

Preliminary Draft – subject to change

**THE NETWORKED INFORMATION SOCIETY:
TERRITORIALITY AND BEYOND**

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ABSTRACT

The protection of intellectual property rights in the global networks poses extraordinary challenges to the existing models of adjudicating international disputes. Territoriality is deeply rooted as a basic feature of IP rights influencing jurisdiction rules and choice of law provisions. New trends have emerged to facilitate the adjudication of disputes concerning IP rights of several countries in a single jurisdiction. The development of model rules may significantly influence progress at international, regional and national level. Among the model texts drafted recently on the Private International Law of Intellectual Property the ALI Principles and the CLIP Principles intend to provide guidance for the development of international conventions and other instruments and also for the improvement of national legislations. International jurisdiction and applicable law to disputes concerned with infringement of IP rights carried out through ubiquitous media such as the Internet raise particular difficulties. Territoriality of IP rights is closely related to the widespread acceptance of the lex loci protectonis as the conflict of laws rule to determine the law applicable to IP infringements. Recourse to the law of the country for which protection is claimed leads to the application of as many laws as countries are covered by the claim. Furthermore such a rule has traditionally been considered as mandatory. Hence, party autonomy is not admitted and no exceptions are allowed as illustrated by the approach adopted in Article 8 of the 2007 EU Regulation on the law applicable to non-contractual obligations. This traditional model raises significant difficulties in its application to activities carried through the Internet inasmuch as those activities may simultaneously infringe IP rights in a great number of countries. Strict adherence to territoriality and the lex loci protectonis criterion may lead to the distributive application of many national laws to a single claim concerning those activities. This mosaic rule may in practice be especially burdensome for IP rightholders that intend to claim before a single court the entire damage suffered worldwide. Indeed, so-called multistate and even ubiquitous infringements have received special consideration both in the ALI Principles and the CLIP Principles. The territorial scope of injunctions arising out of such disputes deserves also particular attention in the context of Internet activities. The approaches adopted by the ALI and the CLIP group offer a good starting point to explore the limits and possible alternatives to the prevailing model on the adjudication of multi-state infringement claims and to discuss the devices that can be used to implement a more flexible approach better adapted to the needs of global networks.

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I. Infringement and enforcement of IP rights in the current global context

1. Globalization of commercial activity has increased the interests of inventors and creators in having the subject matter of intellectual property rights simultaneously protected or enforced in many jurisdictions. Because of the nature of intellectual property rights as exclusive rights with limited territorial scope, protection of the relevant subject matter for the territory of several countries presupposes the acquisition or recognition of parallel rights for each of the countries or territories involved. International business strategies trading goods and services in several jurisdictions require parallel protection. Infringement activities have also become more and more international, threatening or violating rights in several territories. Situations in which a holder of intellectual property rights is interested in enforcing his parallel rights for a number of countries to claim protection against an infringer active in all those countries are now common. For the purposes of obtaining such protection the availability of a single forum having jurisdiction to adjudicate the claim with respect to all those countries may be essential. Therefore, effective cross-border enforcement of intellectual property rights decisively influences the significance and value of intangible assets protected by exclusive rights.

The expansion of global digital networks that make possible the instantaneous and borderless transmission of information has increased business models based on the global exploitation of intellectual property rights. Also, infringement activities carried out through these media have typically effects in many countries, creating uncertainty and new risks as to the effective protection of intellectual property rights. Exploitation and infringement of intellectual property rights on digital networks pose new challenges as to the determination of the place of infringing activities. The coordination of the system of territorially limited intellectual property rights with the ubiquitous reach of the media characteristic of the information society demands a balanced adaptation of the current models of adjudicating international disputes including the interpretation of certain rules that lead to the application of a multiplicity of national laws to common activities carried out in the global networks¹. This task may involve policy choices, especially between the possible gains resulting from a more efficient international protection of intellectual property rights and the significance of the different types of intellectual property right and its territorial nature to promote certain national policies and political concerns that results in a balance that considers national economic, social and technological conditions of the country of protection².

2. Territoriality and independence are acknowledged as basic features of intellectual property rights by the main multilateral conventions in this field. The basic multilateral treaties on intellectual property were initially aimed at ensuring the protection of owners of intellectual property rights beyond the borders of their countries of origin. Multilateral conventions have also achieved significant progress in reducing

¹ See, e.g., A.P. Reindl, "Choosing Law in Cyberspace: Copyright Conflicts on Global Networks", 19 *Mich. J. Int'l L.*, 1997-1998, pp. 799-871; and A. Ohly, "Choice of Law in the Digital Environment – Problems and Possible Solutions", in J. Drexler and A. Kur (eds.), *Intellectual Property and Private International Law*, Oxford, Hart, 2005, pp. 241 et seq.

² See, e.g., G.W. Austin, "Social Policy Choices of Law for Copyright Infringement in Cyberspace", 79, *Oregon L. Rev.*, 2000, pp. 575-618.

the administrative burden and economic costs associated with parallel application of industrial property rights in many jurisdictions. This goal has been fostered by certain international registration schemes that do not alter the territorial nature and independence of the rights. The outcome of the international registration mechanisms is typically a portfolio of rights enforceable only as territorial rights.

Since the principle of national treatment and the substantive provisions of the basic treaties administered by WIPO do not guarantee that this territorial and independent rights offer an appropriate level of protection, international treaties have more recently focused on establishing substantive standards of protection that become binding on national legislators, as illustrated by the TRIPS Agreement and the provisions on intellectual property rights now common in free trade agreements. Although, the effective enforcement of intellectual property rights before national authorities and the availability of adequate court proceedings have become the focus of special attention since Part III TRIPS Agreement, neither this Agreement nor the conventions administered by WIPO address the issue of the international jurisdiction of the courts of the Member States over disputes concerning intellectual property rights³.

II. Enforcement limited to IP rights of the forum: some recent examples

3. Territoriality and independence of intellectual property rights were traditionally associated to the idea that these rights could only be enforced individually in each of the jurisdictions for which protection was sought. Assimilation of intellectual property rights, especially those that are granted after registration, to more traditional regimes of public law, leads to a situation in which the country concerned claims exclusive jurisdiction for disputes concerning its own intellectual property rights and declines any jurisdiction over disputes concerning foreign intellectual property rights. Indeed, territoriality that refers mainly to the spatial reach of exclusive rights does not demand that an intellectual property right be only protected in the courts of the country for which the right is granted.

Nowadays, adjudication of disputes concerning the infringement of foreign intellectual property rights has become common in certain jurisdictions and in some countries it is widely accepted that the current legal framework grants courts jurisdiction over the infringement of foreign intellectual property rights in some circumstances, as illustrated by the EU Brussels I Regulation. Moreover, the view that territoriality of IP rights demands a strict fragmentation of infringement disputes has been discredited as based on unjustified prejudices against foreign procedures and on an obsolete conception of intellectual property rights as instruments of public policy and national sovereignty that does not take into account other interests involved and the fact that intellectual property rights are private rights.⁴

However, strict adherence to certain old assumptions about the implications of territoriality of intellectual property rights on infringement litigation leads even now both in the US and European courts to establish that the general criterion is that local courts lack jurisdiction to adjudicate the infringement of foreign intellectual property rights. Two recent examples illustrate this finding with respect to different types of intellectual property rights.

³ See G.B. Dinwoodie, "The Architecture of the International Intellectual Property System", *Chi.-Kent L. Rev.*, vol. 77, 2001-2002, pp. 993-1014, pp. 996-998.

⁴ J.R. Thomas, "Litigation beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement", *Law & Policy in International Business*, vol. 27, 1996, 277, at 334-335.

4. The European example is an English judgment of 16.12.2009 rendered by the Court of Appeal of the High Court of Justice in *Lucasfilm Ltd. v. Andrew Ainsworth*.⁵ The Court of Appeal refused to enforce the claimant's US copyright against a defendant located in England for infringing sales from England to the US. The infringement activities were done in or from the UK, where the defendant operated an Internet website through which he advertised and sold the infringing articles to customers in the US. Hence, the infringing activities were sales to US customers in the US by despatch of products from the UK, advertising on the Internet and the placing of advertisements in US publications. This appeal judgment held that English law regards claims for infringement of foreign, non-EU (or Lugano) copyrights as non-justiciable before English courts even if the defendant is physically within the jurisdiction of the English courts and there is no doubt that English courts have "personal" jurisdiction, since "subject-matter" jurisdiction is lacking. The Court of Appeal refused the idea that the difference between questions of subsistence or registration of the right and its infringement may be relevant to accept jurisdiction only over infringements of IP rights. Moreover, it considered that it does not make any difference whether the right allegedly infringed is one which is subject to registration or one which is not. Additionally, the Court held that in the context of cross-border adjudication of intellectual property rights the Internet or a website are not fundamentally different from other matters which have enabled business persons to present themselves and their products where they are not themselves present: such as advertisements, salesmen, the post, telephone, telex and the like⁶.

The contents of this judgment as regards both international jurisdiction and enforcement of judgments may be subject to strong criticism. The judgment seems to be the product of a misplaced strict interpretation of the traditional doctrine in some common law jurisdictions based on the confusion between the territorial nature of IP rights and the idea that such exclusive rights can not be adjudicated in foreign courts. Certainly, the traditional view in England has been that jurisdiction for the infringement of foreign intellectual property rights has to be refused but such an approach was modernized in accordance with the requirements of the Brussels Convention⁷ and in *Pearce v. Ove Arp* the English High Court accepted that English courts can have jurisdiction over infringements of IP rights of foreign countries.⁸ Not only the reasons to establish in *Lucasfilm Ltd. v. Andrew Ainsworth* that infringement of an intellectual property right is a "local matter involving local policies and local public interest" and that "it is a matter for local judges"⁹ and to deny subject-matter jurisdiction to adjudicate the infringement of foreign claims seem to openly disregard the true nature of IP rights and the interests involved in infringement disputes and seem to ignore that exploitation and infringement of intellectual property rights take place nowadays to a

⁵ [2009] EWCA Civ 1328.

