for Saudi law regarding this issue. However, it is significant to highlight that, articles 5 and 6 of the Saudi Arbitration Law 1983 contained appropriate procedures to clarify which subject is arbitrable before commencing the arbitration. The articles force the parties to the arbitration to submit a copy of the arbitration agreement to the court which originally had jurisdiction over the dispute, in order to approve the agreement. Moreover, article 7 of the Implementing Regulations of the Saudi Arbitration Law 1983 emphasised that the forum that originally had authority over the subject matter of the dispute must issue its judgment to accept the arbitration agreement within fifteen days of the submission of the agreement. Based on this fact, if the competent court accepts the arbitration agreement, it means the subject matter of the dispute is arbitrable. Unfortunately, the Saudi Arbitration Law 2012 ignores this requirement although it is a helpful principle for the parties to the arbitration agreement to define whether or not the subject matter of the case is arbitrable before commencing the

⁷²³ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 64.

⁷²⁴ MA Smith and others, 'Arbitration of Patent Infringement and Validity Issues Worldwide' [2006] *Harvard Journal of Law and Technology* 299,357 <<http://jolt.law.harvard.edu/articles/pdf/v19/19HarvJLTech299.pdf>> accessed 15 Feb 2014.

⁷²⁵ Domenico Di Pietro, 'General Remarks on Arbitrability under the New York Convention' in Loukas A Mistelis, Stavros L Brekoulakis (eds), *Arbitrability: International and Comparative Perspectives* (Kluwer Law International 2009).

⁷²⁶ Wei-Hua Wu, 'International Arbitration of Patent Disputes' [2011] *The John Marshall Review of Intellectual Property Law* 384,409 <<http://repository.jmls.edu/ripl/vol10/iss2/10/>> accessed 14 Feb 2014.

⁷²⁷ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 64.

⁷²⁸ *ibid* 63.

arbitration. Several points should be examined to reach an appropriate conclusion with regard to arbitration on the validity of Saudi patents and trademarks.

In respect of the jurisdiction of Saudi forums over the validity of Saudi rights, article 25 of the Saudi Trademark Law states, ‘The Board of Grievances shall have the jurisdiction to decide on requests for cancellation of registration.’ The article does not restrict jurisdiction over the validity of Saudi trademarks to the Board of Grievances and does not prevent arbitral tribunals from arbitrating on the validity of Saudi trademarks. In relation to jurisdiction over the validity of Saudi patents, article 32 of the Saudi Patent Law states, ‘Any party with interest may challenge the decision of granting of a protection document before the Committee, and seek total or partial revocation, relying upon the violation of the stipulated conditions for granting the protection document.’ This article does not articulate that authority over the validity of Saudi patents is exclusive to the Committee in the Saudi Patent Office and does not prevent arbitral tribunals from determining the validity of Saudi patents. Therefore, if it is considered that these articles give exclusive jurisdiction over the validity of Saudi patents and trademarks to the Saudi courts and prevent arbitration tribunals from arbitrating the validity of these rights, this explanation is regarded as an excess interpretation of the wording of these articles. The best justification for these articles is that they are to divide jurisdiction among various Saudi forums. As a result, the jurisdiction articles established in the Saudi Patent Act and Saudi Trademark Law cannot be used as a justification to prevent arbitral tribunals from deciding the validity of Saudi patents and trademarks.

When it comes to examining the possibility of using the concept of Saudi public policy as a reason to prevent the arbitrators from ruling on the validity of Saudi patents or trademarks, it is significant to mention that article 2 of the Saudi Arbitration Act 2012 draws a general concept of arbitrability. It states that arbitration should not apply to issues in connection with personal status, or disputes which are ‘not subject to reconciliation’. Article 1 of the Implementing Regulations of the Law of Arbitration Act 1983 provides the same rule and adds that issues in connection with public policy cannot be arbitrated. It has been said, as a general principle, that in Saudi Arabia, the arbitration tribunal must not rule on a dispute if it has a connection with public policy; otherwise, the ensuing award will not be recognised or enforced. Saudi forums have exclusive authority to define which issues are connected to Saudi public policy. Hence, only the Saudi forum which originally had jurisdiction over the subject matter of the dispute is allowed to clarify whether or not the dispute is in connection with Saudi public policy⁷²⁹. Moreover, it is important to mention that under the rules of Sharia, reconciliation and arbitration will not be applied to criminal punishments, such as the penalty for drinking wine, because these punishments are established to protect Islamic societies. Therefore, only public courts have

⁷²⁹ Muhammad Nasser Muhammad Albjad, *The Arbitration in Saudi Arabia* (Institute of Public Administration 1999) 48, 49.

jurisdiction to rule on these issues⁷³⁰. At the same time, it has been upheld, as a general principle, that there are three requirements for acceptance of arbitration in Saudi Arabia. Firstly, the arbitral award must not affect a third party or the public. Secondly, the arbitration agreement does not contain any matter inconsistent with the rules of Sharia or Saudi public policy. Thirdly, the subject matter of the dispute must be in connection to a personal financial affair, because an individual has complete freedom to achieve his right, or to relinquish it⁷³¹. Finally, because the arbitration award will bind only the parties to the agreement, it is so difficult to say that Saudi public policy will be affected if the tribunal decides the validity of Saudi patents or trademarks. Hence, Saudi public policy cannot be used as a reason to prevent the arbitrators from deciding the validity of Saudi patents or trademarks.

As has been mentioned in the previous paragraph, according to Saudi law, the arbitration tribunal is allowed to rule on financial matters for an individual. Hence, in the following paragraphs, I will measure and evaluate the scope of freedom which the owner of a Saudi patent or a trademark has to manage his right. This examination is to respond properly to the question of whether or not there is a barrier preventing the arbitrators from deciding the validity of Saudi patents and trademarks.

Article 5 section 1 of the Saudi Patent Law confirms that the patent is a personal right for a 'person in whose name it was issued' and the patentee has the right to transfer his right, which 'may be transferred by inheritance', with or without consideration. When this article is read in conjunction with article 16 of the Law, the controversial point is almost resolved, because the latter article states

Any action resulting in the assignment of the protection application or the protection document itself must be in writing, signed by the two parties, and approved by an authority acceptable to the Directorate. No transfer of title, relating either to the protection application or the protection document itself shall be effective vis-à-vis a third party, except after filing the change application, paying the required fees, and recording it in the Directorate registers.

This article confirms that a patentee is allowed to assign the protection of his right, providing that the assignment is in writing 'and signed by the two parties, and approved by an authority acceptable to the Directorate'. Therefore, the Saudi Patent Law does not contain an obvious legal barrier to prevent the patentee from putting the validity of his patent under the arbitration examination, providing that the arbitration award relating to the invalidity of the patent must be 'in writing, signed by the two parties, and approved by an authority acceptable to the Directorate'. Hence, the Saudi Patent Law affirms that the patent is a personal right and the patentee has the complete freedom to assign his right with or without consideration.

⁷³⁰ *ibid* 46.

⁷³¹ *ibid* (n 729) 47.

Article 29 of the Saudi Trademark Law states, ‘Ownership of the trademark may be transferred to others by any event or action transferring ownership, provided it is in writing and not intended to mislead the public, especially with respect to the nature, origin, characteristics or performance of the products and services.’ This article provides that the right holder of a Saudi trademark is allowed to transfer his trademark to another by any events or actions, providing that this transfer is in writing and not to mislead the public. This article has been interpreted to say that if the requirements established in the article are met, the right holder is authorised to transfer his trademark by any legal events or actions, such as the sale, exchange, gift, present, legacy and will⁷³². In addition, it has been said, as a general principle, that the owner of a trademark has the complete freedom to cancel his own right for any suitable reason, or for any interest he may have in the cancellation⁷³³. Hence, according to Saudi law, the right holder of a Saudi trademark is allowed to transfer his mark by any events or actions, providing that the public are not misled and the transfer is in writing.

However, arbitrating the validity of a trademark may not be regarded as transferring the ownership of the mark. It is to invalidate or cancel the mark in front of specific parties. Based on this fact, it is significant to mention that article 25 and 26 of the Saudi Trademark Law provide five legal justifications to cancel the registration of Saudi trademarks as follows:

1. If the owner of a trademark does not use it for a period of five consecutive years without a legitimate excuse.
2. If a trademark was registered in violation of public order or public morality.
3. If a trademark was registered through fraud or false information.
4. Trademarks whose registration is not renewed in accordance with this Law and its Implementing Regulations.
5. Trademarks owned by natural or juristic persons with whom dealing is prohibited pursuant to a decision issued by the competent authority.

Hence, it is logical to say that if the arbitrators have jurisdiction to invalidate Saudi trademarks, the justifications for invalidation of marks are limited to the previous rules.

After discussing the possibility of arbitrating the validity of Saudi patents and trademarks, it is appropriate to examine the question of which law the arbitration tribunal should apply to infringement actions, validity issues and contracts for the exploitation of patents or trademarks.

⁷³² Abdularazaq Shaikh Najeeb, *The Trademark Law in Saudi Arabia: An Analysis and Comparative Study* (King Saud University 2006) 141.

⁷³³ Salah Zenaldeen, *Trademarks in National and International Concept* (1st edn, Dar Al Thaqaifa 2006) 239.

