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Territoriality in Intellectual Property Law

Lydia Lundstedt



Territoriality in Intellectual Property Law

A comparative study of the interpretation and operation of the territoriality principle in the resolution of transborder intellectual property infringement disputes with respect to international civil jurisdiction, applicable law and the territorial scope of application of substantive intellectual property law in the European Union and United States

Lydia Lundstedt

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Abbreviations

ACPA	Anti-Cybersquatting Consumer Protection Act
ALI	The American Law Institute
ALL E.R.	All England Law Reports
Am. J. Comp. L.	American Journal of Comparative Law
Am. J. Int'l L.	American Journal of International Law
BC	Berne Convention for the Protection of Literary and Artistic Works
Berkeley Tech. L.J.	Berkeley Technology Law Journal
BGH	Bundesgerichtshof
Brit. Y.B. Int'l L.	British Year Book of International Law
Brook. J. Int'l L.	Brooklyn Journal of International Law
CA CIV PRO	California Code of Civil Procedure
C.A. Fed.	Court of Appeals, Federal Circuit
Cardozo Arts & Ent. L.J.	Cardozo Arts & Entertainment Law Journal
C.D. Cal.	The United States District Court for the Central District of California
CDR	Community Design Regulation
CFR	Code of Federal Regulations
Ch. Div.	Chancery Division
CJEU	Court of Justice of the European Union
CLIP	Conflict of Laws in Intellectual Property
Colum. L. Rev.	Columbia Law Review
Colum.-VLA J.L. & Arts	Columbia VLA Journal of Law & the Arts

Cornell L. Rev.	Cornell Law Review
CPC	Community Patent Convention
CRS Report for Congress	Congressional Research Service Report for Congress
CTM	Community Trademark
D. Az.	The United States District Court for the District of Arizona
D.C. Cir.	The United States Court of Ap- peals for the District of Columbia Circuit
D. Conn.	The United States District Court for the District of Connecticut
D. Del.	The United States District Court for the District of Delaware
D.D.C	The United States District Court for the District of Columbia
D. Ill.	The United States District Court for the District of Illinois
D. Mass.	The United States District Court for the District of Massachusetts
D. Me.	The United States District Court for the District of Maine
D. Nev.	The United States District Court for the District of Nevada
D.N.J	The United States District Court for the District of New Jersey
D. Or.	The United States District Court for the District of Oregon
D. Utah	The United States District Court for the District of Utah
Duke J. Comp. & Int'l L.	Duke Journal of Comparative & International Law
Duke L. & Tech. Rev.	Duke Law & Technology Review
EC	European Community
E.C.C.	European Commercial Cases.
E.C.D.R.	European Copyright and Design Reports
ECJ	European Court of Justice
E.C.L.R	European Competition Law Re- view
ECR	European Court Reports
E.D. La.	The United States District Court for the Eastern District of Louisi- ana

E.D. Mo.	The United States District Court for the Eastern District of Missouri
E.D.N.Y	The United States District Court for the Eastern District of New York
E.D. Pa.	The United States District Court for the Eastern District of Pennsylvania
E.D. Tex.	The United States District Court for the Eastern District of Texas
E.D. Va.	The United States District Court for the Eastern District of Virginia
EEA	European Economic Area
EEC	European Economic Community
E.I.P.R.	European Intellectual Property Review
E.L. Rev.	European Law Review
EMLR	Entertainment and Media Law Report
Emory Int'l L. Rev.	Emory International Law Review
EPC	European Patent Convention
EPO	European Patent Office
E.T.M.R	European Trade Mark Reports
EU	European Union
EUTM	European trademark
EUTMR	European Union Trademark Regulation
EWCA Civ	Court of Appeal of England and Wales Civil Division
EWHC	High Court of England and Wales
EWPC	England and Wales Patents County Court
FCAFC	Federal Court of Australia Full Court
Fed. Appx.	Federal Appendix
Fed. Cir.	Federal Circuit
F.	Federal Reporter 1 st Series
F.2d	Federal Reporter, 2 nd Series
F.3d	Federal Reporter, 3 rd Series
F.Supp.	Federal Supplement
F.Supp. 2d	Federal Supplement, 2 nd Series
F.S.R.	Fleet Street Reports
Fordham Intell. Prop. Media	&Fordham Intellectual Property,

Ent. L.J.	Media & Entertainment Law Journal
GRUR Int.	Gewerblicher Rechtsschutz und Urheberrecht, International Teil
Hastings Int'l & Comp. L. Rev.	Hastings International and Comparative Law Review
Hous. L. Rev.	Houston Law Review
ICC	International Criminal Court
I.C.J.	International Court of Justice
ICTSD	International Centre for Trade and Sustainable Development
IDEA	The Intellectual Property Law Review
IEHC	Irish High Court
IIC	The International Review of Intellectual Property and Competition Law
IIP	Institute of Intellectual Property
ILA	International Law Association
ILDC	International Law in Domestic Courts
INFOSOC	Information Society
Int'l & Comp. L.Q.	International and Comparative Law Quarterly
IP	Intellectual Property
IPEC	International Pharmaceutical Excipient Council
I.P.Q.	Intellectual Property Quarterly
IPR	Intellectual Property Right
J. Copyright Soc'y U.S.A	Journal of the Copyright Society of the USA
JFT	Tidskrift utgiven av Juridiska Föreningen i Finland
J. Int'l Arb.	Journal of International Arbitration
JIPITEC	Journal of Intellectual Property, Information Technology and Electronic Commerce Law
J. Pat & Trademark Off. Soc'y	Journal of the Patent and Trademark Office Society
J. Priv. Int. L.	Journal of Private International Law
Law & Pol'y Int'l Bus.	Law & Policy in International Business

LG	Landgerichte
LR QB	Law Reports, Queen's Bench
M.D. Fla.	The United States District Court for the Middle District of Florida
Md. L. Rev.	Maryland Law Review
M.D. Tenn.	The United States District Court for the Middle District of Tennessee
Misc.	Miscellaneous Reports
N.D. Cal.	The United States District Court for the Northern District of California
N.D. Ga.	The United States District Court for the Northern District of Georgia
N.D. Ill.	The United States District Court for the Northern District of Illinois
N.D. Iowa	The United States District Court for the Northern District of Iowa
N.D.N.Y.	The United States District Court for the Northern District of New York
N.D. Tex.	The United States District Court for the Northern District of Texas
NIPR	Nederlands Internationaal privaatrecht
NIR	Nordiskt Immateriellt Rättsskydd
NJA	Nytt Juridiskt Arkiv
N.Y. C.P.L.R.	New York Civil Practice Law and Rules
N.Y.S.	New York Supplement
OGH	Oberster Gerichtshof
OHIM	The Office for Harmonisation in the Internal Market
OJ	Official Journal
OLG	Oberlandesgerichte
PC	Paris Convention for the Protec- tion of Industrial Property, Mar. 20, 1883
PCIJ	Permanent Court of International Justice
RGZ	Reichgerichts in Zivilachen
R.P.C.	Reports of Patent, Design and

Scandinavian Stud. L.	Trade Mark Cases
SCC	Scandinavian Studies in Law
S.Ct.	Supreme Court of Canada
S.D. Cal.	Supreme Court Reporter
	The United States District Court for the Southern District of Cali- fornia
S.D. Fla.	The United States District Court for the Southern District of Flori- da
S.D. Ind.	The United States District Court for the Southern District of Indi- ana
S.D.N.Y	The United States District Court for the Southern District of New York
S.D. Oh.	The United States District Court for the Southern District of Ohio
S.D. Tex.	The United States District Court for the Southern District of Texas
S.L.T	Scots Law Times
SvJT	Svensk Juristtidning
SW	South Western Reporter
TEU	Treaty on European Union
TFEU	Treaty on the Functioning of the European Union
TGI Paris	Tribunal de Grande Instance de Paris
TMR	The Trademark Reporter
TTAB	Trademark Trial and Appeal Board
TRIPS	Agreement on Trade-Related As- pects of Intellectual Property Rights
U. Cin. L. Rev.	The University of Cincinnati Law Review
UKHL	United Kingdom House of Lords
UKPC	UK Privy Council
UKSC	United Kingdom Supreme Court
UNCTAD	United Nations Conference and Trade Development
UNESCO	United Nations Educational, Sci- entific and Cultural Organization
U. Pa. L. Rev.	The University of Pennsylvania

UPC	Law Review
UPC Agreement	Unified Patent Court Agreement on a Unified Patent Court
U.S.	United States
U.S.C.	The United States Code
USPTO	United States Patent and Trademark Office
U.S.P.Q.	United States Patents Quarterly
Va. J. Int'l L.	Virginia Journal of International Law
Vand. J. Transnat'l L.	Vanderbilt Journal of Transnational Law
Vill. L. Rev.	Villanova Law Review
VLR	Victorian Law Reports
WCT	WIPO Copyright Treaty
W.D.N.Y.	The United States District Court for the Western District of New York
W.D. Pa.	The United States District Court for the Western District of Pennsylvania
W.D. Tex.	The United States District Court for the Western District of Texas
WIPO	World Intellectual Property Organization
W.I.P.O.J	The WIPO Journal
WL	Westlaw
Wm. & Mary L. Rev	William & Mary Law Review
WTO	World Trade Organization

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Chapter One: Introduction

Background to the Problem

It is a truism that intellectual property (IP) law is based on the principle of territoriality.¹ The principle of territoriality is part of the standard nomenclature of international IP law, and forms the basis for the international IP conventions.² A basic premise of the territoriality principle of IP law is that each state determines whether and the extent to which IP rights exist and are protected within its own territorial borders. Unlike the situation with other types of “regular” private rights whereby a right acquired in one state is respected in other states, the IP rights of foreign nationals are not as a general rule respected.³ If eligible, a foreign national may be able to obtain an independent national IP right if the domestic requirements for protection are fulfilled. This leads to a bundle of separate and independent parallel rights.

At the same time, the territoriality principle informs that the rights conferred under each state’s IP law are limited to the territory of the state that created the IP right. Also in this way, IP rights differ from “regular” private rights, which are not assumed territorially limited.⁴ For example, the rights arising

¹ Some commentators have challenged the viability of the principle of territoriality in the age of globalism. See e.g. Maunsbach 2010 p. 705-706 (stating that harmonisation and the trend toward unregistered rights lessens the need for a strict adherence to the territoriality principle); Dinwoodie 2009 (suggesting a reconfiguration of the territoriality principle); Chisum 1997 p. 616-617 (stating that free riding in the area of bio-tech inventions is a reason to question the territoriality of patent rights in a global age); Garnett 2005:1 p. 341; Ginsburg 1995 p. 337-338.

² Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, as last amended, July 24, 1971 (hereinafter Berne Convention or BC); Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, as last revised at Stockholm, July 14, 1967 (hereinafter Paris Convention or PC); Agreement on Trade-Related Aspects of Intellectual Property Rights, April 15, 1994, Annex 1C (hereinafter TRIPS Agreement or TRIPS).

³ The principle of legal equality between natives and foreigners is not observed when it comes to IP rights. See Savigny, Guthrie trans. 1880 § 348 p. 69 (discussing the principle of equality of foreigners in private law generally).

⁴ See e.g. Fentiman 2005 p. 138 (“The self-limiting nature of intellectual property protection may be contrasted with, for example, most internal rules governing issues in contract and tort.”); Opinion of Advocate General Cruz Villalón, Case C-523/10, Wintersteiger, para. 20 (stating that personality rights differ significantly from intellectual property rights because the latter are protected on a territorial basis); Strömholm 1993 p. 352 (discussing how copyright

under a state's contract and tort law claim universal application and do not stop at the border of the state that grants these rights. This is not generally the case with IP rights. The territoriality principle informs that an IP right confers certain exclusive rights on the right holder only within the protected territory. For patents, the exclusive rights conferred generally include making, using, offering for sale, selling, or importing for these purposes the protected invention.⁵ For copyright, the exclusive rights conferred generally include reproducing, distributing, publicly performing, broadcasting, and communicating the work to the public (including the making available right).⁶ For trademark, the exclusive rights generally include using in the course of trade identical or similar signs for goods or services that are identical or similar to those in respect of which the trademark is registered where such use would result in a likelihood of confusion.⁷ While the rights conferred under the IP rights reflect their different characteristics and functions, a common denominator is that they give the right holder the right to stop others from doing within the protected territory any of the acts that are exclusively reserved to the right holder under the IP statute that creates the IP right.⁸ The territoriality principle informs that IP rights do not generally confer any rights outside of the protected territory.

It is an infringement to do any of the acts exclusively reserved to the right holder within the territory protected by the IP right. IP law uses the concept of an infringing act or simply an infringement. Pursuant to the principle of territoriality, an act is infringing only if it infringes an IP right protected in the state where the act occurred. While damage, if sustained, would normally arise in the territory protected by the IP right, damage is not a separate element of an infringement claim.⁹ The infringement is complete once an infringing act is carried out in the protected territory in violation of the rights conferred under the IP right. For example, if an individual (without the right holder's consent) offers goods in state B where there is a patent on the invention embodied in the goods, the act of "offering" may violate the patent in state B regardless of whether anyone actually purchases any of the goods protected by patent in state B and regardless of whether any actual damage to the right holder arises. On the other hand, if the act of offering the goods does not violate any right conferred under state B's patent law (because e.g.

differs from ownership of movables and even other intangible assets such as securities due to copyright's territorial nature).

⁵ See Article 28.1 TRIPS.

⁶ See Articles 9, 11, 11bis, 14 Berne Convention and articles 6-8 WIPO Copyright Treaty.

⁷ See Article 16.1 TRIPS. See also article 16.2-3 TRIPS and article 6bis PC on additional protection for well-known marks.

⁸ Cornish et al. 2013 p. 6.

⁹ Fawcett & Torremans 2011 p. 136 (stating that a violation of the right itself is assumed to be capable of causing the right holder damage).

the goods fall outside the scope of the patent, the rights conferred do not include the right to offer or a limitation applies), the patent in state B will not be infringed even if the act of offering injures the right holder. Moreover, the fact that the goods were manufactured in state A does not have any bearing on whether the exclusive right “to make” that is conferred under the patent in state B is infringed. The principle of territoriality informs that an infringement can occur only if an infringing act is carried out in the state for which the IP right is protected.¹⁰

One explanation for the principle of territoriality in IP law is the important state and public interests in IP rights.¹¹ Some IP rights like patents require an explicit state grant. However, even copyright, which arises without a state grant, impacts the public’s access to information, which is essential to a democratic state. States grant or protect IP rights as an instrument to achieve their economic, social and cultural policy goals.¹² These goals include creating incentives for the creation and distribution of new works and inventions while balancing the public’s interest in obtaining access to works and inventions as well as regulating competition that affects its domestic market.

The policy goals are achieved by regulating what activities may be enjoined. Each state determines what acts within its own territory are reserved exclusively to the right holder and what acts may be undertaken by the public at large in order to regulate for its own territory the public’s access to IP content as well as regulate competition on the domestic market.¹³ Thus, similarly to public and regulatory laws, IP laws observe the principle of territoriality in order to respect state sovereignty and comity among states in their aim to fulfil their own domestic policy goals.¹⁴ Territoriality preserves the right

¹⁰ See e.g. Kur 2015 p. 470-472; Drexl 2005 p. 154; Hausmann 2003 p. 278.

¹¹ See Basedow 2010 p. 8 (stating that IP rights are “artefacts of positive law” and concern the relationship between the state and the individual); Dinwoodie & Dreyfuss 2005 p. 24 (“Territoriality holds that each member state enjoys sovereign authority to determine the conditions under which intellectual property will exist within its borders.”); Ulmer 1978 p. 9 (stating that the principle can be traced back to the concept that IP is a monopoly right that is conferred on the state and is effective only within that state’s borders). See also Norrgård 2005 p. 574-578 (discussing various explanations for the territoriality principle of IP law).

¹² See TRIPS Preamble (“Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives).

¹³ Ullrich 1995 p. 158-161 (“The privilege granted to the owner of the intellectual property to exclusively exploit a right, extends to the entire territory of the state granting protection, but is also limited to this territory.”); Goldstein & Hugenholtz 2013 p. 97 (“For State A to impose copyright liability on conduct occurring in State B might be viewed by State B as an attack on its sovereignty, particularly if its own law excused the same conduct from copyright liability.”).

¹⁴ Ginsburg 1997:2 p. 154 (observing that the territoriality principle preserves national sovereignty by confining any country’s copyright regime to local borders).

of each sovereign state to determine its own economic, social and cultural policies without interference by other states.¹⁵ The territoriality principle of IP law is also consistent with the international jurisdiction of each state under public international law to regulate persons, property, and events occurring within its own borders.¹⁶ The international IP conventions are based upon and reinforce the territoriality principle of IP law.¹⁷

While IP rights are largely granted in an aim to achieve public policy goals, IP rights are in fact private rights. IP rights possess many of the same characteristics of other types of private property rights.¹⁸ IP rights may be disposed of by the right holder by assignment or licence.¹⁹ The infringement of an IP right creates a private right of action against the alleged infringer for an injunction, damages, and other remedies. Apart from criminal enforcement actions instigated by the state, the enforcement of IP rights is within the discretion of the right holder. The alleged infringer may defend or concede the infringement. The parties may settle the dispute.²⁰

When disputes between private parties cross national borders, rules of private international law determine whether the forum state has jurisdiction and whether forum law or alternatively foreign law is applicable. A classic aim of private international law is to achieve justice for private individuals in their transborder transactions.²¹ This is in contrast to public and regulatory law where each state acts with its own national and political interests at heart.²² When it comes to private law, states have a shared interest in achieving justice for private individuals and facilitating international commerce.²³ Thus, rules of private international law seek to ensure that jurisdiction lies

¹⁵ Ullrich 1995 p. 161, 193 (stating that the principle of territoriality's basic virtue "is to prevent national interference with other countries' intellectual property interests and policies").

¹⁶ See Peukert 2011 p. 196 (observing that the territoriality principle is based on the outdated notion of isolated nation-states that exclusively control the actions of their own citizens within their own territories).

¹⁷ See Torremans 2012 p. 26; Dinwoodie 2004 p. 892.

¹⁸ TRIPS Preamble ("Recognizing that intellectual property rights are private rights;").

¹⁹ Article 28.2 TRIPS with respect to patents. In some states such as Germany and Austria, copyright may not be assigned but only licensed. These licences may be exclusive and for all practical purposes, there is little difference between an assignment and a licence. The aim of these restrictions is to protect the author. van Eechoud 2003 p. 138-139.

²⁰ The parties' freedom to settle IP infringement disputes that result in keeping an IP right out of the public domain are subject to rules on the restriction of competition. See e.g. Federal Trade Commission v Actavis, 133 S.Ct. 2223 (2013) (holding that reverse payment settlements used to resolve patent infringement disputes are not immune from antitrust scrutiny).

²¹ Morris 2009 p. 7-8 (explaining that the main justification for the conflicts of laws is to reach just result by meeting the reasonable and legitimate expectations of the parties to the contract or the occurrence); Kegel 1979 p. 631; Kegel 1964 p. 183.

²² Basedow 2013 p. 462; Kegel & Seidl-Hohenveldern 1981-82 p. 251; Kegel 1979 p. 631.

²³ Bogdan 2011 p. 68; Kegel 1979 p. 631.

with a forum that is fair, convenient, and foreseeable to the parties in order to protect their private rights.²⁴ Choice of law rules ensure that the country with the closest connection to the dispute determines the rights and obligations of the parties because this meets the expectations of the parties.²⁵ Party autonomy is generally and increasingly accepted under private international law, as this achieves justice for the parties and facilitates international commerce because private parties are assumed to know what is in their own best interests.

The principle of territoriality of IP law has been claimed however to obviate the need for private international law with respect to IP disputes by neatly allocating jurisdiction and applicable law among states on a territorial basis.²⁶ Each state adjudicates disputes concerning the infringement of its own domestic IP rights that take place within its own territory under its own IP law.²⁷ In fact, it was long assumed that this jurisdiction was exclusive and that states would not adjudicate disputes concerning infringements taking place in other states' territories arising under foreign IP rights, even if they arose between their own nationals and residents.²⁸ This assumption is no longer universally held and some states exercise jurisdiction over infringement claims involving foreign rights based on the ties between one or both

²⁴ See von Mehren 1983-84 p. 60 (“A fundamental consideration, and on that is always present, is the community’s interest in providing its members with an orderly process for the resolution of disputes.”); Usunier 2007 p. 555 (maintaining that the underlying idea of the principle of proximity is to base jurisdiction on the private interests of the litigants, and not the public interests of states).

²⁵ Jaffey 1982 p. 99 (“A country has no interest that its standards of justice should prevail in the court of the foreign country in preference to those of that country.”).

²⁶ See Nimmer 1996 § 17.05 (“Conflicts of law problems, which have often plagued other areas of the law, have rarely proved troublesome in the law of copyright.”); Dessemontet 2004-05 p. 860 (“the territoriality of intellectual property rights precludes the conflict of laws issues to arise at all”); Dreyfuss 2005 p. 839 n. 35 (noting that a prominent jurist argued that there was no need for choice of law rules because the territoriality principle was so obviously applicable); Trimble 2015:2 p. 392 (stating that IP law practice has traditionally not been viewed as prone to complex choice of law problems because the territoriality principle delineated the applicability of IP laws).

²⁷ Peukert 2011 p. 223-224 (“objective territoriality influences the rules on international jurisdiction and applicable law in IP matters. As a consequence, most international disputes are adjudicated under the local *lex loci protectionis* in the country where the activities and effects giving rise to the claim occurred.”).

²⁸ See Ulmer 1978 p. 10; Cornish et al. 2013 p. 28; *Voda, M.D. v Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007) (holding that U.S. did not have jurisdiction over foreign patent infringement claims); *Gallo Africa Ltd v Sting Music (Pty) Ltd* (40/2010) [2010] ZASCA 96; 2010 (6) SA 329 (SCA); [2011] 1 All SA 449 (SCA) (South Africa: Supreme Court of Appeal 3 September 2010) (holding that South Africa did not have jurisdiction over foreign copyright infringement claims).

of the parties and the forum state that exist independently of the underlying dispute (e.g. domicile of the defendant in the forum state).

However, apart from these bases of jurisdiction based on ties between a party and the forum, jurisdiction over IP infringement disputes is usually based on the relationship between the underlying dispute and the forum state, which is characterised by the fact that an IP right protected by the forum state is alleged infringed by the occurrence of an act in the forum state. Under these circumstances, *forum rei sitae* and the *forum delicti* coincide. The exercise of international civil jurisdiction by this forum respects state sovereignty and international comity because the forum state adjudicates disputes concerning the protection of domestic IP rights infringed by an act within its own territorial borders. At the same time, it fulfils the classical private international law considerations by ensuring that jurisdiction rests with a forum that is fair, convenient, and foreseeable to the parties in order to protect their private rights.²⁹

The principle of territoriality has also been assumed to have consequences for applicable law.³⁰ In most cases, the dispute is brought in the state that created the IP right that is alleged to be infringed within its territory, and the forum state applies its own law (*lex fori*). A choice of law does not arise because only the forum law claims applicability as it is both the law of the state that granted or protects the right (*lex protectionis*) and also the law of the state in whose territory the harmful act (i.e. the infringement) occurred (*lex loci delicti*).³¹ The application of this state's law respects state sovereignty and comity by ensuring that each state's own IP law is applied to the infringements of its own IP rights within its territory. This allows each state to determine the extent of IP protection within its own territory, by determining which acts within its own territory are restricted to the right holder and what acts may be taken by the public. The application of this state's law also fulfils classical private international law considerations in facilitating international commerce, by meeting the expectations of the parties in the application of a law that is fair and foreseeable.³² Moreover, as the designated fo-

²⁹ See von Mehren 1983-84 p. 61; Usunier 2007 p. 555-556.

³⁰ Trimble 2015:2 p. 392 (“The territoriality principle seemed to clearly delineate the applicability of IP laws, leaving little if anything to choice-of-law analysis.”). The principle of territoriality is said to be incompatible with a choice of law rule that is based on a personal tie between the right holder and the prescribing state such as a *lex originis* rule which prescribes the law of the state for which the right holder is a national or the state where the right holder first published the work, first registered the patent, or first used or registered the trademark. See Ulmer 1976 p. 8).

³¹ Fentiman 2005 p. 136; Kur 2000 p. 311 fn 16.

³² Goldstein & Hugenholz 2013 p. 97 (stating that “the territoriality principle seeks to promote international commerce by securing reasonable investment expectations.”); Neumann

rum and the applicable law were fair, convenient, and foreseeable to the parties, the parties' interest in party autonomy to choose another forum and/or law did not outweigh the state or public interests in IP rights.

In today's globalised world, the same work, invention, and sign are likely to be protected by different bundles of rights all over the world, and the infringements do not remain within hermetically sealed national territories. Tangible products covered by IP rights are imported and exported, broadcasting signals and digital transmissions containing copyright content cross national borders, and components and steps of patented inventions may be spread out over different states. This leads to situations where actions taken in one state can have IP impairing effects in other states. The question arises then which connecting factor is relevant for the territorial application of the domestic IP law - a domestic tangible act or the impairment of a domestic policy goal underlying the IP right.

Assume, for example, that a company operates an uplink station from the territory of state A. The content can be received however by the public in the territory of state B. While the content is (tangibly) broadcast from state A, the company does not carry out any conduct and has no tangible activities in state B. The receipt of the content into state B's territory affects the market for the work there. The right holder claims copyright in the content of the broadcast, and wants to put an end to the broadcast and obtain compensation for the damages suffered as a result. This raises the question of whether the dispute falls within the territorial scope of state A's law, state B's law, or both (or less likely neither) states' laws.

The principle of territoriality may be used to support (or resist) both state A and state B's claims of regulatory authority.³³ State A may claim that the principle of territoriality informs that the broadcast falls within the territorial scope of state A's law because the tangible act takes place in state A's territory and state A has an interest in regulating what conduct is legal within its own territory. State B may claim that the principle of territoriality informs that the broadcast falls within the territorial scope of state B's law because the broadcast affects state B's domestic IP policies. If state A regulates the broadcast, it will affect access to IP content in state B's territory. If state B regulates the broadcast, it will affect conduct in state A's territory.

2011 p. 589-590 (finding that the territoriality principle serves classical conflict of law considerations such as certainty, international and internal harmony, and quest for the closest connection); Kegel & Seidl-Hohenveldern 1981-82 p. 247 (stating that the territoriality principle serves the private interests of individuals).

³³ See Buxbaum 2009 p. 635; Scott 2014 p. 89.

As IP rights are private rights, their enforcement largely depends on the right holder bringing a private infringement action before a court. However, whether a dispute will be heard by a court in the first place and whether the domestic (or foreign) IP law will apply, will depend on each state's rules on private international law. The development of the principle of territoriality on the substantive law level makes the application of the rules of private international law less certain. Which forum - the forum where the IP right is protected and potentially infringed or the forum where the harmful act takes place - is most fair, convenient, and foreseeable to the parties for protecting their private rights? The same question arises with respect to the applicable law. Does the application of the law of state that created and protects the right that is potentially infringed or the law of the state where the harmful act takes place best meet the expectations of the parties? Moreover, the classical aim of private international law to strive after neutral internationally shared goals is increasingly challenged.³⁴ Indeed, the choice of connecting factor that triggers the exercise of jurisdiction and choice of law may be based not on considerations of justice for the parties and facilitation of international commerce, but instead to advance the policies of the forum state.³⁵

When it comes to transborder IP infringement disputes, in particular those where the tangible act takes place in one state but IP impairing effects arise in another state or states, the question arises how states accommodate the state's interest in its own domestic IP rights and in its own nationals with considerations of international comity, as well as more traditional private international law considerations that focus on the interests of private parties. The use of different or cumulative connecting factors to determine jurisdiction, choice of law, and the territorial application of substantive law may lead to concurrent or conflicting exercises of jurisdiction, which may negatively affect international comity, international commerce, and private party interests. Rules on private international law interplay with questions of the territorial scope of substantive IP law. In this respect, transborder IP infringement disputes are caught in the crossroads between public and private international law.³⁶

³⁴ Muir Watt 2005 p. 15 (stating that the “dogma of neutrality of private law is now increasingly challenged.”).

³⁵ De Boer 2009 p. 297-298 (stating that European choice of law has gradually become more receptive to the suggestion that substantive values and interests cannot be ignored).

³⁶ See generally Maier 1982 (discussing the intersection between private and public international law).

Objective of the Study

The objective of the dissertation is to investigate the interpretation and operation of the principle of territoriality of IP law in the private law resolution of transborder IP infringement disputes in two distinctly different legal systems that have significant trade and investment relations with each other.³⁷ The dissertation is a comparative study, and the investigation is made by comparing the legal systems of the European Union (EU) (or where necessary of its Member States) and the United States (U.S.).

The dissertation begins with a theoretical background that traces the principle of territoriality of public international law in private international law and in IP law. First, the dissertation explores the interpretation and development of the concept of territoriality in public international law. Next, the dissertation delineates the waxing and waning of the influence of the territoriality principle and the role of public international law and international comity considerations in European and U.S. private international law. The final part of the theoretical background investigates how the principle of territoriality is expressed and interpreted in international IP law, and its implications for private international law.

Building upon this theoretical background, the comparative part of the dissertation investigates and compares the interpretation and operation of the principle of territoriality in the resolution of transborder IP infringement disputes in the EU and the U.S. legal systems. In particular, the dissertation investigates and compares the role of physical, tangible criteria and/or effects (IP impairing effects or otherwise) to support the EU and the U.S. claims of adjudicative and prescriptive jurisdiction. In addition, the dissertation investigates and compares whether, in light of the important state interests underlying IP rights, the territoriality principle operates in an affirmative manner, enabling or mandating the exercise of jurisdiction or application of domestic law, or in a restrictive manner, limiting the exercise of jurisdiction or application of domestic law.

More specifically, the dissertation investigates and compares:

1. What connecting factor (or factors) is relevant in the two legal systems when jurisdiction over transborder IP infringement disputes is based on the relationship between the underlying dispute and the forum state? Does a tangible act in the forum state and/or effects in the forum state provide a basis of jurisdiction? If jurisdiction may be

³⁷ The EU and the U.S. are important economic partners in trade and investment. See EU Trade Barriers Report 2015 p. 1,8; U.S. Trade Barriers Report 2016 p. 139 -179.

based on effects in the forum state, must the effects be qualified (e.g. intentional, substantial) or may even the mere possibility of effects in the forum state, such as the existence of a domestic IP right that is alleged infringed, provide a basis of jurisdiction? In addition, is the scope of the court's jurisdiction limited to infringements of domestic rights or damage arising on the territory?

Assuming a state has jurisdiction but the courts of another state are competing for jurisdiction, does the nationality of the IP right under which the claim arises play a role in whether the court has or will exercise its jurisdiction? This question is closely related to the second question below because it assumes that the court knows which state's law will determine whether the plaintiff has a claim in the first place. Finally, does the fact that the parties agreed on the jurisdiction of a specific state make a difference or do the state interests in IP rights exclude party autonomy?

2. What connecting factor (or factors) in the two legal systems determines the choice of law over transborder IP infringement disputes? This question is sometimes collapsed with the question concerning the territorial scope of the applicable substantive law (question three, below), as both questions are closely intertwined. For the sake of clarity, the dissertation attempts to hold them separate. The second question concerns choice of law - whether the domestic IP law or foreign law - is applied.