⁶ Paragraph 193.

⁷ *Vid.* E.M. Kieninger, "Internationale Zuständigkeit bei der Verletzung ausländischer Immaterialgüterrechte: Common Law auf dem Prüfstand des EuGVÜ", *GRURInt*, 1998, 280-290.

⁸ *Pearce v. Ove Arup Partnership Ltd.*, [1997] 2 W.L.R. 779. However, those cases remained rare in the English courts especially as far as registered IP rights are concerned. English courts interpreted that under article 16(4) Brussels Convention -Article 22(4) Regulation 44/2001- English courts lack jurisdiction over a claim of infringement of foreign IP right in case the defendant alleges as a defense the invalidity of the IP right registered in a foreign country, as illustrated by the High Court decision in *Coin Controls v. Suzo International Coin Controls Ltd v. Suzo Internacional (UK) Ltd. and others*, [1997] 3 All E.R. 45.

⁹ [2009] EWCA Civ 1328, paragraph 175.

great extent by multinational or global means. This means facilitate that activities conducted from the home country of the alleged infringer affect directly foreign markets.

Additionally, it is noteworthy that the result reached by the Court of Appeal is based on the idea that international jurisdiction in the case concerned had to be determined in accordance with the English legal system. However, such a conclusion contradicts the case-law of the European Court of Justice (ECJ) regarding the scope and functioning of the EU uniform jurisdiction rules established in the Brussels I Regulation. Contrary to the view adopted by the Court of Appeal, the *Owusu* judgment¹⁰ and the Lugano Convention Opinion of the ECJ¹¹ (this opinion is not mentioned in the Court of Appeal's judgment) have confirmed that the jurisdiction laws of the Member States are only applicable in those situations envisaged by article 4.1 Brussels I Regulation. In situations in which the defendant is domiciled in a Member State, the general forum of the defendant's domicile (art. 2) grants international jurisdiction to the courts of the Member State where he is domiciled to adjudicate, among others, claims concerning the infringement of foreign (even non-EU) IP rights. In conclusion, it seems that according to the well-established interpretation of the Brussels I Regulation the Court of Appeal should have decided on the international jurisdiction of the English courts to adjudicate the alleged infringement of US copyrights under the Brussels I system that in Article 2 confers jurisdiction in respect of actions for infringement of copyrights of third countries to the courts of the Member State where the defendant is domiciled.

5. The US example is the judgment of the US Court of Appeals for the Federal Circuit in *Jan K. Voda M.D. v. Cordis Corp.*¹² This judgment ruled that US courts lack subject matter jurisdiction over foreign patent infringement claims¹³. The Court of Appeals held that the exercise of jurisdiction by US courts over such claims could undermine the obligations imposed by international treaties ratified by the US in the field of industrial property rights. The reasoning made special reference to Articles 2(3) and 4 bis Paris Convention, the Patent Cooperation Treaty and the TRIPS Agreement and the judgment stressed that nothing in those treaties allows one jurisdiction to adjudicate infringement claims concerning the patents of another in order to refuse the possibility that US courts "supplant" the courts of the respective foreign jurisdictions in interpreting and enforcing their own patents.

The result reached in *Jan K. Voda M.D. v. Cordis Corp.* is not a novelty given the rather restrictive position adopted previously by US courts as to the limits of their jurisdiction in disputes involving the infringement of foreign patents. The act of state doctrine in disputes in which the validity of foreign rights were concerned and the doctrine of *forum non conveniens* have traditionally been invoked by US courts to decline jurisdiction over claims concerning the infringement of foreign patents¹⁴.

¹⁰ ECJ Judgment of 1 March 2005, C-281/02, *Owusu*, paragraphs 34-35.

¹¹ ECJ Opinion 1/03 of 7 February 2006, paragraphs 143-145.

¹² 476 F.3d 887 (Fed. Cir. 2007).

¹³ See M. Schauwecker, "Zur internationalen Zuständigkeit bei Patentverletzungsklagen (Der Fall *Voda v. Cordis* im Lichte europäischer und internationaler Entwicklungen)", *GRUR Int*, 2008, pp. 96-104.

¹⁴ J.R. Thomas, "Litigation..." *cit.*, at 315-324. The judgment in *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 825 F. Supp. 73 (D. Del. 1993) and 24 F.3d 1368 (Fed. Cir. 1994), provides an example of how the *forum non conveniens* doctrine has been used to decline jurisdiction in these situations. The Federal Circuit questioned the relationship between the Japanese patent claims and the US patents

III. Fragmentation and multiplicity of claims

6. The restrictive territorial approach has very negative implications in the current context of globalization of commercial activities and expansion of so-called ubiquitous media. State by state adjudication of multinational infringements of intellectual property rights results in high costs and long delays¹⁵. Moreover, the need to have recourse to such a multiplicity of claims before different jurisdictions, although connected with the territorial character of the infringed rights, is in sharp contrast with the unitary character of activities carried out through the Internet.

A single activity taking place in the global network may affect substantially many countries. In this connection, the possibility to concentrate before a single forum claims concerning activities that allegedly infringe intellectual property rights in several countries may be essential in practice to permit effective action by the right holder against the infringer¹⁶. Even from the perspective of the alleged infringer fragmentation of claims and the higher costs resulting from a multiplicity of proceedings in different countries may represent an unbearable burden, especially when considering its limited recourses compared to the right holder.

7. Adjudication of multiterritorial intellectual property claims in a single court may produce significant efficiency gains, especially reducing litigation and the risk of conflicting judgments and enabling an efficient redress of the infringement. Although the examples previously discussed illustrate that some jurisdictions may regard such a development as incompatible with the territorial nature of intellectual property rights that is not the case. Territoriality does not exclude the possibility that national courts adjudicate infringement claims that cover the territories of foreign countries provided that due respect is given to the fact that the protection of rights in the foreign countries is governed by the law of the respective country.

The treaties establishing the current international system of intellectual property protection do not impose a model in which adjudication of intellectual property rights is only possible in the country for which protection is claimed. On the contrary, these conventions do not include provisions on international jurisdiction and contracting states are free to establish their own rules on jurisdiction. At any rate, the treaties do not exclude the possibility that courts of a member state be competent to adjudicate infringement claims concerning intellectual property rights granted by other contracting states. In fact, the obligation to provide fair and equitable procedures concerning the enforcement of intellectual property rights and the duty to guarantee that the enforcement procedures are not unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays (Article 41.2 TRIPS) may be read as an argument in favour of the development of international jurisdiction rules that make possible an efficient international enforcement and allow under certain circumstances

involved and noted that the complexities of foreign law, translation difficulties and concern over comity with Japan determined that it should not assume jurisdiction over the infringement of Japanese patents.

¹⁵ As illustrated by the position of the International Association for the Protection of Intellectual Property (AIPPI), see AIPPI, Resolution, Question Q 174 – Jurisdiction and Applicable Law in the Case of Cross-Border Infringement of Intellectual Property Rights (October 2003), available at http://www.aippi.org/reports/resolutions/Q174_E.pdf.

¹⁶ See, e.g. J.L. Dodes, “Beyond Napster, Beyond the United States: The Technological and International Legal Barriers to On-line Copyright Enforcement”, 46 *N.Y.L. Sch. L. Rev.* 2002-2003, pp. 279-317, pp. 295-301; and G.W. Austin, “Importing Kazaa – Exporting Grokster”, 22 *Santa Clara Computer & High Tech. L.J.*, 2005-2006, pp. 577-619, pp. 593-608.

the consolidation of claims over multinational infringements before the courts of a single court.

IV. New trends in international law making and the development model rules

8. Several factors have influenced the development of academic projects in different regions of the world that may contribute to the establishing of a more efficient model for the protection of intellectual property rights. Among those factors special attention deserves the lack of progress in the development of international conventions in this area especially after the failure of the Hague Conference of Private International Law to adopt an international convention on jurisdiction and foreign judgments in civil and commercial matters¹⁷. The failure at The Hague made clear the difficulties that would face any project seeking to establish a set of binding rules on international jurisdiction over intellectual property claims.

Additionally, the risks to effective adjudication of claims over intellectual property claims that result from the restrictive position adopted in certain jurisdictions and the challenges posed by the opposition between the territorial nature of rights and the increasing multinational and global scope of infringing activities, demand progress in the development of international standards better adapted to the current needs of international intellectual property litigation. In this context some projects have been established with a view to developing internationally accepted rules on jurisdiction, choice of law and enforcement of judgments in order to create a more efficient method for adjudicating international IP disputes.

9. The first project to be completed has been developed in the framework of the American Law Institute. The ALI Principles Governing Jurisdiction, Choice of Law, and Judgments in Intellectual Property in Transnational Disputes were published in August 2008 as a set of non-binding Principles which can be helpful for the courts, the practitioners and the scholars and may be used as a model for legislators¹⁸. At the other side of the Atlantic a group of scholars was established in 2004 by the Max Planck Institutes for Intellectual Property (Munich) and Private International Law (Hamburg) to discuss issues of intellectual property and private international law¹⁹. The Group

¹⁷ See C.R. Barbosa, "From Brussels to The Hague – The Ongoing Process Towards Effective Multinational Patent Enforcement", *IIC*, vol. 32, 2001, pp. 729-763; A. Kur, "International Hague Convention on Jurisdiction and Foreign Judgments: A Way Forward for IP?", *EIPR*, 2002, pp. 175 et seq; R.C. Dreyfuss and J.C. Ginsburg, "Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters", *Chi-Kent L. Rev.*, vol. 77, 2002, 1065, at 1065-1072; R. Dreyfuss, "The ALI Principles on Transnational Intellectual Property Disputes: Why Invite Conflicts?", *Brook. J. Int'l L.*, vol. 30, 2005, 819, at 821-822; and A. Schulz, "The Hague Conference Project for a Global Convention on Jurisdiction, Recognition and Enforcement in Civil and Commercial Matters – An Update", J. Drexler and A. Kur (eds.), *Intellectual Property and Private International Law*, Oxford, Hart, 2005, 5 at 5-18.