6.3 The Law Applicable before the Arbitral Tribunal

6.3.1 The General Principles

Before examining the current principles which are established in the Saudi Arbitration Law 2012, it is significant to highlight briefly the previous rules of the Saudi Arbitration Law 1983. According to article 39 of the Implementing Regulations of the Saudi Arbitration Law 1983, arbitrators must issue the awards in accordance with the rules of Sharia and law considered in Saudi Arabia. In addition, article 3 of the Implementing Regulations of the Law requires that if the arbitrators are multiple, the chairman of the trial board has to have a reasonable knowledge of the rules of Sharia, commercial law and custom in Saudi Arabia. The reason behind this rule is to avoid issuing an invalid award that is incompatible with Saudi law or the rules of Sharia⁷³⁴. Thus, the Saudi Arbitration Law 1983 obliged the arbitrators to govern the dispute only by Saudi law and the rules of Sharia.

However, the Saudi Arbitration Law 2012 brings radical modifications on the rules of choice of law in arbitration. Article 38 of the Law mends these principles and honours the parties' choice to apply a specific law to their disputes. The vast majority of arbitration laws recognise this principle⁷³⁵. Hence, the Saudi Arbitration Law 2012 allows the parties to the arbitration to choose a specific law to govern their disputes.

6.3.1.1 The Concerns Regarding the Chosen Law in Arbitration

In Saudi law, a guidance relating to the issue of which law is appropriate to be chosen in arbitration has not yet been found. Internationally, it has been said that the question of which law should be chosen in arbitration is a significant subject, however it does not receive attention from lawyers and arbitrators and there is little guidance to follow to ensure that the correct law is chosen and applied⁷³⁶. Moreover, in the vast majority of cases, the chosen law is the domestic law of a state which bears some connection with the contract, or the law of a third state relying on a logical reason provided by experts. In spite of this fact, the vast majority of countries, such as England and Switzerland, allow the parties to the

⁷³⁴ Muhammad Nasser Muhammad Albjad, *The Arbitration in Saudi Arabia* (Institute of Public Administration 1999) 147.

⁷³⁵ Muhanad Alsanory, *The Arbitrator's Role in Private International Arbitral Disputes: A Comparative Study* (Dar Althaqafa 2005) 133; Lama Ahmed Kujan, *The Arbitration in Investment Contracts between a State and an Oversea Investor in accordance with International Centre for Settlement of Investment Disputes in Washington DC* (Zein Juridical Library 2008) 134; Jafar Mushaimish, *The Arbitration in Administrative, Civil and Commercial Contracts: A Comparative Study* (Zein Juridical Library 2008) 175; Sami Fauzi, *Commercial International Arbitration* (1st edn, Dar Elthaqafa 2009) 180; Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010); Anne-Sophie Papeil, 'Conflict of Overriding Mandatory Rules in Arbitration' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷³⁶ Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

arbitration to enjoy a high degree of choice, even if the chosen law does not have a natural connection with the dispute⁷³⁷. However, in arbitration, the concerns regarding the rules of applicable law occur when the arbitrators face the situation that the chosen law cannot handle a certain issue⁷³⁸. In addition, the parties may obtain an undesirable outcome when the arbitration trial involves unfamiliar laws⁷³⁹. Public policy and mandatory rules could also limit the autonomy of the parties to the arbitration⁷⁴⁰. Based on these facts, it is essential to investigate and evaluate the scope of the autonomy of the parties to choose a specific law to govern their disputes.

6.3.1.2 The Possibility of Changing the Chosen Law in Arbitration

The general principle in arbitration is that the chosen law must not be changed. Otherwise, arbitration awards may not be enforced. Article 50 section 1 subsection D of the Saudi Arbitration Law 2012 adopts a strict approach on this point, because it upholds that if the arbitrators do not apply any rule which the parties have agreed to govern the subject matter of the dispute, the award will not be enforced in Saudi Arabia. Article 50 section 2 of the Law affirms this rule, because it states if an arbitration award violates the principles of the agreement of the parties, the Saudi forum, which considers a request for cancellation of the award, has the right to nullify that award. Unfortunately, a court judgment, an arbitral award or further explanation regarding this principle in Saudi law has not yet been found. However, this principle is recognised in many states. For example, in Egypt, the same approach is followed. According to article 53 section 1 subsection G of the Egyptian Law no 27 of 1994, which concerns Arbitration in Civil and Commercial Matters, if the arbitrators do not apply the chosen law, their award will be null. It is said that the arbitral tribunal must not deny applying the chosen law under any circumstances, even if it is inappropriate to govern the dispute. In these situations, the tribunal should investigate the chosen law carefully, in order to find a suitable solution to the dispute presented. However, if the arbitrators do not apply some rules of the chosen law, their award may not be invalid⁷⁴¹.

In England, articles 67 and 68 of the English Arbitration Acts 1996 provide that the arbitral award will not be enforced if the arbitral tribunal exceeds its power or has a lack of substantive jurisdiction. If the tribunal deliberately refuses to apply the law chosen by the parties, its award may be unenforceable in

⁷³⁷ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 669.

⁷³⁸ Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷³⁹ Jalal Wafa Muhamadeen, *The Arbitration between a Foreign Investor and a Host State of Investment before International Centre for Settlement of Investment Disputes* (Dar Elgamaa Elgadida 2001) 7.

⁷⁴⁰ Anne-Sophie Papeil, 'Conflict of Overriding Mandatory Rules in Arbitration' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁴¹ Muhammad Salem Alawa, *Studies in Egyptian and Competitive Arbitration Laws* (Dar Alqotob Alqanonya 2008) 112.

England, based on one of these justifications⁷⁴². Moreover, article 52 of the Regulation of the International Centre for Settlement of Investment Disputes Convention provides the same principle and allows the party to the arbitration to commence a claim for cancellation of the award in a situation when the arbitral trial exceeds its power. An example is when the tribunal does not apply the law chosen by the parties⁷⁴³. The Supreme Court of Finland understood this concept and stated that if the arbitrators do not apply the law chosen by the parties, it means they have exceeded their power⁷⁴⁴. The German court instituted the rule that in domestic arbitration, the arbitral award will be set aside if the tribunal does not apply the chosen law⁷⁴⁵. Hence, if the arbitrators refuse to apply the chosen law, their award may not be enforced.

6.3.1.3 The limitations on the Chosen Law in Arbitration

The previous conclusion has some limitations. According to article 50 section 2 and article 55 section 2 subsection B of the Saudi Arbitration Law 2012, article 37 section E of Riyadh Arab Agreement for Judicial Cooperation, article 22 section E of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 26 section E of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 26 section E of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 24 section E of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic, the court where the arbitration award is sought to be enforced is allowed to refuse to enforce the award if it is inconsistent with the rules of Sharia, or the public policy of the court. The implication of this principle is that if the arbitrators apply a chosen law which is inconsistent with the rules of Sharia or Saudi public policy, their award may not be enforced in Saudi Arabia. This conclusion reinforces the principle of article 38 section 1 of the Saudi Arbitration Law 2012, which allows the parties to the arbitration to choose a specific law to govern their differences, providing that it is not inconsistent with Islamic laws or Saudi public policy. The implication of this rule is widely accepted. In this context, it has been said that the chosen law must not be inconsistent with public policy in a competent state or chosen with fraudulent intention toward the original law⁷⁴⁶. Some

⁷⁴² Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁴³ Lama Ahmed Kujan, *The Arbitration in Investment Contracts between a State and an Oversea Investor in accordance with International Centre for Settlement of Investment Disputes in Washington DC* (Zein Juridical Library 2008) 171.

⁷⁴⁴ Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁴⁵ *ibid.*

⁷⁴⁶ Muhanad Alsanory, *The Arbitrator's Role in Private International Arbitral Disputes: A Comparative Study* (Dar Althaqafa 2005) 134; Lama Ahmed Kujan, *The Arbitration in Investment Contracts between a State and an Oversea Investor in accordance with International Centre for Settlement of Investment Disputes in Washington DC* (Zein Juridical Library 2008) 133.

scholars confirm the rule that if the chosen law is inconsistent with public policy, the arbitration award will not be recognised⁷⁴⁷. Moreover, it is said that the law which is inconsistent with public policy should be set aside.⁷⁴⁸

The second limitation is when mandatory rules are concerned⁷⁴⁹. Recently, it has been accepted that in conflict of laws, the arbitrators should take into account the mandatory rules⁷⁵⁰. Moreover, it has been said that although the parties to the arbitration have greater autonomy to choose the applicable law than has been established in the court proceedings, both proceedings have to apply the rules of conflict of laws to the merits⁷⁵¹. Finally, the arbitrators must give a reason if they decide to refuse to apply the chosen law. For instance, they may not apply the chosen law because it is inconsistent with public policy or with the principles of mandatory rules⁷⁵². Thus, the chosen law should not be inconsistent with public policy or the mandatory rules.

In the absence of choice, article 38 section 1 subsection B of the Saudi Arbitration Law 2012 plays its role. It tends to apply the substantive rules of appropriate connected law to the proceedings. This approach, indeed, has been proposed in the newest revisions of the United Nations Commission on International Trade Law Arbitration Rules and adopted recently in many international and domestic arbitration statutes⁷⁵³. It is also followed in France, India, the Netherlands⁷⁵⁴ and Lebanon⁷⁵⁵. In this situation, it has been said that the implication of this approach is that the arbitrators might resolve the dispute based on national or anational laws⁷⁵⁶. Hence, in the absence of choice, the arbitrators should apply the substantive rules of appropriate laws to the disputes.