Is the connecting factor that determines the applicable law based on a tangible act in a state and/or effects in a state? If the applicable law is determined by effects, must the effects be qualified (e.g. intentional, substantial) or may even the mere possibility of effects, such as existence of an IP right that is alleged infringed, trigger the application of that state's law? Does the same connecting factor that triggers the choice of domestic law also trigger the choice of foreign law? Does the same law that determines whether an act is infringing determine whether the IP right exists and what remedies are available? May the parties agree on the application of one state's law even though the choice of law rules point to the application of another state's law, or do the state interests in IP rights exclude party autonomy? Finally, under what circumstances does the forum law mandatorily claim applicability or will the otherwise applicable law be displaced?

3. What connecting factor (or factors) in the two legal systems triggers the territorial application of the substantive IP law? Assuming that a

court determines that the domestic IP law is applicable (and not foreign IP law), the question still arises whether the alleged infringing act falls within the substantive scope of application of the IP law. Indeed, even if the domestic law is the applicable law, the alleged infringing act may fall outside of its substantive scope. If that is the case, the right holder will fail to prove its infringement claim.

Is the connecting factor (or factors) for defining and localising an infringing act within the domestic territory a tangible act in the forum state and/or effects in the forum state? Assuming the infringing act is localised by the effects, must the effects be qualified (e.g. intentional, substantial) or may even indirect effects suffice?

This part of the dissertation is structured around different concrete factual situations. The situations are organised by whether the regulation primarily protects the right holder against competition in the domestic market (inbound regulation) or foreign markets (outbound regulation). The situations are also organised by whether the IP right is alleged infringed in connection with tangible goods entering, leaving or transported through the protected territory or whether the infringement is “intangible”. The purpose of this organisation is to test different scenarios where the basic premises underlying the territoriality principle (i.e. to regulate the level of IP protection within the territory by regulating persons, things, and events physically located in the domestic territory) operates in different ways and in different strengths. For example, a state may claim regulatory authority over persons operating in the domestic territory to export IP protected goods. Here the tangible act and tangible goods in the domestic territory support a claim of prescriptive jurisdiction, whereas the fact that the IP impairing effects arise primarily abroad weighs against a claim of prescriptive jurisdiction.

An investigation of the scope of application of the substantive IP law includes the question concerning the territorial scope of the law’s remedies (injunction, damages, etc.). Do the remedies reach acts and effects in other territories? In other words, if a domestic tangible act falls within the scope of the domestic IP law, will the remedy (e.g. injunctions and damages) take into account the possible IP impairing effects in other states? Similarly, if domestic IP impairing effects fall within the scope of the domestic IP law, will the remedy take into account the possible effect it might have on foreign conduct?

4. Finally, when mapping out the above rules in the compared legal systems, the dissertation seeks to explain why the legal systems

function as they do. Does the explanation lie in the different legal traditions upon which the legal systems are based, the character of the legal system (e.g. federal or supranational), the different interests that are taken into consideration (e.g. state interests in their own domestic rights or in their own nationals), respect for other states' interests (international comity), or more traditional private international law interests in justice for the parties and facilitating international commerce? Do these interests vary depending on the characteristics and functions of the IP rights themselves?

Delimitations

An investigation of the private law resolution of transborder IP infringement disputes raises many questions that intersect three different fields of law, namely, private international law, public international law, and intellectual property law. In order to keep this dissertation within manageable proportions it is necessary to make some delimitations. An expert in one of any of three areas might at times feel frustrated because the dissertation does not treat certain questions that one may feel are relevant within the respective field. The aim here is however only to treat those areas that intersect with the others. For example, substantive IP law is not treated except to the extent that it has cross-border implications.

The investigation does not cover all possible IP rights. The dissertation focuses on three distinct types of IP rights, namely, patent, copyright, and trademark.³⁸ These rights were chosen because they highlight the differences between the different IP rights. For example, patent and copyrights protect intellectual and artistic creations whereas trademarks protect commercial signs regardless of the fact that there is nothing creative, artistic or intellectual about them. Patents are the closest to a true monopoly in that they confer the right to exclude all others from exploiting the invention, including individuals that have made the same invention through wholly independent intellectual efforts. In contrast, copyright protects only against those who “free-ride” on the creative efforts of others, and not against fully independent creators. Another important difference is that patents are solely registered rights, whereas copyright protection is formless. Depending on the legal system, trademarks protection may arise either by registration, by use or both.

The dissertation focuses on private law disputes between individuals. Thus, criminal law jurisdiction as exercised by the state to enforce its penal laws is

³⁸ The Community Design right is discussed to some extent in connection with the EU trademark because of the similarity of the Regulations creating the rights.

outside the scope of this dissertation. Nevertheless, criminal law jurisdiction is examined to the extent it has significance or bearing upon the exercise of civil jurisdiction. For example, while international jurisdiction under public international law has focused primarily on limitations on a state's exercise of its jurisdiction in criminal law matters, this may nonetheless be relevant even for a state's exercise of jurisdiction in private law disputes. Sovereign immunity is outside the scope of this dissertation.

With regard to the scope of application of substantive IP law, the primary focus is on the territorial scope of the rights conferred under the IP right. IP law is usually restricted in its personal scope of application in that the law only protects nationals and those foreign nationals and residents of those states with which the prescribing state maintains treaty relations. However, in light of the widespread membership in the international IP conventions, most states are under international obligations to protect the rights of most foreign nationals.³⁹

With regard to the application of foreign law, the primary focus is on the scope of application of such law and whether it extends to the question of the existence of the right, its scope and contents, and the consequences arising from an infringement. The choice of law questions surrounding initial ownership and characterisation of contractual assignments and licences as contract or IP questions are treated tangentially since these questions often arise as preliminary questions in an infringement dispute, although there is no attempt within the framework for this dissertation to treat them comprehensively. Likewise, the dissertation deals only tangentially with infringement and invalidity proceedings that arise within the context of a contractual relationship such as an assignment or licensing dispute. This issue is of interest to this dissertation primarily where the parties have agreed on a choice of forum and/or choice of law. Thus, the question concerning the characterisation of an infringement claim that is brought or could be brought for breach of contract is not treated where the parties have not agreed on the choice of forum.⁴⁰

³⁹ The criteria for eligibility or qualification for protection under the Paris and Berne conventions are nationality or habitual residence in a Paris or Berne Union state, or in addition, under the Berne Convention, an author in respect of works that are first published in a Berne Union state or simultaneously in a Berne Union and non-Union state. Article 2-3 PC and 3 BC. The criteria for eligibility under TRIPS are nationality in a WTO Member or persons who meet the criteria for eligibility under Paris and Berne. Article 1(3) TRIPS. The WCT incorporates the criteria for eligibility under the Berne Convention. Article 3 WCT.

⁴⁰ See Case C-548/12, Brogsitter, Para. 29 (“Civil liability claims . . . which are made in tort under national law, must nonetheless be considered as concerning ‘matters relating to a contract’ within the meaning of Article 5(1)(a) of Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and

With respect to international civil jurisdiction, the dissertation focuses on those bases of jurisdiction that are based directly on the relationship between the underlying dispute and the forum state. Rules on multiple defendants, which are based on a relationship between a claim lodged before the forum state, which may or may not have a connection to the forum state, and a claim against a non-resident defendant, are outside the scope of the dissertation.⁴¹ A reason for this delimitation is that such rules do not exist in the U.S. legal system because Due Process requires that each defendant's contacts with the forum must be assessed individually.⁴²

Method

The dissertation is a comparative study in that the purpose is to ascertain and explain the similarities and differences between the EU and the U.S. legal systems in the interpretation and operation of the principle of territoriality of IP law in the private law resolution of transborder IP infringements disputes. Comparative law has been defined as the systematic application of comparison to law.⁴³ It involves juxtaposing different legal systems or aspects or topics within them, identifying their similarities and differences, and working with these similarities and differences, for instance explaining their origin.⁴⁴

Comparative research can have different objectives.⁴⁵ Traditionally, comparative law has had Universalist aspirations and involved ambitious projects

commercial matters, where the conduct complained of may be considered a breach of the terms of the contract, which may be established by taking into account the purpose of the contract.”).

⁴¹ The Recast and many Member States' national rules contain a rule on multiple defendants that grants the forum Member State jurisdiction if the claim against a non-forum defendant is closely connected to a claim against a forum defendant. See Article 8(1) Regulation 1215/2012 (“A person domiciled in a Member State may also be sued: where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings;”); Study on Residual Jurisdiction 2007 p. 51-53. With respect to the rule on jurisdiction over multiple defendants under the Brussels I Regulation in relation to IP infringement disputes, see Case C-539/03, Roche Nederland and others; Case C-145/10, Painer; Case C-616/10, Solvay.

⁴² *Rush v Savchuk*, 444 U.S. 320, 332 (1980) (“The requirements of International Shoe, however, must be met as to each defendant over whom a state court exercises jurisdiction.”).

⁴³ Kamba 1974 p. 489.

⁴⁴ Bogdan 2013:1 p. 5-6; Schlesinger 1995 p. 477.

⁴⁵ Bogdan 2013:1 p. 15-26; Zweigert & Kötz 1998 p. 15; Sacco 1991:1 p. 1-6; Kamba 1974 p. 489-505; Strömholm 1972 p. 462.

for the international harmonisation of laws.⁴⁶ Comparative research has been used to analyse and evaluate the advantages and disadvantages of different approaches and propose new harmonised and uniform solutions.⁴⁷ However, the objective of comparative law is not necessarily to achieve a uniform solution. Indeed, comparative research can help achieve an understanding of the individual solutions that have developed in accordance with the particular historical, social, political, and economic contexts in the different legal systems in which they operate.⁴⁸ By comparing different legal systems using broader levels of abstraction, what at first may seem to be significant differences may not be significant at all or may disappear completely.⁴⁹ Comparative research can provide a basis for illustrating the equivalence and validity of different approaches and heighten an understanding and respect for them.⁵⁰ When these types of objectives are pursued, the comparison itself is the main objective element, and is made from outside and independent of the compared legal systems.⁵¹

Another objective of comparative law is to obtain a better understanding of one's own legal system.⁵² Comparative law provides the possibility to see one's own system from a new perspective and to better understand and critically evaluate the domestic solutions adopted.⁵³ Some solutions may have developed because of historical factors that are no longer relevant, and better

⁴⁶ Reimann 2002 p. 693 (stating that the goal driving mainstream comparative legal studies in Europe has been harmonisation and unification); Schlesinger 1995 p. 479 (stating that in the second half of the 20th century comparative legal scholarship searched for the common core of legal systems); Muir Watt 2012 p. 581 (discussing the goal of the 1900 Paris Congress on comparative law to achieve "uniformity among legal systems"); Peters & Schwenke 2000 p. 807 (stating that the 1900 Paris Congress established the principle that the ultimate goal of any legal comparison should be legal unification).

⁴⁷ See e.g. Schlesinger 1988 p. 31-39 (discussing bridging the differences among legal systems); Schlesinger 1995 p. 479 (discussing the search for the common core among EU Member States).

⁴⁸ Sacco 1991:1 p. 4 ("Like other sciences, comparative law remains a science as long as it acquires knowledge and regardless of whether or not the knowledge is put to any further use.").

⁴⁹ Sacco 1991:1 p. 3 (stating that comparative law can show that certain differences among legal systems are merely apparent); Bussani & Mattei 1997/98 p. 342 (describing the aim of the common core approach to European private law as analytical as opposed to prescriptive in that it does not seek to create uniform rules but to identify similar solutions within the existing rules).

⁵⁰ Grosswald Curran 2003 p. 66, 79 (discussing comparative law research based on a "foundation of consciousness with respect for the irreducibly different").

⁵¹ Strömholm 1972 p. 462 (discussing the *härskande* or dominant role of foreign legal materials in certain types of comparative research).

⁵² Bogdan 2013:1 p. 15-16; Juenger 1975 p. 745.

⁵³ See e.g. Sacco 1991:2 p. 384 -388 (discussing how comparative law can help lawyers become aware of those rules within the own domestic system that affect the outcome but are not perceivable and operate on an unconscious level).

solutions may be available by looking into foreign legal systems.⁵⁴ Comparative law may also facilitate the operation of domestic rules on private international law that requires an understanding of foreign legal systems.⁵⁵ In this case, the comparison with foreign law serves a subservient task, internal within the own domestic system.⁵⁶

In this dissertation, the primary objective of the comparison is to juxtapose the EU and the U.S. approaches to transborder IP infringement disputes with an aim to describe, identify, and explain the similarities and differences. Thus, the comparison itself is the main objective. The comparison is made to understand how the EU and the U.S. legal systems work, whether the solutions are the same or different, and to explain why. A secondary objective of the comparison is to gain a better understanding of the EU and U.S. systems by looking at each from the perspective of the other.

A standard approach of comparative legal research is a functionalist approach.⁵⁷ A functional approach is characterised by a desire to move away from a comparison of black letter rules to law in its historical and social context.⁵⁸ A functional approach takes as its starting point factual situations and compares how different legal systems deal with the situations. According to Zweigert & Kötz:

The proposition rests on what every comparatist learns, namely that the legal system of every society faces essentially the same problems, and solves these problems by quite different means though very often with similar results.⁵⁹

It is the factual situation or more broadly, the problem that provides the *tertium comparationis* that is the quality that the two things that are being compared have in common.⁶⁰ The *tertium comparationis* provides a neutral common denominator outside the concepts of the compared legal system so that one is not comparing apples to oranges.

Function is however not the same thing as a goal or objective that the legal system attempts to achieve when regulating a factual situation.⁶¹ A legal

⁵⁴ Bogdan 2013:1 p. 15-16.

⁵⁵ Reimann 2012:1 p. 1380-1387; Bogdan 2013:1 p. 22-24; Schlesinger 1988 p. 24-31.

⁵⁶ Strömholm 1971 p. 251; Strömholm 1972 p. 462 (discussing the *tjänande* or the subservient role of foreign legal materials in some types of legal research).

⁵⁷ Michaels 2012 p. 340 (calling the functional method “the mantra and the *bête noire* of comparative law.”).

⁵⁸ Zweigert & Kötz 1998 p. 39; Öricü 2007 p. 31; Palmer 2005 p. 264; Reimann 2002 p. 679; Warrington & van Hoecke 1998 p. 496; Gerber 1998 p. 722.

⁵⁹ Zweigert & Kötz 1998 p. 34.

⁶⁰ Bogdan 2013:1 p. 146-150.

⁶¹ Bogdan 2013:1 p. 66; Bakardjieva Engelbrekt 2003 p. 68.

system may regulate the same factual situation to achieve different goals or objectives. For example, a state may regulate transborder IP disputes with the objective of maintaining amicable relations among states or to achieve justice for the parties. An aim of this dissertation is to explain the different reasons why the compared legal systems operate as they do in the regulation of transborder IP disputes.

For this dissertation, the *tertium comparationis* is found in the regulation of transborder IP disputes where the tangible act is carried out in one state but the IP impairing effects arise in another. The dissertation uses broad, generic factual concepts to classify the different factual situations that arise in the regulation of transborder IP disputes and avoids using the legal terms from one or the other compared legal systems. In carrying out the comparison, the dissertation is organised in a way that emphasises explicit comparison.⁶² The comparative part of the dissertation is broken down into three major sections dealing with jurisdiction, choice of law, and the territorial scope of substantive IP law. These sections are further broken down into subsections dealing with different factual situations wherein every subsection is comparative.

The functional method has been criticised because it takes as its starting point a presumption that there is a similarity among legal systems that is then proven by the comparative analysis.⁶³ A functional method is also criticised for ignoring cultural differences among legal systems in an attempt to find the common core.⁶⁴ It is claimed that despite functionality's claim of neutrality, it is in fact subjective and political. This critique is not the beginning of the end for functional methodology but a reason for self-reflection and re-evaluation.⁶⁵

The objects of comparison in this dissertation are the EU and the U.S. legal systems. These systems are natural choices because they are the foremost regions where IP rights are developed and exploited, and where many IP disputes are adjudicated.⁶⁶ The EU and the U.S. are important trading part-

⁶² Reitz 1998 p. 634.

⁶³ Grosswald-Curran 1998:1 p. 67; Gerber 1998 p. 723.

⁶⁴ Grosswald-Curran 1998:2 p. 666 ("While common cores among legal cultures may bridge gaps, comparative law's habitual focus on identifying commonalities may also endanger the field's receptivity to human distinctiveness, to the irreducible differences which can instruct as much about target legal cultures as can the common elements of humanity."). With respect to the common core projects, see Huang 2014; Grosswald-Curran 2003; Bussani & Mattei 1997/98.

⁶⁵ Peters & Schwenke 2000 (discussing and refuting the post-modern critique to comparativist research generally and the functional method).

⁶⁶ Japan (and increasingly Asia) is also an important state with respect to the development and exploitation of IP rights. Historically, however, Japan has not been a litigious state although this seems to be changing. See generally Ginsburg & Hoetker 2006.

ners with respect to goods and services protected by IP rights.⁶⁷ Any major actor on the global market in the field of IP will most likely have been exposed in one way or another to these legal systems.⁶⁸ The EU and U.S. legal system also provide interesting choices because the U.S. system reflects a common law system whereas the EU system, although a homogenised system of both common law and civil law aspects, tends to weigh more heavily on the side of civil law.⁶⁹

As the comparison is between the EU and the U.S., the focus on EU law is with respect to the EU's external relationships with third states.⁷⁰ While the U.S. is a nation-state and the EU is a supranational system, commonality exists because the rules on civil international jurisdiction, choice of law and substantive IP law are largely made and interpreted at the EU level. There are some important areas of interest to this dissertation that are not fully regulated at the EU level, namely, jurisdiction against third state defendants and patent law. The dissertation does not attempt to provide a comprehensive investigation of the individual Member State laws in these areas. Instead, the dissertation provides examples from the Member States to demonstrate the diversity at this level. Due to language limitations, the dissertation relies on secondary sources for references for some foreign cases.

A traditional legal dogmatic method is used to investigate the EU and U.S. legal systems following the traditional sources of law significant within each respective system. The answers to many of the questions addressed in this dissertation cannot always be easily and clearly distilled from the legal sources. The legal situation is often unclear and there are conflicting sources, and an aim of the dissertation is to establish what the current legal situation in each respective legal system in fact is. An insider perspective is taken within each system, using and giving appropriate weight to those sources of law that are significant for each system.⁷¹ These sources are analysed taking

⁶⁷ See EU Trade Barriers Report 2015 p. 1, 8; U.S. Trade Barriers Report 2016 p. 139 -179.

⁶⁸ The U.S. is commonly accused of exercising extraterritorial jurisdiction in general and also in the area of IP law. A view is held that foreign nationals are easily hauled before U.S. courts and that U.S. law is often applied extraterritorially. Grundman 1980 p. 257 (remarking that "the United States has had three major exports: rock music, blue jeans, and United States law.").

⁶⁹ See e.g. Hartley 2005 p. 828 (concluding that as private international law becomes Europeanised, there is little left to the common law); Gardella & Radicati di Brozolo 2003 p. 612-616 (discussing how the continental civil law model for adjudication is reflected in the Brussels I Regulation).

⁷⁰ See Reimann 2012:1 p. 1343 (stating that EU private international law has turned inwards and focuses on integration of the EU and common market and has lost interest in U.S. developments).

⁷¹ Zweigert & Kötz 1998 p. 35-36; Reitz 1998 p. 625-626; Grosswald Curran 1998:1 p. 57 ("The immersion approach in comparative legal analysis suggests the importance of trying to

into consideration the different historical, social, and political contexts in which they developed and now operate. At the same time, however, the legal systems are viewed through the lens of a comparativist by attempting to formulate broader levels of abstraction to make a comparison possible from outside the systems.⁷²

The EU, as a separate legal system, has its own sources of law. The Treaty on the European Union (TEU), the Treaty on the Functioning of the European Union (TFEU), and the Charter of Fundamental Rights of the European Union (EU Charter) are the primary sources of EU law.⁷³ They define the function of the EU, confer upon it the competence to act, and ensure basic fundamental rights. In some areas, the EU has exclusive competence, whereas in other areas, the competence is shared with the Member States.⁷⁴ In addition, general principles of EU law as enunciated and developed by the Court of Justice for the European Union (CJEU) are primary sources of EU law, such as the principles of sincere cooperation, subsidiarity, proportionality, and legal certainty.

EU directives and EU regulations are secondary sources of EU law.⁷⁵ International law is also a secondary source of EU law and is respected in the exercise of EU powers, and EU law is interpreted in the light of the relevant rules of the international law. International agreements concluded by the EU or to which it has succeeded the Member States are binding on EU institutions and on the Member States.⁷⁶ If other secondary EU legislation is in conflict with an international treaty, the international treaty will prevail.⁷⁷

The CJEU has the overall responsibility to provide authoritative interpretations of EU law. The CJEU reviews the legality of the acts of the EU institutions, ensures that the Member States comply with obligations under the Treaties, and interprets EU law at the request of the national courts and tribunals. When interpreting EU law, the CJEU generally follows three central

understand foreign legal cultures in an untranslated form; i.e., through the prisms that shape perceptions in the target legal culture.”).

⁷² Reitz 1998 p. 628-629; Grosswald Curran 1998 (stating that comparatists need to retain their stance as outsiders even as they acquire insight into the insiders’ view).

⁷³ See Consolidated versions of the Treaty on European Union and the Treaty on the Functioning of the European Union, 2010/C 83/01; Charter of Fundamental Rights of the European Union, 2010/C 83/02 and article 6(1) Treaty on the EU (stating that the Charter shall have the same value as the TEU and TFEU).

⁷⁴ Article 2-6 TFEU (outlining the EU’s exclusive competence and shared competence).

⁷⁵ Article 288 TFEU.

⁷⁶ See e.g. Case C-286/90, *Anklagemindigheden / Poulsen and Diva Navigation* (stating that the EU must respect international law in the exercise of its powers and EU law must be interpreted in the light of the relevant rules of international law).

⁷⁷ Article 216(2) TFEU; Chalmers et al. 2014 p. 112, 205.

interpretative methods: a linguistic interpretation of the text of the EU instrument, a systematic interpretation, and a teleological interpretation.⁷⁸ The CJEU relies upon a teleological interpretation to give an autonomous EU definition to various concepts in the directives and regulations in order to fulfil their objectives. The CJEU has on occasion exercised judicial activism in order to promote the EU's integration objectives, not least in the area of intellectual property.⁷⁹ Occasionally, the drafting history of the EU instruments, e.g. preparatory works, may be used to shed light on the intention of the EU legislator with respect to the objectives sought.⁸⁰ In addition, opinions of the Advocate General, which propose to the court a legal solution to the case, although not binding on the CJEU, can be informative for understanding the solution the CJEU adopted or rejected. Legal doctrine is also an important source, is readily cited by the Advocate General, and influences the CJEU's decisions, even if it is not directly cited in their judgments.

The EU builds upon the legal traditions of its Member States. It borrows some aspects from its civil law Member States (e.g. the priority of codified law in the form of treaties, directives, and regulations) and some aspects from its few common law Member States (e.g. the importance of case law). Still, in light of the fact that the EU was founded by and its membership is dominated by civil law Member States, it is not surprising that the civil law traditions dominate. For example, decisions by the CJEU resemble decisions by civil law courts rather than those of the common law courts, are well-anchored in the treaties, directives and regulations, and provide no dissenting opinions.⁸¹

The EU legal system forms an integral part of the legal systems of its Member States. In accordance with the principle of sincere cooperation, the Member States are obligated to give EU law effect within their own legal systems in a loyal manner as well as apply and interpret national law in a way that is consistent with EU law.⁸² As a general rule, EU law takes precedence over national Member States rules of law that are in conflict with EU law.⁸³

Provisions of EU treaties are directly applicable within the Member States without the need for further enactment.⁸⁴ Many of these provisions have

⁷⁸ Chalmers et al. 2014 p. 174-177.

⁷⁹ See generally Dimopoulos 2014.

⁸⁰ See e.g. Joined cases C-585/08 and C-144/09, *Pammer and Hotel Alpenhof*, para. 74.

⁸¹ De Cruz 2008 p. 256 (observing that a dissenting judgment is peculiar to the common law traditions).

⁸² Article 4(3) TEU.

⁸³ Case C-6/64, *Costa / E.N.E.L.*; Chalmers et al. 2014 p. 208-209.

⁸⁴ Article 288 TFEU.

direct effect and can create individual rights that can be relied upon both against a Member State (vertical direct effect) and other individuals (horizontal direct effect).⁸⁵ EU Regulations are directly applicable in the Member States as soon as they enter into force. They do not need to be transposed or implemented into the Member States' national law.

EU Directives are addressed to the Member States and leave it to them to determine how to implement the directives in national law, provided the aims of the directive are achieved.⁸⁶ Some EU Directives are in the form of minimum directives in the sense that they establish only minimum requirements on the Member States laws and allow the Member States to establish higher levels of protection whereas other EU Directives require full harmonisation. Implementation of the Directives must be completed within the period laid down in the Directive. Under certain exceptional circumstances, Directives may be given vertical direct effect.⁸⁷ EU Directives also have indirect effect because the Member States are obligated to interpret their own national law as far as possible in light of EU law.⁸⁸

International agreements between the EU and third states are rarely given direct effect in the Member States' domestic systems. Pursuant to settled CJEU case law, international agreements with non-member states (or provisions thereof) are given direct effect only when, "regard being had to the wording, purpose and nature of the agreement, it may be concluded that the provision contains a clear, precise and unconditional obligation which is not subject, in its implementation or effects, to the adoption of any subsequent measure."⁸⁹ Member States are obligated however to interpret EU law "as far as possible in light of the wording and purpose" of the EU's international obligations.⁹⁰ In a field of law in which the EU has not yet legislated and thus the Member States retain competence, the individual Member States may determine for themselves whether to give international agreements with third states direct effect.⁹¹

⁸⁵ Case C-43/75, *Defrenne / SABENA* (horizontal direct effect); Chalmers et al. 2014 p. 295-298.

⁸⁶ Article 288 TFEU.

⁸⁷ Case C-41/74, *van Duyn / Home Office*; Chalmers et al. 2014 p. 308-312.

⁸⁸ Case C-14/83, *Von Colson and Kamann / Land Nordrhein-Westfalen*; Chalmers et al. 2014 p. 316-317.

⁸⁹ See e.g. *Joined cases C-300/98 and C-392/98, Dior and others*, para. 42. See also Chalmers et al. 2014 p. 308.

⁹⁰ Case C-53/96 *Hermès International / FHT Marketing Choice*; *Joined cases C-403/08 and C-429/08, Football Association Premier League and others*; Chalmers et al. 2014 p. 321.

⁹¹ *Joined Cases C-300/98 and C-392/98, Parfums Dior*, para. 48; Case C-431/05, *Merck Genéricos Produtos Farmaceuticos*.

The competence with respect to the interpretation and maintenance of EU law is divided between the EU courts and the Member State national courts. The national courts of the Member States have exclusive competence to adjudicate private law disputes.⁹² Thus, the national Member States' courts adjudicate transborder IP infringement claims arising under both EU and national laws. If an interpretation of EU law is unclear, the courts of the Member States may, and under certain circumstances must, refer the question to the CJEU for a preliminary ruling interpreting EU law.⁹³ These rulings are formally binding on the Member State court to which it is addressed, but must also be followed by the other national authorities of the Member States before which the same question is raised.⁹⁴

The individual Member States comprising the EU each have their own distinct legal traditions. The greatest divide exists however between the civil law and common law Member States.⁹⁵ The civil law Member States subscribe to a classical conception of law as a logical system divided into clearly defined categories (e.g. public law and private law) and consisting of abstract rules that are authoritative, reliable, and autonomous.⁹⁶ The civil law judges apply the law in a politically neutral manner and do not make law.⁹⁷ In contrast, the common law Member States differ in their conception of law. The common law tradition has a distinctive improvisatory, pragmatic legal style.⁹⁸ While the U.K. and Ireland share a common law heritage with the U.S., unlike the U.S., sociological jurisprudence, legal realism and the other more recent intellectual trends have not had an impact on the U.K. and Irish legal systems.⁹⁹

The U.S. is a federal system of government established and organised under the U.S. Constitution. The U.S. Constitution enumerates and limits the powers of the federal government and protects certain basic individual rights. In some areas, the U.S. Constitution grants exclusive powers to the federal government while in other areas the power is shared between the federal and state governments. Any power that the U.S. Constitution does not delegate to

⁹² Chalmers et al. 2014 chapter 7.

⁹³ Article 267 TFEU.

⁹⁴ Case C-453/00, Kühne & Heitz; Chalmers et al. 2014 p. 192-195.

⁹⁵ See generally Legrand 1996.

⁹⁶ Reimann 2012:2 p. 5-9.

⁹⁷ Reimann 2012:2 p. 7, 26; de Cruz 2008 p. 250-271; Gardella & Radicati di Brozolo 2003 p. 612-613.

⁹⁸ De Cruz 2008 p. 103; Zweigert & Kötz 1998 p. 69.

⁹⁹ Reimann 2012:2 p. 35 & fn 109; Fentiman 2008:2 p. 2024-2025.

the federal government remains with the U.S. states. Federal law is supreme over state law and it pre-empts any conflicting state laws.¹⁰⁰

The U.S. Constitution is the highest source of U.S. law. Another primary source of U.S. law are the federal statutes passed by the U.S. legislature under the power delegated to it by the U.S. Constitution. When interpreting the federal statutes, the federal courts generally follow three basic approaches by looking to the language of the statute itself (“the plain meaning rule”), the broader statutory context, and the statute’s social purpose.¹⁰¹ In addition, the federal courts rely upon statutory presumptions when interpreting federal statutes that favour a particular substantive result such as construing federal law so as not to conflict with international law.¹⁰² If the U.S. legislature wishes to override a statutory presumption, it must employ clear language in the text of the statute.¹⁰³

As the U.S. legal system is part of the common law tradition, case law plays a very important role not only in interpreting federal statutory law but also in developing specialised federal common law. The term specialised federal common law was coined by Judge Friendly to differentiate it from general federal common law.¹⁰⁴ In the landmark case *Erie v Tompkins*, the U.S. Supreme Court declared that there was no general federal common law and that federal courts were required to apply state common law when deciding state law issues.¹⁰⁵ The *Erie* doctrine and its prohibition against general federal common law is not applicable however when a federal court hears a case where federal law, the U.S. Constitution, or treaty law applies, or where some uniquely federal interest is at stake (such as the conduct of foreign relations) and it is necessary to avoid a conflict between state and federal policies.¹⁰⁶

¹⁰⁰ Article VI U.S. Constitution (“This Constitution, and the Laws of the United States which shall be made in Pursuance thereof; and all Treaties made, or which shall be made, under the Authority of the United States, shall be the supreme Law of the Land; and the Judges in every State shall be bound thereby, any Thing in the Constitution or Laws of any State to the Contrary notwithstanding.”).

¹⁰¹ Kim 2009 p. 1-2.

¹⁰² *Murray v The Charming Betsy*, 6 U.S. (2 Cranch) 64 (1804) (“an act of Congress ought never to be construed to violate the law of nations if any other possible construction remains . . .”).

¹⁰³ Kim 2009 p. 13.

¹⁰⁴ See Friendly 1964 p. 405.