¹⁸ See F. Dessemontet, "A European Point of View on the ALI Principles – Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes", *Brook. J. Int'l L.*, vol. 30, 2005, 849; F. Beckstein, "The American Law Institute Project on Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes. Summary of the Presentation given by Rochelle Dreyfuss", in S. Leible and A. Ohly (eds.), *Intellectual Property and Private International Law*, Tübingen, Mohr Siebeck, 2009, 22. Concerning its possible impact in other jurisdictions, see T. Kono, "Intellectual Property Rights, Conflict of Laws and International Jurisdiction: Applicability of ALI Principles in Japan", 30 *Brook. J. Int'l L.*, 2004-2005, 870.

¹⁹ The Group is called European Max Planck Group for Conflict of Laws in Intellectual Property (CLIP), see <http://www.cl-ip.eu>, see J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual Property in the Global Arena - Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan*

provides independent advice to European and national legislators but the primary goal of the CLIP Group is to draft a set of principles on international jurisdiction, applicable law, and recognition and enforcement in the field of intellectual property. A second preliminary draft of the CLIP Principles, covering international jurisdiction, applicable law and recognition and enforcement of judgments has been published in June 2009²⁰. It is expected that the final version of the CLIP Principles with comments will be published in 2011. As stated in the Preamble, the CLIP Principles are intended to serve as a model for legislators, to be used to interpret or supplement international and domestic law, and to assist parties in shaping their contractual and extra-contractual dealings including the resolution of disputes.

A third set of provisions covering international jurisdiction, applicable law and recognition and enforcement of judgments has been developed by the Transparency of Japanese Law Project²¹. Although more focused in becoming a model for law reform in Japan, the “Transparency Proposal” has made possible the development of parallel projects in three areas of the world that combined may be regarded as very useful instruments to envisage the creation of a joint set of principles capable of gaining recognition and acceptance at world level.

The initial comparisons between the ALI Principles and the CLIP Draft have stressed although significant differences may be found as to the style, basic concepts, language and structure of the principles, there is a high level of coincidence between the two projects as regards the policy objectives and the solutions adopted²². These projects have gained significant influence in academic circles, law reform debates and even judicial practice in this area. Their contribution to an increased awareness of the need of reform to achieve further international judicial cooperation in this field and the potential influence of these set of Principles on legislators and courts illustrate the presence of new actors and methods in the creation of soft rules that may contribute in the future to a more efficient adjudication of international disputes on intellectual property claims.

V. Alternatives to fragmentation and possibilities to consolidate infringement claims

10. The introduction of jurisdiction grounds allowing an IP right holder to act in a single procedure against the infringement of rights of several countries is a common feature of the ALI and CLIP Principles. However, such a development would not be in itself a real novelty in many jurisdictions that already have such *fora* in their own legislations. For instance, in the EU some jurisdiction grounds established in Regulation

and the US; and Tübingen, 2010; and A. Kur and B. Ubertazzi, “The ALI Principles and the CLIP Project – a Comparison”, in S. Bariatti (ed.), *Litigating Intellectual Property Rights Disputes Cross-Border: EU Regulations, ALI Principles, CLIP Project*, Padova, 2010. Discussing recognition and enforcement issues, see P.A. De Miguel Asensio, “Recognition and Enforcement of Judgments in Intellectual Property Litigation: the CLIP Principles” J. Basedow, T.Kono and A. Metzger (eds.), *Intellectual..., op.cit.*

²⁰ The Draft is available under <<http://www.cl-ip.eu>>. References in this contribution to the CLIP Principles are to the text of the Second Preliminary Draft.

²¹ See J. Basedow, T.Kono and A. Metzger (eds.), *Intellectual..., op.cit.*; and http://www.tomeika.jur.kyushu-u.ac.jp/chizai/symposium/index_en.html.

²² See A. Metzger, “Jurisdiction in Cases Concerning Intellectual Property Infringements on the Internet, Brussels-I-Regulation, ALI-Principles and Max Planck Proposals”, in S. Leible and A. Ohly, *Intellectual..., cit.*, cit., 251; J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual... cit.*; A. Kur and B. Ubertazzi, “The ALL...”, *cit.*; and E. Treppoz, “Un autre regard: étude compare des Principes de l’American Law Institute et du Max Planck Institut sur le droit international privé et la propriété intellectuelle”, in Nourissat and E. Treppoz (eds.), *Droit international privé et propriété intellectuelle: un nouveau cadre pour de nouvelles stratégies*, 2010.

(EC) No 44/2001 (the so-called Brussels I Regulation) may grant the courts of the Member States jurisdiction over infringements of foreign intellectual property rights²³. The Brussels I Regulation establishes uniform jurisdiction rules that are applicable to disputes concerning intellectual property rights, since the substantive scope of the Regulation covers all the main civil and commercial matters apart from certain exceptions listed on Article 1.2.²⁴

In the framework of the Brussels I Regulation territoriality of intellectual property rights do not require the exclusive jurisdiction of the courts of the State where the infringement is committed to adjudicate infringement claims, since according to article 22(4) exclusive jurisdiction is limited to disputes concerned with the registration or validity of industrial property rights subject to registration. Under the Brussels I Regulation the main criteria establishing jurisdiction for infringement claims are the defendant's domicile that is a general forum (Art. 2) and the place where the harmful event occurred or may occur (Art. 5.3). The specific provision on plurality of defendants (Art. 6.1) may also apply. Articles 5 and 6 provide for alternative grounds of jurisdiction, based on a significant connection between the court and the action or intended to facilitate the sound administration of justice. Additionally, parties are allowed to agree that the courts of a Member State have jurisdiction to settle infringement claims, although it is not common in practice. As the basic and general ground of jurisdiction, the defendant's domicile is always available to the claimant except in those situations to which the exclusive jurisdiction rules apply or when the parties reach a choice a forum agreement (Arts. 22 and 23). Therefore, an infringer domiciled in a Member State may be sued in the courts of that state even if the dispute relates to the infringement of IP rights protected only in other countries in the EU or anywhere in the world²⁵.

11. Notwithstanding this, the situation in the EU concerning the application of the common jurisdiction provisions to cross-border intellectual property disputes raises still significant concerns as to its ability to meet the needs of efficient enforcement of

²³ See P.A. De Miguel Asensio, "Cross-Border Adjudication of IP Rights and Competition between Jurisdictions", *AIDA*, vol. XVI, 2007, pp. 105-154.

²⁴ As to the application of the Brussels I Regulation it is noteworthy that according to Article 4.1 if the defendant is not domiciled in a Member State, the jurisdiction of the courts of each Member State is to be determined by the law of that Member State. However, the provisions on exclusive jurisdiction and prorogation of jurisdiction of the Regulation may apply even to situations in which the defendant is not domiciled in the EU, as established in Articles 22 and 23. The Brussels I Regulation is currently under review to discuss, among other issues, the possibility to extend the special jurisdiction rules of the Regulation in order to apply them also to third State defendants, see EC Commission, 'Green Paper on the review of Council Regulation (EC) No 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters', of 21 April of 2009, *COM(2009) 175 final*, at p. 4.

²⁵ See K. Grabinski, "Zur Bedeutung des Europäischen Gerichtsstands- und Vollstreckungsübereinkommens (Brüsseler Übereinkommens) und des Lugano-Übereinkommens in Rechtsstreitigkeiten über Patentverletzungen", *GRUR Int*, vol. 50, 2001, 199, at 202-203. Moreover, the *forum non conveniens* doctrine can not be used by a competent court under Regulation 44/2001 to decline jurisdiction in favour of other court, on the ground that a court of other State would be a more appropriate forum for the case. The ECJ has considered that the wide discretion allowed to the court seised by the *forum non conveniens* doctrine would undermine the principle of legal certainty that is the basis of Regulation 44/2001 and the legal protection of persons established in the EU and would put at risk the uniform application of the Regulation in all the Member States, see ECJ Judgment of 1 March 2005, C 281/02, *Owusu*, paragraphs 41 to 46. This conclusion is significant to exclude the possibility by the court seised of invoking the *forum non conveniens* doctrine to decline jurisdiction in disputes concerning the infringement of foreign IP rights by a defendant domiciled in the forum provided that the jurisdiction rules of Regulation 44/2001 apply.

intellectual property rights in the current global context. Indeed, litigation about the infringement of foreign IP rights has traditionally been rare even within the EU and the application of some grounds of jurisdiction to claims and to activities carried out through the Internet is especially controversial.²⁶

A significant obstacle to the adjudication of foreign industrial property rights may result from a broad interpretation of the scope of the exclusive jurisdiction over registration or validity claims established in Article 22(4). Given the mandatory nature of the rule, the reach of the exclusive jurisdiction decisively influences the possibility by the courts of the Member States to adjudicate claims based on industrial property rights registered in foreign countries under the provisions of the Regulation –articles 2, 5(3) and 6(1)-, especially in situations in which the defendant challenges validity as a defense. This reflects a situation in which the development of model rules on international jurisdiction over infringements of IP rights may contribute to the establishment of a better regime even in those countries in which it is widely accepted that national courts have jurisdiction under certain circumstances to adjudicate claims regarding the infringement of foreign intellectual property rights.