There are several regulated approaches. The first approach tends to apply the rules of choice of law which the tribunal considers them appropriate to govern the dispute. Article 46 section 3 of the English Arbitration Act 1996 and article 28 section 1 of the (United Nations Commission on International

⁷⁴⁷ Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁴⁸ Muhanad Alsanory, *The Arbitrator's Role in Private International Arbitral Disputes: A Comparative Study* (Dar Althaqafa 2005) 135.

⁷⁴⁹ Tibor Varady and John J Barcelo III and Arthur T Von Mehren, *International Commercial Arbitration: A Transnational Perspective* (4th edn, West Group 2009) 669.

⁷⁵⁰ Anne-Sophie Papeil, 'Conflict of Overriding Mandatory Rules in Arbitration' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁵¹ Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁵² *ibid.*

⁷⁵³ *ibid.*

⁷⁵⁴ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 101.

⁷⁵⁵ Jafar Mushaimish, *The Arbitration in Administrative, Civil and Commercial Contracts: A Comparative Study* (Zein Juridical Library 2008) 182.

⁷⁵⁶ Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

Trade Law) Model Law follow this concept⁷⁵⁷. The second approach is that the conflict rules, or the substantive law, of the state where the arbitration is seated should be applied to determine which law should govern the dispute⁷⁵⁸. In Kuwait, the same approach is followed, because it states that in such circumstances, the rules of conflict of laws established in Kuwaiti law must be applied⁷⁵⁹. The third approach imposes a requirement on the arbitration tribunal to apply the rules of the laws of a closely connected state to the issue. This concept is upheld in Germany and Japan⁷⁶⁰. Hence, in the absence of choice, there are several approaches which have been adopted to clarify the appropriate applicable law to the dispute.

6.3.2 The Provisions Regarding Trademark and Patent Disputes

It is significant to mention that the Saudi Arbitration Law 2012 does not provide a direct answer to the question of which law the tribunal must apply to patent and trademark disputes. Furthermore, no forum judgment or arbitral award has been found to present an approach in Saudi law on this issue. The question therefore arises: could the tribunal apply article 38 of the Saudi Arbitration Law 2012 effectively in arbitration of these types of disputes? To answer this question properly, it must be mentioned that the disputes, which concern patents and trademarks, are various. They may be in connection with validity issues, infringement actions, or contracts for the exploitation of patents or trademarks. Therefore, each one of these disputes should be given special consideration and examination. This section is divided to examine the question of which law should be applied to govern validity issues, infringement disputes and contracts for the exploitation of patents or trademarks. The aim of this analysis is to suggest appropriate approaches to be incorporated into the Saudi Arbitration Law.

6.3.2.1 The Law Applicable to Infringement Actions and Validity Issues

It has been concluded above⁷⁶¹ that the Saudi court must apply the law of the protecting state to govern infringement claims and validity issues and it must refuse to apply another law to these disputes. In this section, it is important to clarify the possibility of applying this principle in cases where the disputes are brought before arbitration tribunals. In such circumstances, it has been said that there is no a

⁷⁵⁷ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 100.

⁷⁵⁸ *ibid* 98, 99.

⁷⁵⁹ Jafar Mushaimish, *The Arbitration in Administrative, Civil and Commercial Contracts: A Comparative Study* (Zein Juridical Library 2008) 182.

⁷⁶⁰ Linda Silberman and Franco Ferrari, 'Getting to the Law Applicable to the Merits in International Arbitration and the Consequences of Getting it Wrong' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁶¹ See Section 4.4.8, above.

clear answer to the question of whether the parties are allowed to choose a specific law to govern the validity of a right⁷⁶². Theoretically, there are two possible approaches.

Before examining these approaches, it is noted that if the parties do not choose a specific law to govern infringement actions, the law of the protecting state is likely to be applied. This is because article 38 section 1 subsection B of the Saudi Arbitration Law 2012 states, ‘If the arbitration parties fail to agree on the statutory rules applicable to the subject matter of the dispute, the arbitration tribunal shall apply the substantive rules of the law it deems most connected to the subject matter of the dispute.’ It has been said that in patent and trademark disputes, if the arbitration tribunal applies this approach, it should apply the law of the state where the right at stake is protected⁷⁶³. Moreover, the same provision seems to be applied in USA and it has been accepted that when a US patent is concerned, the possibility of choosing a foreign law to be applied is unclear, but US patent law is considered to be applicable when a particular choice is absent.⁷⁶⁴ Hence, in the absence of choice, the law of the protecting state is the appropriate law to be applied to actions for infringement of patents and trademarks.

6.3.2.1.1 The First Approach

One of the potential answers is that the arbitrators must apply the law of the protecting state to infringement proceedings and validity issues and refuse to apply another law to these cases. The justification behind this approach is that the tribunal cannot apply a law other than the law of protecting state to these disputes, because it is inconsistent with the public policy of the state of registration and in such circumstances, applying the law of the protecting state is mandatory. Based on this fact, in cases where the parties to the arbitration agree to apply a law other than the law of the state of registration to govern infringement and validity issues, the tribunal has a logical reason to refuse to apply the chosen law. Therefore, this is not regarded as exceeding the power of the tribunal. Hence, in arbitration, the law of the state of registration must be applied to govern infringement and validity issues and the tribunal should refuse to apply another law to these disputes.

If this approach is applied in Saudi law, there are negative impacts that must be mentioned. One is that in infringement and validity disputes, the parties to the arbitration are not allowed to rely on the provisions of article 38 section 1 subsection A of the Saudi Arbitration Law 2012, which give them the freedom to choose a specific law to govern their disputes, even if they intend to apply advanced rules to these issues. In addition, when the arbitrators rule on infringement actions committed in more than one

⁷⁶² Joseph P Zammit and Jamie Hu, ‘Arbitrating International Intellectual Property Disputes’ [2009] (4) *Dispute Resolution Journal* 74, 80.

⁷⁶³ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 102.

⁷⁶⁴ MA Smith and others, ‘Arbitration of Patent Infringement and Validity Issues Worldwide’ [2006] *Harvard Journal of Law and Technology* 299,357 <<http://jolt.law.harvard.edu/articles/pdf/v19/19HarvJLTech299.pdf>> accessed 15 Feb 2014.

state, they will face an onerous task to investigate the law of each state that has a right which is affected. However, the positive effect of this approach is that the economic interests of the state of registration will be entirely protected in arbitration. Therefore, authorities may minimise the limitations of arbitrating disputes concerning infringement and validity of patents or trademarks.

6.3.2.1.2 The Second Approach

The second view is inclined to accept that the arbitral tribunal should accept the parties' agreement to apply a specific law to govern validity, creation, ownership and infringement issues, providing that a clear indication of abuse, such as fraud, is absent and the selection does not lead to ineffective results⁷⁶⁵. In this context, it has been said that it is inappropriate to choose non-national rules to govern these issues, because these rules do not provide a solution for these disputes⁷⁶⁶. Cook and Garcia provide the rationale behind this approach and say that the arbitration award binds only the parties to the arbitration and does not affect a third party or the public. Resolving a dispute in arbitration differs from litigation before a public court, because the latter may issue a judgment with *erga omnes* effects. Hence, article 8 of the Rome II Regulation must be applied to avoid 'a double violation of the principle of international comity and the public policy of countries concerned'⁷⁶⁷. It has been argued and concluded that the first approach, which refuses to apply a law other than the law of protecting state to these disputes, is unacceptable for various reasons. It will raise the issue of excessive exercise of jurisdiction. As a result, the award may not be recognised or enforced, not only in the country where arbitration is seated, but also in the state where the right at stake is protected. An example is that the law of a country allows a tribunal to arbitrate the validity of its own rights and does not regard its own law as mandatory rules to be applied. In such circumstances, if the arbitral tribunal does not apply the chosen law, article V section 1 subsection C of the New York Convention may play a role by refusing to enforce the arbitral award, based on the plea of the excessive exercise of jurisdiction⁷⁶⁸. Then, if the law chosen by the parties is practical and there is no abuse involved in that selection, the arbitration tribunal should apply this law.

When it comes to evaluating this concept with regard to Saudi law, it could be said that the positive effect of this approach is that it protects the application of article 38 section 1 subsection A of the Saudi Arbitration Law 2012. Hence, the parties to the arbitration are allowed to choose a specific law to govern infringement and validity issues. In addition, this approach is helpful in cases where the

⁷⁶⁵ Trevor Cook and Alejandro I Garcia, *International Intellectual Property Arbitration* (Kluwer Law International 2010) 88, 94.

⁷⁶⁶ *ibid* 97.

⁷⁶⁷ *ibid* (n 765) 93.

⁷⁶⁸ *ibid* (n 765) 95.

arbitrators rule on infringement actions committed in more than one country. Instead of examining the law of each state, each of which has its own right concerned, the parties may choose certain rules to govern all the actions⁷⁶⁹. However, the negative effect of this approach is that it may not protect the economic and public interests of the state of registration. For this reason, tribunals may face lots of restrictions to arbitrate on disputes regarding infringement and validity of patents or trademarks.