¹⁰⁵ *Erie Railroad Co. v Tompkins*, 304 U.S. 64 (1938).

¹⁰⁶ *Banco Nacional de Cuba v Sabbatino*, 376 U. S. 398 (1964) (developing specialised federal common law on the act of state doctrine).

Public international law is also a primary source of U.S. law. International treaties to which the U.S. is a party have the status of federal statutes.¹⁰⁷ In general, treaties do not have direct effect in the U.S. legal system but require implementation into national law. In a few cases, the U.S. courts may find that certain international agreements are self-executing, i.e. have direct effect. Nevertheless, international agreements can have indirect effect in U.S. law because the U.S. courts often follow a method of interpreting domestic legal rules in conformity with the United States' international obligations. International customary law is also a source of U.S. law and is followed by the U.S. courts provided there is no conflicting controlling source of law such as a federal statute or judicial decision.¹⁰⁸

The rulings of the Supreme Court interpreting the U.S. Constitution, federal law and treaties are binding on all federal and state courts pursuant to the doctrine of *stare decisis*. An appeal to the U.S. Supreme Court is possible only in the exceptional case if the Court grants a writ of *certiorari*. The rulings of the federal Court of Appeals are binding on all the federal district courts within their respective jurisdiction. However, in the absence of a conflicting precedent, these rulings may be persuasive and may influence the rulings of courts that are not formally bound by them. The decisions of the federal district courts are illustrative of how the federal trial courts interpret binding precedent from the higher courts, and are the proving ground for new issues. Federal courts sometimes rely upon secondary sources of law such as the American Law Institute's (ALI) Restatements of Law, law review articles, and treatises, not least when developing specialised federal common law.¹⁰⁹

Disputes arising under IP laws are adjudicated primarily at the federal level. The U.S. federal courts have exclusive jurisdiction in relation to the U.S. state courts with respect to actions arising under federal patent or copyright law.¹¹⁰ In addition, the federal Court of Appeals for the Federal Circuit has exclusive appellate jurisdiction over "any civil action arising under, or in any

¹⁰⁷ Article VI U.S. Constitution.

¹⁰⁸ *The Paquete Habana*, 175 U.S. 677 (1900) ("International law is part of our law, and must be ascertained and administered by the courts of justice of appropriate jurisdiction as often as questions of right depending upon it are duly presented for their determination. For this purpose, where there is no treaty and no controlling executive or legislative act or judicial decision, resort must be had to the customs and usages of civilized nations . . .").

¹⁰⁹ *De Cruz* 2008 p. 117.

¹¹⁰ 28 U.S.C. § 1338. The test for whether an action "arises under" federal patent or copyright law is whether the plaintiff's complaint establishes that federal patent or copyright law creates the cause of action or that the plaintiff's right to relief necessarily depends on resolution of a substantial question of federal patent or copyright law. See *Christianson v Colt Industries Operating Corp.*, 486 U.S. 800 (1988); *Holmes. Inc. v Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002).

civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents.”¹¹¹ Its rulings are binding on all federal district courts with respect to these cases, and constitute an important source of law in the field of patents. The federal and state courts share concurrent jurisdiction over claims arising under federal trademark law. Nevertheless, most federal trademark claims are adjudicated in federal court, either because the plaintiff chooses to file in federal court or because the defendant removes them to federal court.¹¹²

The U.S. legal system shares many common elements with the U.K. legal system such as the important role of case law, inductive reasoning, pragmatism, and flexibility. U.S. law has undergone however, a significant development brought about by the influence of the legal realist movement.¹¹³ As Reimann explains:

U.S. lawyers no longer understand their subject as a nationally uniform, systematically ordered, clearly demarcated set of determinate, reactive, and autonomous rules which lawyers just apply to facts. Instead they conceive of law as pluralistic and fragmented; at best loosely organized and often inconsistent; instrumental and political; consisting not merely of positive norms but also of institutions and processes; and made, invoked, and applied by people trying to solve real social problems.¹¹⁴

The dissertation does not take into consideration sources or developments after August 26, 2016.

Plan

The continuation of the dissertation is divided into two parts. The first part provides a theoretical background on the territoriality principle. It explores the meaning and development of the principle of territoriality in public international law, and connects this with the principle of territoriality in private international law and in international IP law (Chapter 2). The second part of the dissertation consists of the comparative analysis. It is divided into three chapters dealing with international civil jurisdiction, choice of law, and the territorial scope of substantive IP law.

¹¹¹ 28 U.S.C. § 1295(1a)(1).

¹¹² See 28 U.S.C. § 1441(a) (concerning removal from state court to federal court by defendant of actions over which federal court has original jurisdiction).

¹¹³ Reimann 2012:2 p. 11; de Cruz 2008 p. 118 (observing that U.S. lawyers are more politically and socially orientated than their English colleagues).

¹¹⁴ Reimann 2012:2 p. 15.

The chapter on international civil jurisdiction examines the interpretation and operation of the principle of territoriality of IP law on international civil jurisdiction in the EU and the U.S. legal systems (Chapter 3). Next, the dissertation examines the interpretation and operation of the principle of territoriality of IP law on choice of law in each of the two legal systems (Chapter 4). Thereafter, the dissertation examines the interpretation and operation of the principle of territoriality on the territorial scope of application of substantive IP law in the compared legal systems. It investigates the territorial scope of the rights conferred under EU IP law (i.e. the Member States' national IP laws as harmonised under EU law and the rights conferred under unitary EU rights such as the Trademark Regulation (EUTMR), and the territorial scope of the rights conferred under the U.S. federal IP laws (Chapter 5). Chapters 3-5 each conclude with a comparative analysis that summarises the research findings, explores the possible reasons for the similarities and differences in the compared legal systems, and offers some critical commentary. The dissertation concludes with a general overview of how the rules on international civil jurisdiction, choice of law, and the territorial scope of application of substantive IP law operate in tandem in the respective compared legal systems, the possible implications for international exchange in an interdependent and interconnected world, and perspectives for the future (Chapter 6).

Chapter Two: The Territoriality Principle: A Theoretical Background

The territoriality principle is rather opaque.¹¹⁵ It may be understood differently in different contexts. This chapter explores the meaning and development of the principle of territoriality in public international law, and connects this with the principle of territoriality in private international law and international IP law. First, the chapter explores the development of the concept of territoriality in public international law. Next, the chapter traces the waxing and waning of the influence of the territoriality principle and the role of public international law and international comity in European and U.S. private international law. Finally, this chapter investigates how the principle of territoriality is expressed and understood in international IP law, and its implications for private international law. This chapter serves as a theoretical background to the comparison undertaken in later chapters of the dissertation.

The Territoriality Principle of Public International Law

Public international law deals generally with rights and obligations of states in relation to other states. A fundamental concept of public international law is jurisdiction, which describes the limits of the legal competence of a state (or other authority such as the EU) to make, apply, and enforce rules over persons, property or events.¹¹⁶ Public international law does not contain a comprehensive set of rules that allocates jurisdiction among the states of the international community. Instead, international law has primarily focused on the possible limitations of states' jurisdiction.¹¹⁷ The underlying purpose of

¹¹⁵ Dinwoodie 2009 p. 725 (calling the territoriality principle “chameleon-like”); Kegel & Seidl-Hohenveldern 1981-82 p. 247 (discussing the vagueness of the territoriality principle); Beier 1970 p. 58 (calling the territoriality principle “most complex”); Nussbaum 1943 p. 40 fn 29 (stating that the territoriality principle is one of the most ambiguous and confusing terms in private international law).

¹¹⁶ Colangelo 2014 p. 1310; Brownlie & Crawford 2012 p. 456; Lowe & Staker 2010 p. 313; Restatement (Third) of Foreign Relations Law, Introductory note (stating that jurisdiction is the authority of states to prescribe their law, to subject persons and things to adjudication in their courts and other tribunals, and to enforce their law, both judicially and nonjudicially).

¹¹⁷ Henkin et al. 1987 p. 821.

the rules on international jurisdiction is to minimise the interference of one state into the affairs of another state.¹¹⁸ The principle of territoriality is a fundamental basis of jurisdiction under public international law.¹¹⁹

The territoriality principle has its foundation in the emergence of territorial nation-states, each sovereign within its own territory.¹²⁰ Jurisdiction is an aspect of sovereignty.¹²¹ The territoriality principle recognises the jurisdiction of a state over all persons, property, and events within its territory. At the same time, the territoriality principle implies that a state's exercise of jurisdiction over persons, property, and events outside the territory is illegitimate.¹²² Indeed, the fact that each state has jurisdiction within its own territory suggests that it cannot exercise jurisdiction within the territory of another state. The principle of territoriality is a fluid concept however and it can mean different things in different contexts.

Jurisdiction under public international law can be exercised in different stages: enforcement, prescriptive and adjudicative. Enforcement jurisdiction deals with the authority of a state to use the resources of government to induce or compel compliance with its law.¹²³ When it comes to enforcement jurisdiction, the territoriality principle is exclusive.¹²⁴ No state may exercise

¹¹⁸ Mann 1964 p. 82-83 (stating that limitations on jurisdiction are designed to “promote security and certainty in international life to prevent friction among nations.”).

¹¹⁹ Brownlie & Crawford 2012 p. 456; Ryngaert 2008 p. 42; Henkin et al. 1987 p. 821-22.

¹²⁰ Maier 1984-85 p. 11 (stating that the development of the territorial state in the 16th and 17th centuries created the context in which a legal regime for dealing with extraterritorial jurisdiction became necessary); Gross 1948 p. 28-29 (stating that the Peace of Westphalia marked a new political system “characterized by the co-existence of multiplicity of states, each sovereign within its own territory, equal to one another, and free from external earthly authority.”).

¹²¹ Brownlie & Crawford 2012 p. 456; Mann 1964 p. 30 (“Jurisdiction is an aspect of sovereignty”).

¹²² Mann 1964 p. 30 (“Jurisdiction is an aspect of sovereignty, it is coextensive with and, indeed, incidental to, but also limited by, the State's sovereignty.”); Maier 1996 p. 65 (stating that the presumed limitations of state authority to its territory flow from the historic concept of the modern nation-state); *Island of Palmas Case (United States v The Netherlands)*, Permanent Court of Arbitration, 2 U.N. Rep. Int'l Arb. Awards 829, 838 (1928) (Arbitrator Max Huber) (“Sovereignty in the relations between States signifies independence. Independence in regard to a portion of the globe is the right to exercise therein, to the exclusion of any other State, the functions of a State. The development of the national organisation of States during the last few centuries and, as a corollary, the development of international law, have established this principle of the exclusive competence of the State in regard to its own territory in such a way as to make it the point of departure in settling most questions that concern international relations.”).

¹²³ Restatement (Third) of Foreign Relations Law § 401(c).

¹²⁴ Colangelo 2014 p. 1311-1312; Lowe & Staker 2010 p. 335-36; Brownlie & Crawford 2012 p. 478 ; Mann 1999 p. 37; Council of Europe Study 1992 p. 445; Eek 1980 p. 405; Henkin et al. 1987 p. 822; Akehurst 1972-73 p. 145- 150; Jennings 1957 p. 149.

enforcement jurisdiction within the territory of another state without consent. This was confirmed by the Permanent Court of International Justice (PCIJ) in the Lotus case:

Now the first and foremost restriction imposed by international law upon a state is that – failing the existence of a permissive rule to the contrary - it may not exercise its power in any form in the territory of another State. In this sense jurisdiction is certainly territorial; it cannot be exercised by a state outside its territory except by virtue of a permissive rule derived from international custom or from a convention.¹²⁵

It is universally agreed that the PCIJ's reference to an "exercise of power" at the very least entails any kind of enforcement activity that involves the physical presence of a state agent within the territory of another state.¹²⁶ A debated question is whether a state may take enforcement measures within its own territory that concern persons, things, or events outside of its territory, such as to prevent or compel activities in a foreign state.¹²⁷ A view expressed in the legal doctrine is that a prerequisite for the legal exercise of enforcement jurisdiction on a state's own territory is that the enforcing state possess adjudicative and prescriptive jurisdiction.¹²⁸

Prescriptive jurisdiction deals with the authority of a state to make its laws applicable to the activities, relations, or status of persons, or the interests of persons in things.¹²⁹ The rules may be legislative rules, judge made rules, or

¹²⁵ The Case of the S.S. "Lotus" (France v Turkey), 1927 PCIJ, Ser A, No. 10 p. 18-19.

¹²⁶ Brownlie & Crawford 2012 p. 479 (stating that persons may not be arrested, summons may not be served, orders for the production of documents may not be executed); Maier 1984-85 p. 12 n. 16.

¹²⁷ Brownlie & Crawford 2012 p. 479-480; Mann 1999 p. 48-49; Council of Europe Study 1992 p. 445 (stating a grey area is whether fines or other penalties may be exacted domestically for activities that occur outside the territory); Nerep 1983 p. 454-462 (dealing with the problem under the heading of the intraterritorial exercise of jurisdiction affecting persons, property, acts outside of the state); Bogdan 1981 p. 404-406; Mann 1964 p. 145-158; Restatement (Third) of Foreign Relations Law § 431 cmt. b (An injunction ordering a person to do (or refrain from doing) an act may have aspects of both prescriptive and enforcement jurisdiction.). See also *Société Eram Shipping Co. Ltd. v Hong Kong and Shanghai Banking Corp Ltd.*, UK House of Lords, [2003] UKHL 30, ILDC 254 (UK 2003) (refusing to make garnishee order in respect of foreign debt held by a foreign bank even though the court had *de facto* jurisdiction over the bank that had a UK branch, due to principles of international law and comity).

¹²⁸ See e.g. Brownlie & Crawford 2012 p. 480; Mann 1999 p. 35-37, 47-55; Restatement (Third) of Foreign Relations §431(1) & 431(3)(c); Maier 1982 p. 291-292; Bogdan 1981 p. 406 (stating that the enforcement must have an aim which is acceptable under international law).

¹²⁹ Restatement (Third) of Foreign Relations Law §401(a); Brownlie & Crawford 2012 p. 467; Lowe & Staker 2010 p. 318; Basedow 2013 p. 301 (stating that prescriptive jurisdiction is recognised for persons, goods, or activities located within a state's territory).

executive made rules.¹³⁰ More recently, commentators on international law also distinguish a third type of jurisdiction called adjudicative jurisdiction.¹³¹ This refers to the authority of a state to subject particular persons or things to its judicial process.¹³² It should be noted that in many situations, prescriptive and adjudicative jurisdiction coincide.¹³³ For example, in the area of criminal law, courts do not exercise adjudicative jurisdiction without also exercising prescriptive jurisdiction. If there is adjudicative jurisdiction, the court will apply its own criminal law.

Traditionally, each state was believed to possess absolute territorial sovereignty within its own territory.¹³⁴ A corollary of this principle was that the exercise of extraterritorial prescriptive and adjudicative jurisdiction was impermissible save for a few exceptional circumstances.¹³⁵ The Lotus case challenged the assumption that a state could not exercise prescriptive and adjudicative criminal jurisdiction over foreign nationals outside of the regulating state's own territory. In the Lotus case, a French ship and a Turkish ship collided on the high seas killing eight Turkish nationals who had been on board the Turkish vessel. Subsequently, the French ship continued to Turkey where the officer on watch on the French ship, a French national, was prosecuted by Turkey on the basis that its criminal law was applicable to foreigners who commit an offence outside Turkey against a Turkish subject. The PCIJ was asked to determine whether Turkey acted in conformance with the rules of international jurisdiction. In a split decision with the swing vote cast by the President of the Court, the PCIJ decided in favour of Turkey:

It does not, however, follow that international law prohibits a State from exercising jurisdiction in its own territory, in respect of any case which relates to acts which have taken place abroad, and in which it cannot rely on some permissive rule of international law. Such a view would only be tenable if international law contained a general prohibition to States to extend the application of their laws and the jurisdiction of their courts to persons, property and

¹³⁰ Mann 1964 p. 13.

¹³¹ Restatement (Third) of Foreign Relations Law §401 (b); Lowe & Staker 2010 p. 317 (acknowledging its existence but doubtful whether it is in fact a separate category of jurisdiction); Akehurst 1972-73 p. 152-179 (discussing it under the heading judicial jurisdiction).

¹³² Restatement (Third) of Foreign Relations Law §401 (b).

¹³³ Akehurst 1972-73 p. 179.

¹³⁴ Buxbaum 2001-2002 p. 936-937, 939-940 (discussing the absolute right of a sovereign to regulate within its own territory); Mann 1964 p. 14 (observing that traditionally, the scope of a state's jurisdiction within its own territory and over its own nationals has been in general unlimited); *The Schooner Exchange v McFaddon*, 11 U.S. (7 Cranch) 116, 136 (1812) ("The jurisdiction of the nation within its own territory is necessarily exclusive and absolute. It is susceptible of no limitation not imposed by itself. Any restriction upon it deriving validity from an external source would imply a diminution of its sovereignty . . .").

¹³⁵ Kamminga 2012, para. 3 ("The traditional view is that the exercise of extraterritorial jurisdiction is permissible in exceptional circumstances only.").

acts outside their territory, and if, as an exception to this general prohibition, it allowed States to do so in certain specific cases. But this is certainly not the case under international law as it stands at present. Far from laying down a general prohibition to the effect that States may not extend the application of their law and the jurisdiction of their courts to persons, property and acts outside their territory, it leaves them in this respect a wide measure of discretion which is only limited in certain cases by prohibitive rules; as regards other cases, every State remains free to adopt the principles which it regards as best and most suitable. . . In these circumstances, all that can be required of a State is that it should not overstep the limits which international law places upon its jurisdiction; within these limits, its title to exercise jurisdiction rests in its sovereignty.¹³⁶

This decision is cited as support for the view that there are no limitations on a state's exercise of prescriptive and adjudicative jurisdiction unless specific prohibitions are demonstrated under international law.¹³⁷ This view holds that all exercise of state jurisdiction is permissible unless there is a prohibitive rule against them. The PCIJ's statement, however, is viewed as the "high water mark of laissez-faire in international relations."¹³⁸

Since the emergence of the regulatory state and a closer interdependence among states, a diverging and more restrictive view of international jurisdiction has emerged.¹³⁹ This view holds that a state may not exercise prescriptive or adjudicative jurisdiction with respect to persons, things or events outside its territory unless some permissive rule of international law supports such exercise.¹⁴⁰ Commentators espousing this view point out that the PCIJ's

¹³⁶ The Case of the S.S. "Lotus" (France v Turkey), 1927 PCIJ, Ser A, No. 10 p. 19.

¹³⁷ Bring et al. 2014 p. 100 (stating that the PCIJ held that a state has unlimited prescriptive and adjudicative jurisdiction within its own territory with respect to persons, things, and events outside the territory unless there is a specific prohibition under international law); Dodge 1998:2 p. 140; Born 1992 p. 24 (maintaining that the Lotus decision held that "national regulatory efforts are presumptively valid and states claiming that assertions of national jurisdiction violate international law have the burden of establishing this."); Wallace 1983 p. 1100 (taking a broad view of international jurisdiction and asserting that the Lotus ruling does very little to limit international jurisdiction); Eek 1980 p. 405-406.

¹³⁸ Arrest Warrant of 11 April 2000 (Democratic Republic of the Congo v Belgium), Judgment, I.C.J Reports 2002, p. 3, 78 (14 February 2002) (Joint separate opinion of Judges Higgins, Kooijmans and Buergenthal).

¹³⁹ Brownlie & Crawford 2012 p. 486; Kamminga 2012, para. 9 ("State practice does not support the view that the exercise of any form of prescriptive and adjudicative jurisdiction beyond a State's borders is permitted as long as there is no specific rule of international law prohibiting it."); IBA 2009 p. 9; Ryngaert 2008 p. 21; Lowenfeld 1986:2 p. 896; Mann 1964 p. 35; Jennings 1957 p. 150.

¹⁴⁰ Lowe & Staker 2010 p. 319 (stating however that state practice is based on the premise that it is for the state asserting some novel extraterritorial jurisdiction to prove that it is entitled to do so). See e.g. Brief of the European Commission on behalf of the European Union in Support of Neither Party, *Kiobel v Royal Dutch Petroleum Co.*, 133 S.Ct. 1659 (2013) p. 5

broad statement in *Lotus* on the freedom of states merely had the status of *obiter dictum* because the PCIJ found that Turkey was in fact acting in accordance with a permissible basis of jurisdiction. Moreover, they caution that the PCIJ left open the question whether, in the case of conduct occurring in another state, the territorial sovereignty of that state might be a "prohibitive rule" preventing extraterritorial application, since the *Lotus* decision was only concerned with jurisdiction over crimes on the high seas.¹⁴¹ In addition, subsequent decisions from the International Court of Justice (ICJ), while not discussing international jurisdiction directly, nonetheless are inconsistent with the view expressed by the *Lotus* court on unlimited state discretion.¹⁴² In practice, states tend to justify their exercise of jurisdiction on permissive bases, rather than making a blanket assertion that the exercise of jurisdiction is legal unless specific prohibitive rule can be found.¹⁴³ At the very least, the ruling in the *Lotus* case recognised that international jurisdiction could overlap and could be asserted by different states over the same set of circumstances.

Not long after the *Lotus* case, Harvard University conducted an international study of the various bases of jurisdiction that were established in state practice when exercising jurisdiction over crimes. From this study, five general bases for the assertion of criminal jurisdiction emerged.¹⁴⁴ The territoriality

("The law of nations recognizes a State's prescriptive jurisdiction to apply its laws to conduct that occurs beyond its territorial borders only in limited circumstances.").

¹⁴¹ Buxbaum 2009 p. 654 (citing Rudolf Dolzer, *Extraterritoriale Anwendung von nationalem Recht aus der Sicht des Völkerrechts*, *Bitburger Gespräche Jahrbuch* 2003 p. 71, 79); Mann 1964 p. 35.

¹⁴² See *Anglo-Norwegian fisheries case*, Order, I.C.J. Reports 1951 p. 8, 152 (18 January 1951) (Opinion of Judge Alvarez) ("It is also necessary to pay special attention to another principle which has been much spoken of: the right of States to do everything which is not expressly forbidden by international law. This principle, formerly correct, in the days of absolute sovereignty, is no longer so at the present day: the sovereignty of States is henceforth limited not only by the rights of other States but also by other factors previously indicated, which make up what is called the new international law: the Charter of the United Nations, resolutions passed by the Assembly of the United Nations, the duties of States, the general interests of international society and lastly the prohibition of *abus de droit*."); *Legality of the Threat or Use of Nuclear Weapons*, Advisory Opinion, I.C.J. Reports 1996, p. 226, 271 (8 July 1996) (Declaration of President Bedaoui) (stating that this court is "more circumspect than its predecessor in asserting today that what is not expressly prohibited is not therefore authorized."); *Legality of the Threat or Use of Nuclear Weapons*, Advisory Opinion, I.C.J. Reports 1996, p. 226, 494-495 (8 July 1996) (Dissenting opinion of Judge Weeramantry) (stating that international law had evolved since *Lotus* and imposed additional restrictions over those existing at the time of *Lotus*).

¹⁴³ Akehurst 1972-73 p. 167; Jennings 1957 p. 150.

¹⁴⁴ Harvard Study 1935 p. 445. See also Svantesson 2012 p. 93 (stating that surprisingly few developments have occurred with respect to the bases of jurisdiction identified in the Harvard Study in 1935).

principle, recognising the jurisdiction of a state over offenses committed within its territory, was the most important and fundamental of the possible bases.¹⁴⁵ After territoriality, the nationality principle was the most widely used basis for jurisdiction, recognising a state's jurisdiction over offenses committed by its nationals abroad. In addition, the Harvard study found three other asserted bases for jurisdiction under international law. States rely on the protective principle to exercise jurisdiction over acts designed to injure its process of government, the universality principle to exercise jurisdiction over universally recognised crimes, and the passive personality principle to punish offences against its nationals wherever they may occur.¹⁴⁶

A similar study was conducted more recently by the Council of Europe, European Committee on Crime Problems with respect to the EU Member States, which reaffirmed the existence of these bases of jurisdiction.¹⁴⁷ While both the Harvard study and the Council of Europe study focused on bases of international criminal jurisdiction, these bases of international jurisdiction are generally used by states to support or resist state claims of regulatory authority.¹⁴⁸

Both the Harvard Study and the Council of Europe study observed that the territorial basis had become more flexible due to the increasing complexity of the act or omission that triggers the application of a state's law.¹⁴⁹ Many states assert jurisdiction on the basis of territoriality provided any part of the offence has been committed in the territory. As a result, the territorial principle has developed into two sub-principles – the subjective territorial principle and the objective territorial principle. Pursuant to the subjective territorial principle, states exercise jurisdiction over offences commenced within the state but consummated abroad. This principle reflects the interest of states in regulating conduct within their borders. The subjective territorial principle

¹⁴⁵ Lowe & Staker 2010 p. 320 (“States may impose the entirety of their laws - economic, social, cultural, or whatever - upon everyone within their territories.”); IBA 2009 p. 11; Restatement (Third) of Foreign Relations Law § 402(1)(b).

¹⁴⁶ With respect to the passive personality basis, the Harvard study observed that although the basis was asserted by a considerable number of states, it was contested by others states. Finding this basis to be “auxiliary in character” and unessential, the Harvard study omitted this basis from its draft convention. Harvard Study 1935 p. 445.

¹⁴⁷ See Council of Europe Study 1992. While the European study took a more favourable position toward the passive personality basis, it noted that the basis differed considerably where it was applied. Some states applied it only to serious offences or only where the offence was punishable in both countries, although other states did not impose these requirements. Council of Europe Study 1992 p. 450-451.

¹⁴⁸ European Parliament Study 2012 p. 8 (“Many ground rules relating to extraterritoriality were first formulated as a part of criminal law, but then used in other areas of law, such as anti-trust or immigration.”).

¹⁴⁹ Harvard Study 1935 p. 484, 487-90; Council of Europe Study 1992 p. 446-47.

will often coincide with the nationality principle because nationals tend to operate within the territory of their own states. Pursuant to the objective territorial principle, states exercise jurisdiction over crimes commenced outside the state but consummated within its territory. The development of the objective territorial principle enables states to extend the application of their laws to acts or omissions committed abroad, but which have injurious effects at home. Sometimes the actor is said to be “constructively” present in the state where the effect of the offence is felt, but this is merely a legal fiction. The classic example is where someone fires a gun in state A across the border into state B, and the shot hits and kills another person in state B. The offence may be localised in state A where the conduct took place and in state B where the damage arises. Under the objective territorial principle, the damage or effects is merely recharacterised as the offence itself.¹⁵⁰

An extension of the objective territorial principle has led to the effects doctrine.¹⁵¹ Pursuant to this doctrine, some states assert jurisdiction over offences committed wholly outside their territory if they cause negative effects within the territory.¹⁵² Some commentators maintain a distinction between the objective territorial principle and the effects doctrine on the basis that the former is limited to those effects that follow directly and intentionally from the act or omission.¹⁵³ Another distinction is that under the objective territorial principle, jurisdiction is asserted on the basis that a constituent element of the offence took place within the territory, whereas under the effects doctrine, jurisdiction is asserted on the basis of “effects” stemming from the foreign offence that are felt within the territory.¹⁵⁴ Akehurst points out how-

¹⁵⁰ Colangelo 2014 p. 1313 (“Many activities or events we might think of as outside a territory can be recharacterized as inside a territory.”).

¹⁵¹ See *The Case of the S.S. “Lotus” (France v Turkey)*, 1927 PCIJ, Ser A, No. 10 p. 23 (The PCIJ observed that the national courts of many states interpret their domestic criminal law in such a way that an offence is considered to have taken place on the territory “if one of the constituent elements, and more specifically its effects, has taken place there.”).

¹⁵² See e.g. Brownlie & Crawford 2012 p. 462-464; Lowe & Staker 2010 p. 322-323; Bring et al. 2014 p. 103.

¹⁵³ *The Case of the S.S. “Lotus” (France v Turkey)*, 1927 PCIJ, Ser A, No. 10 (Dissenting opinion by Judge Loder) p. 37 (“It is clear that the place where an offense has been committed is necessarily that where the guilty person is when he commits the act. The assumption that the place where the effect is produced is the place where the act was committed is in every case a legal fiction. It is, however, justified where the act and its effect are indistinguishable, when there is a direct relation between them; for instance, a shot fired at a person on the other side of a frontier; a parcel containing an infernal machine intended to explode on being opened by the person to whom it is sent. The author of the crime intends in such cases to inflict injury at a place other than that where he himself is.”); Jennings 1957 p. 160.

¹⁵⁴ Akehurst 1972-73 p. 152; Mann 1964 p. 104 (“The “effect” within the meaning of the *Alcoa* ruling does not amount to an essential or constituent part of the restraint of trade, but is an indirect and remote repercussion of a restraint.”); Jennings 1957 p. 158-161; Harvard Study 1936 p. 488.

ever that this distinction may be easily overcome by creating a new offence where the constituent elements of the offence include the effects in question.¹⁵⁵ For example, many states define the offence of a violation of competition law by reference to their domestic economic effects.¹⁵⁶

The legality of the effects doctrine under international customary law is not universally accepted.¹⁵⁷ This basis of jurisdiction is criticised for being ambiguous and placing virtually no limits on a state's exercise of jurisdiction.¹⁵⁸ Indeed, effects may be intangible, and may be far removed from the initial offence. Some states have responded to claims of jurisdiction based on effects by enacting blocking and clawback statutes and engaging in other forms of retaliation.¹⁵⁹ The effects doctrine is relied upon primarily in the area of economic law (e.g. competition law).¹⁶⁰ While the U.S. has been the principle state relying on this basis, it has been increasingly adopted in the field of competition law by a number of other states.¹⁶¹ The application of the effects doctrine diverges however among states.

The demise of the idea of absolute territorial sovereignty also brought about the view that the territorial basis of jurisdiction is not absolute. The territorial basis of jurisdiction has limitations where its exercise touches upon the territorial sovereignty and integrity of another state. This is apparent, not least, in the "no harm principle" in environmental law, which forbids a state from

¹⁵⁵ Akehurst 1972-73 p. 155.

¹⁵⁶ Akehurst 1972-73 p. 195.

¹⁵⁷ Kamminga 2012 ("the effects principle is not universally accepted as a valid basis for asserting extraterritorial jurisdiction."); Council of Europe Study 1992 p. 462-3 (discussing the effects doctrine in criminal jurisdiction and finding good reasons to exercise self-restraint and subject it to predictability requirements); Bring et al. 2014 p. 103 (stating that the effects doctrine is the most controversial of all grounds of jurisdiction).

¹⁵⁸ Jennings 1957 p. 159 ("to employ the formula of effects is to enter upon a very slippery slope"); Parrish 2008 p. 1479 ("The test presently provides no meaningful constraint on the exercise of jurisdiction."); Bring et al. 2014 p. 103 (stating that it is easy to see how it can be broadly used as acts often have effects in more than one state).

¹⁵⁹ Brownlie & Crawford 2012 p. 478; Parrish 2008 p. 1491-1493 (stating that foreign retaliation to extraterritorial laws takes the form of diplomatic protests, nonrecognition of judgments, and enactment of blocking or clawback statutes); Born 1992 p. 32-33. A clawback statute enables certain defendants who have paid multiple damage judgments in a foreign state to recover the multiple portion of that judgment from the successful plaintiff. See Neuhaus 1981 p. 1097-98.