12. The CLIP Principles adopt the habitual residence of the defendant as the ground for general jurisdiction in very broad terms (Article 2:102)²⁷. First, as to the extent of jurisdiction, the courts of any country in which the defendant is habitually resident have jurisdiction to adjudicate claims concerning the infringement of intellectual property rights that occur or may occur within the territory of any State. Hence, it is possible to consolidate claims on the infringement of intellectual property rights before the court of the country of habitual residence of the defendant

Secondly, a broad definition of habitual residence is adopted. In some situations such an ample concept may provide the claimant with the opportunity to choose between different countries as the place of habitual residence of the defendant what may be useful in situations in which the alleged infringer tries to manipulate its place of establishment seeking an especially favourable forum. In this connection, a legal person is deemed to have its habitual residence in any State where it has its statutory seat or registered office, its central administration, or its principal place of business. Additionally, if the entity lacks a statutory seat or registered office, it may also be sued in the State where it was incorporated or, if no such place exists, under whose law it was formed. As to natural persons, it is envisaged that the habitual residence forum concerning a natural person acting in the course of a business activity for actions related

²⁶ It is significant in this connection the preliminary questions referred to the ECJ by the German Federal Court of Justice on the interpretation of term “place where the harmful event may occur” in Article 5.3 Brussels I Regulation. The case is pending at the ECJ under C-509/09. Although the questions result from a case concerning the violation of personal rights the application of Article 5.3 to claims on the infringement of IP rights in websites raise similar doubts in the courts of the Member States. The questions referred to the ECJ include the clarification of whether the phrase “place where the harmful event may occur” in case of violations of rights due to the content of an Internet website is to be interpreted as meaning that the person concerned can bring an action against the operator of the website before the courts of every Member State where the website can be accessed or if the jurisdiction of the courts of a Member State where the operator of the website is not established require a particular connecting link either between the forum and the content or the website itself which goes beyond the mere accessibility of the website. Moreover, in case the ECJ considers that such a particular connecting link with the forum is required, the German Federal Court of Justice asks for clarification about which criteria are decisive for establishing just a link.

²⁷ C. Heinze, “Jurisdiction under the CLIP Principles”, J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual...*, *cit.*, http://www.tomeika.jur.kyushu-u.ac.jp/chizai/symposium/paper/004_08May09_Heinze.pdf, p. 4

to that activity can be located in his or her principle business with respect to the relevant activity, in addition to the place of habitual residence.

13. The potentiality of the country of habitual residence of the defendant as a place to consolidate claims resulting from the infringement of intellectual property rights from different jurisdictions is enhanced by the introduction in the CLIP project of a special forum for situations involving claims against multiple defendants that is drafted in a progressive fashion to go beyond the current situation in the European Union under Article 6.1 Brussels I Regulation²⁸. Building on the proposal made by the CLIP Group to complement Article 6(1) Regulation 44/2001²⁹, the relevant provision of the CLIP Principles (Article 2:206) establishes that a person who is one of a number of defendants may also be sued in the courts of the place where any of the defendants is habitually resident, provided the claims are so closely connected that it is appropriate to hear and determine them together to avoid a risk of divergence in the outcome of the actions against the different defendants which arises in the context of essentially the same situation of law and fact.

In particular, in the case of infringement actions, it is considered that disputes involve essentially the same factual situation if the defendants have, even if in different States, acted in an identical manner or in accordance with a common policy; and that disputes may involve essentially the same legal situation even if different national laws are applicable to the claims against the different defendants, provided that the relevant national laws are harmonised to a significant degree. The last indent may be of special practical significance with a view to facilitate the availability of cross-border relief against multiple infringements for the holders of European patents taking due consideration of the interests of non-resident defendants.

The instrumental role played by some specific actors in the diffusion of information through the Internet may give rise to situations in which the holders of intellectual property rights are interested in instituting proceedings against several defendants, including an Internet service provider on the basis of its contributory liability. That may be the situation concerning hosting activities in cases in which a claim is brought against the direct infringer and also against the Internet service provider that stores the relevant information in its servers from where the information is available to Internet users. However, a finding that the close connection required under Article 2:206 CLIP Principles is present can not be obtained directly from the mere existence of a hosting agreement between the two alleged infringers, although the fact that the potential contributory must bear some direct relationship to the infringing acts may be relevant in finding such close connection.

14. An additional possibility to concentrate claims regarding the infringement of intellectual property rights in several countries results from the acceptance of prorogation of jurisdiction by the parties. For instance, Article 2:301(1) CLIP Principles on choice of court allows parties to agree that a court or the courts of a State are to have jurisdiction to settle any disputes in connection with a legal relationship. Prorogation of

²⁸ ECJ Judgment of 13 July 2006, C-539/03, *Roche*, paragraphs 25-40. For critical assessments of this judgment, see A. KUR, "A Farewell to Cross-Border Injunctions? The ECJ Decisions *GAT v. LuK* and *Roche Nederland v. Primus and Goldenberg*", *IIC*, vol. 37, 2006, 844, at 849-850; and M. Norrgård, "A Spider Without a Web? Multiple Defendants in IP Litigation" S. Leible and A. Ohly (eds.), *Intellectual...*, *op. cit.* n. 45, pp. 211-229, pp. 219-223.

²⁹ CLIP, "Exclusive Jurisdiction and Cross-border IP (Patent) Infringement: Suggestions for Amendment of the Brussels I Regulation", *EIPR*, 2007, 195, at 201.

jurisdiction by the parties prevails over jurisdiction based on the general forum of the defendant's habitual residence and the grounds of special jurisdiction, such as the special jurisdiction on infringement and multiple defendants. Prorogation of jurisdiction also in matters relating to tort is accepted in Article 23 Brussels I Regulation, but a provision in an instrument on international IP litigation may include some additional aspects in order to promote the practical significance of choice of jurisdiction agreement in infringement disputes.

In typical infringement disputes the lack of a relationship between the parties until the non-contractual obligation arises reduces the role in practice of choice of forum agreements because in such circumstances it is not common for the parties to reach an agreement on jurisdiction. However, in situations in which infringement claims arise between parties to a contract, the admissibility of choice of forum agreements concerning infringement claims may be decisive for a more efficient adjudication of claims since it makes possible the consolidation of contractual and non-contractual claims concerning intellectual property rights of different countries before a single court. Considering that the inclusion of infringement claims related to the subject matter of the contract within the scope of the jurisdiction clause of licence contracts may be controversial in the interpretation of these clauses³⁰, Article 2:301(1) CLIP Principles establishes a sort of presumption that choice of forum agreements cover "all contractual and non-contractual obligations and all other claims arising from" the legal relationship concerned. This presumption does not apply in case the parties express the intent to restrict the court's jurisdiction. Additionally, under the Principles the jurisdiction of the chosen court is exclusive unless the parties have agreed otherwise.

15. In the context of the global digital networks the availability of provisional and protective measures may be essential to achieve effective relief. Under the CLIP Principles (Article 2:501) jurisdiction to grant provisional measures is granted to any court competent over the merits and also to the courts of the country where the measure sought is to be enforced or for which the protection is sought³¹.

However, the relevant provisions of Part 4 of the Principles (Article 4:301) allow only cross-border enforcement of provisional measures adopted by a court having jurisdiction over the merits. Provisional measures ordered by the courts of another country that are competent under the specific rule on jurisdiction over provisional and protective measures of the Principles of the second paragraph of Article 2:501 are not enforceable in foreign countries.

VI. Place of infringement and scope of jurisdiction in Internet disputes

16. By contrast to the broad scope and global reach of the general jurisdiction based on the defendant's habitual residence, jurisdiction based on the place of infringement does not normally allow consolidation of claims concerning the infringement of intellectual property rights in several jurisdictions. Under the CLIP Principles, in infringement disputes a person may be sued in the courts of the State where the alleged infringement occurs or may occur (where the intellectual property right exists). In order to prevent an alleged infringer from being summoned before the courts of a country not having significant connection with the dispute, the following safeguard has been introduced: jurisdiction under this ground can not be granted if the

³⁰ A. Peukert, "Contractual Jurisdiction Clauses and Intellectual Property", J. Drexler and A. Kur (eds.), *Intellectual... cit.*, at 55.

³¹ C. Heinze, "Jurisdiction...", *cit.*, pp. 17-19.

defendant proves that he or she has not acted in the State where the alleged infringement occurs in order to initiate or further the infringement and the activity cannot reasonably be seen as being directed to that State. This safeguard may be especially relevant in connection with Internet activities to make clear that mere accessibility of web sites or other Internet contents is not enough by itself to grant infringement jurisdiction.

Indeed, mere accessibility of the relevant content (for instance, a web page) in the forum should in principle not be sufficient to grant jurisdiction³². On the contrary, the fact that the defendant directed by any means its activities to the forum country may be sufficient to consider that as regards the adjudication of IP infringements committed by those activities the respective country is a place where the harmful event occurred. Under § 204 ALI Principles the criterion that the defendant “directs” the alleged infringement into the forum, in particular, if it is reasonable to conclude from the defendant’s behaviour that he sought to enjoy the benefits of engaging with the forum, is an appropriate basis to grant jurisdiction over claims concerning the infringement of intellectual property rights.