When it comes to arguing the reasons for this approach, it can be said that it is accepted that the arbitration award does not affect public policy or a third party. In relation to the impacts of disregarding the mandatory rules of the state of registration for enforcement of the arbitration award, the previous example is based on the presumption that the state where the right is protected does not regard its laws as mandatory rules. Thus, if the arbitrators do not apply the law chosen by the parties to govern infringement and validity issues, it could be interpreted as excessive exercise of jurisdiction and the arbitral award should not be enforced. However, this conclusion will not arise if the right in question belongs to a state which regards its laws as mandatory rules. In such circumstances, if the tribunal does not apply the law of the state of registration to infringement and validity issues, its award may not be enforced in that state, because its mandatory rules have been violated. Pursuant to these examples, it is appropriate to say that the arbitrators should examine each case separately and verify whether or not it is mandatory to apply the law of the protecting state to these disputes. Hence, the arbitrators must take into account the mandatory rules of the state of registration when they are asked to apply a particular law to govern infringement and validity issues.

6.3.2.1.3 The Appropriate Approach for Saudi Law

Based on the conclusion of the previous paragraph, in order to reach an appropriate approach for Saudi law, a clear answer regarding the question of whether or not the arbitrators are obliged to apply the mandatory rules is required. In this context, Bermann says that there is no definitive answer to the question of whether the arbitrators should apply the mandatory rules of a state other than those of the state where the arbitration is seated, or of the state which its own law is chosen. However, the anomaly of this situation is not more than what has been followed in public courts. Thus, in both situations, the autonomy of the parties is prejudiced. In comparison with the court proceedings, the arbitrators are in great situation to apply the mandatory law of a third party, because they 'have a lesser degree of obligation to any given State'⁷⁷⁰. Furthermore, disregarding the mandatory rules may lead to loss of the

⁷⁶⁹ Joseph P Zammit and Jamie Hu, 'Arbitrating International Intellectual Property Disputes' [2009] (4) *Dispute Resolution Journal* 74, 80.

⁷⁷⁰ George A Bermann, 'Mandatory Rules of Law in International Arbitration' in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law publishers 2010).

trust of states regarding arbitration. Therefore, arbitrable matters may be increasingly limited⁷⁷¹. In this subject, Papeil comments, ‘The arbitrator should have as a priority the efficacy of his award and thus, he shall take into account the mandatory rules of the State where the award should be or might be enforced.’⁷⁷² These facts must be read in conjunction with the conclusions above⁷⁷³ that to decide whether or not a dispute that is in connection to the validity of a patent or a trademark is arbitrable, public forums and arbitrators must honour only the law of a state having close connections to the dispute, which seems to be the law of the protecting state. Hence, the tribunal should honour the mandatory rules of the law of the state of registration, in order to issue an effective award.

Based on the conclusion of the previous paragraph, if the arbitrators conclude that the state which has a close connection to the dispute does not regard the application of its own law as mandatory, they do not need to be concerned about applying the law chosen by the parties to govern infringement and validity issues. However, concerns emerge in cases where it is mandatory to apply the law of the state having a close connection to govern these disputes. In these situations, the arbitral tribunal could refuse to apply another law other than the mandatory law of the country which has a close connection to the disputes. Papeil reports that this approach has been included in article 9 section 2 of the Resolution in 1991 of the Institute of International Law. It tends to accept that the principles of the mandatory rules ‘can only prevent the chosen law from being applied’ and in such circumstances, the chosen law will not be applied in favour of the mandatory rules⁷⁷⁴. Hence, if the application of the law of the state having a close connection to the dispute is mandatory, the arbitrators must refuse to apply another law to infringement and validity issues.

The most appropriate approach for Saudi law is that in cases when it is mandatory to apply the law of the state of registration to infringement and validity issues, the arbitrators must apply both the mandatory rules of that country and the rules involving the law chosen by the parties. In this context, Bermann accepts that one plausible scenario is to call on the mandatory rules of a third state ‘where the special statutory causes of action being advanced arises exclusively under the law of a country’ whose law has not been chosen to be applicable. The implication of this approach is that it widens the issues to be considered, because the arbitrators must apply and accept the claims which are legalised in the chosen law and in the mandatory rules of a third state⁷⁷⁵. This approach seems to be applied in the USA where it has

⁷⁷¹ Anne-Sophie Papeil, ‘Conflict of Overriding Mandatory Rules in Arbitration’ in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁷² *ibid.*

⁷⁷³ See Sections 6.2.3.4 and 6.2.3.5, above.

⁷⁷⁴ Anne-Sophie Papeil, ‘Conflict of Overriding Mandatory Rules in Arbitration’ in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law Publishers 2010).

⁷⁷⁵ George A Bermann, ‘Mandatory Rules of Law in International Arbitration’ in Franco Ferrari and Stefan Kroll (eds), *Conflict of Laws in International Arbitration* (Sellier European Law publishers 2010).

been said that an alleged infringer has the right to raise defences established in US Patent law and the arbitrators must accept these pleadings, in addition or instead of, defences that are available under the chosen overseas law⁷⁷⁶. Theoretically, applying this approach does not raise any concern if principles, such as causes of action or defences, in the chosen law and in the mandatory rules of the state having a close connection to the issue are identical. However, the tribunal may face concerns in cases where the law of the protecting state regards an act as an act of infringement whilst the chosen law disregards it, or vice versa. In this situation, a suitable solution is that the arbitrators should resolve the case in the light of the law chosen by the parties and the mandatory rules of the state having a close connection to the issue, in order to achieve an appropriate conclusion for the lawsuit.

The positive effects of this approach are that it considers the interests of the litigants and of the state of registration, because it honours the parties' autonomy to choose a specific law to govern validity and infringement actions. At the same time, it protects the interests of the protecting state and does not ignore its own rules. However, the negative impact of this concept is that it gives the arbitrators a heavy burden to maintain these interests. They will face more complexity in situations when, for example, the arbitration concerns infringement actions committed in more than one country, because the tribunal must rule on each act of infringement according to the law chosen by the parties and the law of the state where the infringement occurs.

6.3.2.2 The Applicable Law to Govern Contractual Obligations

With regard to the question of which law the arbitral tribunal should apply to govern contracts in relation to the exploitation of patents or trademarks, article 38 section 1 subsection A of the Saudi Arbitration Law 2012 provides a fixed principle. It states that parties are allowed to choose a specific law to govern contractual obligations, providing that the chosen law is not inconsistent with the rules of Sharia or Saudi public policy. This principle is one of the justifications for why the parties may refer their disputes to arbitration, instead of commencing them before a Saudi public forum. The fact is that if the arbitration tribunal is obliged to apply only Saudi law and the rules of Sharia, as had been regulated in the Saudi Arbitration Law 1983, regardless of the nature of the disputes, this could undermine the possibility of arbitrating the issues in accordance with Saudi law. According to article 38 section 1 subsection B of the Saudi Arbitration Law 2012, in the absence of choice, the arbitrators will apply the substantive rules of the law having a close connection to the dispute. Hence, according to the Saudi Arbitration Act 2012, arbitration tribunals are allowed to apply foreign law to govern contractual obligations.

⁷⁷⁶ MA Smith and others, 'Arbitration of Patent Infringement and Validity Issues Worldwide' [2006] Harvard Journal of Law and Technology 299,357 <<http://jolt.law.harvard.edu/articles/pdf/v19/19HarvJLTech299.pdf> > accessed 15 Feb 2014.

The tribunal will not face any concern applying the rule of article 38 section 1 subsection A of the Saudi Arbitration Law 2012 if the parties to a contract for the exploitation of a patent or a trademark refer their disputes to arbitration and choose a specific law to govern contractual obligations. In addition, in the absence of choice, the arbitrators may effectively apply the rule of article 38 section 1 subsection B of the Saudi Arbitration Law 2012 when the contract concerns a single right, because this article obliges the arbitrators to ‘apply the substantive rules of the law it deems most connected to the subject matter of the dispute’. In such circumstances, the law applicable, whether or not it is the law of the protecting state, is likely to be the law of one state or a single law, and there is no difficulty in applying that law to the dispute. However, the tribunal may be in a dilemma when the dispute concerns a contract for the exploitation of patents or trademark in more than one state. In such circumstances, if the parties to the arbitration do not choose the law applicable to contractual obligations and if the dispute concerns obligations performed in more than one state, it is possible that each state has equal interests to apply its national laws to govern the obligations performed in its territory.

6.4 The Conclusion

In this chapter, some rules for arbitration, which may be affected in patent and trademark disputes, have been analysed and evaluated. This study has explained the criteria that must be met to stay the proceedings of Saudi forums when the parties have agreed to arbitrate the dispute. In addition, this research has illustrated the meaning of the doctrine of arbitrability and examined the question of which law must be applied to decide whether or not the validity of a Saudi patent or trademark is capable of arbitration. Moreover, the issue of arbitrating the validity of Saudi patents or trademarks has been highlighted and the appropriate approach for Saudi law is recommended. Furthermore, this chapter has examined and evaluated the question of which law the arbitration tribunal should apply to govern infringement actions, validity issues and contracts for the exploitation of patents or trademarks. Throughout the examination, it has been noted significant points which will be highlighted below.

6.4.1 The Remarkable Findings

The Saudi court must stay its proceedings if the parties have a valid arbitration agreement which covers the dispute presented and is in writing. The defendant must raise the defence of staying the proceedings of the Saudi forum in favour of arbitration at the time of commencing the dispute before the court. At the same time, the Saudi forum must stay its proceedings over the dispute when the parties agree to arbitrate the case during the court proceedings. The arbitrability of the issue plays a significant role when the dispute is brought before the Saudi forum and it must refuse to grant a stay if the subject matter of the dispute is not capable of arbitration. The rationale behind this concept is that at the

enforcement stage, the arbitral award will not be enforced if the dispute cannot be resolved by arbitration⁷⁷⁷.