¹⁶⁰ Kamminga 2012, para. 15 ("the effects principle tends to be invoked in support of the exercise of extraterritorial jurisdiction in commercial rather than criminal cases;"); Ryngaert 2008 p. 77-78.

¹⁶¹ Basedow 2013 p. 462-463; Kim 2003 (discussing the adoption of the effects doctrine in Korea); Martyniszyn 2015 p. 292 ("The very broad recognition of the effects doctrine together with the lack of protest against it, at the very least, disprove any arguments as to its still controversial nature or contestability under public international law.").

using its territory in a way that causes harm to other states.¹⁶² Other limits on a state's exercise of jurisdiction within its own territory are international customary law obligations on the treatment of aliens within the territory of the hosting state and Human Rights law which imposes obligations on states even with respect to their own nationals.¹⁶³

The PCIJ's decision in the *Lotus* case, the increase of public law regulation into the private sphere, and a closer interdependence among states has given rise to new approaches to international jurisdiction under public international law.¹⁶⁴ A criticism of the traditional approach based on the classical bases of jurisdiction is the malleability of the territoriality principle to support a state's regulatory claims.¹⁶⁵ Mann was one of the first writers to suggest that international law liberate itself from the rigidity of the classical bases of jurisdiction.¹⁶⁶ Pursuant to the new approaches, the legality of an assertion of jurisdiction should be whether a state has sufficiently close contact (or genuine link) with the facts such as to make the allocation of jurisdiction just and reasonable.¹⁶⁷ The genuine link is determined by assessing whether a state

¹⁶² See Bring et al. 2014 p. 325 (discussing the "no harm" principle pursuant to which states have a duty to prevent, reduce and control pollution and transboundary environmental harm); Bianchi 1996 p. 87 (suggesting that the territoriality principle has been tempered by international environmental law).

¹⁶³ See Bianchi 1996 p. 87 (stating that the territoriality principle has been tempered by human rights law and customary law limits on the treatment of aliens).

¹⁶⁴ See e.g. Council of Europe p. 468-477; Schachter 1982 p. 246, 249-254 (discussing a reasonableness requirement).

¹⁶⁵ Lowe & Staker 2010 p. 331-332 (discussing the limitations on the traditional approach to jurisdiction due to the difficulty in localising an act); Scott 2014 p. 111 (stating that "the EU uses the existence of a territorial connection to leverage legal or behavioral change in spheres that are so widely drawn that they encompass activities that have only a weak and indirect territorial connection with the EU."); Brummer 2010 p. 506, 508 (stating that "jurisdiction can be structured in a way such that even the most inconsequential contact with the state triggers its authority" and that this achieves results "similar to effects-based jurisdiction"); Born 1992 p. 2 (stating that a strict reliance on the territoriality principle can result in the application of domestic law where only a fleeting or arbitrary territorial contact exists); Svantesson 2015 p. 227-228 ("Ultimately, we will need to abandon territoriality as the core concept based on which we assess jurisdictional claims.").

¹⁶⁶ Mann 1964 p. 43-51.

¹⁶⁷ Mann 1964 p. 44; Brownlie & Crawford 2012 p. 457 (stating that there should be a genuine connection between the subject matter of jurisdiction and the territorial base or the reasonable interests of the state in question); Lowe & Staker 2010 p. 320 (stating that there must be some clear connecting factor between the prescribing state and the conduct it seeks to regulate); Svantesson 2015 p. 227-228. The judgment of the ICJ in the *Nottebohm* case is sometimes cited as authority for the proposition of a reasonably close connection or a genuine link. In that case, the ICJ held that a state (Liechtenstein) with which a naturalised citizen had no real links, could not exercise diplomatic protection on behalf of the citizen against another state with which the citizen, while not a national, has close and real links (Guatemala). *Nottebohm Case* (second phase), Judgment, I.C.J. Reports 1955 p. 4, 20-24 (6 April 1955). See

has a legitimate or reasonable interest in regulation within the specific field in which the circumstances arise.¹⁶⁸ Consequently, the territorial connections are still significant but their presence is not invariably necessary or solely sufficient to support international jurisdiction.¹⁶⁹ In addition, the reasonableness of a basis for jurisdiction is considered in relation to the rights of other states.¹⁷⁰ There is a greater acceptance for broad jurisdictional claims in areas where there is general acceptance of the aims pursued by the regulating state.¹⁷¹ Approaches based on a reasonably close connection or a genuine link do not eliminate the problem of concurrent and potentially conflicting jurisdictional claims.

In an attempt to resolve these problems, another jurisdictional approach has been developed that employs a “balancing test” to weigh competing state interests.¹⁷² Under this approach, one evaluates the interest of the state exercising jurisdiction in relation to the interests of other states who are affected. If the exercise of jurisdiction by both states is reasonable, a state should defer to the state whose interests are clearly greater.¹⁷³ It is debated whether the balancing approach is a rule of public international law or instead a unilat-

Michaels 2008:1 p. 125. In the specific context of diplomatic protection, the genuine link theory has developed further into an effective nationality principle. See Bring et al. 2014 p. 154. This does not however lessen the possible relevance of the genuine link theory for international jurisdiction.

¹⁶⁸ Mann 1964 p. 46-49; Lowenfeld 1986:2 p. 94-95.

¹⁶⁹ Mann 1964 p. 46; Lowenfeld 1986:2 p. 93; Maier 1982 p. 301.

¹⁷⁰ Brownlie & Crawford 2012 p. 457 (stating that the sufficiency of grounds for jurisdiction is an issue normally considered relative to the rights of other states and not as a question of basic competence); Schachter 1982 p. 250 (stating that one has to evaluate the interest of the regulating state in relation to other states); Mann 1964 p. 49 (“Whether another state has an equally close or a closer, or perhaps the closest, contact is not necessarily an irrelevant question . . .”); *Nottebohm Case (second phase)*, Judgment, I.C.J. Reports 1955 p. 4, 26 (6 April 1955) (determining the existence (or non-existence) of a genuine link with Liechtenstein in relation to Guatemala).

¹⁷¹ Note 2011 p. 1230 (stating that “international law’s powerful norm against extraterritoriality sometimes yields to consensual political objectives.”); European Parliament Study 2012 p. 8 (stating that extraterritorial measures are more accepted if aimed at an obligation *erga omnes* such as human rights, the environment, and the control of weapons of mass destruction).

¹⁷² Restatement (Third) of Foreign Relations Law §403(3); Henkin et al. 1987 p. 823; Meessen 1984 p. 783-810.

¹⁷³ Restatement (Third) of Foreign Relations Law §40(3) (“When it would not be unreasonable for each of two states to exercise jurisdiction over a person or activity, but the prescriptions by the two states are in conflict, each state has an obligation to evaluate its own as well as the other state’s interest in exercising jurisdiction, in light of all the relevant factors, including those set out in Subsection (2); a state should defer to the other state if that state’s interest is clearly greater.”).

eral decision made at the discretion of the state under the doctrine of comity.¹⁷⁴

Summing up, the principle of territoriality is a classic and fundamental basis of international jurisdiction under public international law that permits a state to exercise adjudicative, prescriptive or enforcement jurisdiction with respect to persons, things or events within its territory. With respect to adjudicative and prescriptive jurisdiction, the territoriality principle has been interpreted in a flexible manner to reinforce or resist claims of regulatory authority. New approaches to international jurisdiction suggest that the principle of territoriality is not absolute or solely sufficient, and that the legitimacy of jurisdiction depends on the existence of a sufficiently close connection and on the reasonableness of the exercise of jurisdiction in relation to the interests of other states. Where a close connection exists with respect to two or more states, a state may, in the exercise of the doctrine of international comity, in its discretion defer to another state with a greater interest.

¹⁷⁴ Ryngaert 2008 p. 143, 166, 179. Ryngaert observes that the Judge Fitzmaurice's separate opinion in the Barcelona Traction case appears to be the only authoritative international source, aside from legal doctrine, that supports the view that customary international law imposes an interest balancing test. See *Barcelona Traction, Light and Power Company, Limited, Judgment*, I.C.J. Reports 1970, p. 3, 105 (5 February 1970) (Separate Opinion of Judge Sir Gerald Fitzmaurice) ("It is true that, under present conditions, international law does not impose hard and fast rules on States delimiting spheres of national jurisdiction . . . It does however (a) postulate the existence of limits-though in any given case it may be for the tribunal to indicate what these are for the purposes of that case; and (b) involve for every State an obligation to exercise moderation and restraint as to the extent of the jurisdiction assumed by its courts in cases having a foreign element, and to avoid undue encroachment on a jurisdiction more properly appertaining to, or more appropriately exercisable by, another State."). Compare Lowenfeld 2006 p. 1418-19 (stating that limits on jurisdiction in terms of reasonableness is law) & p. 1420 (stating that the obligation to balance is to evaluate the interests of both States but it does not follow that it can only be reasonable for a single State to have authority to apply its law) with Maier 1984-85 p. 10 (stating that the characterisation "comity" is replaced by "reasonableness" but, despite the difference in terminology, they serve precisely the same purpose.) & p. 20-21 (stating that interest balancing is not a rule of international law but a process for decision making) & p. 40 (stating "there is no international or domestic legal limitation that only one nation may exercise jurisdiction in a situation where concurrent jurisdiction otherwise exists."); Maier 1996 p. 69 (stating that the resolution of legitimate assertions of concurrent jurisdiction must be found outside international law); Mann 1999 p. 31 (submitting that the Restatement's balancing of interests is nothing but a political consideration).

The Territoriality Principle of Private International Law (or the Conflicts of Law)

Private international law (or conflicts of law) is a field of municipal law that deals with private law disputes that have foreign elements. The principle of territoriality of private international law is associated with those theories that attempted to derive conflict rules from the territoriality principle of public international law.¹⁷⁵ The territoriality principle of private international law originates from 17th century Holland.¹⁷⁶ Having newly won their independence, Dutch jurists were occupied with the question why the courts of one sovereign state should ever apply the law of another sovereign State. The Dutch jurist Ulric Huber is generally credited with providing the most eloquent explanation to the question why foreign law is applied. His famous work entitled *De Conflictu Legum in Diversis Imperiis* (Of the Conflict of Diverse Laws in Diverse Governments) published in 1689, sets out three maxims.

1) The laws of each state have force within the limits of that government and bind all subject to it, but not beyond; 2) All persons within the limits of a government, whether they live there permanently or temporarily, are deemed to be subjects thereof; 3) Sovereigns will so act by way of comity that rights acquired within the limits of a government retain their force everywhere so far as they do not cause prejudice to the power or rights of such government or its subjects.¹⁷⁷

Thus, all law is territorial. Its territorial reach reflects the territorial reach of the sovereign state's control. One state could however give another state's law extraterritorial effect. The novelty of the Dutch school was the explanation that the application of foreign law was a decision of the state in exercise of its sovereignty.¹⁷⁸ This was a significant development from the earlier

¹⁷⁵ Born 2011 p. 647 (stating that Huber's territoriality doctrine was a landmark in the development of choice of law theory); Lipstein 1981 p. 16; Lando 1964 p. 117, 119 (stating that under Huber's system, "a territoriality concept prevailed in the sense that acts done and things and persons situated at a certain place were governed by the laws of that place."); Carswell 1959 p. 271 ("The doctrine of territoriality of laws, the basis of the theory of vested rights, is in its turn based upon the doctrine of sovereignty."); Davies 1937 p. 59-60.

¹⁷⁶ See Paul 1988 p. 157-58; Juenger 1983-84 p. 433; Lipstein 1981 p. 13-16; Yntema 1966-67; Yntema 1963; Yntema 1953 p. 305-307; Gihl 1951 p. 135 -159; Davies 1937; Lorenzen 1918-1919.

¹⁷⁷ Huber Lorenzen trans. 1707, para. 2.

¹⁷⁸ Voet, Buchanan trans. 1880 p. 88 ("[N]either real, nor personal, nor mixed statutes can have any operation of themselves beyond the territory of the statutor, nor have any effect elsewhere without the consent of the legislator there. For, as any statutes cannot have any more force than they receive from the legislator making them, and as the power of the legislator is confined to the limits of its territory, it is clearly evident that all the force of his statutes is contained within, and circumscribed by his territory.").

statutists' teachings, which held that foreign law was applied as a result of its own intrinsic nature.¹⁷⁹ Huber places his comity doctrine on an international basis as he proclaims that the field of private international law "pertains more to the law of nations than to the civil law, since that which different nations should observe among themselves clearly pertains to the law of nations."¹⁸⁰

¹⁷⁹ The doctrine developed by the Italian statistists to solve conflicts between the local laws and customs of the independent city-states is generally accepted as the earliest foundation for a modern system of private international law. This was before the rise of the modern nation-state, and Italy was composed of a number of independent city-states under the influence of the Roman church. The field of public international law had not yet developed but Roman law can be seen as a precursor to a natural law understanding of the law of nations. The statistists believed Roman law was a universal, perfect law that was an expression of natural reason. In the statistist's view, Roman law provided a universal solution for resolving conflicts among the local laws by setting limitations on the city-states prescriptive competence. These limitations were in theory uniform everywhere. Each unit had the power to prescribe law for the members of its unit and for its territory. The statistist's focus was on prescriptive jurisdiction. The statistists' method for resolving conflicts was unilateral in the sense that they were concerned with attempting to discern the spatial application of statutes. This was done by divining the nature of the statutes as real or personal. A personal statute concerned persons under the allegiance of the sovereign, and was applied to its subjects where ever they went. A real statute was strictly territorial in scope, and applied to persons, things, and transactions inside the city walls. Due to disagreements among the statistists concerning the application of the classification to particular cases, a third classification, mixed statutes, was eventually developed, which concerned both persons and territory. The statistists simply accepted that in certain situations a local court was obligated to apply foreign statutes. While the statistists believed that the statutes themselves possessed an intrinsic nature, in practice, the classification of a statute was based on a formalistic method of statutory interpretation guided by the text of the statute and its claim to applicability. This formalistic method of statutory interpretation was a reason for the eventual decline in the statistist theory. See Scoles et al. 2004 p. 8; Paul 1988 p. 155-57; Juenger 1983-84 p. 424-430; Lipstein 1981 p. 9-12; Yntema 1953 p. 303-304; Gihl 1951 p. 332-334; Nussbaum 1942 p. 189-90. The statistist doctrine endured and spread throughout the European continent. In the 16th century, the Italian statistist doctrine was adopted in France, which like Italy, exhibited conflicting local laws from the different provinces. The French jurist, Du Moulin, made an important contribution to the statistist doctrine by distinguishing certain subject matters where the will of the parties could prevail over the authority of a statute. See Lipstein 1981 p. 12; Lando 1964 p. 114-116; Yntema 1953 p. 304-5; Lorenzen 1920-21 p. 573. Another French jurist, D'Argentré, was a forerunner of the territorial principle by proposing a significant extension of real statutes. Yntema 1953 p. 306.

¹⁸⁰ Lorenzen trans. Huber 1707, para. 1. Huber states that the solution to the problem why foreign law should be enforced is to be found "not simply by the civil law, but from the convenience and the tacit consent of nations." While recognising that "the laws of one nation can have no force directly with another", Huber observes that "nothing could be more inconvenient to commerce and international usage than that transactions valid by the law of one place should be rendered of no effect elsewhere on account of a different law." Lorenzen trans. Huber 1707, para. 2. Scholars disagree however whether the Dutch jurists understood comity as a legal duty or as a courtesy towards other states. Compare Lipstein 1981 p. 15 (stating that according to Huber, customary international law established a duty to give effect to foreign law); Yntema 1963 p. 480 (stating that under Huber's comity doctrine, "common practice

Unlike the other Dutch jurists, Huber abandons the traditional statutory classifications of personal and real statutes used by the statistes. From his three maxims, Huber logically derives a general proposition that transactions, acts, and status should be governed by the law of the territory in which they were made or “impressed upon a person.”¹⁸¹ The choice of law rules are based on implicit limitations on the prescribing state to enact laws in relation to its own territory and all persons within it.¹⁸² The enforcing state was obligated or at least expected by comity to enforce foreign law only if the prescribing state was acting within “the limits of a government.”¹⁸³ The Dutch jurists proceeded from the perspective of the enforcing state asking the question why a sovereign state should apply foreign law, and not from the perspective of the prescribing state asking if it could apply its law to transactions, acts, or status created in a foreign state.

Private international law under the Dutch system of conflicts of law dealt with all fields of law affecting the interest of individuals. They did not make any distinction between public and private law. They discussed the classical areas of private international law such as contracts, property, succession and marriage. They also dealt with other subjects that today are not typically classified as private law. Penal law fits within Huber’s system of comity, and was treated the same as other private law subjects. Thus, a state was expected to recognise foreign penal sentences or pardons in the same way it recognised foreign rights.¹⁸⁴ The Dutch scholars’ views on adjudicative jurisdiction are not as resolutely territorial.¹⁸⁵

among nations compels mutual indulgence”); Davies 1937 p. 57-58 (stating that Huber’s comity doctrine has been misunderstood to mean mere courtesy) with Lorenzen 1918-19 p. 378 (stating that Huber made clear that recognition of foreign rights was a “mere concession” and not a binding obligation or duty).

¹⁸¹ Lorenzen trans. Huber 1707, para. 3, 12.

¹⁸² Lipstein 1981 p. 15; Nussbaum 1943 p. 32.

¹⁸³ Lorenzen trans. Huber 1707, para. 2(3).

¹⁸⁴ Lorenzen trans. Huber 1707, para. 6. The Dutch jurists also discussed conflict of law questions relating to sovereign privileges. Even a dispute arising from the interference with a sovereign privilege by the decree of another state was to be adjudicated before a court. Voet, Buchanan trans. 1880 p. 79-80.

¹⁸⁵ Lorenzen 1918-1919 p. 390-91 (stating that following the teachings of Roman law, Huber held that all actions could be brought at the domicile of the defendant, or as an alternative, actions *in rem* could be brought at the *situs* of the property). Johannes Voet states that it is an open question whether the jurisdiction of the *situs* was exclusive with respect to *in rem* actions affecting immovables or whether an action could also be brought at the domicile of the person in possession of the immovable. Voet, Buchanan trans. 1880 p. 233.

The American judge and scholar, Joseph Story, was greatly influenced by Huber's work.¹⁸⁶ Like Huber, Story's conception of private international law was intimately linked to public international law and territorial sovereignty.¹⁸⁷ Story's 1934 Commentaries on the Conflict of Laws begin with three general maxims which set out the framework for his system of Conflicts of Law.¹⁸⁸ The first was that:

every nation possesses an exclusive sovereignty and jurisdiction within its own territory. The direct consequence of this rule is, that the laws of every state affect, and bind directly all property, whether real or personal, within its territory; and all persons, who are resident within it, whether natural born subjects, or aliens; and also all contracts made and acts done within it.¹⁸⁹

The second maxim proclaimed:

no state or nation can, by its laws, directly affect, or bind property out of its own territory, or bind persons not resident therein, whether they are natural born subjects or others. This is a natural consequence of the first proposition; for it would be wholly incompatible with the equality and exclusiveness of the sovereignty of all nations, that any one nation should be at liberty to regulate either persons or things not within its own territory.¹⁹⁰

In regard to this second maxim, Story continues:

Upon this rule there is often engrafted an exception, of some importance to be rightly understood. It is, that although the laws of a nation have no direct, binding force, or effect, except upon persons within its own territories, yet that every nation has a right to bind its own subjects by its own laws in every other place.

...

When, therefore, we speak of the right of a state to bind its own native subjects every where, we speak only of its own claim and exercise of sovereignty over them, when they return within its own territorial jurisdiction, and not of

¹⁸⁶ See generally Kegel 1989; Nadelmann 1980; Nadelmann 1961; Lorenzen 1934-35 (discussing Story).

¹⁸⁷ Michaels 2008:1 p. 127; Wardhaugh 1989 p. 308; Paul 1988 p. 161; Kegel 1989 p. 59; Story 1846 § 9 ("This jurisprudence, then, arising from the conflict of the laws of different nations, in their actual application to modern commerce and intercourse, is a most interesting and important branch of public law. . . This branch of public law may, therefore, be fitly denominated private international law, since it is chiefly seen and felt in its application to the common business of private persons, and rarely rises to the dignity of national negotiations, or of national controversies.").

¹⁸⁸ Prior to Story, private international law (usually referred to as the conflict of laws in the United States) had been given little treatment in the U.S. Lorenzen 1934-1935 p. 19. Story's Commentaries illustrate the influence of a positivist methodology but still retain some natural law tendencies. Wardhaugh 1989 p. 308-321.

¹⁸⁹ Story 1846 § 18.

¹⁹⁰ Story 1846 § 20.

its right to compel or require obedience to such laws on the part of other nations within their own territorial sovereignty.

...
Whatever may be the intrinsic or obligatory force of such laws upon such persons, if they should return to their native country, they can have none in other nations, wherein they reside.¹⁹¹

Finally, the third maxim stated:

From these two maxims or propositions, there flows a third, and that is, whatever force and obligation the laws of one country have in another, depend solely upon the laws and municipal regulations of the latter, that is to say, upon its own proper jurisprudence and polity, and upon its own express or tacit consent.¹⁹²

Like Huber, Story's comity doctrine seems to be based on an implicit belief that sovereignty allocated prescriptive (and for Story, adjudicative) jurisdiction on a territorial basis.¹⁹³ Unlike Huber, however, Story's doctrine of com-

¹⁹¹ Story 1846 § 21-22.

¹⁹² Story 1846 § 23.

¹⁹³ See Born 1987 p. 16-17; Akehurst 1972-73 p. 175, 182; Mann 1964 p. 28; Ehrenzweig 1954 p. 142; *The Apollon*, 22 U.S. 362 (1824) (Justice Story) ("The laws of no nation can justly extend beyond its own territories except so far as regards its own citizens. They can have no force to control the sovereignty or rights of any other nation within its own jurisdiction. And however general and comprehensive the phrases used in our municipal laws may be, they must always be restricted in construction to places and persons, upon whom the legislature has authority and jurisdiction."); Story 1846 § 306 ("no country can give to its own laws any extra-territorial authority, so as to bind other nations. If it undertakes to legislate in regard to acts done, or contracts performed elsewhere, it can claim for its own laws no other validity, than such as the comity of other nations may choose to allow towards them."); Story 1846 § 261 ("the law of the place of the contract acts upon it, independently of any volition of the parties, in virtue of the general sovereignty, possessed by every nation to regulate all persons, property and transactions within its own territory."); Story 1846 § 539 ("Considered in an international point of view, jurisdiction, to be rightfully exercised, must be founded either upon the person being within the territory or the thing being within the territory; . . . No sovereignty can extend beyond its process beyond its own territorial limits, to subject either persons or property to its judicial decisions. Every exertion of authority of this sort beyond this limit is a mere nullity, and is incapable of binding such persons or property in any other tribunals."); Story 1846 § 553 ("The defendant's judge is the judge of the place, where the defendant has his settled abode, or the judge of the place where the defendant is when any sudden difficulty arises, provided it does not relate to an estate in land, or to a right annexed to such an estate. In such case, as property of this kind is to be situated, and as the right of granting it is vested in the ruler of the country, controversies relating to such [real property] can only be decided in the state in which it depends."); *Picquet v Swan*, 5 Mass. 35 (D. Mass. 1828) (Justice Story) ("Any attempt to act upon persons or things beyond [the court's jurisdiction] would be deemed a usurpation of foreign sovereignty, not justified or acknowledged by the law of nations.") See also *The Antelope*, 23 U.S. 66 (1825) (Justice Marshall) (holding that a municipal statute outlawing the slave trade "cannot transcend the legislative power of the state which may enact it.").

ity is not based on an international duty. In Story's view a state is under no obligation to recognise foreign rights acquired under a legitimate exercise of another state's prescriptive and adjudicative jurisdiction.¹⁹⁴ Indeed, the exercise of comity was solely in the discretion of the enforcing state. However, in "the mutual interest and utility" of states and "a moral necessity to do justice so that justice may be done to U.S. in return", foreign rights would be recognised as long as it did not prejudice the policies or interests of the enforcing state.¹⁹⁵ Issues that are typically characterised as public law were excluded however from Story's comity doctrine.¹⁹⁶ According to Story, penal law was strictly limited to the territory of the sovereign, and foreign revenue, tax, and penal law was never enforced or given any notice.¹⁹⁷

¹⁹⁴ Story 1846 § 38 (stating that the comity of nations is "the most appropriate phrase to express the true foundation and extent of the obligation of the laws of one nation within the territories of another. It is derived altogether from the voluntary consent of the latter; and is inadmissible, when it is contrary to its known policy, or prejudicial to its interests. In the silence of any positive rule, affirming, or denying, or restraining the operation of foreign laws, courts of justice presume the tacit adoption of them by their own government, unless they are repugnant to its policy, or prejudicial to its interests. It is not comity of the courts, but comity of nations, which is administered, and ascertained in the same way, and guided by the same reasoning, by which all other principles of the municipal law are ascertained and guided."). Story observes that states are free to adopt laws which deny or restrain the operation of foreign laws. Moreover, he observes that each state has a right to refuse to enforce foreign law, which "flows from the right and duty of every nation to protect its own subjects against injuries." Ibid § 31. Indeed, Story explains that "it is difficult to conceive, upon what ground a claim can be rested, to give any municipal laws an extra-territorial effect, when those laws are prejudicial to the right of other nations, or to those of their subjects." Ibid. § 32. Story's comity depended "solely upon the laws and municipal regulations of the latter, that is to say, upon its own proper jurisprudence and polity, and upon its own express or tacit consent." Story 1846 § 23.

¹⁹⁵ Story 1846 § 25. See also Paul 1988 p. 161 (describing Story's positivist approach as parochial); Lorenzen 1934-35 p. 35 (stating that Story's comity doctrine rested on a moral necessity to do justice). But see Davies 1937 p. 58 (stating that Story understood comity to be an obligation under international customary law).

¹⁹⁶ The private/public distinction is not central to the U.S. legal system. See Bermann 1986 p. 157-159; Merryman 1968 p. 19.

¹⁹⁷ Story 1846 § 620 ("The common law considers crimes as altogether local, and cognizable and punishable exclusively in the country, where they are committed. No other nation, therefore, has any right to punish them, or is under any obligation to take notice of, or to enforce any judgment, rendered in such cases by the tribunals, having authority to hold jurisdiction within the territory, where they are committed."); Story, 1846 § 257 ("No nation is bound to protect or regard the revenue laws of another country."). See also *The Antelope*, 23 U.S. 66 (1825) (Justice Marshal) ("The courts of no country execute the penal laws of another . . ."); *Holman v Johnson*, King's Bench, July 5, 1775, 98 E.R. 1120 (Mansfield, J.) ("For no country ever takes notice of the revenue laws of another."); Wharton 1880 (discussing the supremacy of territorial jurisdiction in criminal law); Dodge 2002 p. 165-172 (stating that the origin of the refusal to enforce foreign public law is the territorial nature of criminal law and a desire to enforce contracts that violated foreign customs laws); Lowe & Staker 2010 p. 335 (stating that an aspect of the principle of territoriality of public international law is that the courts of one

The ideas of the Dutch school were adopted in England through the influence of the Scottish jurists.¹⁹⁸ The statist doctrine never spread to England because, unlike Italy and France, England had a unitary legal system governed by the common law which extended throughout the realm. Moreover, the English judges resolved many international conflicts at the level of adjudicative jurisdiction. Pursuant to the English medieval jury system, a jury needed to be procured among individuals who could decide the case on the basis of their knowledge of the facts. The categories of local and transitory actions were adopted to distinguish cases that were so intimately connected with a particular place as to require the venue to be laid there, from cases that could be tried in any county in England. This classification developed into a rule of international jurisdiction so that if the action was “local”, i.e. if the dispute was closely connected to a particular place, the dispute would be dismissed if that place was situated outside of the realm.¹⁹⁹ While the rule was sometimes justified by the impracticality of affording relief without the assistance of the authorities where the subject matter of the dispute (e.g. real property) was located, the local action rule was subsequently justified by respect for state sovereignty.²⁰⁰ This rationale had the effect of extending the local action rule from actions that sought a certain remedy such as an *in rem* action to directly affect title to all actions arising under the property right, such as for damages for trespass.²⁰¹

Professor Beale’s doctrine of vested rights and Professor Dicey’s doctrine of acquired rights, which dominated the 19th and early 20th century in the U.S. and England, were both based on the belief in implicit territorial limitations

state will not enforce the public laws of another state); *Lowenfeld* 1979 p. 322-326 (critically discussing the “public law taboo”). For a modern application of the revenue rule see *U.S. v Federative Republic of Brazil*, 748 F.3d 86 (2nd Cir. 2014); *Attorney General of Canada v R.J. Reynolds Tobacco Holdings Inc.*, 268 F.3d 10 (2nd Cir. 2001) (same); *Pasquantino v United States*, 544 U.S. 349 (2005) (stating that the “revenue rule” avoids judicial evaluation of the policy-laden enactments of other sovereigns).

¹⁹⁸ Juenger 1983-84 p. 439; Lipstein 1981 p. 17; Davies 1937 p. 53.

¹⁹⁹ Mills 2009 p. 14; Entman 2004 p. 253-274; Paul 1988 p. 159; Juenger 1983-84 p. 436-37; Davies 1937 p. 51; Kuhn 1918 p. 303-04.

²⁰⁰ *Entman* 2004 p. 261, 319; *The British South Africa Co. v Companhia De Moçambique*, UK House of Lords, [1893] A.C. 602, 624 (“[I]f the Courts of a country were to claim, as against a person resident there, jurisdiction to adjudicate upon the title to land in a foreign country, and to enforce its adjudication *in personam*, it is by no means certain that any rule of international law would be violated. But in considering what jurisdiction our Courts possess, and have claimed to exercise in relation to matters arising out of the country, the principles which have found general acceptance amongst civilised nations as defining the limits of jurisdiction are of great weight.”).

²⁰¹ *Entman* 2004 p. 266 (stating the local/ transitory distinction was originally defined by focusing upon the genesis of the action rather than upon the character of the remedy sought).

on prescriptive and adjudicative jurisdiction.²⁰² Under the common law systems, adjudicative jurisdiction was territorial, i.e. it was an expression of the sovereign's power over the defendant or property physically within the territory.²⁰³ Prescriptive jurisdiction was also territorial, and applied to persons, property, and events within the sovereign state's territory.²⁰⁴

While a state would not apply any law other than its own, in the interest of justice, states would recognise vested or duly acquired foreign private rights.²⁰⁵ A right was vested or duly acquired provided the prescribing or adjudicating state acted within the limits of its prescriptive and adjudicative jurisdiction.²⁰⁶ For example, under U.S. conflicts law concerning torts, the law of the state where the wrong took place governed because it "concerns the sovereign within whose dominion the act was done."²⁰⁷ The wrong was

²⁰² Dodge 1998:2 p. 111; Lipstein 1981 p. 26 (stating that Beale assumed that all causes of action are centred within the territory of one country only and that foreign law that has operated territorially must be applied everywhere if the cause of action arose within its prescriptive competence); Carswell 1959 p. 286 ("It [the territoriality principle] is founded on the unquestioning acceptance of the doctrine of sovereignty, the exclusive right of a State to do what it will within its own territory.").

²⁰³ Michaels 2006 p. 1028; Rogerson 2003; Born 1987 p. 17; Nussbaum 1943 p. 192-93.