17. As to the scope of jurisdiction, the CLIP proposal limits jurisdiction resulting from the place of infringement to infringements that occur or may occur within the territory of the State in which that court is situated. Therefore, consolidation of claims concerning infringements of intellectual property rights of several countries is not in principle possible under this ground of jurisdiction. This approach leads to fragmentation in IP infringement claims. Such fragmentation may result in a heavy procedural burden on persons fighting multiterritorial harm caused by Internet infringements³³. However, the availability of other alternative fora that make possible the consolidation of claims before a single court as already noted –defendant’s habitual residence, multiple defendants and choice of jurisdiction-, the rationale of this special forum, the need to safeguard the procedural position of the defendant and the principle of proximity and the protection of other interests involved in the adjudication of international infringement claims as limiting the risks of *forum shopping* seem to favour the territorial limitation of the jurisdiction based on the place of infringement.

Only in disputes concerned with infringements carried out through ubiquitous media such as the Internet, the CLIP proposal accepts that the court of the State of the place of infringement shall also have jurisdiction in respect of infringements that occur or may occur within the territory of any other State, provided that certain conditions are met, in particular, that the infringement has no substantial effect in any of the States, where the infringer is habitually resident, (Article 2:102) and substantial activities in furtherance of the infringement in its entirety have been carried out in the forum country, or the harm caused by the infringement in the forum country is substantial in relation to the infringement in its entirety.

18. Determining the place of infringement in connection with Internet activities may be complex since there are several acts that may be infringements, such as uploading, making available or downloading, and the global and almost borderless nature of Internet require specific criteria of interpretation. The digital transmission of contents protected by intellectual property rights, involve in typical situations a certain

³² See, e.g., T. Bettinger and D. Thum, “Territorial Trademark Rights in the Global Village – International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet”, *IIC*, vol. 31, 2000, pp. 162-182, p. 167.

³³ See, e.g., J.C. Ginsburg, “The Private International Law of Copyright in an Era of Technological Change”, *R. des C.*, 1998, vol. 273, 243, at 307-308.

number of activities that may be infringements by their own (digitalization, copying, uploading, downloading...). It is widely accepted that the place of the server where the information is stored is not especially significant when interpreting the connecting factors used in Private International Law provisions.

In this connection, the place of infringement as regards uploading activities tends to be located at the country of the establishment of the person uploading the contents. The downloading of contents protected by intellectual property rights typically affects the market in the countries where the contents are received and hence the place of infringement tends to be located at the country or countries where the users were located at the time of downloading. Therefore, to the extent that making available the contents in the Internet for downloading may lead to the infringement of intellectual property rights in several jurisdictions where the contents are downloaded the alleged infringer risks being subject to the several jurisdictions where the contents are downloaded since their courts are competent to adjudicate claims regarding the infringements within the territory of the respective State.

VII. Exclusive jurisdiction as an exception

19. The scope of the exclusive jurisdiction reserved to the courts of the country of protection in certain matters relating to intellectual property rights decisively influence the functioning of the grounds of jurisdiction that might be used to consolidate claims covering the infringement of intellectual property rights in several countries. In the system of the Brussels I Regulation it is generally accepted that the exclusive jurisdiction granted in Article 22.4 in proceedings concerned with the registration or validity of industrial property rights subject to registration has a restrictive nature and does not cover other actions, such as those for infringement of registered industrial property rights or those that concern copyright or related rights. However, even in the framework of the Regulation the scope of the exclusive jurisdiction may be a significant obstacle to cross-border infringement litigation. The mandatory nature of the rules on exclusive jurisdiction determines that Article 22.4 is binding on both litigants and courts and parties may not derogate from Article 22 by an agreement conferring jurisdiction or by the defendant's voluntary appearance³⁴. The rationale behind this exclusive jurisdiction rests on the idea that patents and other intellectual property rights whose existence is subject to registration are created by a public body and grant exclusive rights that affect significant public interests within the territory of that country, whose courts are considered to be best placed to adjudicate upon cases in which the dispute itself concerns the validity or registration of the intellectual property right.

In practice, the main problem in international litigation is that it is very common to challenge validity as a defense against non-contractual claims concerning IP rights, such as patents and registered trademarks. Therefore, the question arises of which are the implications of Article 22.4 for the jurisdiction of a court competent to adjudicate claims regarding the infringement of foreign industrial property rights in cases in which the validity of the foreign patent, trademark... is challenged as a defense before that court. According to the *GAT* decision of the ECJ³⁵ and the text of Article 22.4 of the 2007 Lugano Convention, this exclusive jurisdiction applies irrespective of whether the issue is raised by way of an action or as a defence. The position of the ECJ in the *GAT*

³⁴ ECJ Judgment of 13 July 2006, C-4/03, *GAT*, paragraph 24.

³⁵ ECJ Judgment of 13 July 2006, C-4/03, *GAT*, paras. 18-30.

judgment has received strong criticisms³⁶, because it may seriously undermine the possibility of obtaining cross-border relief concerning intellectual property rights registered in foreign countries in cases in which the alleged infringer challenges the validity of the foreign IP right, to the extent that the exclusive jurisdiction includes the competence to adjudicate invalidity as an incidental matter³⁷.

20. Model rules promoting a more efficient international adjudication of disputes favour the limitation of the scope of the exclusive jurisdiction. The CLIP Principles reinforce the exceptional nature of the exclusive jurisdiction as established in the Brussels I Regulation but adopt a more progressive approach than the case-law of the ECJ on Article 22.4 in order to prevent validity defences being raised by alleged infringers with a view to hinder litigation on foreign intellectual property rights³⁸.

First, in line with the scope of Article 22.4 disputes concerning intellectual property rights not subject to registration, such as copyright, are not covered by the exclusive jurisdiction. Unregistered rights are also territorial although they are typically afforded as a matter of law when some circumstances are met without any formalities being required, as established in Article 5.2 Berne Convention. Secondly, only disputes having as their object the grant, registration, validity, or revocation of a right protected on the basis of registration are covered by the exclusive jurisdiction.

However, contrary to the restrictive position adopted by the ECJ in its *GAT* judgment, Article 2:401 CLIP Principles excludes disputes “where validity or registration arises in a context other than by principal claim or counterclaim” from the scope of exclusive jurisdiction. Hence, incidental challenges of the validity of foreign IP rights in infringement disputes do not affect the jurisdiction of the competent court, although the effect of the decision is restricted to the parties in the dispute and hence it does not affect the validity or registration of those rights as against third parties.

VIII. Territoriality and the law of the country of protection

21. Exclusive rights resulting from intellectual property protection are limited to the territory of one State or other relevant entity such as in the case of EU industrial property rights. Hence, infringing acts can in principle only be committed within the corresponding territory and the law of that territory governs the protection of the exclusive rights granted or recognised by a concrete public power. Activities carried out in a foreign country that do not affect the country of protection typically can not amount to an infringement. From a comparative perspective it is widely accepted that the

³⁶ See CLIP, “Exclusive Jurisdiction and Cross-border IP (Patent) Infringement: Suggestions for Amendment of the Brussels I Regulation”, *EIPR*, 2007, 195, at 199-200; C. González Beilfuss, “Nulidad e infracción de patentes en Europa despues de GAT y Roche”, *AEDIPr*, vol. VI, 2006, 269, at 273-278; C. Heinze and E. Roffael, “Internationale Zuständigkeit für Entscheidungen über die Gültigkeit ausländischer Immaterialgüterrechte”, *GRUR Int*, 2006, 787, at 791-796; J. Adolphsen, “Renationalisierung von Patentstreitigkeiten in Europa”, *IPRax*, 2007, pp. 15-21, pp. 17-19; M. Wilderspin, “La competence juridictionnelle en matière de litiges concernant la violation des droits de propriété intellectuelle (Les arrêts de la Cour de justice dans les affaires C-4/03, GAT c. LuK et C-539/03, Roche Nederland c. Primus et Goldberg)”, *Rev.cr.dr.int.pr.*, vol. 95, 2006, pp. 777-809; and A. López-Tarruella Martínez, *Litigios transfronterizos sobre derechos de propiedad industrial e intelectual*, Madrid, Dykinson, 2008, pp. 42-47; and P.L.C. Torremans, “The Way Forward for Cross-Border Intellectual Property Litigation: Why GAT Cannot Be the Answer”, S. Leible and A. Ohly (eds.), *Intellectual...*, *op. cit.*, pp. 191-210.

³⁷ M. Schauweker, “Zur internationalen Zuständigkeit bei Patentverletzungen”, *GRUR Int*, 2008, 96, 103.

³⁸ C. Heinze, “Jurisdiction...”, *cit.*, pp. 5-8.

applicable law to the protection and infringement of intellectual property rights is that of each country for which protection is sought. This rule has been adopted in most modern Private International Law statutes and has also been traditionally applied in other systems in the absence of specific provisions.

As regards this last point, application of the *lex loci protectionis* and recourse to the *lex loci delicti*, although formally different, lead normally to the same practical result. However, compared to the *lex loci protectionis* principle, recourse to the *lex loci delicti* approach to determine the law applicable to intellectual property infringements may result much more uncertain as illustrated by the recent French case-law on Google Books. In its Judgment of 18 December 2009 the *Tribunal de grande instance de Paris*³⁹ determined that Google had infringed the copyright of a group of publishers by scanning their books and making sections of them available through Google Books Search. The relevance of the choice of law issue was related to the fact that French law does not provide Google with the potential fair use defence that may be available under US law. The French court considered that in accordance with the *lex loci delicti* criterion in the case of infringements where the cause and the effect are in different countries, so-called *délits complexes*, the law applicable is the law of the country with the closest connection. The Court found that the country with the closest connection was France after considering several factors, such as that one of the defendants was based in France (Google France), the site uses the French language and has a French domain name, the claimants were based in France and the authors of the books were French. By contrast, in a Judgment of 20 May 2008⁴⁰ rendered by another section of the same court concerning the activities of Google images, recourse to the *lex loci delicti* lead to the application of US law on the basis that the relevant place to locate complex infringements is the place where the origin of the activity is located.