The doctrine of arbitrability means the capability to arbitrate a certain subject matter⁷⁷⁸. It is important to note that Saudi law does not define which law should be applied to govern the arbitrability of an issue which is brought before a Saudi court or an arbitration tribunal and an authority expressing a concept has not yet been found in Saudi law. However, in general terms, there are three suggested approaches: the law of the country where the arbitration is seated⁷⁷⁹, the law governing the arbitration agreement⁷⁸⁰ and the law of the court deciding the dispute⁷⁸¹.

The appropriate approach for Saudi law is that the Saudi court must apply Saudi law to verify whether or not the validity of Saudi patents and trademarks is arbitrable. The rationales behind this approach are that the Saudi court has exclusive jurisdiction to decide on an enquiry regarding the validity of Saudi rights. At the same time, the Saudi forum does not have authority to determine the validity of foreign rights. Thus, if the Saudi court is requested to rule on the arbitrability of the validity of a Saudi right, or if the dispute is brought before the forum and the defendant asks the court to refer the dispute to arbitration, and the court concludes that the validity of the right is not arbitrable, the agreement to arbitrate the validity issue will not be recognised. Hence, the court will have jurisdiction to rule on the validity of the right concerned. Furthermore, because the Saudi court has exclusive jurisdiction over the validity of Saudi rights, it is not logical to call on foreign law in order to examine whether or not the validity of Saudi rights is arbitrable. Saudi law has the close connection to govern the arbitrability of Saudi rights. Hence, it is important to apply Saudi law in order to avoid harming Saudi economy and public interests. Finally, in theory, if the Saudi court is allowed to examine the arbitrability of the validity of a foreign right, it must apply the law of the protecting state to rule on the dispute⁷⁸².

The arbitral tribunal should apply the law of the protecting state to verify the arbitrability of the validity of patents and trademarks. The rationale behind this approach is that the duty of the tribunal is to resolve the dispute successfully and the core of the solution, regarding the arbitrability of the validity of these rights, is found in the law of the country having a close connection to the dispute, which is the law of the state of registration. Based on this fact, if the validity of these rights is arbitrable according to the law of the protecting state, the tribunal is allowed to rule on the issue. However, in cases where the validity of

⁷⁷⁷ See Section 6.2.1, above.

⁷⁷⁸ See Section 6.2.2, above.

⁷⁷⁹ See Section 6.2.3.3, above.

⁷⁸⁰ See Section 6.2.3.1, above.

⁷⁸¹ See Section 6.2.3.2, above.

⁷⁸² See Section 6.2.3.4, above.

a patent or a trademark cannot be resolved by arbitration in accordance with the law of the state of registration, the arbitration tribunal must refuse its jurisdiction over the dispute⁷⁸³.

The protection of patents and trademarks is limited to the territory of the state of registration and Saudi law requires that to give protection to these rights in Saudi Arabia, competent officers must follow certain procedures and examinations in accordance with Saudi law. Therefore, it is of no obvious benefit to the parties to ask the Saudi forum to enforce an arbitral award which only confirms, or not, the validity of a patent or a trademark, regardless of where the right in question is registered, in particular, when the award binds only the parties to the arbitration. Based on this fact, in cases where the arbitral award concerns only the validity of a right, the principle, which upholds that the court of the state where the award is sought to be enforced must apply its own laws to check whether or not the subject of the dispute is capable of arbitration, will not be applied, because this award is not enforceable. It is possible that the tribunal rules on a dispute concerning an infringement, or a contract for the exploitation of a patent or a trademark, and the validity of the right at stake is challenged as a defence. In such circumstances, the suggested approach is that at the enforcement stage, the Saudi court should not apply Saudi law to verify the arbitrability of the validity of a foreign right. Instead, the forum should call on the law of the state having a close connection with the dispute to govern the arbitrability of the validity of the right concerned. This law seems to be the law of the protecting state⁷⁸⁴.

The Saudi Arbitration Law 2012 does not provide an answer to the question of arbitrating the validity of Saudi patents or trademarks and an authority presenting an approach for Saudi law on this point has not yet been found. However, the Saudi Arbitration Act 1983 contained appropriate procedures to ensure consideration was given to whether or not a certain issue was arbitrable before commencing the arbitration proceedings. It had a principle stating that the parties to the arbitration must submit a copy of the arbitration agreement to a Saudi forum which originally had jurisdiction over the subject matter of the dispute. The reason for, and the advantage of, this submission is to accept the arbitration agreement or refuse it before the arbitration process commenced. If the Saudi forum approved the agreement, it meant that the subject matter of the dispute was capable of arbitration. Unfortunately, the Saudi Arbitration Act 2012 does not contain this requirement⁷⁸⁵.

It can generally be said that Saudi law and the rules of Sharia do not contain a principle which can be used as a justification to prevent the arbitrators from ruling on the validity of Saudi patents and trademarks. Pursuant to the formulation of the rules of jurisdiction contained in the Saudi Patent Law and the Saudi Trademark Act, they are established to divide jurisdiction among various Saudi forums and to

⁷⁸³ *ibid.*

⁷⁸⁴ See Section 6.2.3.5, above.

⁷⁸⁵ See Section 6.2.4.3, above

give jurisdiction over certain disputes to particular forums and committees. Because these articles do not give exclusive jurisdiction over the validity of Saudi patents and trademarks to Saudi public courts and do not exclude arbitration tribunals from ruling on the dispute, they do not provide any logical justification to prevent arbitration over the validity of these rights. It is therefore difficult to use these articles as a rationalisation to prevent the arbitrators from ruling on the issue. Otherwise, it may be regarded as an excessive interpretation of these articles. Furthermore, Saudi law recognises the principle that if a dispute arises in connection with Saudi public policy, the tribunal is not allowed to rule on the issue and if it did, its award will not be enforced. According to the rules of Sharia, the arbitrators are not allowed to decide on a dispute which is in connection with the public policy of Islamic societies. However, the concept of public policy is not a rationalisation to refuse to arbitrate the validity of Saudi patents and trademarks. The reason behind this concept is that an arbitration award will bind the parties to the arbitration and does not affect a third party, even if the right at stake is concluded to be invalid, because publicly, it remains valid unless a Saudi competent court annuls the validity of that right. In addition, pursuant to Islamic rules, patents and trademarks are regarded as private property and the rules of Sharia allow the owners to manage their properties by any legal actions or events. The Saudi Patent Act and the Saudi Trademark Law allow the proprietors of these rights to assign or transfer their rights, providing that certain requirements are met. For example, the transfer of a Saudi trademark must be done in writing and not to mislead the public. Based on the previous considerations, it seems that Saudi law does not prevent the proprietors of Saudi patents and trademarks from putting the validity of their rights under the examination of arbitrators, providing that the arbitration awards affect only the parties to the arbitration⁷⁸⁶.

The rules of choice of law adopted in the Saudi Arbitration Act 1983 have been radically changed. It was that the arbitrators must apply only Saudi law and the rules of Sharia to govern disputes that are considered in accordance with the Saudi Arbitration Law. Article 38 of the Saudi Arbitration Law 2012 modifies these rules and allows the parties to the arbitration to agree to apply a specific law to govern their disputes, providing that the chosen law is not inconsistent with Saudi public policy or the rules of Sharia⁷⁸⁷.

The Saudi Arbitration Act 2012 gives great significance to the law chosen by the parties, because article 50 section 1 subsection D and article 50 section 2 of the Law provide that if the arbitration award violates the rules of the arbitration agreement, it will not be capable of enforcement in Saudi Arabia⁷⁸⁸. In spite of this fact, there are certain limitations that prevent the arbitration tribunal from applying the law

⁷⁸⁶ *ibid.*

⁷⁸⁷ See Section 6.3.1, above.

⁷⁸⁸ See Section 6.3.1.2, above.

chosen by the parties. Pursuant to article 38 section 1, article 50 section 2 and article 55 section 2 subsection B of the Saudi Arbitration Law 2012, the chosen law must not be inconsistent with the rules of Sharia or Saudi public policy. Moreover, the arbitrators must take into account the mandatory rules of a state having a close connection to the dispute⁷⁸⁹.

In cases where the arbitration tribunal rules on a dispute relating to a contract for the exploitation of a patent or a trademark, it will apply the rules adopted in article 38 section 1 subsection A of the Saudi Arbitration Law 2012 without any concern if the parties choose a specific law to govern contractual obligations. This is because the article allows the parties to choose a specific law to govern the issues, providing that the chosen law is not inconsistent with the rules of Sharia or Saudi public policy. Moreover, in the absence of choice, applying article 38 section 1 subsection B of the Saudi Arbitration Act 2012 does not raise any concerns if the dispute is in connection to a contract for the exploitation of a right in one state. In such circumstances, the arbitrators should apply the substantive rules of the law having a close connection to the dispute. This law is likely to be the law of one state or a single law. However, concerns may emerge if the parties have an agreement to exploit rights in many states and do not choose a specific law to govern contractual obligations. In such circumstances, if the arbitral tribunal tends to apply the law which it ‘deems most connected to the subject matter of the dispute’, it seems that the tribunal should apply the laws of more than one state. For example, if the tribunal tends to apply the law of the protecting state to govern the issues, it means they must govern contractual obligations performed in each state by the law of the state of performance⁷⁹⁰.