²⁰⁴ Beale 1916 § 4b p. 6 ("If we are to apply laws in space, we should first of all delimit the space to which each law is applicable; and as law-giving is a function of sovereignty, this amounts to fixing the limits of jurisdiction."); Dicey 1891 p. 119 ("The laws of a country apply in general solely to transactions taking place within its borders, or, if they have extra-territorial operation, usually affect only a sovereign's own subjects.").

²⁰⁵ Paul 2008 p. 27 (stating that Beale rejected comity as a basis for deciding the governing law and argued that courts did not literally apply foreign law but recognised "vested rights" that private parties obtained in foreign jurisdictions); Dodge 1998:2 p. 111 (stating that foreign law was not given effect as a matter of comity but as a matter of "fact"); Carswell 1959 p. 271 ("The territorial theories, which presuppose that no law can be applied in a State but its own. Since foreign law cannot be directly enforced, the territorialists must say that what the courts do is to recognise rights vested or acquired in other countries."); Dicey 1890 p. 10 ("the courts, e. g. of England, never in strictness enforce foreign law; when they are said to do so they enforce not foreign laws, but rights acquired under foreign laws.").

²⁰⁶ Carswell 1959 p. 278 ("The State which has jurisdiction is the one which has the power to create legal rights, and these rights will be enforced in the courts of other States. It is a basic assumption of the vested rights theory that there is only one law applicable to each case, to be discovered by deduction from the governing principle."); Beale 1916 § 73 p. 107 ("A right having been created by the appropriate law, the recognition of its existence should follow everywhere. Thus an act valid where done cannot be called into question anywhere.") (internal citations omitted); Dicey 1891 p. 119-120 (stating that England will not recognise foreign acquired rights if the foreign sovereign has exceeded its prescriptive and adjudicative jurisdiction and that "a sovereign's authority to legislate for his own territory, and (with certain qualifications) for his own subjects, is undisputed").

²⁰⁷ Beale 1916 § 157 p. 183 ("Since an absolute right, as has been seen, is a mere creature of the law, and has to do with permitting or forbidding acts, it must be created by the law within whose jurisdiction the acts are to be done. What acts are forbidden, so that their commission constitutes a tort, and what use of property is permitted, are questions which concern only the

localised where “the last event necessary to make an actor liable for an alleged tort takes place”, reflecting the prescriptive jurisdiction of that state to determine the legal effect of torts arising within its territory.²⁰⁸ If the wrong took place in a state different from the state of the actor's conduct, the law of the state of the actor's conduct determined the liability-creating character of the conduct, reflecting the prescriptive jurisdiction of that state to determine the legal effect of acts done within its territory.²⁰⁹ Beale and Dicey were critical of Story's comity doctrine however on the ground that in their view, states did not recognise foreign rights in order “to show courtesy to other States” but because it was necessary to achieve just results for the litigants.²¹⁰ In reality, states shared an interest in recognising private rights in order to facilitate international trade and commerce.²¹¹

sovereign within whose dominion the acts are proposed. What is a tort, what use of property is a nuisance, what acts of discipline a father may commit, what civil rights a person may exercise, are all determined by the law of the place where the alleged rights are to be exercised.”); Ibid § 162 p. 186 (“The right to damages, however, since it is based on the destruction of a right, which must have been the result of an act, concerns the sovereign within whose dominion the act was done; that is, the law of the place of the wrong, whether tort or breach of contract, creates the right to redress.”). See also *Slater v Mexican National R. Co.*, 194 U.S. 120, 126 (1904) (“But when such a liability is enforced in a jurisdiction foreign to the place of the wrongful act, obviously that does not mean that the act in any degree is subject to the *lex fori* with regard to either its quality or its consequences. On the other hand, it equally little means that the law of the place of the act is operative outside its own territory. The theory of the foreign suit is that, although the act complained of was subject to no law having force in the forum, it gave rise to an obligation, an obligation, which, like other obligations, follows the person, and may be enforced wherever the person may be found. [citations omitted]. But as the only source of this obligation is the law of the place of the act, it follows that that law determines not merely the existence of the obligation, [citations omitted], but equally determines its extent.”).

²⁰⁸ Restatement (First) of Conflict of Laws § 377 (defining the place of wrong as the state in which “the last event necessary to make an actor liable for an alleged tort takes place.”); Ibid § 377 cmt. a (“Each state has legislative jurisdiction to determine the legal effect of acts done or events caused within its territory.”); *Alabama Great Southern Rail Road Co. v Carroll*, 11 So. 803, 807 (Supreme Court of Alabama 1892) (stating that plaintiff's right to recover could only be determined by the law of the state in which “the fact which is relied on to justify a recovery transpired”).

²⁰⁹ See Restatement (First) of Conflict of Laws §380(2) (requiring statutes and judicial decisions from “the place of the actor's conduct” to control the standards of care identified by the law of the place of wrong); Ibid §382(2) (“A person who acts pursuant to a privilege conferred by the law of the place of acting will not be held liable for the results of his act in another state.”). See also Rheinstein 1944:1 p. 199 (observing that the case *Alabama Great Southern Rail Road Co. v Carroll*, which is relied on to support the last event doctrine, did not concern the tortious character of the act in question).

²¹⁰ Dicey 1890 p. 10 (“The application of foreign law is not a matter of caprice or option. it does not arise from the desire of the English, or of any other sovereign to show courtesy to other States. It flows from the impossibility of otherwise determining whole classes of cases without gross inconvenience and injustice to litigants, whether natives or foreigners.”); Beale

As vested and acquired rights were concerned with the recognition of private rights, questions concerned with the interests of the state (public law) were excluded.²¹² Foreign public law was not given extraterritorial effect. Initially, the public law exclusion included even tort law because it was viewed conceptually similar to penal law (i.e. strictly territorial), since it regulated conduct (even though it also created private rights).²¹³ While this view was eventually abandoned in both the U.S. and the UK, remnants of this public law thinking long remained, not least in the UK, where under the double actionability rule, a right created under foreign tort law would be enforced only if the alleged wrong would have been actionable as a tort if committed in England.²¹⁴ While foreign public law would not be applied or enforced, acts of a foreign state done within its own territory would not be questioned or invalidated, and would be recognised as valid when they were implicated in private law disputes (act of state doctrine).²¹⁵

1916 § 71 p. 102-03 & § 73 p. 105 (stating that vested rights is motivated by a desire to achieve a just result).

²¹¹ See Horwitz 1981-1982 p. 1425-26 (discussing how the classification of law into public and private spheres fuelled economic liberalism by carving out a scientific, private realm of law protected from politics and encroachment by public power).

²¹² Beale 1916 § 5 p. 7; Ibid. § 101 p. 115; Restatement (First) of Conflict of Laws (1934) § 610 (“No action can be maintained on a right created by the law of a foreign state as a method of furthering its own governmental interests.”); Ibid. § 611 (“No action can be maintained to recover a penalty the right to which is given by the law of another state.”).

²¹³ Case summary, 11 Harv. L. Rev. 476 (1898) (stating that U.S. state courts regularly declined to apply the tort statutes of other U.S. states on the basis that they would not enforce foreign penal laws); *Richardson v New York Central Railroad Co.*, 98 Mass 85 (1867) (Massachusetts court refuses to apply New York wrongful death statute that created private right for damages because it was conceptually like a penal statute); *The Liverpool, Brazil, and River Plate Steam Navigation Company, Limited v Henry Benham and Others (The “Halley”)*, (1867-69) L.R. 2 P.C. 193 (Judicial Committee) (observing that the court is not called upon to recognise private rights but to apply foreign tort law, which it refused to do); Strömholm 1961 p. 30 (discussing the English author Baty who approved the *lex fori* rule for torts due to the similarity between penal law and torts); Lowe & Staker 2010 p. 335 (stating that public law includes laws that are “quintessentially manifestations of the State’s sovereign power, rather than laws that lay down the ground rules for the creation of rights and duties between individuals” and tort law is sometimes classified as public because it is how the state prescribes rules of conduct for society).

²¹⁴ *Phillips v Eyre*, (1879), Queen’s Bench, LR 6 QB 1; *Boys v Chaplin*, UK House of Lords, [1971] AC 356; *Red Sea Insurance Co. Ltd. v Bouygues SA*, Privy council, [1995] 1 AC 190. See also Carter 1995. Part III of the Private International Law (Miscellaneous Provisions) Act 1995 abolishes the double actionability rule for most torts (not defamation). Fawcett & Carruthers 2008 p. 766-768.

²¹⁵ See *Underhill v Hernandez*, 168 U.S. 250 (1897) (“one country will not sit in judgment on the acts of the government of another, done within its own territory.”); Burley 1992 p. 1928-29 (“The earliest act of state cases, first in Britain and then in the United States, all involved challenges to specific acts of foreign sovereigns or their agents and reflect a gradual merging of the concepts of sovereign immunity and absolute territorial sovereignty.”); Staker 1988 p.

The Dutch school did not have any great influence on the rest of the European continent where the statist doctrine endured up to the middle of the 19th century.²¹⁶ Story's contemporary on the European continent was the German scholar, Friedrich Carl von Savigny. Savigny is generally credited with having the greatest influence on the development of private international law in Europe.²¹⁷ He published his work in 1849 entitled "A Treatise on the Conflict of Laws and Their Limits on the Operation in Respect of Place and Time."²¹⁸ For Savigny, private international law had little to do with the mutual respect between sovereigns but instead with the common interest of nations and of individual in achieving predictability and decisional harmony in private law matters.²¹⁹ Savigny believed that a universal customary law

238-39 ("the original [act of state] doctrine was therefore an integral part of the law of sovereign immunity"); Zander 1959 p. 828-836 (discussing the relationship between the act of state doctrine and the doctrine of sovereign immunity). The act of state doctrine is primarily an Anglo-American doctrine, although similar results are achieved by civil law states through the application of the normal choice of law rules such as *lex situs* or *lex loci delicti*. Civil law states will not apply foreign law however if it conflicts with the forum state's *ordre public*. See generally Garnett 2005:2 p. 714-722; Burley 1992; Staker 1988; Mann 1971 p. 145-156; Zander 1959. Initially, there was some suggestion that the act of state doctrine was required under international law, although this view is no longer maintained. Compare *Oetjen v Central Leather Co*, 246 U.S. 297 (1918); ("every sovereign state is bound to respect the independence of every other sovereign state."); *Ricaud v American Metal Co*, 246 U.S. 304 (1918) ("the conduct of one independent government cannot be successfully questioned in the courts of another . . . for it rests at last upon the highest considerations of international comity and expediency. To permit the validity of the acts of one sovereign state to be reexamined and perhaps condemned by the courts of another would very certainly 'imperil the amicable relations between governments and vex the peace of nations.'") with *Banco Nacional de Cuba v Sabbatino*, 376 U.S. 398 (1964) ("We do not believe that this doctrine is compelled either by the inherent nature of sovereign authority, as some of the earlier decisions seem to imply, [citations omitted], or by some principle of international law."). The doctrine is not generally applied to foreign acts having a commercial character, see e.g. *Alfred Dunhill v Cuba*, 425 U.S. 682, 695 (1976) (plurality opinion of White, J.) (adopting commercial activity exception) or acts in breach of international law, see e.g. *Kuwait Airways Corporation v Iraqi Airways Co.*, UK House of Lords, [2002] UKHL 19, 2002 A.C. 883 (Lord Nicholls) para. 29; *Ibid.* (Lord Steyn) para. 113; *Habib v Commonwealth of Australia*, Federal Court of Australia, 2010 FCAFC 15 (25 Feb 2010) (Justice Black and Jagot J) (finding international law exception), and 22 U.S.C. § 2370(e)(2) (codifying the *Sabbatino* Amendment in the U.S. that makes an exception to the act of state doctrine for certain breaches of international law). Dodge maintains that there is no viable explanation for the act of state doctrine exception to the general rule on non-enforcement and recognition of foreign public law. Dodge 2002 p. 180-183.

²¹⁶ Lipstein 1981 p. 17.

²¹⁷ Michaels 2005; Kegel 1989; Lipstein 1981 p. 20-23; Yntema 1953 p. 309-311; Nadelmann 1971.

²¹⁸ Savigny, Guthrie trans. 1880.

²¹⁹ Michaels 2008:1 p. 127 (stating that for Savigny, private international law had "little to do with the mutual respect between sovereigns"); Kegel 1989 p. 59 (stating that Savigny left the

(“international common law of nations”) would emerge which would assign a “seat” to every specific legal relation.²²⁰ The novelty in Savigny’s method was that he began from a different perspective than that of the statisticians. Instead of focusing on a statute and attempting to ascertain its spatial reach, he focused on a legal relationship and attempted to locate its proper seat in a particular state. Savigny’s system is territorial in that his doctrine is based on the idea of localising legal relationships in different states’ territories.²²¹ Only, in Savigny’s view, localisation did not follow from prescriptive limitations on the power of the state but from a universal (private) customary law.²²²

For Savigny, public law was outside the scope of private international law.²²³ As public law was political, one state’s public law would not be applied by

public law context from which comity is derived); Lorenzen 1934-45 p. 31 (stating that according to Savigny, private international law is not a question of the limits of the power of a given legislator). Savigny, who was well acquainted with the works of Huber and Story, began his work by acknowledging the truth of Huber and Story’s propositions on territorial sovereignty. Savigny observed that if the right of sovereignty was taken to its logical conclusion, it might lead first, to a complete denial of the legal protection of foreigners, and second, to the uniform application of the law of the forum. However, Savigny noted that this was not the case in practice. Savigny explained: “The more multifarious and active the intercourse between different nations, the more will men be persuaded that it is not expedient to adhere to such a stringent rule [of independent sovereignty], but rather to substitute for it the opposite principle. This has resulted from that reciprocity in dealing with cases which is so desirable, and the consequent equality in judging between natives and foreigners, which, on the whole, is dictated by the common interest of nations and of individuals. For it is the necessary consequence of this equality, in its full development, not only that in each particular state the foreigner is not postponed to the native (in which equality in the treatment of persons consists), but also that, in cases of conflict of laws, the same legal relations (cases) have to expect the same decision, whether the judgment be pronounced in this state or in that.” Savigny, Guthrie trans. 1880§ 348 p. 69-70. Savigny rejects the comity doctrine: “Only this sufferance must not be regarded as a result of mere generosity or arbitrary goodwill, which would imply that it was uncertain and temporary.” Savigny, Guthrie trans. 1880 § 348 p. 70-71.

²²⁰ Savigny 1848 §348 p. 70 (“To ascertain for every legal relation (case) that law to which, in its proper nature, it belongs or is subject.”).

²²¹ Michaels 2005 p. 16-18 (stating that Savigny enhances the territorial aspect of private international law); Yntema 1953 p. 311 (stating that Savigny’s method of localising legal relationships such as obligations in one state or another can be explained only by Savigny’s express acceptance of the principle of territorial sovereignty); Lehmann 2008 p. 399 (stating that Savigny accepted the principle of territorial sovereignty by basing his theory on an international common law of nations).

²²² Michaels 2005 p. 18 (stating that the law’s territoriality does not come from the sovereign’s limited power but from the territoriality of the people as the source of private law).

²²³ Haferkamp 2005 p. 670-671 (stating that for Savigny private law did not have any connection to public law or the state); Michaels 2005 p. 10-12 (stating that Savigny viewed public law as political and private law as apolitical).

other states.²²⁴ In addition, Savigny recognised two exceptions from the normal scope of private international law for “laws of a strictly positive and imperative nature”, which reflected political, economic, or moral considerations, and “legal institutions of a foreign state, of which the existence is not recognised in ours, and which, therefore, have no claim to protection of our courts.”²²⁵ With respect to these laws, territorial sovereignty reigned; the judge was to apply domestic law and leave the foreign law unapplied. These exceptions encompass what today is referred to as international mandatory law and the public policy exception.²²⁶ Savigny’s conception of mandatory law was broad and included torts.²²⁷ Eventually, the view that the domestic tort law was mandatory law gave way to the choice of law rule *lex loci delicti*, although even here some European states were reluctant to give foreign tort law its full effect.²²⁸

Other European scholars taking an internationalist view of private international law attempted to construct a system of private international law from the basic principles of public international law on nationality and territoriality.²²⁹ The Italian statesman and lawyer, Pasquale Mancini, recognised the absolute right of a state to apply its own law with respect to matters concern-

²²⁴ See Badedow 2013 p. 462 (“Public law authorities are established for the good of their own country, and their mission is not to serve the public interests of other states.”); Bogdan 2014 p. 74-78 (discussing the principle of isolation whereby Swedish courts refuse to enforce foreign public law because Sweden has no interest in serving the interests of foreign states); Kegel & Seidl-Hohenveldern 1981-82 p. 252 (stating that the welfare of one state “precludes it from promoting the welfare of a foreign state by applying the state’s public law.”).

²²⁵ Savigny, Guthrie trans. 1880 § 349 p. 77.

²²⁶ Michaels 2005 p. 16; Hellner 2000 p. 52-53; Yntema 1953 p. 311.

²²⁷ Savigny, Guthrie trans. 1880 § 374 p. 253 (“This exception [for laws of a strictly positive and imperative nature] is further to be applied to the obligations arising from delicts, and that universally, since the laws relating to delicts are always to be reckoned among the coercitive, strictly positive statutes. In them, therefore, we must always have regard to the law of the place of the action, not to that under which the delict was committed.”). See also Strömholm 1961 p. 28, 80-82 (stating that in the earlier part of the 20th century, French tort law was considered mandatory law and for reasons of public policy was applied to all tortious acts, even those committed outside France).

²²⁸ See Lorenzen 1931 p. 499 (explaining how German subjects were protected by a special provision whereby no greater claims could be asserted against them than those constituted by German law).

²²⁹ See Lipstein 1981 p. 29; Kahn-Freund 1976 p. 20-25; Nussbaum 1943 p. 20-26. See e.g. Pillet 1919 p. 643 (“Laws, whether they affect persons or property, are always the expression of the sovereignty of the legislator; they have no inherent characteristics; they are neither personal nor real; they are what the authority of a legislator can make. The science of the Conflict of Laws in the realm of private law is the science of the limitation of authority of each legislator by the authority of other legislators.”).

ing public policy, sovereignty, and rights in real estate.²³⁰ For matters of private law however he advocated the nationality principle. In his famous 1851 lecture on "Nationality as Basis for the Law of Nations" at the University of Turin, Mancini maintained that private law was personal, i.e. intended only for citizens and not for all persons present within a territory. In his view, an individual had a right to have his national law applied to him in private law matters even on foreign territory. The internationalist theories differed from the vested rights and acquired rights theories however in that they believed the application of foreign law was an international duty, and not a courtesy or otherwise within the discretion of the state.²³¹

The continental jurists were less concerned with adjudicative jurisdiction.²³² They accepted the Roman law rules that a defendant could be sued in the place of his allegiance or in his place of domicile.²³³ In addition, rules on special jurisdiction, namely *forum rei sitae*, *forum contractus*, and *forum delicti*, which were unknown under early Roman law, were later introduced.²³⁴ These rules on special jurisdiction, including the *forum rei sitae*, were not exclusive.²³⁵

The territoriality principle lost its dominance as a principle of private international law in the 20th century. Citing the PCIJ's Lotus decision, the Ameri-

²³⁰ Michaels 2008:2 p. 1614 (stating that for Mancini, territoriality was limited to those areas of law that implicated public policy); Michaels 2005 p. 9, 13; Juenger 1984 p. 454-456; Lipstein 1981 p. 228-29; Kahn-Freund 1976 p. 129; Nadelmann 1969.

²³¹ Nussbaum 1942 p. 198-199. See e.g. von Bar, Gillespie trans. 1882 § 32 p. 77 ("To pay regard to foreign rules of law to a certain extent is the legal duty of every State, and is not a matter of mere caprice and goodwill . . .").

²³² Michaels 2006 p. 1052 (maintaining that European law has focused more on choice of law than on jurisdiction); Lorenzen 1918-1919 p. 390 (stating that continental Europe has never taken the view adopted in the Anglo-American states that a personal action may be brought in any country in which the defendant is served with process). Indeed, Savigny's goal for private international law was decisional harmony whereby it would not matter where the dispute was adjudicated because the result would be the same. Savigny was cognizant of the fact that it was important to develop uniform rules on applicable law, since several states might exercise adjudicative jurisdiction over the same dispute.

²³³ Lorenzen 1918-1919 p. 390 (stating that continental Europe followed in the footsteps of Roman law). Savigny excludes allegiance for domicile but this was not uniformly accepted in Europe. See Savigny, Guthrie trans. 1880 § 358-359.

²³⁴ See Savigny, Guthrie trans. 1880 § 366 p. 174-175 ("In the older Roman law, indeed, the *forum rei sitae* was quite unknown; but it was early introduced in the *rei vindicatio*, and was afterwards extended to other actions *in rem*."); § 371 p. 217 ("The special jurisdiction founded by a delict is unknown to the earlier Roman law, and first arose under the empire.").

²³⁵ See Savigny, Guthrie trans. 1880 § 366 p. 175 (stating that *forum rei sitae* was not "the exclusive forum, but the plaintiff has an election between the (special) *forum rei sitae* and the (general) *forum domicilii*"); § 371 p. 218 (stating that *forum delicti* was not the exclusive forum, but the plaintiff has an election between the (special) forum and the (general) *forum domicilii*).

can realist movement maintained that empirical evidence was lacking to show that prescriptive and adjudicative jurisdiction was territorially limited under public international law, and maintained that a state could apply forum law to all disputes without violating international law.²³⁶ In addition, they illustrated that the application of a particular law could not be logically deduced from the principle of territorial sovereignty.²³⁷ Using empirical methods, they demonstrated that in practice courts were in fact applying forum law to person, things, and events in other states. Moreover, they demonstrated that the principle of territoriality did not give any clear answers when the operative facts occurred in or affected more than one state, and that the decision to assign a role to the place where the physical act is committed or the place where the effects arise is determined pursuant to a policy decision of the forum state and not pursuant to some external authority that allocates jurisdiction.²³⁸ The influence of the legal realist movement was also felt on the rules of adjudicative jurisdiction as illustrated in the Supreme Court's ground-breaking decision in *International Shoe v Washington*.²³⁹

The American realist movement also challenged the separation of public and private law.²⁴⁰ Legal realists, like Brainerd Currie, view all law as a tool of state policy.²⁴¹ Under his interest analysis approach, a court was to examine the substantive law at issue to determine whether the forum state or another

²³⁶ Cook 1923-24 p. 484-485. It should be noted that the American legal realists acknowledged that public international law could in theory impose limitations on national private international law rules, but that there was no empirical evidence that it did. Lorenzen 1920 p. 270 ("While the existence of external restraint cannot, therefore, be denied altogether, the fact remains nevertheless that up to the present time, barring treaty provisions and such general principles of international law as there may be which debar the local sovereign from adopting rules of conflict drastically oppressive, the national legislator or the courts of a state can adopt any rules of the conflict of laws whatever.").

²³⁷ Cook 1931; Cook 1923-24; Lorenzen 1923-24; Lorenzen 1920-21; Lorenzen 1920; Cook 1918. See also Yntema 1953 p. 315-317 (criticising Cook for presenting truisms but no solutions).

²³⁸ Lorenzen 1920 p. 254-255, 274 (stating that there is no logical necessity of the application of foreign law from the principle of territoriality but foreign law may be chosen as a matter of expediency or policy); Cook 1923-24 p. 480; Lorenzen 1923-24 p. 742.

²³⁹ Rutherglen 2001 p. 358 (describing how *International Shoe* was influenced by American legal realism and their critique of the strict territorial theories of Beale and the First Restatement).

²⁴⁰ See e.g. Cohen 1954-1955 (discussing the private and public aspects of property law). See also Dodge 2008 p. 371; Paul 1988 p. 153 (stating that Cook challenged the separation of public and private law while reinforcing the separation between private international law and public international law).

²⁴¹ See generally Currie 1963. Currie's views were not well received by European scholars. See e.g. Kegel 1979 p. 623 (stating that in practice, Currie's governmental interest analysis meant that the territorial connections gave way to connections based on domicile of the parties because of the interests of the forum in protecting its own residents. Bogdan 2011 p. 54 (stating that Currie's approach often led to the application of forum law)).

state had an interest in the application of its own law.²⁴² If only one state had an interest in the application of its law, this was a false conflict and the interested state's law would apply.²⁴³ If both states had an interest in the application of their respective laws (true conflict) or if neither state did (disinterested states), forum law applied.²⁴⁴ The interest analysis method differed from the vested rights doctrine because it did not claim to be apolitical and scientific but openly considered state interests. Unlike the multilateral method of the vested rights doctrine, the interest analysis method employed a unilateral method in that the starting point was the spatial reach of statutes as opposed to the seat of the legal relationship.²⁴⁵

Other modern U.S. conflict theories also reject the strict territorial rules in favour of looking at the relevant policies underlying the laws. Unlike Currie however other modern U.S. conflict theories attempt to fashion multilateral rules that resolve true conflicts without automatically applying forum law.²⁴⁶ Commentators who were critical of the First Restatement's "jurisdiction selecting rules" sought to design choice of law principles that would obtain the best substantive outcome in the individual case (material justice).²⁴⁷ The Restatement (Second) on the Conflict of Laws attempts to find the law that has the most significant relationship with the issue for which a choice of law must be made, taking into consideration numerous factors that include consideration of state interests, party interests, and the interest of the inter-state or international system.²⁴⁸

²⁴² See e.g. Currie 1963 p. 117 (discussing the interest of two states in the application of their laws). See also Buxbaum 2009 p. 650 ("By focusing on the strength and applicability of the governmental interest underlying the private law in question, it reduces the importance of territorial linkages."); Lowenfeld 1979 p. 335 (calling Currie and his followers governmental interests in private law more imaginary than real in contrast to the real state interest in anti-trust and securities laws).

²⁴³ See e.g. Currie 1963 p. 107-116.

²⁴⁴ See e.g. Currie 1963 p. 117-121.

²⁴⁵ See e.g. Currie 1963 p. 116.

²⁴⁶ Dodge 1998:2 p. 119.

²⁴⁷ Cavers 1970 p. 103 (Cavers described the First Restatement's method as "jurisdiction selecting" because this method chooses the applicable jurisdiction without taking into consideration the applicable substantive law); Leflar 1966; Cavers 1933.

²⁴⁸ Restatement (Second) Conflicts of Law § 6(2) ("(a) the needs of the interstate and international systems, (b) the relevant policies of the forum, (c) the relevant policies of other interested states and the relative interests of those states in the determination of the particular issue, (d) the protection of justified expectations, (e) the basic policies underlying the particular field of law, (f) certainty, predictability and uniformity of result, and (g) ease in the determination and application of the law to be applied."); Peterson 1998 p. 204 ("The objective under the Second Restatement is to determine which state has the "most significant relationship" to the issue for which a choice of law must be made.").

A parallel development has been exhibited in the interpretation of the territorial scope of federal statutes.²⁴⁹ Federal statutes are passed by Congress based on their enumerated powers in the U.S. Constitution such as the Commerce clause granting the power to regulate inter-state and U.S-foreign commerce.²⁵⁰ Federal statutes are generally more of a public law nature even though they can create private rights.²⁵¹ Federal statutes generally follow a unilateral choice of law method which involves an interpretation of the spatial (personal and territorial) scope of the substantive federal statute.²⁵² Instead of choice of law rules, the federal courts usually employ canons of statutory construction about legislative intent in interpreting the scope of a federal statute.²⁵³

During the 19th century, the Supreme Court applied a territorial approach and declined to apply federal (antitrust) law to conduct taking place abroad.²⁵⁴ Finding the statute on its face unclear as to its territorial reach, the Court construed the statute to be “confined in its operation and effect to the territorial limits over which the lawmaker has general and legitimate power.”²⁵⁵ The Court’s reasoning was influenced by the vested rights doctrine, which was based on implicit international law limitations on prescriptive jurisdic-

²⁴⁹ Dodge 1998:2 p. 121-143.

²⁵⁰ Article 1, sec. 8 U.S. Constitution.

²⁵¹ Bermann 1986 p. 159 (stating that public law is heavily federal).

²⁵² See Born 2011 p. 645.

²⁵³ Dodge 2009 p. 378-387 (describing the use of “external” choice of law rules to determine the application of (private) U.S. state law and the “internal” method used in relation to federal (regulatory) law that is found inside the substantive law itself). The Restatements of Foreign Relations Law deals with conflicts between federal and foreign law whereas the Restatements on the Conflict of Laws deal with U.S. inter-state conflicts or conflicts between U.S. state law and foreign law. The source of the U.S. law (either federal or state) determines which set of Restatements is relevant. Brilmayer 1987 p. 12-13. The Restatement (Third) of Foreign Relations Law claims to concentrate on public law. See Restatement (Third) of Foreign Relations Law, Introductory note (“In a number of contexts the question of jurisdiction to prescribe resembles questions traditionally explored under the heading of conflict of laws or private international law. This chapter, however, concentrates on so-called public law—tax, antitrust, securities regulation, labor law, and similar legislation. The issues addressed may arise in private litigation, but the rules stated in this chapter do not necessarily apply to controversies unrelated to public law issues.”). Brilmayer observes however that this is not wholly correct because some typically private law cases, such as *Lauritzen v Larsen*, 345 U.S. 571 (1953), which deals with a federal cause of action for a common law tort, fall under the Restatement of Foreign Relations Law. See Brilmayer 1987 p. 12. Classical private law such as contracts and torts are primarily a matter of state common law. See McConnaughay 1999 p. 301-302 (“A primary characteristic of public law is the effectuation of the public interest. While private law can also have a public dimension, there is a difference in degree.”).

²⁵⁴ *Am. Banana Co. v United Fruit Co.*, 213 U.S. 347, 356 (1909) (“the general and almost universal rule is that the character of an act as lawful or unlawful must be determined wholly by the law of the country where the act is done.”).

²⁵⁵ *Am. Banana Co. v United Fruit Co.*, 213 U.S. 347, 356 (1909).

tion.²⁵⁶ The Court observed that an extraterritorial application of U.S. law to foreign conduct might interfere with the sovereignty of another state.²⁵⁷

In the ground-breaking *Alcoa* decision, however, the Second Circuit held that the federal antitrust statute applied to a foreign company that had acted outside the U.S. to restrict competition in the U.S. because the defendant intended and did in fact cause harmful effects in the U.S.²⁵⁸ The court framed the issue in a unilateral way, asking simply whether the federal law applied without taking into consideration whether foreign law also claimed applicability to the dispute.²⁵⁹ While the court purported to construe federal law in light of international law limitations,²⁶⁰ its construed legislative intent was based on the conflict of laws reasoning developed by the legal realists.²⁶¹ In the wake of this decision, the courts began to apply U.S. federal law without any requirement of intent and even when the domestic effects seemed insub-

²⁵⁶ See Dodge 1998:2 p. 104; Kramer 1991:2 p. 186 (maintaining that the court applied a pure conflicts analysis).

²⁵⁷ *Am. Banana Co. v United Fruit Co.*, 213 U.S. 347, 356 (1909) (“For another jurisdiction, if it should happen to lay hold of the actor, to treat him according to its own notions rather than those of the place where he did the acts, not only would be unjust, but would be an interference with the authority of another sovereign, contrary to the comity of nations, which the other state concerned justly might resent.”).