22. There are good reasons to base the choice of law rule on the existence and scope of intellectual property rights on the place of use of the right. In this connection, national intellectual property legislations determine what is and is not in the public domain and seek a balance between individual interests and those of the community in order to foster production and dissemination of information. The *lex loci protectionis* criterion also corresponds to the regime established in the basic multilateral treaties, although such treaties are not aimed in principle at solving applicable law issues but at creating substantive minimum rights and abolishing discrimination against foreigners⁴¹.

The view that territoriality and independence as basic features of intellectual property rights combined with the principle of national treatment lead in practice to the *lex loci protectionis* as an implicit choice of law rule for the protection of those rights achieved significance acceptance. According to other view the provisions of those conventions, including Article 5.2 Berne Convention, do not affect the freedom of states to adopt the conflict rules they deem appropriate, although in practice it is accepted that

³⁹ Tribunal de grande instance de Paris, 3ème chambre, 2ème section, Jugement du 18 décembre 2009, *Editions du Seuil et autres/Google Inc et France*, available at <http://www.legalis.net/jurisprudence-decision.php3?id_article=2812>.

⁴⁰ Tribunal de grande instance de Paris 3ème chambre, 1ère section. Jugement du 20 mai 2008, *SAIF/Google France, Google Inc*, available at <http://www.legalis.net/breves-article.php3?id_article=2342>.

⁴¹ See E. Ulmer, *Intellectual Property Rights and the Conflict of Laws*, Luxembourg, Kluwer, 1978, p. 6.

infringements should be subject to the *lex loci protectionis* and that recourse to the *lex originis* only appears as an alternative concerning initial ownership⁴².

A recent formulation of the *lex loci protectionis* criterion may be found on Article 8 EU Rome II Regulation⁴³. Article 8.1 Rome II Regulation establishes that the law applicable to a non-contractual obligation arising from an infringement of an IP right shall be the law of the country for which protection is claimed. The wording of this provision makes clear that it does not necessarily lead to the application of the *lex fori*, inasmuch as courts of member States may be competent to adjudicate infringements of foreign intellectual property rights. Given the territorial and independent nature of national intellectual property systems, the choice of law rule has a distributive nature. A situation of multiple infringements occurring in different States is to be governed by the laws of each for the countries for which protection is claimed. Different laws shall apply if protection is sought for the territory of several states except when a supranational unitary intellectual property right is involved, as it is the case with Community industrial property rights.

23. In general, determining if and to what extent a given conduct constitutes an infringement of intellectual property rights, the remedies available against such acts and the holder of the rights, corresponds, by virtue of the rule *lex loci protectionis*, to the law of the country where the alleged infringement occurs. The key element to determine the place of protection also in the case of Internet activities is where the exclusive rights are infringed. For example, with respect to the digitalization of a work such place should be located in the territory in which the non-authorized digitalization of a work takes place; concerning the uploading, in the country from which the work is uploaded on a server connected to the Internet; and as regards its digital transmission at the place in which the computer which downloads the protected work is located. Notwithstanding this, application of the *lex loci protectionis* rule to situations concerning the parallel download of works protected by copyright has provoked prolonged argument.

The idea that the *lex loci protectionis* imposes the application solely of the law of origin to the parallel download of works protected by copyright seems controversial. Application of the law of origin (even understood as the place of establishment of the person that uploads the contents) in cases in which a work has been made available to the public by ubiquitous media and members of the public located in different countries had access to those contents or downloaded them may undermine the proper meaning of

⁴² However, fixing a territorial origin of the work poses special challenges in the context of the networked information society, see, e.g., J.C. Ginsburg, "The Cyberian Captivity of Copyright: Territoriality and Authors' Rights in a Networked World", 15 *Santa Clara Computer & High Tech. L. J.*, 1999, pp. 347- 361, pp. 350-353; and G. Austin, "Intellectual Property Politics and the Private International Law of Copyright Ownership", 30 *Brook. J. Int'l L.*, 2004-2005, pp. 899-923, pp. 913-922. At any rate, exceptions to which the *lex originis* is applicable can be found even with regard to countries that apply to all copyright issues the law of the country for which protection is claimed. One such example is the specific community framework concerning satellite broadcasting and cable retransmissions under Article 1(2) Directive 93/83/EC. In order to abolish obstacles to the free movement of services the Directive specifies that the act of communication takes place only in the Member State where, the program-carrying signals are introduced into an uninterrupted chain of communication. However, this is an exceptional device related to the needs of the internal EU market and to the high level of harmonization reached in the area of copyright within the EU.

⁴³ Regulation No 864/2007 of 11 July 2007 on the law applicable to non-contractual obligations, *OJ L* 199, 31.7.2007, pp. 40-49. See B. Buchner, "Rom II und das Internationale Immaterialgüter- und Wettbewerbsrecht", *GRURInt*, 2005, 1004; and Nerina Boschiero, "Infringement of Intellectual Property Rights. A Commentary on Article 8 of the Rome II Regulation", vol. IX, *YPIL*, 2007, pp. 87-114.

the *lex loci protectionis* rule⁴⁴. The issue at stake is which is the law applicable with respect to the interactive transmission on line of a work, which is different from the previous copying in order to introduce the work on the server (governed by the law of the country where the server is located or the law of the country from where the contents are uploaded)⁴⁵. Territoriality of intellectual property rights and the *lex loci protectionis* rule lead basically to the distributive application of the laws of all those countries in which the relevant conduct or activity has a direct and substantial impact⁴⁶.

IX. Freedom of choice and its limits

24. Although in the context of non-contractual obligations the practical significance of party autonomy is limited, the acceptance of the parties' freedom to choose the applicable law may be a source of legal certainty in certain claims concerning alleged infringements of intellectual property rights in multiple countries, in particular in those situations in which infringement claims are related to contractual relationships. The existence of a previous relationship between the parties may result in practice decisive to establish the presence of a choice of law agreement between them. Without a previous relationship between the IP right holder and the alleged infringer it is difficult that these two parties reach an agreement on the law applicable to the relevant infringement.

By contrast, in situations in which the parties involved and the activities concerned are related to a previous relationship between them, it may be possible that the a choice of law agreement reached in the context of a contract between the parties may be broad enough to cover also multi-state infringement claims related to the subject matter of the contract, allowing the parties to subject the contractual and non-contractual claims concerning its subject-matter to a single applicable law.

25. Both the ALI Principles and the CLIP Principles accept choice of law by the parties in infringement claims. The acceptance of limited party autonomy in this area represents a significant departure from the current situation in most legal systems. Since the *lex loci protectionis* criterion is based on the idea that one of the essential characteristics of intellectual property rights is their limited territorial scope of protection, the traditional view prevailing in most legal systems is that the conflict of laws rule establishing the application of the law of the country for which protection is claimed is mandatory and does not permit any exceptions. This approach is based on the view stressing the links between strict territoriality, the economic system of each country and the absolute prevalence of state interests in that field.

In the EU, the 2007 Rome II Regulation expressly excludes party autonomy concerning infringements of IP rights in Article 8(3). Article 8(3) Rome II Regulation reflects the well-established view in most EU Member States that territoriality of IP rights requires the mandatory application of the *lex loci protectionis* to infringements. This approach is also in line with the prevailing situation in other regions of the world. The traditional and restrictive position adopted by the Rome II Regulation concerning

⁴⁴ S. Bariatti, "Internet e il diritto internazionale privato: aspetti relativi alla disciplina del diritto d'autore", *AIDA*, 1996, 59, 74 ; and A. Ohly, "Choice...", *cit.*, pp. 249-250.

⁴⁵ P. Schonning, "Applicable Law in Transfrontier On-Line Transmissions", *RIDA* (1996), 21, 26 ff; and Internet and the Applicable Copyright Law: A Scandinavian Perspective", *EIPR*, 1999, pp. pp 45-52, at 46.

⁴⁶ See J.C. Ginsburg, "The Private International...", *cit.*, at 323; and P.E. Geller, "International Intellectual Property, Conflicts of Laws and International Remedies", *EIPR*, 2000, pp. 125-130, p. 129.

party autonomy on IP infringements is significant given the modern approach adopted by the Regulation with respect to the treatment of non-contractual obligations in general where party autonomy is regarded as the first connecting factor (art. 14 Rome II Regulation), although its practical impact is limited given the reluctance of the parties to reach a choice of law agreement once the dispute has arisen. Additionally, in recent years a trend has developed in some countries⁴⁷ in favour of accepting party autonomy on the law applicable to intellectual property infringements but with a very limited scope, covering only compensation resulting from the infringement of those rights or rules of conduct.

26. The complete exclusion of party autonomy as regards the law applicable to intellectual infringements in the Rome II Regulation has been subject to criticism, based on the idea that the policies and interests underlying intellectual property rights decisively affect legislation on the existence and scope of these exclusive rights, but there is no reason to exclude freedom of choice as far as compensation resulting from the infringement of those rights are concerned in a system, such as the one established in the Rome II Regulation, that admits freedom of choice as a general rule. With a scope restricted to the economic consequences of cross-border IP infringements freedom of choice resulting from an agreement freely negotiated between parties that pursue a commercial activity seems a development compatible with the foundations of the choice of law rules on IP rights that would remain mandatory as regards all other issues⁴⁸. At any rate, the restrictive scope of party autonomy is justified. Territoriality of intellectual property rights and policy considerations related to their functions are related to the absolute and mandatory application of the *lex loci protectionis* criterion to issues such as existence, validity, duration and attributes of the rights

Hence, although the Rome II Regulation excludes such possibility in the European Union, a tendency has developed in favour of limited party autonomy concerning the law applicable to compensation, not covering the determination of the unlawfulness of the act. In practice, this possibility may be especially significant only in those situations in which the infringement dispute arises between parties having a previous relationship that may include a contract with a broad choice of law clause.