Arbitrators may face concerns about applying the principles adopted in article 38 section 1 subsection A of the Saudi Arbitration Law 2012 in cases where the parties agree to apply a law other than the law of the protecting state to govern infringement and validity issues. In general terms, there are three potential approaches. The first theoretical approach is that the tribunal must apply the law of the protecting state to govern these issues and refuse to apply another law to the actions⁷⁹¹.

The second approach is inclined to accept that the arbitration tribunal must respect the parties’ choice of law, even if they choose a law other than the law of the state of registration to govern validity, creation, ownership and infringement issues. It is required that a clear indication of abuse, such as fraud, is absent and the chosen law does not lead to ineffective results. The parties are not allowed to choose non-national rules to govern these issues, because these rules do not provide any solution for these disputes⁷⁹². The most appropriate approach for Saudi law is based on the point of whether or not it is mandatory to apply the law of the protecting state to infringement and validity issues. In cases where

⁷⁸⁹ See Section 6.3.1.3, above.

⁷⁹⁰ See Section 6.3.2.2, above.

⁷⁹¹ See Section 6.3.2.1.1, above.

⁷⁹² See Section 6.3.2.1.2, above.

arbitrators conclude that it is not mandatory for the law of the state of registration to be applied to infringement and validity issues, they are allowed to apply law chosen by the parties to the disputes. However, if it is mandatory to apply the law of the state of registration, the tribunal should apply both the mandatory rules of the state of registration and the rules of the chosen law. This approach considers the interests of the parties and of the protecting state, because it honours the autonomy of the parties to choose a specific law to govern validity and infringement issues and does not ignore the mandatory rules of the protecting state. However, the negative impact of this concept is that it places a heavy burden on the shoulders of the arbitrators to protect the interests of the parties and of the protecting state. They must issue the award according to the rules of law chosen by the parties and the mandatory rules of the state of registration. It will therefore be very difficult for the tribunal when it arbitrates on infringement actions committed in more than one state, because they must rule on each act of infringement in accordance with the law chosen by the parties and the law of the state where the act of infringement was committed⁷⁹³.

6.4.2 The Recommendations

The foregoing analysis clearly shows that the Saudi government is strongly recommended to revise the Saudi rules in connection with arbitration of patent and trademark disputes. The Saudi legislators are advised to take account of such EU rules, in order to find suitable approaches for Saudi law. These solutions should be established in separate articles, in order to give certainty to the parties to the arbitration and the arbitrators regarding how Saudi law will handle arbitration on patent and trademark disputes. It is important to mention that the Saudi legislators should take into account the rules of Sharia and Saudi public policy and revise any approach that is inconsistent with them.

The previous investigation has shown that it is practical possible to apply the following rules in Saudi law. It seems to me that these principles are not inconsistent with Saudi public policy or the rules of Sharia. Therefore, there is no need to revise them.

Firstly, the suggested rules with regard to the requirements that must be met to stay the court proceedings if the parties agree to refer the dispute to arbitration.

- A) The Saudi court must refuse to grant a stay in favour of arbitration if the subject matter of the dispute is not arbitrable.
- B) The Saudi forum and the arbitration tribunal should govern the arbitrability of the subject of the issue according to the law of the protecting state.

Secondly, with regard to the rules governing the arbitrability of the subject matter of the dispute at the enforcement stage:

⁷⁹³ See Section 6.3.2.1.3, above.

- A) The Saudi court must refuse to recognise or enforce an arbitral award if the subject matter of the dispute is not capable of arbitration in accordance with the law of the protecting state.

To incorporate this approach into Saudi law, there is a need to revise the principle which implies that if the Saudi forum is required to enforce an arbitral award, the court must apply Saudi law to verify whether or not the subject of the dispute is capable of being arbitrated. This rule is adopted in article 50 section 2 of the Saudi Arbitration Act 2012, article 37 section A of the Riyadh Arab Agreement for Judicial Cooperation, article V section 2 subsection A of the New York Convention, article 22 section A of the bilateral agreement for Judicial Cooperation with the Republic of Kazakhstan, article 26 section A of the bilateral agreement for Judicial Cooperation with the Republic of Yemen, article 26 section A of the bilateral agreement for Judicial Cooperation with the Kingdom of Morocco and article 24 section A of the bilateral agreement for Judicial Cooperation with the Syrian Arab Republic. Hence, this principle should be adjusted, and instead of calling on Saudi law to govern arbitrability, the court should apply law of the state of registration.

Thirdly, the analysis above clearly shows that there is a strong case to revise Saudi law and legislate on the question of arbitrating the validity of Saudi patents and trademarks. In my opinion, the following approach is possible and appropriate.

- A) The arbitration tribunal is allowed to arbitrate the validity of patents and trademarks, providing that its award binds only the parties to the arbitration and does not affect the public.

Fourthly, the previous investigation has shown that there is a need to revise Saudi law and establish a suitable approach in relation to the law governing infringement and validity issues. In my opinion, the appropriate approach is as follows:

- A) The arbitrators must honour the parties' agreement to apply a particular law to the infringement and validity issues if the application of the law of the protecting state is not mandatory.
- B) In cases where it is mandatory to apply the law of the protecting state, the tribunal should decide these issues in accordance with the law of the state of registration of the right concerned and the rules of the law chosen by the parties.

To incorporate these approaches in Saudi law, the Saudi legislators should reform article 38 section 1 subsection A of the Saudi Arbitration Law 2012, which establishes a general principle that the parties to the arbitration are allowed to choose a specific law to govern their disputes.

Chapter 7: The Conclusion

7.1 The Introduction

This thesis has analysed and evaluated the normal rules of private international law and arbitration in connection with cross-border disputes relating to trademarks and patents. These principles involve the subjects of international jurisdiction rules, the rules of choice of law, the rules for enforcement of foreign judgments and arbitration which are established in Saudi law and the judicial agreements that the Saudi government has ratified. The thesis has focused on these subjects because Saudi courts and arbitration tribunals must call and rely on these principles, in order to successfully resolve cross-border disputes concerning patents and trademarks. It is important to mention that the special characteristics of patents and trademarks, such as the principle of territoriality and the interests of the state of registration, influence the normal rules of private international law and arbitration. Based on these facts, the thesis has aimed to answer the question of whether or not the normal rules of private international law and arbitration established in Saudi law are appropriate to be applied to cross-border disputes relating to patents and trademarks. During the course of considering this question, it has been found that there have been some cases where the normal rules of the previous subjects are not appropriate to deal with these types of disputes, or there have been significant issues that have not legalised in Saudi law. In these cases, several different approaches have been presented and evaluated, and the appropriate approaches for Saudi law have been recommended, with reasons for the suggestions presented. The thesis contains four main chapters; a chapter concerning international jurisdiction rules, chapter discussing the rules of choice of law, chapter analysing the rules for enforcement of foreign judgments and chapter focusing on the rules of arbitration. Throughout the discussion in these chapters, notable findings and contributions to Saudi law have drawn conclusions. In this final chapter, the most significant contributions of each chapter will be highlighted and the thesis will end with recommendations for the future studies.

7.2 The Findings

Generally, the rules of international jurisdiction, the rules of the choice of law, the rules for enforcement of foreign judgments and the provisions of arbitration, which are adopted in Saudi law including the ratified agreements, do not contain specific rules for cross-border disputes relating to patents or trademarks. Therefore, Saudi legislators and the diplomats should launch a demand to ratify a regulation to legislate on the subject of conflict of laws in intellectual property rights, among Arabic states, or at least between the Arab States of the Gulf.

In general terms, the normal rules of the previous subjects need some revision, in order to make Saudi law more effective to handle cross-border disputes in relation to patents and trademarks. In order to

achieve this target, the thesis has suggested reforming some normal rules of private international law and arbitration, and in some cases, it has recommended creating special rules to be applied to these types of disputes.

It seems to me that when Saudi legislators want to reform the normal rules of private international law and arbitration, or create special principles to handle patent and trademark cross-border disputes, they should take into account some crucial elements, such as the principles of territoriality, the protection of the interests of the state of registration and of the parties. Saudi courts should apply appropriate approaches, in order to rule on these types of disputes properly and to issue enforceable judgments. In addition, as the rules of Sharia are the constitution of Saudi law, Saudi forums will refuse to apply any rule inconsistent with the rules of Sharia or Saudi public policy. Therefore, the legislators must take into account the rules of Sharia and Saudi public policy when they establish the rules of private international law and arbitration on cross-border disputes concerning trademarks and patents.