²⁵⁸ *United States v Aluminum Co. of America*, 148 F.2d 416, 443-444 (2nd Cir. 1945) (“it is settled law . . . that any state may impose liabilities, even upon persons not within its allegiance, for conduct outside its borders that has consequences within its borders which the state reprehends . . . Both agreements would clearly have been unlawful, had they been made within the United States; and it follows from what we have just said that both were unlawful, though made abroad, if they were intended to affect imports and did affect them.”). In the *Alcoa* case, the Second Circuit was sitting as the court of last resort because the Supreme Court was unable to muster a quorum. Lowenfeld 1986:2 p. 897. The Supreme Court’s iconic decision, *International Shoe v Washington*, 326 U.S. 310 (1945), which overcame the strict territorial limitations on adjudicative jurisdiction, was decided the same year.

²⁵⁹ *United States v Aluminum Co. of America*, 148 F.2d 416, 443 (2nd Cir. 1945) (“The answer does not depend upon whether we shall recognize as a source of liability a liability imposed by another state. On the contrary we are concerned only with whether Congress chose to attach liability to the conduct outside the United States of persons not in allegiance to it. That being so, the only question open is whether Congress intended to impose the liability, and whether our own Constitution permitted it to do so: as a court of the United States, we cannot look beyond our own law.”). See also Dodge 1998:2 p. 126 (stating that the conduct was permitted under the law of the foreign state where it occurred).

²⁶⁰ *United States v Aluminum Co. of America*, 148 F.2d 416, 443 (2nd Cir. 1945) (“Nevertheless, it is quite true that we are not to read general words, such as those in this Act, without regard to the limitations customarily observed by nations upon the exercise of their powers; limitations which generally correspond to those fixed by the ‘Conflict of Laws.’”).

²⁶¹ See Buxbaum 2009 p. 250 (stating that *Alcoa* briefly mentioned public international law but then turned for guidance to conflict-of-laws norms); Dodge 1998:2 p. 124 (stating that the *Alcoa* court treated the extraterritorial scope of the Sherman Act as a question of congressional intent and turned to conflicts principles for guidance).

stantial.²⁶² This led to clashes with other states whose interests were affected in the areas of antitrust law, securities law, and export control law.²⁶³

In an effort to avoid these conflicts, some courts attempted to balance the U.S. interests in the application of its law with that of other interested states.²⁶⁴ The courts relied on conflict of laws reasoning with reference to contacts, interests, and party expectations to interpret the spatial scope of the federal statutes.²⁶⁵ The Supreme Court employed this type of reasoning to determine the territorial scope of the federal Jones Act dealing with maritime torts.²⁶⁶ While the antitrust and securities laws may look more like public law statutes than the Jones Act (which creates a federal cause of action for a common law tort), a distinction between private law and public law is diffi-

²⁶² Parrish 2008 p. 19.

²⁶³ Born 1992 p. 32-33; Henkin et al. 1987 p. 822; Wallace 1983 p. 1106; Grundman 1980 p. 257; Akehurst 1972-73 p. 190-191 (noting that the cases which have given rise to controversy have almost all been brought by the U.S. government as opposed to a private individual). See e.g. *U.S. v Imperial Chemical Industries Ltd.*, 100 F.Supp. 504 (1951) & 105 F.Supp. 215 (1952); *British Nylon Spinners Ltd. v I.C.I. Ltd.*, [1952] 2 All E.R. 780 Court of Appeal & [1954] 3 All E.R. 88 Chancery Division; *Schoenbaum v Firstbrook*, 405 F.2d 200 (1968), *cert. denied*, 395 U.S. 906 (1968); *Fruehauf Corp. v Massardy*, Court of Appeal Paris, May 22, 1965, excerpt reprinted in Lowenfeld 1986:2 p. 954.

²⁶⁴ See e.g. *Mannington Mills, Inc. v Congoleum Corp.*, 595 F.2d 1287 (3rd Cir. 1979); *Timberlane Lumber Co. v Bank of America, N.T.*, 549 F.2d 597, 609 (9th Cir. 1976); *Gucci America, Inc. v Weixing Li*, 768 F.3d 122, 138-140 (2nd Cir. 2014) (remanding to district court to perform comity analysis pursuant to the factors in the §403 Restatement giving due regard to the Chinese versus the U.S. state interests).

²⁶⁵ See Ryngaert 2008 p. 16 (“especially in the United States, choice of law considerations are not entirely abandoned in the analysis [of the scope of public law], as courts may use the factors underlying choice of law analysis so as to determine the precise scope of U.S. law and the reasonableness of assertions of prescriptive jurisdiction”); Dodge 1998:2 p. 127-134 (discussing a parallel between the Restatement (Second) of Conflicts’ “most significant relationship approach” and the balancing approach used in relation to federal statutes); Lowenfeld 1996 p. 45 (“issues of jurisdiction to prescribe can and should be addressed by reference to contacts, interests, and expectations . . . rather than to the traditional vocabulary of public international law, focused on the over-used concept of sovereignty.”); Trautman 1961 (demonstrating how conflicts thinking has provided significant informing principles in the interpretation of regulatory legislation in the U.S.).

²⁶⁶ See Dodge 1998:2 p. 127 (stating that the Court applied a balancing approach to extraterritoriality in *Lauritzen v Larsen*); *Lauritzen v Larsen*, 345 U.S. 571 (1953) (“Maritime law, like our municipal law, has attempted to avoid or resolve conflicts between competing laws by ascertaining and valuing points of contact between the transaction and the states or governments whose competing laws are involved. The criteria, in general, appear to be arrived at from weighing of the significance of one or more connecting factors between the shipping transaction regulated and the national interest served by the assertion of authority.”); *Romero v International Terminal Operating Co.*, 358 U.S. 354 (1959).

cult to maintain when claims may be brought by private parties for damages arising from the violation of the U.S. regulatory laws.²⁶⁷

This balancing method is reflected in The Restatement (Third) of Foreign Relations Law. The Restatement recognises the classical bases for jurisdiction, i.e. territoriality and nationality,²⁶⁸ although it defines territoriality broadly to encompass both conduct and effects that take place within a state.²⁶⁹ However, even if jurisdiction exists *ab initio*, the Restatement informs that a state may not exercise prescriptive jurisdiction if it would be unreasonable after evaluating all relevant factors such as the interests of other states.²⁷⁰ The Restatement places more focus on the strength and applicability of the governmental interest underlying the law in question than the territorial connections.²⁷¹ The Restatement (Third) of Foreign Relations informs that in the event of a true conflict, where it would not be unreasonable for each of two states to exercise jurisdiction, “a state should defer to the other state if that state's interest is clearly greater.”²⁷² The balancing method has been criticised by some courts and commentators on the ground that the U.S. interests in its regulatory laws are of a different order than the interests

²⁶⁷ See Buxbaum 2009 p. 662 (“This orientation has colored the U.S. view on the reach of domestic competition law, as it decouples the inquiry regarding that law’s scope from the issue of the state’s enforcement power. While the courts are of course aware of the public regulatory goals underpinning private antitrust litigation, they do not in such cases directly confront acts by state agencies themselves, and tend to focus instead on the ordinary remedial interests at stake. The fact that private civil litigation often provides the procedural context for considering prescriptive jurisdiction reinforces the turn toward domestic, private law models to analyze regulatory limits.”).

²⁶⁸ Restatement (Third) of Foreign Relations Law § 402(1-2).

²⁶⁹ Restatement (Third) of Foreign Relations Law § 402(1)(c) (stating that “a state has jurisdiction to prescribe law with respect to “conduct outside its territory that has or is intended to have substantial effect within its territory;”); Ibid cmt. d (“Jurisdiction with respect to activity outside the state, but having or intended to have substantial effect within the state's territory, is an aspect of jurisdiction based on territoriality, although it is sometimes viewed as a distinct category.”).

²⁷⁰ Restatement § 403(1). Reasonableness is determined by evaluating all relevant factors including the connections to the regulating state, other states’ conflicting interests, affected private interests, and the needs of the international political, legal, or economic system. Restatement § 403(2). See also *F.Hoffman-La Roche Ltd v Empagran S.A.*, 542 U.S. 155 (2004) (holding that the exercise of prescriptive jurisdiction by the U.S. would not be reasonable when both the harmful act and the harmful effects that form the basis of the claim took place abroad); *Hartford Fire Ins. Co. v California*, 509 U.S. 764 (1993) (Scalia dissenting) (“Considering these factors [in §403(2) Restatement], I think it unimaginable that an assertion of legislative jurisdiction by the United States would be considered reasonable, and therefore it is inappropriate to assume, in the absence of statutory indication to the contrary, that Congress has made such an assertion.”).

²⁷¹ Buxbaum 2009 p. 650.

²⁷² Restatement § 403(3).

underlying rules of private law, and therefore warrant a different conflicts approach.²⁷³

The heyday of balancing of interests with respect to federal statutory interpretation was short-lived. The presumption against the extraterritorial application of U.S. law reappeared and was applied to federal labour law, federal tort claims, and the Immigration and Nationality Act.²⁷⁴ In addition, in a decision by a close majority, the Supreme Court held that there was no true conflict between domestic and foreign law if a person subject to regulation by two states can comply with the laws of both.²⁷⁵ This suggests that if the U.S. law claims applicability, the law must be applied in accordance with its territorial claim without regard to the interests of other states.²⁷⁶ If the presumption against extraterritoriality has been overcome, as it has with respect to competition law, and an assertion of prescriptive jurisdiction meets the Alcoa “intended effects” test, the U.S. law must be applied.²⁷⁷ Of course,

²⁷³ See Weintraub 1992 p. 1818-1819 (“The sovereign’s interest in enforcing its regulatory rules is of a different order than the ‘interest,’ meaning the social policy, underlying the rules of torts and contracts.”); Juenger 1987 p. 41-42 (“The problems presented by such enactments as antitrust and securities legislation are quite different from run-of-the-mill conflicts questions Furthermore, while governmental interests in domestic choice-of-law cases are tenuous, if not entirely lacking, no one questions the reality of foreign and domestic interests that are at loggerheads when, for instance, the United States proceeds against restrictive trade practices that are lawful in the defendant’s home country.”); Maier 1982 (“A government always has a direct interest in the outcome of a regulatory case, even when the governmental viewpoint is represented by a citizen-prosecutor seeking private recovery.”); *Laker Airways Ltd. v Sabena, Belgian World Airlines*, 731 F.2d 909 (D.C. Cir. 1984) (balancing “is unsuitable when courts are forced to choose between a domestic law which is designed to protect domestic interests, and a foreign law which is calculated to thwart the implementation of the domestic law in order to protect foreign interests allegedly threatened by the objectives of the domestic law.”). Commentators that advocate a different choice of law method for public law do not agree on the method. See Dodge 1998:2 p. 151-152 (advocating a unilateral approach to regulatory law where each state applies its own law when foreign conduct has domestic effects because this avoids underregulation and encourages international agreements on international solutions); McConnaughay 1999 p. 267-273 (advocating that domestic public law should be applied in accordance with its intent to apply regardless of the interests of other states or the parties); Parrish 2008 p. 39, 45 (arguing in favour of the territoriality principle for public law but distinguishing it from conflicts of law).

²⁷⁴ Dodge 1998:1 p. 87.

²⁷⁵ See *Hartford Fire Ins. Co. v California*, 509 U.S. 764, 798-799 (1993) (“Since the London reinsurers do not argue that British law requires them to act in some fashion prohibited by the law of the United States, . . . or claim that their compliance with the laws of both countries is otherwise impossible, we see no conflict with British law.”). But see Lowenfeld 2006 p. 1423-1425 (suggesting that the majority applied the §403 too narrowly).

²⁷⁶ Buxbaum 2009 p. 650-651 (stating that the result in *Hartford Fire* was to foreclose the consideration of competing foreign interests).

²⁷⁷ *Hartford Fire Ins. Co. v California*, 509 U.S. 764, 814 (1993); *RJR Nabisco, Inc. v European Community*, 136 S.Ct. 2090, 2101 (2016) (suggesting that if the RICO Act provisions apply extraterritorially, there ends the Court’s analysis and the provision must be applied as

clashes with foreign states are to some extent avoided up front by the presumption against extraterritoriality of federal statutes.²⁷⁸ In addition, a second canon of statutory construction holds that an act of Congress should not be construed in violation of international law if any other possible construction remains, which serves a similar function of avoiding international clashes.²⁷⁹ By interpreting a true conflict quite narrowly however the Supreme Court has avoided taking a position with respect to a possible deference to foreign law.²⁸⁰ These canons of construction have been justified on separation of powers grounds because the courts are in an inferior position compared with the political branches to determine difficult domestic and foreign policy questions.²⁸¹

Recent Supreme Court precedents reaffirm a more traditional analysis of the scope of U.S. federal law against the bright line norm of territoriality. In *RJR Nabisco, Inc. v European Community*, *Morrison v National Australia Bank Ltd.*, and *Kiobel v Royal Dutch Petroleum Co.*, the Court strongly reaffirmed its presumption against the extraterritorial application of federal law.²⁸² The

intended by Congress); *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 267 fn 9 (2010) (“If § 10(b) did apply abroad, we would not need to determine which transnational frauds it applied to; it would apply to all of them (barring some other limitation.)”); McCounaughay 1999 p. 293 (stating that the exercise of jurisdiction is then *per se* reasonable).

²⁷⁸ See *Kiobel v Royal Dutch Petroleum Co.*, 133 S.Ct. 1659, 1664 (2013) (observing that the presumption against extraterritoriality “serves to protect against unintended clashes between our laws and those of other nations which could result in international discord.”).

²⁷⁹ See *Murray v The Charming Betsy*, 6 U.S. (2 Cranch) 64 (1804); *F.Hoffman-La Roche Ltd v Empagran S.A.*, 542 U.S. 155, 164 (2004) (“This rule of statutory construction cautions courts to assume that legislators take account of the legitimate sovereign interests of other nations when they write American laws.”); *Hartford Fire Ins. Co. v California*, 509 U.S. 764, 814-815 (1993) (Scalia dissenting) (“But if the presumption against extraterritoriality has been overcome or is otherwise inapplicable, a second canon of statutory construction becomes relevant: “[A]n act of congress ought never to be construed to violate the law of nations if any other possible construction remains.”).

²⁸⁰ *Hartford Fire Ins. Co. v California*, 509 U.S. 764 (1993) (stating that it did not need to decide the question whether a court may decline to exercise Sherman Act jurisdiction over foreign conduct on international comity grounds as there was no true conflict). The EU and the U.S. have concluded agreements whereby each Party undertakes to take into account the important interests of the other Party when it takes measures to enforce its competition rules. See 1991 EU/US Competition Cooperation Agreement and 1998 EU/US Positive Comity Agreement. <http://ec.europa.eu/competition/international/bilateral/usa.html>.

²⁸¹ *Bookman* 2015 p. 1100-1101; *Bradley* 1997 p. 550-562. See *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 269 (2010) (stating that if Congress has intended an extraterritorial application it would have addressed the subject itself).

²⁸² *RJR Nabisco, Inc. v European Community*, 136 S.Ct. 2090, 2100 (2016) (“Absent clearly expressed congressional intent to the contrary, federal laws will be construed to have only domestic application.”); *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 255 (2010) (“It is a “longstanding principle of American law ‘that legislation of Congress, unless a con-

Court stated that the presumption would apply across the board to all federal statutes in the absence of a clear indication from Congress that a statute should be given an extraterritorial application.²⁸³ The Morrison case involved violations of the securities laws and the RJR Nabisco case involved violations of the Racketeer Influenced and Corrupt Organizations (RICO) Act, both of which have public law dimensions, whereas the Kiobel case involved a tort, which today has more of a private law dimension to compensate the victim rather than punish the tortfeasor. One commentator has suggested however that the character of the action, that is, whether it involves a rule traditionally associated with private law or with public law (even if the public law rule supplies a private right of action) may determine whether the traditional choice of law rules or the presumption against extraterritoriality applies.²⁸⁴ Interestingly, the RJR Nabisco Court made a different distinction

trary intent appears, is meant to apply only within the territorial jurisdiction of the United States.’ [citation omitted] This principle represents a canon of construction, or a presumption about a statute’s meaning, rather than a limit upon Congress’s power to legislate. [citation omitted] It rests on the perception that Congress ordinarily legislates with respect to domestic, not foreign matters. [citation omitted] Thus, ‘unless there is the affirmative intention of the Congress clearly expressed’ to give a statute extraterritorial effect, ‘we must presume it is primarily concerned with domestic conditions.’ [citation omitted] The canon or presumption applies regardless of whether there is a risk of conflict between the American statute and a foreign law [citation omitted]. When a statute gives no clear indication of an extraterritorial application, it has none.”); *Kiobel v Royal Dutch Petroleum Co.*, 133 S.Ct. 1659 (2013) (stating that “The presumption [against extraterritoriality] serves to protect against unintended clashes between our laws and those of other nations which could result in international discord.”) (internal quotations omitted). Four justices who concurred in the *Kiobel* judgment wrote separately to state that jurisdiction under the statute should be established if the defendant was a U.S. national or if an important U.S. national interest is substantially and adversely affected. See *Kiobel v Royal Dutch Petroleum Co.*, 133 S.Ct. 1659, 1669 (2013) (Breyer concurring).

²⁸³ *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 255, 261 (2010) (“Rather than guess anew in each case, we apply the presumption in all cases, preserving a stable background against which Congress can legislate with predictable effects.”) & (“When a statute gives no clear indication of an extraterritorial application, it has none.”). See also Parrish 2011 p. 400 (stating that the Court was careful to underscore that the presumption against extraterritoriality applied to all cases and not just federal security law); Colangelo 2014 p. 1341 (stating that the Court’s clear indication threshold in *Morrison* is a high one).

²⁸⁴ See Colangelo 2014 p. 1351-1352 (“If a suit principally involves a rule traditionally associated with private law, the extraterritoriality issue is analyzed using choice-of-law principles. If, on the other hand, the suit principally involves a rule traditionally associated with public law—even if the law currently supplies a private right of action—the extraterritoriality issue is analyzed using canons of construction like the presumption against extraterritoriality and the Charming Betsy canon geared directly toward reducing foreign relations frictions.”). Commentators have attempted to explain why the extraterritorial application of some laws are treated differently than the extraterritorial application of other laws. Meyer 2014 (maintaining that the difference lies in the source of the law as either statutory law, which is territorial, or common law, which is “geoambiguous”); Florey 2015 (distinguishing “big conflicts” such as those that raise international comity concerns from “little conflicts” such as garden style intra-

between private and public law. While it applied the presumption to both the private and public law provisions of the RICO Act, it applied it more strictly in relation to the private law remedy. The Court held that even though the substantive law provisions of the RICO Act, which are traditionally associated with public law, overcame the presumption and reached foreign conduct, the provision providing a private law remedy for the violation of those provisions did not. The reason for this was that allowing private plaintiff to bring these actions created a greater potential for international discord because there was no check imposed by prosecutorial discretion.²⁸⁵ Thus, the provision creating a private law remedy was only applicable if the plaintiff alleged and proved a domestic injury.

The Court's attempt to draw a bright line of territoriality leaves some questions unanswered. As Buxbaum rightly observes, the presumption that federal law applies only within the U.S. territory could mean that it applies to conduct occurring in the U.S., effects in the U.S. or both.²⁸⁶ In the past, the courts have employed all three possibilities.²⁸⁷ If neither the conduct nor the effects occur in U.S., the presumption against extraterritoriality would clear-

state tort claims). The First Circuit has applied the criminal antitrust statute using the same method as the private law enforcement claims. See *United States v Nippon Paper Industries Co., Ltd.*, 109 F.3d 1 (1st Cir. 1997) (declining to distinguish between criminal and civil enforcement of the antitrust law with regard to extraterritoriality); Buxbaum 2009 p. 662 (“Although the [Nippon Paper] court included a brief discussion of comity, it simply accepted the decision in *Hartford Fire Insurance* that such considerations were irrelevant. Thus, even in a case involving prosecutorial action by the U.S. government itself, for a crime no constituent element of which took place in the United States, the matter was framed as a question of domestic statutory intent.”).

²⁸⁵ *RJR Nabisco, Inc. v European Community*, 136 S.Ct. 2090, 2106-2107 (2016) (“providing a private civil remedy for foreign conduct creates a potential for international friction beyond that presented by merely applying U.S. substantive law to that foreign conduct.”).

²⁸⁶ Buxbaum 2011 p. 403.

²⁸⁷ *Dodge* 1998:1 p. 88-89; *Dodge* 2011 p. 688 (observing that Justices Scalia and Thomas have normally applied the presumption against extraterritoriality “rather mechanically based on the location of the conduct.”). See e.g. *Environmental Defense Fund, Inc. v Massey*, 986 F.2d 528, 531 (D.C. Cir. 1993) (“the presumption against extraterritoriality is not applicable when the conduct regulated by the government occurs within the United States. By definition, an extraterritorial application of a statute involves the regulation of conduct beyond U.S. borders. Even where the significant effects of the regulated conduct are felt outside U.S. borders, the statute itself does not present a problem of extraterritoriality, so long as the conduct which Congress seeks to regulate occurs largely within the United States.”); *Pakootas v Teck Cominco*, 452 F.3d 1066 (9th Cir. 2005) (finding that if the U.S. law seeks to remedy domestic harmful environmental effects, the federal law is not being applied extraterritorially even if the harmful conduct occurred outside the U.S.); *Zoelsch v Arthur Anderson & Co.*, 824 F.2d 27, 33 (D.C. Cir. 1987) (expressing doubt over whether Congress intended the U.S. securities law to apply to domestic conduct that causes loss only to foreign investors).

ly apply.²⁸⁸ In the *Kiobel* case, it was the tortious conduct that defined territoriality. The *Morrison* Court instructs however that the definition of territoriality should be gleaned from the “focus” of the statute.²⁸⁹ According to the Court, the “focus” of the federal security statute is the purchases and sales of securities listed on domestic exchanges and domestic transactions in other securities, and not the harmful (fraudulent) conduct.²⁹⁰ Some commentators submit that the Court in *Morrison* in fact adopted an effects test, albeit one narrowly drawn consistently with the objective territorial principle, which recharacterises the effect, that is, the sale on a domestic exchange as the offence itself.²⁹¹

If the claim falls outside the federal statute’s territorial scope, the corresponding foreign law is not generally applied.²⁹² One reason for this is that the question whether a claim falls within the federal statute’s spatial scope has traditionally been treated as a question of subject matter jurisdiction.²⁹³ If the claim fell outside the federal law’s territorial scope, the claim would be dismissed for lack of subject matter jurisdiction.²⁹⁴ In theory, an injured par-

²⁸⁸ See *F.Hoffman-La Roche Ltd v Empagran S.A.*, 542 U.S. 155 (2004) (holding that the exercise of prescriptive jurisdiction by the U.S. would not be reasonable when both the harmful act and the harmful effects that form the basis of the claim took place abroad).

²⁸⁹ *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 249 (2010) (interpreting its previous case law as looking to the “focus” of congressional concern in the relevant statute).

²⁹⁰ *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 267 (2010) (holding that “the focus of the Exchange Act is not upon the place where the deception originated”, but upon purchases and sales of securities on a U.S. exchange or in the U.S.).

²⁹¹ See Dodge 2011 p. (observing that *Morrison* defines territoriality with respect to the location of the effects); Buxbaum 2011 p. 403 (observing that the Court’s ruling implies that wherever in the world a fraud occurs, the U.S. statute applies if the fraud affects a transaction of securities on a U.S. exchange or in the U.S.); Colangelo 2014 p. 1341-1342 (concluding that if the focus transpires in the U.S., the application is territorial even if the conduct is abroad). But see Parrish 2011 p.400-401(maintaining that the fact that the Court concluded that the statute could not apply unless there was an effect in the U.S. does not mean that it is a sufficient condition for the statute to apply in the absence of an act in the U.S.). The *RJR Nabisco* court reiterated the “focus” test but seemed to emphasise the conduct, although it did not define conduct. See *RJR Nabisco, Inc. v European Community*, 136 S.Ct. 2090, 2101 (2016) (“at the second step we determine whether the case involves a domestic application of the statute, and we do this by looking to the statute’s “focus.” If the conduct relevant to the statute’s focus occurred in the United States, then the case involves a permissible domestic application even if other conduct occurred abroad; but if the conduct relevant to the focus occurred in a foreign country, then the case involves an impermissible extraterritorial application regardless of any other conduct that occurred in U.S. territory.”).

²⁹² Dodge 2008 p. 387-393; Maier 1982 p. 290.

²⁹³ See e.g. *Steele v Bulova Watch Co*, 344 U.S. 280 (1952) (holding that the federal courts had subject matter jurisdiction because the foreign infringing activities fell within the spatial scope of the federal Lanham Trademark Act).

²⁹⁴ The Supreme Court has more recently held however that the question whether a claim falls within the territorial scope of a federal statute is a question of substantive law. See *Morrison v*

ty could bring a claim based on foreign public law in federal court based on diversity jurisdiction, and state court jurisdiction is also a theoretical possibility.²⁹⁵ Still, U.S. courts remain reluctant to apply or enforce foreign public law, a practice that has given rise to the label of the “public law taboo.”²⁹⁶

National Australia Bank Ltd., 561 U.S. 247, 254 (2010) (“But to ask what conduct § 10(b) [of the Securities Act] reaches is to ask what conduct § 10(b) prohibits, which is a merits question. Subject-matter jurisdiction, by contrast, ‘refers to a tribunal’s ‘power to hear a case.’”); *Arbaugh v Y & H Corp.*, 546 U.S. 500 (2006) (noting that the federal case law often erroneously conflated subject matter jurisdiction requirements with the required elements of a claim for relief); *Lauritzen v Larsen*, 345 U.S. 571 (1953); *Hartford Fire Ins. Co. v California*, 509 U.S. 764 (1993) (Scalia dissenting) (distinguishing the question whether the court has subject matter jurisdiction from the question whether Sherman Act reaches extraterritorial conduct). This trend also is apparent in the field of IP law. See *Trader Joe’s Co. v Hallatt*, 2016 WL 4488009 (9th Cir. 2016) (“We hold that the extraterritorial reach of the Lanham Act is a merits question that does not implicate federal courts’ subject-matter jurisdiction, and that the district court erred as a matter of law when it decided otherwise.”); *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353, 1361 (Fed. Cir. 2008) (“there can be no question that Litecubes’ allegations, which state a claim under the patent laws, are sufficient to create general federal question jurisdiction.”); *Ibid.* 1368 (“There is no indication that Congress intended the extraterritorial limitations on the scope of the Copyright Act to limit the subject matter jurisdiction of the federal courts. Accordingly, we hold that the issue is properly treated as an element of the claim which must be proven before relief can be granted, not a question of subject matter jurisdiction”); *Luar Music Corp. v Universal Music Group, Inc.*, 861 F.Supp.2d 30, 39 fn 5 (D.Puerto Rico 2012) (“the Court will treat the extraterritorial limitation of the Copyright Act as a substantive element of a copyright infringement claim, rather than a jurisdictional requirement.”); *Shropshire v Canning*, 809 F.Supp.2d 1139, 1144 (N.D.Cal. 2011) (“the Court finds that Arbaugh requires extraterritoriality to be decided as an element of a claim for copyright infringement rather than an issue of subject matter jurisdiction.”); *Mertik Maxitrol GMBH & Co. KG v Honeywell Technologies Sarl*, 2011 WL 1454067 (E.D.Mich. 2011) (“Any inquiry regarding extraterritorial application of the [trademark] statute therefore requires a review of the claim’s merits.”); *Aerogroup Intern., Inc. v Marlboro Footworks, Ltd.*, 955 F.Supp. 220, 221 fn 1 (S.D.N.Y. 1997), *aff’d* 152 F.3d 948 (Fed. Cir. 1998) (“Although described both by the parties and by courts as an issue of subject matter jurisdiction, this issue is more appropriately viewed as whether plaintiff has stated a cause of action. There can be no dispute that this Court has subject matter jurisdiction over any and all claims brought under the Lanham Act. The issue, rather, is whether the conduct alleged gives rise to a cause of action under the Lanham Act.”).

²⁹⁵ *Buxbaum* 2012 p. 174-175 (stating that it is theoretically and doctrinally possible that U.S. courts in the future might consider applying foreign public (here securities) law to compensate victims of fraud); *Hellner* 2000 p. 214 (concluding that it would be possible for a U.S. court to hear a claim for damages based on foreign competition law). There are other non-legal reasons why foreign law is not applied in U.S. courts. See *Basedow* 2013 p. 464-465 (explaining that foreign antitrust law is less attractive to plaintiffs than U.S. law).

²⁹⁶ See *Lowenfeld* 1979 p. 322-326 (coining the term public law taboo); *Lowenfeld* 1996 p. 3-5; *Dodge* 2002 p. 208-219 (explaining that the justifications given today for the reluctance to apply foreign public law are that the forum has no interest in furthering foreign governmental interests, it might be offensive to the foreign state, and it is difficult to apply). See e.g. *Zoelsch v Arthur Anderson & Co.*, 824 F.2d 27, 32 (D.C. Cir. 1987) (“Courts have also been concerned to preserve American judicial resources for the adjudication of domestic disputes and the enforcement of domestic law.”); *Currie* 1959 p. 302 (concluding that states’ interest in

The distinction between public law and private law has remained intact in Europe to a greater extent.²⁹⁷ Each state's domestic public law follows a unilateral conflicts method whereby its scope of application is determined by the aim of the municipal statute, and each state applies its own public law (*lex fori*).²⁹⁸ Foreign public law is not enforced.²⁹⁹ Private international law reasoning does not inform the scope of the domestic public law.³⁰⁰ Public international law considerations such as territoriality and sovereignty play a greater role in limiting the scope of the public law regulations.³⁰¹ The EU has

promoting the efficiency of their court systems justifies declining jurisdiction over causes of action predicated on the law of a sister state).

²⁹⁷ Symeonides 2008:2 p. 1789 (stating that the public-private distinction continues to prevail in Europe); Michaels 2008:1 p. 123 (stating that the private public distinction is still apparent in German law); Gardella & Radicati di Brozolo 2003 p. 617 (“The dichotomy between private and public law is fundamental in continental systems.”); Bakardjieva Engelbrekt 2003 p. 116 -122 (describing the nuances of the private law/public law distinction in German and Swedish law). The public law/private law divide can lead to jurisdictional gaps and overlaps if the Member State draw the dividing line differently. See Bakardjieva Engelbrekt 2003 p. 506-520 (discussing the diverging classification of national fair trading law as public or private in Germany and Sweden, which led to diverging views about the implication of the country of origin rule on private international law in Directive 2000/31/EC). This question has now been resolved by the CJEU. See Joined cases C-509/09 and C-161/10, eDate Advertising and others (holding that the country of origin principle in the Directive 2000/31/EC was not a choice of law rule but instead meant that a provider of an electronic commerce service could not be made subject to stricter requirements than those provided for by the substantive law applicable in the Member State in which that service provider is established). See generally Hellner 2004 (discussing the implications of the country of origin principle in the E-Commerce Directive for private international law).

²⁹⁸ Basedow 2013 p. 462 (stating that the forum applies its own public law and does not take into account the law of other states); Bogdan 2014 p. 81-82 (stating that Swedish public law has its own unilateral conflict rules, which differ from those used in private international law).