27. The ALI and the CLIP Principles have adopted a position favouring limited party autonomy as regards the law applicable to certain issues of infringement claims. § 302 ALI Principles on Agreements Pertaining to Choice of Law allows parties to agree at any time the law that will govern all or part of their dispute, including infringement claims, provided that the choice-of-law agreement does not affect adversely the rights of

⁴⁷ Article 110(2) of the 1987 Swiss PIL Act introduced freedom of choice regarding the law applicable to IP infringements but with a limited extent. Freedom of choice under this provision only covers some specific issues resulting from IP infringements, in particular those regarding patrimonial consequences and compensation. All other aspects of IP rights remain governed by the *lex loci protectionis*, including the determination of the existence of an infringement. Additionally, only *ex post* party autonomy is allowed, since the parties can only choose once the act of infringement has taken place; and, Swiss law enables the parties only to choose forum law.

⁴⁸ Under § 302(2) ALI Principles on agreements pertaining to choice of law, parties are not allowed to choose the law that govern issues such as the validity and maintenance of registered rights, the existence, attributes, and duration of rights. As stated in the official comment to § 302(2), the exclusion of freedom of choice regarding those issues is based on the idea that “the public-law aspects of intellectual property must be adjudicated under the laws that give rise to the rights in each jurisdiction concerned”. According to the ALI comment, these aspects encompass issues such as the “administrative procedures to obtain or maintain registered rights, the validity of registered rights, the existence, attributes (specific content), transferability, and duration of rights (whether or not registered).

third parties. However, the law governing some issues may not be chosen by the parties. The issues that remain outside the potential scope of party autonomy include the validity and maintenance of registered IP rights; and the existence, attributes, transferability, and duration of rights, whether or not registered. According to the official comment to § 302, the rationale to exclude these issues is that the public-law aspects of IP rights must be governed by the laws that give rise to the rights in each country concerned.

Also the CLIP Principles allow parties to choose a single law to adjudicate claims on alleged multi-state infringements and include a detailed provision on freedom of choice in its section on the law applicable to infringement and remedies. In particular, under Article 3:605 CLIP Principles the parties to an infringement dispute may choose, by an agreement entered into before or after the dispute has arisen, the law applicable to the remedies claimed for the infringement. This provision is closely related to Article 3:501 on the requirements of choice of law agreements; Article 3:601(2) that establishes the distinction between the remedies and other aspects of IP infringements; and Article 3:604 that contains a non-exhaustive characterization of remedies.

Indeed, a basic limit as regards choice of law on infringement claims is that parties can only choose the law applicable to the remedies. The term remedies in the context of Article 3:605 and hence the issues subject to party autonomy include the means of redress, such as injunctions or damages; the question whether a right to claim damages or other remedies may be transferred; and the ways of extinguishing obligations and the prescription of actions. By contrast, the law applicable to issues such as the existence of the infringement, the violation and scope of the exclusive right, the exemptions from liability, and the determination of the persons that may be held liable and contributory infringement can not be agreed upon by the parties. The rationale behind this distinction is that the scope of exclusivity of IP rights has to be governed by the laws that give rise to the rights in each country concerned.

With a view to favour party autonomy in IP infringement disputes, Article 3:501(2) CLIP Principles contains a specific provision on infringements closely connected with a pre-existent relationship, such as a contract, between the parties. Under this provision a choice of law agreement on the law applicable to a contract covers also the law applicable to the remedies for any infringement closely connected to the contract, unless the parties expressly exclude the application of the law of the contract with regard to the remedies for infringement, or it is clear from all the circumstances that the infringement claim is more closely connected with another State.

X. Multinational and ubiquitous infringements

28. Since the laws applicable to multinational infringements are those of each of the States for which protection is sought, concentration of infringement actions raises the significant procedural problem of ascertaining the national laws applicable. The *lex loci protectionis* lead usually to the distributive application of a plurality of laws with respect to activities performed through the Internet⁴⁹. The law of each protecting country is typically applicable inasmuch as the activity produces effects in its respective territory. Internet create special difficulties in determining to what degree activities carried out through that media infringe intellectual property rights in the countries considered.

⁴⁹ P.A. de Miguel Asensio, 'The Private International Law of Intellectual Property and of Unfair Commercial Practices: Coherence or Divergence?' S. Leible and A. Ohly (eds.), op. cit. n. 45, pp. 137-190, pp. 182-190.

Given that the Internet makes possible the dissemination of information all over the world since contents can be accessed from any country, recourse to certain limitations may be especially appropriate in the Internet context not to impose the application of the law of any possible country to all situations. First, it seems reasonable to exclude a finding of infringement under a given law based on the mere accessibility of the contents in that country. Mere accessibility does not produce the significant impact in the country concerned required to justify the application of its own law to activities carried out through Internet.

29. In this context, Article 3:602 CLIP Principles contains a specific provision designed as a substantive criterion that set limits to the possibility to establish an infringement under the law of the country of protection. According to Article 3:602 a finding of infringement is possible to the extent that the activity by which the right is claimed to be infringed has substantial effect within, or is directed to the State or the States for which protection is sought. As already noted, this is not a conflict of laws rule but a provision to be applied at the level of substantive law that do not derogate from the law of the country of protection principle but requires self-restraint when establishing which activities infringe local rights, in particular when the relevant activities are carried out through multi-state or ubiquitous media such as the Internet.

This approach has achieved significant acceptance from an international and comparative perspective as illustrated by the Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet of 2001⁵⁰. With a view to achieve a balance between territoriality of IP rights and the global reach of Internet activities, provide certainty to the use of industrial property rights on the Internet and facilitate the application of existing laws, the Joint Recommendation is based on the so-called principle of proportionality, establishing that an infringement can be found only to the extent that the relevant activities have significant effect within a given jurisdiction. As stated in the Preface to the Joint Recommendation, this approach basically influences the determination whether, under the applicable law, an infringement has taken place without addressing the determination of the applicable law as such. Article 3:602 CLIP Principles has a broader reach than the Joint Recommendation, since it encompasses all types of intellectual property not being limited to industrial property rights in signs and it intends to cover also multi-state situations not resulting from Internet activities⁵¹.

30. In order to establish when a web site produces such an impact in a given country, the objective assessment of all relevant factors should be decisive and not the subjective intentions to limit the activities to certain countries. A number of factors can be relevant when making that assessment. The configuration and content of the web site and the activities of its owners shall turn out to be fundamental in most cases: the inclusion of geographic contact addresses, its domain name, the language used

⁵⁰ Adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization at the Thirty-Sixth Series of Meetings of the Assemblies of the Member States of WIPO (September 24 to October 3, 2001), WIPO Publication No 845.

⁵¹ A. Metzger, "Applicable Law under the CLIP Principles: A Pragmatic Reevaluation of Territoriality", J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual Property in the Global Arena - Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US*, Tübingen, 2010, <http://www.iri.uni-hannover.de/tl_files/Materialien/Metzger/Publikationen/Metzger-ApplicableLawUnderCLIP2010.pdf>, pp. 1-25, p. 18; and A. Kur and B. Ubertaini, "The ALI Principles...", section II.3.a)cc).

(especially when dealing with one that is only spoken in a certain territory)⁵², the conclusion of contracts with local residents, the goods or services provided (that can appear clearly aimed at a certain territory, for example, in situations in which the delivery area only covers a town). Also, circumstances such as promotion of the web site in other media directed to a certain country or in web sites or directories addressed to a given market may be relevant to consider that commercial activities carried out through that web site produce substantial effects in that country.

This medium's global impact means that, if from the design and functioning of the web site do not result that its reach is limited to certain markets, in many situations the finding will prevail that the site affects different markets. Under those circumstances to avoid legal risks the web site should comply with the strictest regime of all those markets. Further, current technologies make possible territorial delimitation of Internet activities, providing precise information, for instance, about the territory in which the user that intends to access some contents is located. Hence effective systems can be established to restrict activities to certain countries, such as those based on IP filtering technologies.

31. The coordination between the territorial nature of intellectual property rights and the global reach of the Internet requires appropriate solutions to the frequent conflicts between rights (such as trademark rights of different countries) that arise in Internet. These situations raise doubts about the exercise and scope of the typical actions against infringements, for example, concerning damages or the scope of injunctions ordering a party to desist. Coexistence in the Internet between exclusive rights granted in different jurisdictions can only be achieved if injunctions are limited to what is necessary to exclude significant commercial effects on the territories covered by the infringed intellectual property rights.

In this connection, Article 2:601 contains a provision on the scope of injunctions with a view to prevent injunctions with an unrestricted or excessive territorial scope of application that may unfairly prejudice the position of holders of intellectual property rights of countries other than the forum. The basic criterion, especially significant in the case of multi-state infringements is that the territorial scope of an injunction should be limited to activities affecting intellectual property rights protected under the national law or laws applied by the court that adopts the injunction.

32. Activities carried out through the Internet may have significant effect simultaneously within a great number of jurisdictions. The basic conflict rule based on the distributive application of the laws of all the countries of protection –so-called mosaic approach- may lead in these situations to the simultaneous application of many

⁵² A joint declaration by the Council and the Commission on Article 15 of the Brussels I Regulation –included also in recital 24 of the Preamble of the Rome I Regulation- states that the language or currency which a website uses does not constitute a relevant factor to determine if its activities are targeted at a Member State, but no special reasons are presented to justify such approach. It does not seem appropriate to exclude completely those factors when assessing under Article 6 Rome II Regulation where competitive relations or the collective interests of consumers are affected. Recital 33 of the Preamble of Directive 2007/65 on TV broadcasting, acknowledges that a Member State, when assessing whether a broadcast is wholly or mostly directed towards its territory, may refer to indicators such as the main language of the service. Among the factors to be considered when determining if a person directs his activities to a State in the framework of the ALI Principles, language and currency are expressly mentioned, see Comments to § 204 (“Indicia such as language may be particularly probative with respect to the Internet”) and § 207(6); see also Article 3 (“Factors for Determining Commercial Effect in a Member State”) of the WIPO Joint Recommendation.

national laws. Such a need may impose a heavy burden on the competent court and on the party seeking to enforce his or her IP rights of different jurisdictions before the courts of a given country. In this connection, the adaptation of territoriality to the demands posed in the digital context by the possibility to enforce simultaneously IP rights of many countries in the same proceedings before a single court has been one of the main concerns both of the ALI Principles and the CLIP Project.