7.2.1 The Contributions Concerning the Rules of International Jurisdiction

In the third chapter, the rules of international jurisdiction established in Saudi law and the ratified agreements have been analysed and evaluated, in order to answer the question of whether or not these rules are appropriate to be applied to cross-border disputes concerning patents and trademarks. The proper principles to give jurisdiction to a Saudi forum over disputes concerning the infringement and validity of patents and trademarks have been clarified. It has been concluded and added a contribution to Saudi law that the courts of states of registration have exclusive jurisdiction over the validity of patents and trademarks, regardless of which way the validity is challenged⁷⁹⁴. In addition, the Saudi court must not rule on infringement issues in respect of foreign rights⁷⁹⁵. At the same time, the Saudi forum should have exclusive jurisdiction over actions for infringement of Saudi patents or trademarks⁷⁹⁶. Therefore, the Saudi legislators must revise the normal rules of international jurisdiction of Saudi courts over a cross-border dispute concerns the infringement or validity of a patent or a trademark. In such circumstances, there are certain grounds of jurisdiction that must not be applied. These are the parties' agreement to a specific jurisdiction, the nationality and place of residence of the defendant. The reason behind this rule is that the forums of the state of registration are the best courts to determine the infringement or validity of patents or trademarks, as all elements required to resolve these issues properly are located in that country. The thesis has shown that the act of infringement must be committed in the territory of the state of registration and if a Saudi right is infringed or used by an unauthorised person outside Saudi Arabia, the Saudi forum does not have jurisdiction over the action, even if the right holder suffers a financial loss in

⁷⁹⁴ See Section 3.2.3.5, above.

⁷⁹⁵ See Section 3.2.1.3.3, above.

⁷⁹⁶ See Footnote no 357, above.

Saudi Arabia⁷⁹⁷. In addition, if a Saudi forum rules on a dispute relating to a foreign patent or trademark and if the defendant challenges the validity of the right during the court proceedings, the Saudi court must suspend its proceedings and refer the validity issue to the courts of the state of registration, providing that the validity of the right is disputed in good faith⁷⁹⁸.

The thesis has presented a significant contribution to the Patent Regulation of the Cooperation Council for the Arab States of the Gulf. This regulation should contain a rule relation to the question of which court should have jurisdiction over the validity of GCC patents. It has been suggested that there are two potential approaches; whether to give jurisdiction to the GCC Patent Office, or to the authorised court in each Contracting Party⁷⁹⁹. In addition, the jurisdiction over actions for infringement of GCC patents must be exclusive to the courts of a Member State where the act of infringement is committed⁸⁰⁰. In addition, it is appropriate to give the Committee in the GCC Patent Office supranational jurisdiction over disputes concerning GCC patents, in order to resolve all actions relating to GCC patents before a single court⁸⁰¹.

This research has explained and laid down suitable rules regarding the circumstances in which a Saudi court may hear disputes concerning contracts for the exploitation of patents or trademarks. Saudi law does not have a special rule for this issue. Hence, it has been established in Saudi law the principle that in cases where the parties to the contract give jurisdiction to a Saudi forum over their potential disputes, the jurisdiction will be exclusive to the Saudi forum, even if the right exploited is foreign. Along with the contractual obligations, the forum is allowed to determine an action for infringement of the right exploited if it is raised in connection with the contract. The argument behind this suggestion is to protect the interests of the parties and to exempt them from the need to litigate the infringement claim before another court, which might be impossible. Clearly, in cases where the facts of the contractual and non-contractual obligations are overlap⁸⁰².

The thesis has also provided a suitable contribution to the bilateral agreements for Judicial Cooperation which the Saudi government has ratified with the Republic of Kazakhstan and the Syrian Arab Republic. It has been noted that these agreements should contain a principle that in cases where the parties to a contract performed in Saudi Arabia do not choose a specific forum to rule on their potential differences, the Saudi court will have jurisdiction over the contract disputes. In addition, this study has clarified that in cases where the parties to a contract for the exploitation of parallel rights in many states

⁷⁹⁷ See Section 3.2.1.3.3, above.

⁷⁹⁸ See Section 3.2.3.5, above.

⁷⁹⁹ See Section 3.2.3.1, above.

⁸⁰⁰ See Sections 3.2.1.3.3 and 3.3.2.2, above.

⁸⁰¹ See Sections 3.2.3.5 and 3.3.2.4, above.

⁸⁰² See Section 3.2.2.2.3, above.

do not choose a specific court to decide the contract disputes, the Saudi forum has only jurisdiction over contractual obligation performed in Saudi Arabia, because of the principle of territoriality⁸⁰³.

The principles of consolidating infringement actions committed in more than one state into one action have been illustrated and the appropriate rules for Saudi law have been shown. It has been required that the plaintiff is allowed to sue the multiple defendants before a single Saudi court if consolidating the actions does not lead to delay in justice or weaken the interests of the defendants. Because Saudi law does not regulate this issue, it has been decided and established in Saudi law that the plaintiff may sue the multiple defendants before a single Saudi court if certain stipulations are met. The main defendant, who is alleged to be responsible for the majority of the infringement activities, must be resident in Saudi Arabia and does his infringement activities in Saudi Arabia. The Saudi forum has to be convinced that the multiple defendants could be sued together in a single action. The infringed rights must have a reasonable connection. Moreover, the thesis has provided that the Saudi court is allowed to consolidate multiple defendants in a single action if they infringe the same Saudi right⁸⁰⁴.

This thesis has examined and explained the procedure for staying the proceedings of the Saudi court in favour of a chosen foreign court. It has been contributed to Saudi law that there is a need to revise the current approach provided by the Court of Appeal in the Board of Grievances. It allows a foreign non-Muslim party to disregard a jurisdiction clause in a contract with a Saudi party and to bring a contract dispute before a Saudi forum. The suggested contribution for Saudi law is that the Saudi court must stay its proceedings concerning a contract for the exploitation of a patent or a trademark if the parties choose a foreign court to rule on their potential disputes, even if the right exploited is Saudi. However, the Saudi forum may hear the dispute if the plaintiff convinces the court that its judgment on the dispute is better than the award from the chosen court, or that litigating the dispute before the chosen forum will lead to application of a rule inconsistent with Islamic laws⁸⁰⁵.

In relation to the question of which court should have the priority in parallel proceedings, it has been concluded that the requirements of the issue of parallel proceedings are that both proceedings must be held by forums with competent authority and must involve the same cause of action and the same litigants⁸⁰⁶. It has been shown that because the Saudi court does not have jurisdiction over actions for infringement of foreign patents or trademarks, these conditions will be satisfied only in cases where the parties to a contract for the exploitation of a patent or a trademark give jurisdiction to Saudi and foreign courts. In such circumstances, a contribution has been added to Saudi law that the court which seizes the dispute first should have the priority to rule on the case, providing that the right exploited is for a third

⁸⁰³ See Section 3.2.2.1.2, above.

⁸⁰⁴ See Section 3.3.2.4, above.

⁸⁰⁵ See Section 3.4.1, above.

⁸⁰⁶ See Section 3.4.3.1, above.

state, or belongs to the state of that court. In cases where the forum seizes the issue second is the court of the protecting state, the Saudi legislators have the option to give the priority to the court of the state of registration to rule on the dispute, because all the elements required to decide the dispute successfully are situated in that country. The other option is to give the court that seizes the issue first the priority to decide the dispute, because its jurisdiction is based on a legal ground of authority according to Saudi law⁸⁰⁷.

7.2.2 The Contributions Concerning the Rules of the Applicable Law

During the course of the fourth chapter, the Saudi rules of choice of law have been examined and evaluated, in order to clarify whether or not these rules are appropriate to be applied to cross-border disputes in relation to patents and trademarks. On this point, the thesis has suggested some notable contributions to Saudi law. Firstly, it has been shown that the current Saudi rules of choice of law are that Saudi courts are allowed to apply the rules of Sharia and the laws which are promulgated by the Saudi government and are not inconsistent with Islamic laws⁸⁰⁸. The potential drawbacks of applying these rules to cross-border disputes concerning patents and trademarks have been explained. The thesis has concluded that it is not practical to apply the current Saudi rules of choice of law to these types of disputes⁸⁰⁹. In addition, the Saudi rules of applicable law should be consistent with Islamic laws⁸¹⁰. Hence, this study has presented appropriate principles to replace these rules. The suggested contribution is that the Saudi forum should apply foreign law, providing that it is not inconsistent with Saudi public policy or the rules of Sharia⁸¹¹.

Secondly, this research has analysed and evaluated the approaches concerning the question of which law should be applied to infringement actions, validity issues and property aspects of patents or trademarks. Because Saudi law does not have an answer to this question, this thesis has recommended a proper contribution for Saudi law. The Saudi court must apply the law of the protecting state to these issues, in order to protect the public interests and economy of the state of registration⁸¹². In addition, the parties are not allowed to agree to apply another law to govern these matters. Furthermore, the thesis points out that the court should apply the law of protecting state to the conditions of liability, the assessment of damages and the suitable remedies for the infringement. Moreover, in cases where a Saudi forum consolidates actions for infringement of parallel national rights into a single action, it should apply

⁸⁰⁷ See Section 3.4.3.2, above.

⁸⁰⁸ See Section 4.2.1, above.

⁸⁰⁹ See Section 4.2.2, above.

⁸¹⁰ See Section 4.3, above.

⁸¹¹ See Section 4.2.2, above.

⁸¹² See Sections 4.4.8 and 4.6.2, above.

the law of the state having a close connection to the disputes and the parties must inform the court if it applies a rule that is different from the rule established in the law of the state of registration⁸¹³.

Thirdly, the question of which law should be applied to contracts for the exploitation of patents and trademarks has been examined and evaluated. The thesis has suggested a contribution to the current Saudi law on this issue. The Saudi court should apply the law chosen by the parties to contractual obligations⁸¹⁴. However, in the absence of choice, the Saudi court should evaluate the situation and apply the most closely connected law to the dispute. In such circumstances, the law of the protecting state may have the priority to be applied, because the contract is performed in the state of registration. Finally, it has been clarified that the Saudi court is recommended to apply provisions of the law of the state of performance which are crucial to be applied, for safeguarding public interests of that country, even if the law governing the contract is not the law of the state of performance. The operation of this ruling should be limited to situations where the performance of the contract is illegal pursuant to the law of the state of performance⁸¹⁵.