²⁹⁹ Basedow 2001 p. 448-49 (stating that the territorial sovereignty of the state deprives foreign administrative acts of their effects outside their country of origin, and that each state applies its own law); Kegel & Seidl-Hohenveldern 1981-82 p. 252 (“[T]he welfare of a state, its individuality, generally precludes it from promoting the welfare of a foreign state by applying the state's public law.”); Bogdan 2014 p. 77 (stating that if the foreign state has enforced its public law, the result will be respected by the Swedish courts). A field of international administrative law was developed in Germany by Karl Neumeyer in the 1930s that drew on the private international law model. See Buxbaum 2009 p. 659. Neumeyer's approach never found general acceptance, and was criticised by Mann. See Mann 1976 p. 118.

³⁰⁰ Meessen 1984 p. 790 (“The perspective of conflict of laws lies within a state. It is directed to domestic interests, both public and private. Foreign interests are relevant only insofar as they form part of the state's foreign policy, for instance, if they reflect considerations of reciprocity.”); Kegel 1979 p. 631 (“Through its public law the State serves the welfare of its citizens” and “in public international law the State is primarily interested in application of its own law”).

³⁰¹ Ryngaert 2008 p. 18 (“In regulatory cases, European States may put a higher premium on sovereignty-informed considerations than on considerations informed by predictability for private economic actors, because public international law purportedly does not oblige States

not embraced the effects doctrine as much as the U.S. but prefers to base jurisdiction on some element of intra-territorial conduct.³⁰² In the Wood Pulp decision concerning the EU's jurisdiction to apply its competition law to foreign companies acting abroad, the CJEU declined to follow Advocate General Darmon's suggestion that jurisdiction could be based on an effects doctrine where the effects were "direct, substantial and foreseeable."³⁰³ Instead, the CJEU found that the territoriality principle supplied a basis for jurisdiction over foreign companies because the restrictive agreement was "implemented" in the EU territory.³⁰⁴ In the Wood Pulp case, goods were sold to the EU buyers either directly or through branches and agents.³⁰⁵ Similarly, in *The Air Transport Assoc. of America* decision, the CJEU found that the physical presence of aircraft landing or taking off in the EU was a territorial connection that enabled the EU to regulate the volume of emissions generated during the entire flight, even those sections that take place abroad.³⁰⁶ Some commentators maintain however that the results achieved by the EU are the same as if the effects doctrine had been applied because the CJEU's interpretation of territoriality is so broad.³⁰⁷ The CJEU has interpreted situa-

to take private interests into account."); Buxbaum 2009 p. 653-661 (stating that German competition law is more entrenched in the public international law framework than U.S. law, and so territoriality remains a much more relevant and immediate concept there.).

³⁰² Scott 2014 p. 95-96 (stating that the EU does not often rely on effects based jurisdiction but utilises a territorial hook to gain regulatory traction over foreign activities).

³⁰³ Opinion of Mr Advocate General Darmon, Case C-89/85, *Ahlström Osakeyhtiö and others / Commission*, para. 47 ("there is no rule of international law which is capable of being relied upon against the criterion of the direct, substantial and foreseeable effect.").

³⁰⁴ Case C-89/85, *Ahlström Osakeyhtiö and others / Commission*, para. 18 (holding that the "Community's jurisdiction to apply its competition rules to such conduct is covered by the territoriality principle as universally recognised in public international law" because the agreement was implemented in the EU).

³⁰⁵ Lowe & Staker 2010 p. 323 (observing that the Wood Pulp cases involved some element of intraterritorial conduct as goods were sold to the EU buyer either directly or through branches and agents).

³⁰⁶ See Case C-366/10, *Air Transport Association of America and others*, para. 116-18, 122-125 (holding that EU Directive 2003/87 on emissions trading "does not infringe the principle of territoriality or the sovereignty which the third States from or to which such flights are performed have over the airspace above their territory, since those aircraft are physically in the territory of one of the Member States of the European Union and are thus subject on that basis to the unlimited jurisdiction of the European Union").

³⁰⁷ Glennon 2013 p. 487 ("Stretching its justification for the extraterritorial effects of the scheme even further, the Court implicitly invoked the "effects doctrine" and seemed to suggest that emissions occurring outside EU territory still have an indirect but sufficiently causally linked (territorially linked) effect on the EU's environment by detrimentally affecting climate change worldwide."); Layton & Parry 2003-2004 (maintaining that the result achieved in the Wood Pulp case is the same as if the effects doctrine had been applied because the Court's interpretation of conduct is so broad). But see Hellner 2000 p. 332-334 (demonstrating with examples that the effects doctrine and the implementation doctrine do not always lead to the same results). The Court of First Instance has embraced the effects doctrine in the

tions where the existence of conflicting jurisdiction exists quite narrowly to those situations where the affected party cannot comply with the laws of both states, and in this way has avoided taking a position on balancing interests and a deference to foreign law.³⁰⁸

In European private international law, other connecting factors replaced or supplemented territorial ones when deemed more appropriate for achieving just, predictable and uniform results.³⁰⁹ Private international law rules aim to achieve justice by finding the “spatially” best solution without looking into the substantive content of the system.³¹⁰ As Savigny did not view the territorial connections as stemming from state limitations on adjudicative and prescriptive jurisdiction, it did not take a conflicts revolution to adapt the rules to changing situations.³¹¹ Moreover, the territoriality principle as a rule of private international law was never as fully entrenched in Europe as it had competition from Mancini’s nationality doctrine. Even though Savigny’s hope of a universal customary law could not be realised, his aim of achiev-

application of the EU Merger Regulation. Case T-102/96, *Gencor Ltd v Commission*, para. 90 (stating that jurisdiction under EC competition law “is justified under public international law when it is foreseeable that a proposed concentration will have an immediate and substantial effect in the Community.”); Case T-286/09, *Intel v Commission*, par. 231-244 (finding that the implementation doctrine or the qualified effects doctrine could supply jurisdiction under public international law). However, in order for the EU Merger regulation to apply in the first place, there must be a certain threshold of sales in the EU. Scott 2014 p. 95-96. See also article 3(1-2) and recital 23 Regulation 2016/679; Svantesson 2014 (maintaining that the EU’s new privacy regulation employs the effects test).

³⁰⁸ See Case C-89/85, *Ahlström Osakeyhtiö and others / Commission*, para. 19-20 (“As regards the argument based on the infringement of the principle of non-interference, it should be pointed out that the applicants who are members of KEA have referred to a rule according to which where two States have jurisdiction to lay down and enforce rules and the effect of those rules is that a person finds himself subject to contradictory orders as to the conduct he must adopt, each State is obliged to exercise its jurisdiction with moderation. The applicants have concluded that by disregarding that rule in applying its competition rules the Community has infringed the principle of non-interference. There is no need to enquire into the existence in international law of such a rule since it suffices to observe that the conditions for its application are in any event not satisfied. There is not, in this case, any contradiction between the conduct required by the United States and that required by the Community since the Webb Pomerene Act merely exempts the conclusion of export cartels from the application of United States anti-trust laws but does not require such cartels to be concluded.”).

³⁰⁹ Michaels 2008:2 p. 1615 (“The most important connecting factors are nationality and territoriality; yet because choice of law does not merely enforce sovereignty interests, it is not confined to this dichotomy and instead uses further connecting factors”); Siehr 2000; Morse 1984 p. 90-93 (discussing exceptions in Europe to *lex loci delicti* when another law has closer connection to the dispute).

³¹⁰ Kegel 1979 p. 616 (describing conflicts justice); Michaels 2006 p. 1047-1048 (maintaining that the European perspective on jurisdiction is to achieve a correct adjudication of the private relations between the parties, where state interests are understood to be largely absent).

³¹¹ Symeonides 2008:2 1749-1753; Michaels 2008:2 p. 1612-1616; Siehr 2000.

ing justice, predictability and uniformity remained.³¹² Private international law rules were held to be municipal law with an international focus.³¹³ Thus, while territoriality was a principle in public international law, some European commentators maintained that public international law considerations and international comity did not have any relevance for private international law, which deals with private (not state) interests.³¹⁴

Modern European private international law is not impervious to state interests. While states have a shared interest in achieving justice for private parties, the forum's choice of law rules reflect the forum's own view of justice, which may not be shared by the other states that have a connection to the dispute.³¹⁵ Moreover, private international rules even serve other state policy goals. European legislators favour domestic (or regional) public interests in enacting specific rules on jurisdiction or choice of law to favour domestic residents and consumers, to protect the environment, and to facilitate region-

³¹² Jaffey 1982 p. 99 (stating that "A country has no interest that its standards of justice should prevail in the court of the foreign country in preference to those of that country."); Kegel 1979 p. 631 ("For in private law, which the state promotes for justice between individuals, the State does not pursue aims of its own, but only acts as patron."); Kegel 1964 p. 183 ("The state has an altruistic rather than egoistic interest in private law, concerning itself primarily with a just ordering of private life. In this respect even its domestic private law is not 'its own' private law; it rather strives to seek the best and fairest solution for all men.")

³¹³ Michaels 2008:2 p. 1615 (referring to private international law as "domestic internationalism."); Spiermann 2007 p. 794 (citing F. Kahn that private international law is "a national law with an international method"); Kahn-Freund 1976 p. 25 (stating that the fact that private international law was municipal law meant that a state was free to form its private international law rules solely in line with its own political and economic views); Lipstein 1981 p. 45-46, 66-67; Gihl, *Studier* p. 338, 356; De Nova 1963 p. 810 ("In short, private international law is national law, but on an international subject matter . . .").

³¹⁴ Kegel 1964 p. 183 ("The state has an altruistic rather than egoistic interest in private law, concerning itself primarily with a just ordering of private life. In this respect even its domestic private law is not 'its own' private law; it rather strives to seek the best and fairest solution for all men. Therefore, the application of foreign private law does not run counter to the nature and identity of the state.... [F]oreign private law represents only another answer to the question of justice."); Bogdan 2011 p. 61-70 (discussing the interest of the forum state in private law matters is to achieve justice and facilitate international commerce, which is an aim shared by other states); Bring et al. 2014 p. 101 (stating that private international law is outside the field of public international law). Oxman 1997 p. 56 (stating that the view that public international law does not limit private international law is based on a traditional distinction between private law and public law, where private law serves justice for individuals and public law serves the state itself); Akehurst 1972-73 p. 175, 187 (stating that the litmus test proving the absence of public international law limitations on private international law is the fact that states do not protest against the exorbitant exercise of adjudicative and prescriptive jurisdiction by other states in private law matters); Kahn-Freund 1976 p. 176 (stating that choice of law in private matters affects private interests more intimately than public ones); Svantesson 2012 p. 90-96 (concluding that customary international law limitations on international jurisdiction do not regulate private international law).

³¹⁵ See Bogdan 2011 p. 61-70.

al market integration.³¹⁶ Exorbitant exercises of jurisdiction, even in private law matters, may also raise international comity concerns in the same way as public law matters; it is rather a question of degree.³¹⁷ Indeed, it is unlikely that such rules are adopted without considering third state interests, or more probably, possible third state reactions to these rules.³¹⁸ In addition, bilateral conflicts rules for tort liability arising from the violation of competition law, IP law, and market law at least indirectly serve foreign state interests, even if they are primarily enacted to serve party interests.³¹⁹

In accordance with the European legal tradition, if there are statutory rules, the courts are to faithfully apply them and not exercise their own discretion.³²⁰ Nevertheless, courts take domestic state interests into account through the application of public policy (*ordre public*) and international mandatory law. International mandatory rules are rules that are considered to be crucial for safeguarding a state's public interests, such as its political, social or economic organisation.³²¹ While these rules could belong to either public or private law, the common denominator is that they express a vital interest of the prescribing state.³²² They are sometimes expressly limited to either foreign or domestic situations, but in other cases the spatial scope of application is determined by the court by divining the intent of the legislature.³²³ They differ from *ordre public* in the sense that they operate in an

³¹⁶ Michaels 2008:2 p. 1624 (stating that EU codification of rules on private international law is designed to fulfil EU policies such as market integration); Symeonides 2008:1 p. 183-84 (stating that one must look below the surface to see the state interests in Rome II choice of law rules); COM (2003) 427 p. 19 (stating that the choice of law rule for environmental damage aims to raise the general level of environmental protection); Symeonides 2000 p. 66 (“there is a legislative consideration of state interests during the process of drafting conflict rules”).

³¹⁷ See Ramsey 2009 p. 294-295; Brownlie & Crawford 2012 p. 471-472, 486; Mann 1999 p. 21 (stating that there is no reason to distinguish between criminal, public or private laws); Nerep 1983 p. 501 (discussing competition law). See also *Barcelona Traction, Light and Power Company, Limited, Judgment*, I.C.J. Reports 1970, p. 3, 103-106 (5 February 1970) (separate opinion Judge Sir Gerald Fitzmaurice) (finding that customary international law imposed limitations in bankruptcy, which is another area of law that falls somewhere in between private and public law).

³¹⁸ Symeonides 2008:2 p. 1785 (stating that “it is unrealistic to assume that [states] are wholly indifferent to the way [private law] conflicts cases are resolved.”). See e.g. Recast Impact Assessment 2010 p. 6 (noting that the introduction of “mildly exorbitant” rules on jurisdiction were hardly objectionable on a diplomatic level); Green Paper on Regulation 44/2001 2009 (discussing a balance between access to justice for EU citizens and international courtesy).

³¹⁹ Basedow 2013 p. 466-467; Hellner 2000 p. 306, 313-14 (stating that foreign mandatory rules are applied at least in part on comity grounds). See Article 6, 8 Regulation 864/2007.

³²⁰ Symeonides 2000 p. 67.

³²¹ See Morris 2009 p. 388-389.

³²² Hellner 2000 p. 68.

³²³ See Morris 2009 p. 388-389; Guedj 1991. It is unclear whether all spatially limited rules are mandatory rules. Compare Hellner 2004 p. 208 (stating that most if not all spatially lim-

offensive rather than defensive manner.³²⁴ International mandatory rules do not follow the normal choice of law process but are applied according to their spatial scope of application even before the choice of law process is begun.

The courts of the European states are also said to take foreign state interests into account when the operation of the normal choice of law rules leads them to foreign law that includes spatially limited rules.³²⁵ As the spatial limitation is not always apparent from the foreign statute itself, the forum must look at whether the aim of the statute would be furthered by its application.³²⁶ In addition, there is some support for the view that courts take into account the public interests of third states by the application of foreign mandatory rules when implicated in private law disputes even when this law is not part of the *lex causae*.³²⁷

The principle of territoriality, at least as a function of territorial sovereignty, has been an obstacle to the development of party autonomy in private international law. Choice of forum agreements were said to force or oust the jurisdiction of the state courts.³²⁸ Moreover, to allow the parties to freely choose the law governing their private transactions was said to be usurping the sovereign authority of the state to make its own determination whether

ited rules are internationally mandatory rules) with Guedj 1991 p. 668 (stating that not all spatially limited rules are necessarily mandatory rules).

³²⁴ Basedow 2012 p. 431-433.

³²⁵ Guedj 1991. But see Bogdan 2014 p. 42 fn 21 (stating that a loyal application of foreign law does not mean that the forum is loyal to the foreign country as such because foreign law is applied in the interest of the forum state).

³²⁶ Sedler 1977-1978 p. 37-40 (stating that the recognition of spatially limited rules allows courts following the classical private international law method to take foreign public policy into account by way of the “back door.”); Kelly 1969 p. 270-274.

³²⁷ Article 9(3) Regulation 593/2008 (“Effect may be given to the overriding mandatory provisions of the law of the country where the obligations arising out of the contract have to be or have been performed, in so far as those overriding mandatory provisions render the performance of the contract unlawful. In considering whether to give effect to those provisions, regard shall be had to their nature and purpose and to the consequences of their application or non-application.”); article 7(1) 1980 Rome Convention on Contractual Obligations (“When applying under this Convention the law of a country, effect may be given to the mandatory rules of the law of another country with which the situation has a close connection, if and in so far as, under the law of the latter country, those rules must be applied whatever the law applicable to the contract. In considering whether to give effect to these mandatory rules, regard shall be had to their nature and purpose and to the consequences of their application or non-application.”). See Hellner 2000 p.70-80 (discussing the historical development of “the theory of the special point of contact” otherwise called *sonderanknüpfung*); Basedow 2013 p. 467-68; Guedj 1991 p. 671-675; Wengler 1963 p. 840-41 (stating that the foreign law is applied on its own (spatial) terms, provided the foreign state has not exceeded its prescriptive jurisdiction under public international law).

³²⁸ See e.g. Buxbaum 2002 p. 938.

its law should apply or not.³²⁹ State centred views of private international law are more restrictive with respect to party autonomy because of the state interest in the private dispute.³³⁰ The introduction of an evaluation of state interests in U.S. conflicts law explains why, even after the rejection of the vested rights doctrine, the U.S. has often required that the chosen law have some relationship to the dispute or to provide for regulation that is substantively similar to U.S. law.³³¹ Private autonomy is more accepted in those states where the division between public and private law is more evident.³³² It is only more recently that party autonomy has become accepted in tort law, which can be explained by the shift in perception of tort law from regulating conduct (a state (public law) function) to compensating victims (a private law remedy).³³³ However, even those views of private international law that are focused on private rights limit party autonomy with respect to mandatory rules of law and the public policy exception.³³⁴

At present, there are no private international law conventions in force with global application with respect to general private and commercial law matters. In the 1990s, The Hague Conference made an attempt to create a convention in the area of general civil law on jurisdiction and the enforcement of foreign judgments with a possible global application (1999 draft Hague Convention).³³⁵ Article 10 of the 1999 draft Hague Convention contained a

³²⁹ Basedow 2013 p. 178-183; Lehmann 2008 p. 398-400 (maintaining that the reluctance to accept party autonomy was due to the state-centred perspective of private international law); Zhang 2006 p. 529-545 (maintaining that party autonomy has been “messed up” through the analysis of state interests); Buxbaum 2001-2002 p. 938-939; Lando 1964 p. 125-134 (referring to the works of Mailher de Chassat, Pillet and van Bar and citing Chassat to state that party autonomy “rob[s] the law of its essential purposes: to govern all interests, to reign in sovereignty, for the common benefit, over all wills.”); Note 1957 p. 567-573; Beale 1916 § 60 p. 79-80; Dicey defended party autonomy but with some reluctance. Lando 1964 p. 128.

³³⁰ For different views, see e.g. McConaughay 1999 (arguing that party autonomy should not displace public law implicated in private disputes because of the risk of underregulation of international commerce); Radicati Di Brozolo 2004 (rejecting the view that exercise of jurisdiction in private antitrust suits is an encroachment on the sovereignty of other states).

³³¹ Buxbaum 2002 p. 956-962 (stating that the U.S. protects its policy interests by requiring substantive similarity between the chosen law and U.S. law).

³³² See van Eechoud 2003 p. 34-36 (discussing the liberal Dutch views on party autonomy); Lando 1964 p. 142-146 (comparing the contrasting view of Gamillscheg who argues that state interests play no role in private disputes and Batiffol who is of the view that parties are subject to the law and are not its masters).

³³³ See Kessedjian 2005 p. 28 (stating that evolving international norms on private international law accept that party autonomy is acceptable in tort actions, at least once the tort has been committed); Kojima et al. 2010 p. 203 (stating that tort claims do not have a strong public law nature and may be disposed over by the parties); Nafziger 2004 p. 310.

³³⁴ Flessner 2011 p. 21 (stating that freedom in the choice of law is connected with freedom of disposal and acquisition in substantive property law).

³³⁵ Preliminary draft Convention on jurisdiction and foreign judgments in civil and commercial matters adopted by the Special Commission on 30 October 1999, amended version. The

special basis for jurisdiction that aimed to ensure that every contracting state would have jurisdiction over tort actions with a genuine link to its territory.³³⁶ Pursuant to this article, an action could be brought in the state where the act or omission that caused the injury occurred, or in the state where “the injury arose, unless the defendant establishes that the person claimed to be responsible could not reasonably have foreseen that the act or omission could result in an injury of the same nature in that State.”³³⁷ If the action was brought in the state where the injury arose, the scope of the jurisdiction was limited “in respect of the injury that occurred in that state, unless the injured person has his or her habitual residence in that State.”³³⁸ Ultimately, the 1999 draft Hague Convention failed to reach a consensus. One reason for its failure was that in light of the ubiquitous nature of the internet, it was feared that article 10 could expose defendants to liability in numerous unpredictable jurisdictions.³³⁹ The 2005 Hague Choice of Court Convention is a successful by-product of the 1999 draft Hague Convention.

Summing up, the principle of territoriality as a rule of private international law has its origin in the idea that private international law rests on an international law basis. In the U.S. and the UK, rules of domestic private international law reflected implicit limitations on the exercise of state jurisdiction. In continental Europe, the territoriality principle was based on Savigny’s vision of a universal private customary law. When European private international law lost its international law basis, other connecting factors replaced or supplemented territorial factors when motivated by the interest of achieving justice for private parties and the facilitation of international commerce. The territoriality principle continues to hold purchase in public law. A sharp delineation between private and public law has been challenged however. It is increasingly recognised that rules on private international law are motivated by the interests of the forum state, and that the interests of third states may also be taken into consideration. In the U.S., the isolation of private international law from public international law went hand in hand with the blurring of the public law - private law dichotomy. This resulted in the conflicts of public and private law to some extent converging and employing common methods composed of an eclectic mix of balancing state and private interests. More recent Supreme Court precedent on the territorial scope of federal law suggests however a return to the use of the traditional norm of

1999 draft Hague Convention set out a list of acceptable bases of jurisdiction, but would have permitted states to retain certain national rules on jurisdiction, except for those set out in a list of prohibited bases of jurisdiction.

³³⁶ Kessedjian 1997 p. 23 (discussing the public international law basis for the proposed rules).

³³⁷ Article 10 of the 1999 draft Hague Convention.

³³⁸ Article 10 of the 1999 draft Hague Convention.

³³⁹ See generally Haines 2002.

territoriality. Party autonomy is increasingly accepted in private international law although it is still limited with respect to state (public) interests.

The Territoriality Principle of IP Law

The section investigates how the principle of territoriality is expressed and understood in international IP law, and its implications for private international law with respect to IP infringement disputes. It first explores the history and development of IP rights, their underlying policy objectives and functions, and their classification as private rights. Next, the two aspects of the principle of territoriality are explored, namely, the bundle theory and the territorial limitations on the rights conferred. Finally, the implications of the territoriality principle for private international law is investigated.

History and development of IP rights

The origin of IP rights, in particular patent and copyright, is usually traced back to the privileges granted by the European sovereigns from the time of the 15th century.³⁴⁰ The privileges were granted for the benefit of and upon the will of the sovereign and not as an individual, private right.³⁴¹ Exclusive privileges were granted in exchange for stipulated sums paid to the sovereign to increase his wealth.³⁴² Privileges were also used as a means of public policy regulation to control and monitor particular industries such as ale and playing cards.³⁴³ Printing privileges were also used by the sovereign as a tool for censorship.³⁴⁴ As manufacturing and printing techniques developed, privileges were granted to individuals for introducing new and useful arts and inventions yet unknown to the sovereign that were believed to be beneficial to the sovereign republic.³⁴⁵ The privileges were expressly limited to a spe-

³⁴⁰ Levin 2011 p. 27; Ladas 1975 p. 5.

³⁴¹ Violations of privileges were considered violations against the sovereign, and it was usually the sovereign who enforced them. In England, the attorney general brought the case on behalf of the crown. See *Darcy v Allin (the Case of Monopolies)*, King's Bench, 1 January 1601, (1601) 11 Coke Reports 84b, 77 E.R. 1260 (stating that the Attorney General was expected to defend the queen's privilege in granting monopolies). The Venetian patent law from 1474 is perhaps the earliest evidence of a shift away from sovereign privileges to statutory rights. This Act recognised the rights of inventors and authors, and entitled the author or inventor to have the infringer summoned before any magistrate of the city for an award of damages and the destruction of infringing devices. See Mandich 1948 p. 177.

³⁴² Drahos 1996 p. 29; Ladas 1975 p. 5.

³⁴³ Dent 2009 p. 419.

³⁴⁴ Drahos 1996 p. 22-23.

³⁴⁵ Machlup & Penrose 1950 p. 2.

cific territory under control of the sovereign, either the sovereign territory or a limited part of it, and for a specific period of time.³⁴⁶

As trade became more liberalised, the practice of granting monopoly privileges was questioned on the ground that they gave an individual or group of individuals something that had already belonged to the people at large.³⁴⁷ Privileges for intellectual efforts such as inventions and creative works could be defended however because they added to the public domain by encouraging writers to produce and entrepreneurs to invent and import foreign discoveries, thereby contributing to the growth of human capital.³⁴⁸ This instrumentalist justification was the basis for the passage in England of the Statute of Monopolies (1624) and Statute of Anne (1709), which marked a turning point from discretionary privileges to private rights.³⁴⁹ The Statute of Monopolies declared all monopolies void with the exception of inventions, which were granted to “the true and first inventor.”³⁵⁰ The Statute of Anne gave the author the “sole right and liberty” of printing his books.³⁵¹ These early English statutes can be seen as the foundation for today’s patent and copyright laws.³⁵²

The Enlightenment introduced the idea that an individual had certain natural rights that were not dependent upon a sovereign privilege or a legislative statute.³⁵³ Natural rights ideas were particularly influential with respect to author’s rights (*droit d’auteur*), which is the continental European term for copyright.³⁵⁴ Pursuant to this philosophy, an author is believed to have a personal, inalienable right to her work.³⁵⁵ The right is recognised as an inte-

³⁴⁶ See Mandich 1948 p. 207-224 (providing a digest over the early Venetian patents showing their basic features such as the territory and time period for which they were granted); Sterling 1999 p. 8, 994-996 (reproducing translations of the privilege of 1469 for Speyer and the privilege of 1486 for Sabellico).

³⁴⁷ Sacks 1992 p. 97; Groff 1958 p. 368. See the landmark case *Darcy v Allin* (the Case of Monopolies), King’s Bench, 1 January 1601, (1601) 11 Coke Reports 84b, 77 E.R. 1260 (holding that monopolies were against the Common Law, which protects the freedom of trade and liberty of the subject, and against the statutes of Parliament).

³⁴⁸ Drahos 1996 p. 23, 31.

³⁴⁹ Drahos 1996 p. 22-33.

³⁵⁰ Ladas 1975 p. 6.

³⁵¹ Sterling 1999 p. 10.

³⁵² Levin 2011 p. 27.

³⁵³ Von Lewinski 2008 p. 37; Mostert 1989; Sterling 1999 p. 9; Voet, Buchanan trans. 1880 p. 69 (“it is generally said that they shall wear the honors and rewards those who have made poetry, and those who have ploughed for themselves and not for others, and prepare for themselves the honey and the nests.”).

³⁵⁴ Piotraut 2006-2007 p. 554-555.

³⁵⁵ Piotraut 2006-2007 p. 612

gral part of the artist's personality and is different from a property right.³⁵⁶ Personality rights, unlike property rights, are indissolubly linked to the person and cannot be externalised.³⁵⁷

The 19th century German scholar, Josef Kohler, is credited with creating a theoretical foundation for a theory of property rights in intangible property (*Immaterialgüter*).³⁵⁸ Kohler's theory is based upon Locke's idea of a natural right to the fruits of one's own labour and creation.³⁵⁹ Kohler objectified intangible intellectual phenomena through its outer manifestations,³⁶⁰ and thereby overcame the limitations in the Roman law concepts of property as being limited to tangible objects over which one could exercise control. An invention could be objectively studied by reading the patent claims; intangible works could be observed in their tangible form such as writing and sculptures.³⁶¹ These rights in intangible objects were similar to property rights, although Kohler avoided the term property so as not to confuse them with tangible property.³⁶² Consequently, there are both property based and personality based views on copyright, although both may be justified on natural rights grounds.³⁶³ A monistic view understands copyright as a personality right whereas the dualistic view understands it to contain both property rights (e.g. the economic rights) and personality rights (moral rights).³⁶⁴

Individual rights justifications based on natural and moral grounds have also been used to justify property rights in inventions. This justification did not carry the same weight as in copyright in light of the fact that not every inventor is rewarded under the patent system; only the first to file.³⁶⁵ While the right to stop one from free riding on another's creative efforts under copyright law can be justified on natural and moral grounds, it is more difficult to justify on natural and moral grounds the right to stop an individual from exploiting an invention that was developed independently.

³⁵⁶ von Lewinski 2008 p. 38; Piotraut 2006-2007 p. 612; Beverly-Smith et al. 2005 p. 129; De Souza & Waelde 2002 p. 277.

³⁵⁷ Beverly-Smith et al. 2005 p. 129;

³⁵⁸ Levin 2011 p. 39-41; Kawohl 2008; Beverly-Smith et al. 2005 p. 129; Mostert 1989 p. 494-5.

³⁵⁹ Kawohl 2008 (stating that Kohler explicitly refers to John Locke's labour theory); Drahos 1996 Chapter 3 (discussing the influence of Locke's labour theory in intellectual property).

³⁶⁰ Levin 2011 p. 38; Kawohl 2008; Beverly-Smith et al. 2005 p. 129.

³⁶¹ Levin 2011 p. 38.

³⁶² Beverly-Smith et al. 2005 p. 129.

³⁶³ Piotraut 2006-2007 p. 654. But see Levin 2011 p. 39 (stating that Kohler dissociated himself from natural law).

³⁶⁴ Beverly-Smith et al. 2005 p. 129; Piotraut 2006-2007.

³⁶⁵ Machlup & Penrose 1950 p. 10-21 (discussing natural law justifications for granting the inventor a right to protection and moral or fairness justification for securing the inventor his just reward). Cornish et al. 2013 p. 143.

Natural rights justifications for IP rights were not as influential in states such as the U.S. and England that followed a common law tradition. The U.S. (federal) copyright and patent laws are grounded in the utilitarian idea that granting private property rights will benefit the greater public.³⁶⁶ Still, a natural rights perspective explains the origin of the U.S. first-to-invent rule of priority, which was only recently abandoned in favour of the international standard of first-to-file.³⁶⁷ Moreover, both U.S. patent and copyright law have long drawn on the conceptual framework of common law property law to define the substantive content of the statutory rights.³⁶⁸

A seed for trademark law may be found in the medieval production marks, which indicated the source of origin of the goods sold.³⁶⁹ These marks were however not a right but a requirement mandatorily imposed by the sovereign for the purpose of protecting the public against fraud.³⁷⁰ Only within certain industries such as the cloth and cutlery trade did these marks begin to develop as a symbol of goodwill.³⁷¹ A demand for trademark protection as a private right did not develop while producers and consumers were in close contact with each other.³⁷²

Kohler understood trademarks to be personality rights, in contrast to patents and copyright, and his views influenced the German and Swiss judiciaries well into the early 20th century.³⁷³ A trader, just like a private individual, was believed to have a natural right to its business name as an extension of its personality. Thus, Kohler advocated the universality principle of trademark law, which held that a trademark was an intangible personal right and should

³⁶⁶ Article I, Sec 8 U.S. Constitution (“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”). The idea of copyright as a personality right was not recognised under the U.S. federal law, although an author’s personal right to her work was protected under U.S. state common law actions for violation of privacy. Beverley-Smith et al. 2005 p. 48; Putnam 1886 p. 4 (discussing a natural right to unpublished works).

³⁶⁷ Martin 2009 p. 460-467.