Drafting a conflict of laws rule to make possible some deviations from the *lex loci protectionis* criterion in situations concerning the enforcement of IP rights against activities affecting many countries poses some basic challenges. Firstly, the need to determine the situations and the subject matter covered by the exceptional rule. Secondly, the need to guarantee that the rule does not deprive the alleged infringer from his rights under the law of each country of protection and especially the possibility to rely on the limitations and exceptions to the IP right available under the relevant laws. Additionally, establishing the criteria to determine the single law or the several laws to be applied is a complex task.

33. The provision on ubiquitous infringement of Article 3:603 CLIP Principles is restrictive as to the situations covered. It refers only to cases in which the infringement arguably takes place in every State in which the signals can be received. Therefore this provision in the Second Draft seems to be only applicable to Internet activities that may infringe copyrights or unregistered trademarks in every member state of the WTO since the existence of the right in all countries can not be assumed in case of rights subject to registration⁵³. The restrictive scope of application of the provision allowing for the application of a single law is related to the idea that the importance of the objectives underlying the application of the law for which protection is claimed can not be underlined even with the global digital networks given that it remains the basic criterion to ensure that the territorial nature of intellectual property rights and its policy foundations are respected internationally⁵⁴. Due to the typically global scope of the claim in those situations that may be characterized as “ubiquitous infringements” in the framework of the CLIP Principles, Article 2:601 establishes that when a court has applied a law in accordance with Article 3:603 the injunction shall be presumed to concern intellectual property rights protected in all states where the signals can be received.

§ 321 ALI Principles on the law applicable to cases of ubiquitous infringement covers the situations in which “the alleged infringing activity is ubiquitous and the laws of multiple States are pleaded”. Hence the concept of “ubiquitous infringement” is used in broader terms and includes typical multi-state infringements carried out in Internet. However, the lack of definition of “ubiquitous” activity and “multiple States” in the ALI Principles seems to be a potential source of uncertainty and conflicts when applying § 321 and the “method of simplification” it proposes⁵⁵. As to the situations covered by the provision, its comment includes only an example of the typical activity that may be considered ubiquitous, that is “distribution of a work on the Internet”. In addition, the reporter’s notes to § 321 mention that this provision is to be applied to situations in which a court is “to adjudicate a claim alleging infringing acts that occur in several territories” in order to avoid the difficulties raised by the traditional conflict-of-

⁵³ A. Metzger, “Applicable...”, *cit.*, p. 20.

⁵⁴ A. Kur, “Applicable Law: An Alternative Proposal for International Regulation – The Max-Planck Project on International Jurisdiction and Choice of Law”, 30 *Brook. J. Int’l L.*, 2004-2005, pp. 951-981, p. 973.

⁵⁵ A. Ohly, “Choice...”, *cit.*, p. 254.

law method that leads to the application of multiple laws, “particularly given the ubiquity of intellectual property rights as well as the transnational character of computer networks”.

No indication is provided in the ALI Principles as to how many states have to be covered by the infringement claim to meet the requirement that “the laws of multiple States” are involved. Therefore, the threshold for the application of the special rule for ubiquitous infringement remains uncertain. Additionally, given the nature of multisite infringements carried out through the Internet it may be expected that the activity may have a similar impact in several jurisdictions, for instance, considering the volume of the sales of infringing products. In these circumstances, typically the law of protection of several countries should be applied as the laws of States “with close connections to the dispute” and the determination of a single law to be applied to the rest of the infringement in the rest of the territories may result especially uncertain and even arbitrary.

34. The application of a single law to alleged infringements in several countries poses the risk of undermining the position of users (and infringers), especially in those situations in which the single law applicable to the multi-state infringement grants broader protection to the rightholder than the protection available under the laws of other countries covered by the claim and where the infringement allegedly took also place. For instance, even in situations in which the subject matter is protected in all countries involved some of those countries may provide for additional exceptions or limitations.

In order to ensure that the provision on the application of a single law does not deprive the alleged infringer from his rights under the laws of each affected country, § 321(2) ALI Principles allows any party to prove that the solutions provided by the laws of particular States covered by the claim differ from that obtained under the law to be applied to the whole multi-state infringement. The court must take into account such differences in fashioning the remedy. A similar provision can be found on Article 3:603(3) CLIP Principles on ubiquitous infringements.

35. A key issue when establishing a special provision on infringements affecting a multiplicity of countries that deviates from the traditional mosaic approach in order to determine a single law or a limited number of laws as applicable is the connecting factor to be used in the choice of law rule. In this respect, a basic similarity but also significant divergences may be found between the approaches of the ALI Principles and the CLIP project⁵⁶. Both sets of model rules rely on the closest connection test to determine the applicable law. § 321 ALI Principles refers to “the law or laws of the State or States with close connections to the dispute” and Article 3:603 CLIP Draft to “the law or the laws of the State or the States having the closest connection with the infringement”. Hence, they share a flexible recourse to the proximity principle as a method of simplification that may lead to the application of a single law or a small number of laws.

By contrast, significant differences appear when comparing the factors used to determine the country with the closest connection in the two set of Principles. § 321 ALI Principles includes four possible factors that may be considered, among others, when establishing the State or States with close connections to the dispute: the place of residence of the parties; the place where the parties’ relationship, if any, is centered; the extent of the activities and the investment of the parties; and the principal markets

⁵⁶ A. Metzger, “Applicable...”, *cit.*, p. 21.

toward which the parties directed their activities. This list is modelled on the choice of factors set out in the Restatement of Foreign Relations § 403(2)(a)-(h). The selection of these factors is justified in the official comment solely on the general idea that intellectual property rights are intended to create incentives to innovate and hence in practice the list of factors chosen tends to favour the cross-border application of the legislation of the rightholder's home state. The role assigned to the existence of a relationship between the parties is mainly related to situations in which there is a contract between the parties involved, such as co-authorship agreements or licensing arrangements. In these situations, the application of the law of the contract as a single law to the whole infringing activity may be a source of legal certainty and predictability.

Article 3:603(2) CLIP Principles on ubiquitous infringements establishes that a court is to consider all the relevant factors in determining which State has the closest connection with the infringement, and lists for factors in particular that may be relevant. These four factors are: the infringer's habitual residence; the infringer's principal place of business; the place where substantial activities in furthering of the infringement in its entirety have been carried out; and the place where the harm caused by the infringement is substantial in relation to the infringement in its entirety. Compared to the list of factors listed in § 321 ALI Principles it has been noted that the CLIP draft seems more respectful with the position of the user or alleged infringer what may be especially appropriate when considering that these provisions amount to a certain privilege for the rightholder by enabling him to claim against multisate infringements under one applicable law.⁵⁷

36. The making available of information through the Internet requires in typical situations the provision by a third party of certain intermediary services, as illustrated by hosting services. The legal implications of the activities of Internet service providers in order to establish contributory liability are rather different among jurisdiction and it is a very relevant issue in the development of Internet and the development of business models by some of the main Internet actors.

However, it is possible to argue that no special rules on the law applicable to contributory infringement are needed to the extent that the potential liability of Internet service providers with respect to the information stored in their servers is considered as an issue concerning the determination of persons who may be held liable for acts performed by them and the liability for the acts of another person. As noted in Article 15 Rome II Regulation this issue falls normally within the scope of the law applicable to the infringement of the intellectual property right. Hence, the law of the country for which protection is claimed applies also to determine the liability of Internet Service Providers as secondary infringers including the limitations or exemptions from liability for Internet intermediaries. Article 3:601 CLIP Principles states the basic principle that the term "infringement" covers the violation of the intellectual property right, including contributory infringement;

37. Considering that the application of the mosaic approach to infringements carried out through the Internet leads typically to situations where a significant number of foreign laws have to be applied to a single dispute, the procedural rules of the *lex fori* on pleading and proof of foreign law may have special relevance in order to introduce some flexibility on the adjudication of multisate infringements. On the one side, when the need to apply foreign law arises in the context of proceedings aimed at the adoption

⁵⁷ A. Metzger, *op. cit.*, "Applicable ...", *cit.*, p. 21

of provisional measures, it is noteworthy that many systems admit a lower standard of pleading and proof of foreign law that in practice may be of special significance in situations involving a significant number of foreign laws.

But also in the context of the main proceedings it may be relevant to consider that in many jurisdictions prevails the criterion that when the parties have failed to convincingly establish foreign law, a court should apply the law of the forum to fill any *lacunae*. Even in jurisdictions adhering to the basic principle that foreign law should be applied *ex officio*, it is accepted that when foreign law is not determinable and the rejection of the request is not appropriate, the law of the forum should be applied as the substitute law. In situations in which the existence of the right in the countries concerned has been proven and enough information has been gathered as to establish infringement in that country –the level of international harmonization reached in this field may be very helpful for these purposes-, recourse to the *lex fori* in order to establish the consequences of infringements in foreign countries may be compatible with the criteria on judicial application of foreign law in circumstances in which the law of one or several countries with respect to such consequences cannot be ascertained.