7.2.3 The Contributions Concerning the Rules for Enforcement of Foreign Judgments

Throughout the fifth chapter, the rules for enforcement of foreign judgments in Saudi Arabia have been examined. The main purpose of this chapter is to respond to the question of whether or not the principles for enforcement of foreign judgments established in Saudi law are suitable to be applied to cross-border disputes relating to patents and trademarks. The conclusions of this chapter have added valuable contributions to the current Saudi law. It has been concluded that the rules for enforcement of foreign judgments should be established in a separate law⁸¹⁶.

In addition, this study has clarified that at the enforcement stage; the subject of a foreign judgment cannot be adjusted or changed, because the Saudi court is not allowed to examine the subject of the foreign judgment. Moreover, it has been shown that if a foreign judgment constitutes a liability in a dispute, the litigants at the enforcement stage before the Saudi forum must be the same as at the proceedings where the award was issued. Furthermore, if a right is invalidated by the court of the state of registration, the judgment will have *erga omnes* effects, but it does not have a retrospective effect. If a forum invalidates a foreign patent or trademark, the judgment will bind only the parties to the dispute, in order to protect the interests of the protecting state⁸¹⁷.

⁸¹³ See Section 4.4.8, above.

⁸¹⁴ See Section 4.5.3, above.

⁸¹⁵ See Section 4.6.2, above.

⁸¹⁶ See Section 2.4.1.1 above.

⁸¹⁷ See Section 5.4, above.

This thesis has analysed the requirements that must be met to enforce foreign judgments in Saudi Arabia and the correct reformation of these requirements has been shown. The suggestion on this point is that in order to protect the public interests and economy of the state of registration, the Saudi court should refuse to enforce a foreign judgment if the court granting it violates the rules of international jurisdiction and of the choice of law of the protecting state⁸¹⁸. In addition, the Saudi forum must not refuse to enforce a foreign judgment if the plaintiff does not verify that the courts of the state where the required judgment is issued are obliged to enforce a Saudi judgment. This approach is suggested, in order to protect the interests of the judgment creditor⁸¹⁹.

7.2.4 The Contributions Concerning the Rules of Arbitration

During the examination in the sixth chapter, the rules of arbitration legalised in Saudi law and the ratified agreements have been analyzed and evaluated, in order to clarify whether or not these rules are appropriate to handle international patent and trademark disputes. The outcomes of the examination of this chapter bring viable contributions to the current Saudi law. This study has explained the requirements which must be met to stay the proceedings of Saudi forums when the parties agree to refer their disputes to arbitration. Moreover, this research has examined the doctrine of arbitrability and the law that should be applied to govern the arbitrability of validity of patents and trademarks when it is raised before Saudi public forums or arbitral tribunals. The thesis has added appropriate contributions for Saudi law on these points and has suggested that the Saudi court must refuse to grant a stay in favour of arbitration if the subject matter of the dispute is not arbitrable, as the arbitration award will not be enforced if the dispute is not capable of arbitration⁸²⁰. In addition, in order to protect the interests of the state of registration, the Saudi court and arbitration tribunal must apply the law of the protecting state to verify whether or not the validity of patents and trademark is arbitrable⁸²¹.

Furthermore, it has been concluded that Saudi law should follow the principle that an arbitration award relating to the validity of a patent or a trademark should be set aside if the subject matter of the dispute is not arbitrable in accordance with the law of the protecting state⁸²².

Moreover, the question of the possibility of arbitrating the validity of Saudi patents or trademarks has been examined and it has been shown that Saudi law does not provide an answer to that question. It has been concluded that Saudi law and Islamic laws do not contain a rule that may be used as a reason to prevent the arbitration tribunals from determining the validity of Saudi patents and trademarks. Hence, this study has added a contribution to Saudi law and suggested the principle that the arbitral tribunal is

⁸¹⁸ See Sections 5.5.2.3 and 5.5.3, above.

⁸¹⁹ See Section 5.5.1, above.

⁸²⁰ See Section 6.2.1, above.

⁸²¹ See Section 6.2.3.4, above.

⁸²² See section 6.2.3.5, above.

allowed to rule on the validity of Saudi patents and trademarks, providing that the arbitration award binds only the parties to the arbitration and does not affect a third party⁸²³.

Furthermore, the thesis has examined the question of which law must be applied to the infringement actions and validity issues. The contribution to Saudi law regarding this question is that the arbitration tribunal should take into account the mandatory rules of the protecting state of the right in question, in order to issue an enforceable award. At the same time, it should honour the parties' agreement to choose a specific law to govern these issues. Hence, if it is not mandatory to apply the law of the state of registration to the infringement actions and validity issues, the arbitrators should apply the law chosen by the parties to govern these issues. In cases where application of the law of the protecting state is mandatory, the arbitrators should resolve the dispute in accordance with the mandatory rules of a state having a close connection to the dispute and the rules involved in the law chosen by the parties⁸²⁴. Furthermore, it has been clarified that in the absence of choice, the arbitration tribunal may apply the law of the protecting state to govern infringement actions and validity issues⁸²⁵.

7.3 The Recommendations for the Further Studies

As to future studies, there are many rules established in Saudi law which affect cross-border patent and trademark disputes that should be given further analysis and evaluation, in order to clarify whether or not they are appropriate to be applied to these types of disputes. The first subject is the procedures of Saudi forums. It is significant to examine the effectiveness of the procedures adopted in Saudi courts which have jurisdiction to determine patent and trademark disputes. This is because these rights are very valuable and have a limited time period. At the same time, the parties are doubtless looking for a reliable and advanced system to resolve their disputes. Hence, it is crucial to examine and enhance the procedures of the Saudi competent courts to be more professional to resolve cross-border disputes relating to patents and trademarks. The second point relates to the principles concerning jurisdiction over provisional or protective measures. This is a significant subject for analysis and evaluation, because provisional and protective measures are regarded as an effective weapon to avoid essential drawbacks of litigating patent and trademark disputes in Saudi forums. A patent, for instance, is worth a great deal of money and has a limited lifetime. Hence, if a Saudi patent is infringed and the alleged infringer challenges the validity of the patent, this means the Saudi competent forums must handle the infringement and validity issues and the proceedings of these actions may consume a considerable amount of time. In such circumstances, any interested party is allowed to request the Saudi court to issue an injunction, in order to minimise the risk of wasting time and to protect the position of the litigants

⁸²³ See Section 6.2.4.3, above.

⁸²⁴ See section 6.3.2.1.3, above.

⁸²⁵ See Section 6.3.2.1, above.

during the proceedings of Saudi forums. Thirdly, it is crucial to analyse and evaluate the rules for enforcement non-money judgments in relation to patent and trademark disputes. This is because the Saudi court may be required to enforce a non-money judgment, such as an injunction, which is issued outside Saudi Arabia.

The fourth issue relates to the question of which forums should have jurisdiction over disputes concerning the registration and creation of patents and trademarks. Fifth, it is significant to examine and evaluate the rules relating to jurisdiction over disputes in connection with the ownership of a patent when the parties are an employee and his employer, or in cases where the dispute concerns collective ownership of a right.

Sixthly, it is significant to examine the possibility of giving jurisdiction to a Saudi forum over an action for infringement of a foreign right, in cases where the plaintiff brings the action before the Saudi forum and alleges that litigating the dispute before foreign courts involves a concern regarding the rules of Sharia or justice.

Seventh, it is significant to investigate in depth the question of what we should do when a Saudi court decides not to apply foreign law in patent and trademark disputes. It is possible to apply Saudi law, or to stay the proceedings of the Saudi forum.

Eighthly, it is important to examine the rules of the subjects which concern famous trademarks and infringing a trademark on the internet.

Ninthly, it has been concluded above⁸²⁶ that Saudi law must allow Saudi courts to apply foreign law to patent and trademark disputes. Hence, it is appropriate to answer the question of who is obliged to plead and prove the applicable foreign law.

Tenthly, further research is needed regarding the question of whether or not a party to the arbitration is allowed to exploit or use a right which has been invalidated by the tribunal. In addition, article 3 of the Saudi Trademark Law states

A register shall be set up at the competent department of the Ministry of Commerce to be called: "Trademarks Register". In which shall be recorded all registered trademarks and notices of assignment of ownership, transfer, mortgage, attachment, or license to use them and also their renewal and cancellation.

The question arises: should the parties to the arbitration apply this rule and register the arbitral award concerning the validity of a Saudi trademark? Moreover, article 27 of the Saudi Trademark Law states, 'If a trademark is cancelled, it shall not be registered for the benefit of others for the same products, services, or for similar products or services except after the elapse of three years from the date of

⁸²⁶ See Section 4.2.2, above.

cancellation, unless the decision of cancellation specified a shorter period.’ There are two points of concern in connection with this article that must be examined in depth. The first question is that during the limited time period, could a successful party use or register the mark for its own behalf, in order to obtain the benefits of the litigation? The second point is that when the limitation period time is terminated, could the successful party register a trademark on his own behalf and prevent the other party from using the mark?

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