³⁶⁸ Mossoff 2009 p. 339, 349-360; Mossoff 2005 p. 36-42; Hughes 2006 p. 1034-1042.

³⁶⁹ Schechter 1926:1 p. 38. Medieval production marks are not to be confused with medieval proprietary marks, the latter of which were used in Europe to establish ownership of goods. These marks did not indicate the source of origin of the goods but merely ownership of the goods. They could be used by to merchants (even foreign merchants) to recover goods that been lost through shipwreck, piracy or other mishap. Schechter 1926:1 Chapter 2.

³⁷⁰ Schechter 1926:1 p. 23; Ladas 1975 p. 5.

³⁷¹ Schechter 1926:1 Chapters 4-5.

³⁷² Cornish et al. 2013 p. 630; Schechter 1926:1 p. 129.

³⁷³ Beverley-Smith et al. 2005 p. 129; Levin 1990 p. 108; Hiebert 1990 p. 499-500; Ulmer 1978 p. 10; Strömholm 1961 p. 119-123; Wengler 1955 p. 174.

be protected regardless of where the trademark was used.³⁷⁴ The introduction of registration statutes toward the latter half of the 19th century into the laws of many European states however marked a shift of the view of trademarks from personality rights to statutorily granted property rights.³⁷⁵

In the U.S., the idea of trademarks as property rights was developed by the U.S. state courts under the common law paralleling an earlier development in English law.³⁷⁶ Initially, trademarks actions were based on an idea of deceit upon the public.³⁷⁷ Eventually, the U.S. state courts became more concerned with the nature of the plaintiff's property interest as opposed to the defendant's offending and fraudulent conduct.³⁷⁸ Trademarks, as property rights, were held to arise under the common law by use as a natural right.³⁷⁹ The state and federal statutory registration laws did not create, but merely supplemented, common law trademark rights.³⁸⁰

The American legal realist movement challenged the formalistic understanding of property rights as natural, absolute rights over things against the world.³⁸¹ Their views also resonated in IP law.³⁸² The "absolute" property

³⁷⁴ Ulmer 1978 p. 10; Wengler 1955 p. 174, 178. The universality principle on trademarks should not be confused with the universality principle of international customary law, which gives states jurisdiction over universally recognised crimes. See generally Brownlie & Crawford 2012 p. 475-476.

³⁷⁵ von Bar, Gillespie trans. 1882 §357. See Bakardjieva Engelbrekt 2003 p. 158-159 (discussing Kohler's view of unfair competition and trademarks as based on a general theory of personal private rights and the competing views of public law scholars who viewed unfair competition and trademarks as "interventions of public legislation in the natural interplay of private rights . . . deprived of any private law basis.").

³⁷⁶ McClure 1979 p. 314.

³⁷⁷ McClure 1979 p. 314; *Snowden v Noah*, 2 N.Y. Ch. Ann. 446 (Chancery Court of New York 1825) (stating that the good will of an established trade may be injured by acts of deception); *Thomson v Winchester*, 36 Mass. 214 (Supreme Judicial Court of Massachusetts 1837) (stating that the right to make and sell is common to all provided no deceit is practiced.)

³⁷⁸ McClure 1979 p. 314.

³⁷⁹ McClure 1979 p. 318 ("Once a trademark was classified as property its owner was endowed with all the natural rights to which any other property owner was entitled."); Browne 1873 p.vi (referring to trademarks as natural rights).

³⁸⁰ *The Trademark Cases*, 100 U.S. 82 (1879) ("This exclusive right was not created by the act of Congress, and does not now depend upon it for its enforcement. The whole system of trademark property and the civil remedies for its protection existed long anterior to that act, and have remained in full force since its passage.").

³⁸¹ See e.g. Cohen 1954-1955 (defining property in terms of exclusions that individuals can impose or withdraw with state backing against the rest of society). See also Merrill & Smith 2001 p. 365 (stating that the legal realists sought to undermine the notion that property is a natural right to smooth the way for activist state intervention in regulating and redistributing property).

justification for the protection of IP rights was challenged by arguments in favour of economics and policy objectives.³⁸³ The law and economics scholars provided arguments for IP rights based on economic utility.³⁸⁴

A similar development can be evidenced in the EU's interest in the significance of IP rights' role in the functioning of the internal market. Already at an early stage in the EU's history, the CJEU held that EU law could regulate the "exercise" of national Member State IP rights in order to establish and maintain the internal market, even if EU law could not prejudice the national Member State laws on property ownership and on the "existence" of the IP right itself.³⁸⁵ The existence/exercise doctrine is merely a legal fiction however that allows EU law to override national Member State IP laws when necessary to fulfil EU regulatory policies.³⁸⁶ The increasing regulation on the exercise of IP rights by the EU has contributed to the shift in the view of IP as instruments of trade and policy whose existence is defined by their exercise. Pursuant to this economic perspective, IP rights are conceptualised as legal restrictions on competition whose justification is based on their ability to stimulate further competition.³⁸⁷

A major development in the field of IP law in the 20th century is the significance of IP rights for trade on the world market.³⁸⁸ In today's knowledge based society, intangible IP assets represent far more worth than their tangible counterparts and are invaluable for staking a position on the world trade market. However, the ease with which IP assets can be copied, cross borders, and compete with the right holder in foreign and domestic markets has given

³⁸² See e.g. Cohen 1935 p. 814-817 (challenging the "thingification" of trademark protection by exposing the circularity of reasoning that trademarks deserved protection because they were valuable by pointing out that trademarks were valuable because they were protected).

³⁸³ McClure 1979 p. 329. See also Mossoff 2009 (arguing that the conceptual understanding of patents as property rights may have hampered the introduction of an economic analysis of patents and has led to a formalistic application of the law); Lemley 2005 (arguing against "absolute" property rights in IP on the ground that greater protection is detrimental to IP's utilitarian function to increase competition); McClure 1996 (arguing that broadened trademark rights suggests a return to the old concept of trademarks as "absolute" property rights).

³⁸⁴ See e.g. Posner & Landes 1989; Posner & Landes 1987; Kratzke 1991. Utility does not necessarily need to be measured by economic indicators. See Derclay & Taylor 2015 (proposing a theory neutral approach to measuring utility).

³⁸⁵ See e.g. Case 56/64, Consten and Grundig / Commission of the EEC.

³⁸⁶ Korah 2004 p. 294. Exceptions or derogations from EU regulatory law are permitted however when necessary to safeguard the specific subject-matter of the national IP rights concerned. Schovsbo 2012 p. 176 fn 13 (stating that although the language of the CJEU varies, e.g. "essential function", "specific subject matter", the principle is the same, namely, that EU law cannot interfere with the core of the national IP rights). The specific subject-matter of the IP rights is defined by the underlying policy objectives for the rights.

³⁸⁷ See Lehmann 1989 p. 11-15.

³⁸⁸ Dreyfuss 2008 (outlining IP's role in the world trading system); Nafziger 1997.

rise to demands for greater protection on a worldwide level. Right holders, at home in the developed states, claim that the developing states are free riding on their innovative, creative and financial investments.³⁸⁹ The counter argument, raised by the developing states, is that it is not in their interest to provide high levels of protection to Western right holders because it hampers their economic development.³⁹⁰ Moreover, the developing states observed that it is not an infringement to copy something that is not protected under positive law, which the developed states themselves did under their development. This divide between the developed and developing states resurrects diverging views of IP rights as universal, natural, property (or personality rights), or state granted, artificial territorial rights.³⁹¹ Moreover, while the universal view of IP rights is usually based on natural rights grounds,³⁹² utilitarian arguments based on economic theory and the tight interdependence of states have also been brought to the table in favour of global protection.³⁹³ Modern international IP law emphasises the utilitarian justifications for IP rights, in particular the use of IP rights as a regulatory instrument designed to effectuate state public policy objectives.³⁹⁴ In a global trading world, different state policy objectives must be accommodated in order “to reduce distortions and impediments to international trade.”³⁹⁵

Underlying policy objectives and functions of IP rights

States tailor the determination of what subject matters are protected, the rights conferred, the exemptions and limitations on the rights, and the available remedies to achieve the policy objectives and functions underlying the different IP rights. IP regulation aims to achieve the policy objectives with-

³⁸⁹ Reichman 1989 p. 754-761.

³⁹⁰ Oddi 1996 p. 432-433; Reichman 1989 p. 761-766.

³⁹¹ Reichman 1989 p. 800 (maintaining that the view of IP rights as a bundle of separate territorial rights was a historical remnant from the privilege system and was not persuasive in an interdependent world).

³⁹² Oddi 1996 p. 426-440; Reichman 1989 p. 753, 777.

³⁹³ See Reichman 1989 p. 796-812 (arguing that the countervailing national policies of the developing states undermine the IP policies of the developed states to create incentives for innovation); Samuelson 2005 p. 637-643 (giving four examples of how states with low levels of protection can affect the IP domestic policies of states with higher levels of protection). But see Oddi 1996 p. 440-455 (criticising the economic arguments in support of a high level of globalised IP protection, and pointing out that IP assets are valuable only because society has decided to protect them).

³⁹⁴ TRIPS preamble (“Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives.”); WCT preamble (“Emphasizing the outstanding significance of copyright protection as an incentive for literary and artistic creation.”).

³⁹⁵ TRIPS preamble. See also Dinwoodie & Dreyfuss 2005 (taking a neo-federalist perspective of TRIPS where WTO Members retain considerable flexibility to tailor national IP law to their domestic priorities).

out creating barriers to further development and freedom to compete.³⁹⁶ The policy goals are balanced with other social policy goals such as freedom of expression and competition, access to information, culture, and medicines and protecting the private sphere. The policy goals and balances struck to achieve them differ depending on the social, political, and economic environment in which they operate. This is the case not least between developed and developing states.

An objective of copyright and patent law is to provide incentives for the stimulation of new works and inventions by rewarding the author and inventor for her intellectual efforts (incentive to create).³⁹⁷ This is reflected in the long term of protection granted to authors covering their life and one or two generations, which gives the author the possibility to make a living from her creative efforts and to support future generations. With respect to patents, a reward to the inventor is more of a secondary justification as only the first to file is rewarded.³⁹⁸

The reward of an exclusive right attracts capital and encourages the investment in and production of works and inventions (incentive to invest).³⁹⁹

³⁹⁶ See Levin 2011 p. 29-38. See also Lemley 2005 (arguing against “absolute” property rights in IP on the ground that greater protection is detrimental to IP’s utilitarian function to increase competition); McClure 1996 (arguing that broadened trademark rights suggests a return to the old concept of trademarks as “absolute” property rights); Ramsey & Schovsbo 2013 (arguing that states should limit trademark rights to further competition and free speech).

³⁹⁷ Article I, Sec 8 U.S. Constitution (“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries;”); COM (2015) 192 final p. 25 (“Copyright and related rights provide an incentive for the creation of, and investment in, new works and other protected matter (music, films, print media, software, performances, broadcasts, etc.) and their exploitation, thereby contributing to improved competitiveness, employment and innovation.”); Recitals 9-10 Directive 2001/29 (“Any harmonisation of copyright and related rights must take as a basis a high level of protection, since such rights are crucial to intellectual creation. . . If authors or performers are to continue their creative and artistic work, they have to receive an appropriate reward for the use of their work, as must producers in order to be able to finance this work.”); COM(2008) 465/3 p. 3 (“Industrial property rights such as patents, designs and plant variety rights give an incentive to produce new inventions and other innovations by awarding an exclusive right for a limited period.”); COM(2008) 466 p. 4 (stating that copyright provide authors and producers with a reward for their creative efforts and encourages producers and publishers to invest in creative works); Cornish et al. 2013 p. 143-154, 409-411, 415-419; Levin 2011 p. 29-34; von Lewinsky 2008 p. 38.

³⁹⁸ Cornish et al. 2013 p. 143. Others who independently invent are not awarded and can be stopped by the patent holder. If the major objective was to give the inventor his just reward, a system more akin to copyright would seem more appropriate. Ibid. p. 143.

³⁹⁹ Machlup & Penrose 1950 p. 25. COM (2008) 465/3 p. 3 (“Such industrial property rights facilitate entry of newcomers to a market by helping to attract venture capital and enabling production to be licensed to incumbents.”).

Moreover, investments in and production of patented products and creative works encourages industry, employment, and growth. This is why many states have some form of requirement to ensure that the invention is worked domestically so that the invention is exploited to the advantage of its own economy.⁴⁰⁰ This was also the reason for the (now renounced) U.S. manufacturing clause that conditioned protection for foreign authors on the requirement that the work be domestically produced.⁴⁰¹

Patents and copyright encourage not only the creation and investment in works and inventions but also their dissemination throughout society (incentive to disseminate).⁴⁰² Great ideas and creative works do not contribute to the betterment of society unless they enter the marketplace and reach the people. This objective, e.g. the dissemination of ideas, is reflected in the disclosure requirement found in patent law.⁴⁰³ The dissemination of ideas and works is also considered essential to a democratic society.

The underlying policy objectives for trademark differ from those underlying the patent and copyright systems.⁴⁰⁴ There is nothing creative, inventive or intellectual about a trademark. Trademarks are protected because they are essential for a system of undistorted competition. A traditional function of trademarks is to enable the consumer to distinguish the goods or services in question as originating from a particular trader (origin function).⁴⁰⁵ This encourages traders to invest in the quality of the goods and services offered, and to develop new goods and services to meet the preferences of different segments of the public. In this respect, the conflict between trademark law and free competition is not as acute as it is with patent and copyright law.⁴⁰⁶ Trademarks have also been attributed other functions such as the communi-

⁴⁰⁰ Cornish et al. 2013 p. 128. In the past some states revoked the patent if the patent holder imported patented products from abroad to fill local demand instead of working the invention domestically. The Paris Convention forbids this sanction but allows compulsory licensing. See article 5(A)(1-5) PC.

⁴⁰¹ Cornish et al. 2013 p. 394.

⁴⁰² van Eechoud 2003 p. 151-152 (discussing how some level of IP protection leads to an efficient allocation of works).

⁴⁰³ Machlup & Penrose 1950 p. 25-28; COM (2008) 465/3 p. 2 (“Patents are a limited-term exclusive right granted to an inventor in return for the disclosure of technical information from the invention.”)

⁴⁰⁴ Cornish et al. 2013 p. 643-649 (discussing the purpose of protecting trademarks); Levin 2011 p. 409-41; COM (2008) 465/3 p. 3 (“Trade mark rights are essential for a system of undistorted competition, allowing the customer to distinguish the products and services of undertakings. Trade marks provide a highly effective means of communication. On the one hand, they serve as a medium for information and advertising, and on the other hand, as a symbol to create and represent the entrepreneurial capacity and the image of an undertaking.”)

⁴⁰⁵ Beier 1970 p. 61-65.

⁴⁰⁶ Kur & Drier 2013 p. 157.

cation function, the advertising function, the guarantee function, and investment function.⁴⁰⁷ A trademark may have a value in and of itself as a result of the investment in the good will that the trade mark holder has built up in the mark. Trademark holders demand protection of this investment even when there is no risk of confusion about origin.

As noted, the rights conferred and the exemptions and limitations on the rights aim to achieve the policy objectives underlying the different IP rights. On a general level, the rights conferred grant the right holder the exclusive right to exploit the work or invention or use the commercial sign within the protected territory. The specific rights conferred granted under each IP right reflect the different ways in which works, inventions, and commercial signs are exploited. New rights have been added over time in response to contemporary needs and pressures, not least in copyright in response to new technologies (e.g. broadcasting and digital communication). Today, many of these rights are harmonised under the international IP conventions.⁴⁰⁸

The limitations and exemptions are harmonised to a lesser degree. There are only two mandatory limitations in the international IP conventions.⁴⁰⁹ Otherwise the conventions allow (but do not require) the contracting states and Members to introduce certain exceptions and limitations on the exclusive rights within certain restrictive parameters so as not to unreasonably prejudice the legitimate interests of the right holder.⁴¹⁰ Thus, the contracting states and Members retain the possibility to tailor limitations and exemptions to meet their domestic needs.

Private rights

The state policy goals are achieved by granting private IP rights.⁴¹¹ These rights possess many of the same characteristics of other types of private

⁴⁰⁷ Levin 2011 p. 409-411; Schechter 1926:2 p. 814-816.

⁴⁰⁸ For trademarks see Article 16 TRIPS, article 6bis, article 10bis(3)(1) PC; for copyright see articles 6-8 WCT, article 11 TRIPS, article articles 6bis, 8, 9, 11, 11bis, 11ter, 12, 14 BC; for patent article 28.1 TRIPS, article 5quarter PC.

⁴⁰⁹ Article 10(1) BC (right to quote from published works). See Massouyé 1978 p. 58. Article 5ter PC (freedom of transport). See Bodenhausen 1968 p. 82. This limitation was subsequently extended to civil aircraft. See article 27 of the Convention on International Civil Aviation Signed at Chicago on 7th December, 1944.

⁴¹⁰ For trademarks, see article 17 TRIPS; for copyright article 13 TRIPS, articles 9(2) (three step test for exceptions to reproduction right), 10(2) (teaching), 10bis (current events), 11bis(2) and 13 (compulsory licences); for patents, see articles 31, 31bis, 32 TRIPS, article 5(A)(2) PC.

⁴¹¹ See McConaughay 1999 p. 259-260, 305-308 (classifying U.S. copyright law as public law that creates private rights that may be prospectively waived).

rights.⁴¹² IP rights are granted to individuals and may be disposed by the right holder by assignment or licence.⁴¹³ The infringement of an IP right creates a private right of action against the alleged infringer for an injunction, damages, and other remedies.

Private IP rights are not absolute however and limitations and exemptions exist to meet the public interest in the exploitation of the right. In addition, compulsory licences may be granted to prevent a right holder from keeping the IP right out of the public domain and to facilitate exploitation of IP rights when individual licensing is impractical.⁴¹⁴ Freedom of contract to extend IP rights beyond their scope of protection or to limit exceptions and limitations may in some situations be limited with respect to the public interest.⁴¹⁵ The parties' freedom to settle IP infringement disputes that result in keeping an IP right out of the public domain are subject to rules on the restriction of competition.⁴¹⁶

There are no limitations however on giving the IP right to the public domain. The right holder can decline to register or may deregister a patent. Works may be put in the public domain, uncopyrighted. It is true that in some states extensive licensing of a trademark (naked licence) carries with it the risk that the right will be forfeited, but the end result is that the mark is available to all (public domain). Right holders do not need to enforce their rights against unauthorised users of their rights.⁴¹⁷

⁴¹² TRIPS Preamble (“Recognizing that intellectual property rights are private rights;”).

⁴¹³ Article 28.2 TRIPS with respect to patents. In some states such as Germany and Austria, copyright may not be assigned but only licensed. These licences may be exclusive and for all practical purposes there is little difference between an assignment and a licence. The aim of these restrictions is to protect the author. van Eechoud 2003 p. 138-39.

⁴¹⁴ Art 5 PC; art 11bis, 13 BC; art 31, art 31bis TRIPS. Levin 2011 p. 36-38.

⁴¹⁵ See *Kimble v Marvel Entertainment, LLC*, 135 S.Ct. 2401 (2015) (holding that a contract provision which extends the term of patent protection beyond its date of expiration is unenforceable); Article 5(2) Directive 2009/24 (“The making of a back-up copy by a person having a right to use the computer program may not be prevented by contract in so far as it is necessary for that use.”).

⁴¹⁶ See e.g. *Federal Trade Commission v Actavis*, 133 S.Ct. 2223 (2013) (holding that reverse payment settlements used to resolve patent infringement disputes are not immune from anti-trust scrutiny).

⁴¹⁷ Even if the right holder does not pursue its rights under a trademark, rules on unfair competition may prohibit misleading advertising to protect the consumer or other competitors on the market. See 10bis PC.

The bundle theory

With the rise of the nation-state, the notion emerged that all law was territorial; this was not specific to just IP law.⁴¹⁸ However, in the interest of justice and in the facilitation of the market economy, foreign private rights would be recognised. This was not the case with IP rights. Notwithstanding the fact that IP rights had by this time developed from sovereign privileges to individual private rights, they were treated differently from other private rights.⁴¹⁹ In most states, IP protection, in particular copyright, was available only to nationals.⁴²⁰ The explanation lies in the fact that states did not perceive they had any interest in recognising foreign IP rights or otherwise granting such rights to foreign nationals but rather benefited by the lack of protection.⁴²¹ The situation was hardly different in states (such as in continental Europe) where the author was believed to have a personal, inalienable right to her work.⁴²² Notwithstanding the natural rights justification for author's rights, the most that foreign authors could hope for was the same protection local authors received in their own states, provided that the foreign author's state granted reciprocal protection.⁴²³ With respect to trademarks, foreign nationals could only register trademarks if they maintained an establishment in the country or if the foreign national's home state granted recip-

⁴¹⁸ Torremans 2012 p. 27 (stating that territoriality "is a generally accepted norm that applies to all national legislation"); Fentiman 2005 p. 138.

⁴¹⁹ Lipstein 2005 p. 593, 599 (discussing how the IP rights are "an exclusive privilege of a temporary kind conceded by local public law" as the reason for treating them differently than other private rights); Fentiman 2005 p. 138 ("The self-limiting nature of intellectual property protection may be contrasted with, for example, most internal rules governing issues in contract and tort."); Opinion of Advocate General Cruz Villalón, Case C-523/10, *Wintersteiger*, para. 20 (stating that personality rights differ significantly from intellectual property rights because the latter are protected on a territorial basis); Strömholm 1993 p. 352 (discussing how copyright differs from ownership of movables and even other intangible assets such as securities due to copyright's territorial nature).

⁴²⁰ Cornish et al. 2013 p. 28 (stating that this is an aspect of the principle of territoriality).

⁴²¹ Deazley, *Commentary on Jeffreys v Boosey (1854)*, *Primary Sources on Copyright (1450-199)*, www.copyrighthistory.org (citing *Clementi v Walker (1824)* ("By confining the privilege to British printing, British capital, workmen and materials would be employed, and the work would be within the reach of the British public. By extending the privilege to foreign printing, the employment of British capital, workmen, and materials might be suspended, and the work might never find its way to the British public. Without very clear words, therefore, to show an intention to extend the privilege to foreign publications, I should think [the Statute of Anne] must be confined to books printed in this kingdom ... To hold to the contrary would discourage British enterprise, and stop avenues to British knowledge.")).

⁴²² See Pillet 1916-1917 p. 636 ("From the fact that there is nothing more natural nor more useful than the organization of literary or artistic property, it does not necessarily follow that I must treat aliens and my own subjects alike in this matter"); von Bar, Gillespie trans. 1882 § 98 (stating that this nationalistic attitude of denying IP rights to foreign nationals may have been a relic from the original view of IP rights as privileges).

⁴²³ Sterling 1999 p. 5.

rocal rights.⁴²⁴ Most states allowed foreign nationals and non-residents to register patents under the same conditions as nationals. The reason for this was not an altruistic aim to protect foreign private rights but the aim of obtaining access to new inventions for the benefit of the state.⁴²⁵ However, even when foreign nationals were granted IP rights, the courts of some states denied foreign nationals access to their courts.⁴²⁶

Eventually states entered into bilateral treaties in order to secure protection for the rights of their nationals abroad and also because denying protection to foreign nationals injured domestic industries and the domestic public's access to foreign products.⁴²⁷ Most of the copyright treaties were based on the principle of national treatment, namely, that each state grant the same protection to works of nationals from other states as it granted to its own nationals.⁴²⁸ The principle of national treatment was often qualified however so that a right to a work would not be recognised abroad unless the right had been acquired in the work's state of origin. Also, the extent of the protection possible would often not exceed the level of protection granted the author in his own state (material reciprocity).⁴²⁹ Moreover, even though many states recognised copyright as a natural, personal right, which would follow the

⁴²⁴ Ladas 1975 p. 35. In the U.S., courts protected the trademark rights of foreign nationals under the common law, provided the mark had been used in U.S. commerce. See e.g. 3 Story 458 (1844) ("An alien friend is entitled to the same civil remedies in the courts of the United States, at law or in equity, that a citizen of the United States enjoys."); *Coffeen v Brunton*, 5 FCas. 1184 (1849); *J.Coats v Holbrook*, 7 NY Ch Ann 713 (1845). *Richter v Reynolds*, 59 Fed. Rep. 577 (1893). However, when the first federal trademark act was passed in 1870, foreign nationals not domiciled in the U.S. were allowed to register a trademark only if their home state provided reciprocal rights to U.S. nationals. Hopkins 1905 Appendix A (reprinting section 77 of the Act of Congress of July 8th, 1870).

⁴²⁵ See Ladas 1975 p. 27. The practical obstacles of fulfilling the requirements however made it difficult to obtain and maintain patents. Ladas 1975 p. 28.

⁴²⁶ See Pillet 1905 (discussing the French position on denying foreign nationals access to court); Browne 1873 p. 17-18 (referring to case law in Luxembourg, Switzerland and France with respect to trademark claims by foreign nationals).

⁴²⁷ Sterling 1999 p. 13; Ladas 1975 p. 12; Hopkins 1905 Appendix Q (listing the treaties on the reciprocal recognition of trademarks between the U.S. and other states); von Bar, Gillespie trans. 1882 § 345 p. 748 ("Experience has in fact shown that the reprinting of foreign works on a large scale not only damages native authors, since their work has difficulty in competing with the printed works which are not burdened with any honorarium to the author, but that in the end booksellers are forced into a ruinous system of underbidding each other or to the payment of honoraria to foreign authors and agents, and to private agreements with competitors of their own nation, without securing themselves against further reprints by rivals in the trade."); Putnam 1886 p. 41 (stating that a large group of American publishers and printers petitioned the U.S. Congress to provide protection for foreign authors because the absence of such protection was injurious to them as a domestic industry and limited the domestic public's access to foreign books).

⁴²⁸ Sterling 1999 p. 13; Boytha 1988 p. 406.

⁴²⁹ van Eechoud 2003 p. 56; Sterling 1999 p. 117; Boytha 1988 p. 406.

author wherever she went, states were not willing to grant foreign authors greater rights than they afforded their own nationals. This meant that the author's right was dependent upon it being recognised both in the state of origin and the state of protection.⁴³⁰

Trademark and patent treaties were also based on national treatment. Foreign patents were often dependent however on the original patent so that when the original patent expired, was forfeited or cancelled, the foreign patents also ceased to exist.⁴³¹ For trademarks, national treatment was qualified so that trademark protection was dependant on the existence of protection in the foreign national's country of origin.⁴³² Some treaties required foreign trademarks to be accepted for registration (*telle quelle*) if they fulfilled the requirements for registration in their home state.⁴³³

The bilateral treaties proved unsatisfactory. The criteria for protection varied among the different states, which made the legal situation difficult to assess.⁴³⁴ Also, provisions for the protection of IP were often inserted in treaties of commerce, which were unstable and could change with the political climate.⁴³⁵ In the late 19th century, a number of countries decided to work together to draft international conventions to secure protection for the IP rights of their nationals. The Paris Convention for the protection of industrial property 1883 and the Berne Convention for the protection of literary and artistic works 1886 are the foundation upon which the international IP system is built.

Like many of the earlier bilateral conventions, the Paris and Berne conventions are based on the principle of national treatment of eligible foreign nationals of the other contracting states.⁴³⁶ Provisions affirming the independ-

⁴³⁰ van Eechoud 2003 p. 68; von Bar, Gillespie trans. 1882 § 342. An interesting exception to this was the 1855 treaty between France and the Netherlands pursuant to which each state granted protection to the works of the other country wholly in accordance with the law of the work's country of origin. Each country applied the law of the country of origin to all aspects of protection, not merely to determine a work's eligibility for protection. The 1889 Montevideo Convention was a multinational treaty which was based on a similar principle. Stewart & Sandison 1989 p. 36-37.

⁴³¹ Ladas 1975 p. 27-28.

⁴³² Ladas 1975 p. 12; von Bar, Gillespie trans. 1882, § 358 p. 776 (stating "that Every claim in a foreign country for protection of a trade-mark assumes that the claimant has in his own country an exclusive right to it").

⁴³³ von Bar, Gillespie trans. 1882 § 358 p. 777 fn 7 (citing the Franco-Swiss treaty of 23rd Feb. 1882, § 2).

⁴³⁴ Sterling 1999 p. 13.

⁴³⁵ Ladas 1975 p. 12.

⁴³⁶ The criteria for eligibility or qualification for protection under the Paris and Berne conventions are nationality or habitual residence in a Paris or Berne Union state, or in addition, under

ence of rights were introduced to reinforce the principle of national treatment. Also, unlike the earlier bilateral conventions, national treatment is supplemented by requirements of minimum protection. These minimum protection requirements enabled the contracting states to renounce or at least limit the demand for reciprocity.⁴³⁷ The Paris Convention does not allow for any limitations on national treatment based on reciprocity. The Berne Convention allows for reciprocity in certain situations.⁴³⁸ These three convention pillars - national treatment, the principle on independence, and minimum protection - reinforce the principle of territoriality, i.e. that IP rights are independent of foreign rights protecting the same subject matter (bundle theory) and that the rights conferred are limited to the territory of the granting or protecting state.

National treatment requires the contracting states to treat eligible foreign nationals at least as favourably as they treat their own nationals with respect to matters within the scope of the conventions.⁴³⁹ While there was some discussion during the drafting of the Paris and Berne Conventions about a substantive law approach or a conflicts of law approach, neither of these approaches were realistic in light of the large diversity of national views on the protection of IP rights.⁴⁴⁰ The adoption of supranational legislation that would afford uniform protection throughout the entire territory of the Union was too utopian and would have required the contracting states to make extensive changes in their national laws. A conflicts of law approach based on the recognition of foreign acquired rights was unacceptable because it would require some contracting states to afford foreign nationals greater rights than

the Berne Convention, an author in respect of works which are first published in a Berne Union state or simultaneously in a Berne Union and non-Union state. Article 2-3 PC and 3 BC. The criteria for eligibility under TRIPS are nationality in a WTO Member or persons who meet the criteria for eligibility under Paris and Berne. Article 1(3) TRIPS. The WCT incorporates the criteria for eligibility under Berne Convention. Article 3 WCT.

⁴³⁷ Beier 1984 p. 10-11.

⁴³⁸ See article 7(8) BC on comparison of terms; article 2(7) BC on works of applied art; article 14ter BC on *droit de suite*; and article 6(1) BC on nationals of countries not party to the Berne Convention.

⁴³⁹ Article 2(1) PB ("Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant, or may hereafter grant, to nationals; all without prejudice to the rights specially provided for by this Convention. Consequently, they shall have the same protection as the latter, and the same legal remedy against any infringement of their rights, provided that the conditions and formalities imposed upon nationals are complied with."); article 5(1) BC ("Authors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention.").

⁴⁴⁰ van Eechoud 2003 p. 58, 67-68; Beier 1984 p. 8-9; Ladas 1975 p. 61-62.

were available to their own nationals.⁴⁴¹ Moreover, this approach would have required the contracting states to be ready to apply the IP laws of all the other contracting states. Also, a conflict approach would mean that users of IP rights would be subject to many different IP laws leading to unequal competitive conditions within the same market.⁴⁴²

National treatment was the only politically acceptable solution. It did not require states to make many changes to their substantive IP laws. In practice, states could easily comply with national treatment by simply expanding the personal scope of their national substantive IP law to encompass eligible foreign nationals. It also allowed states to apply their own IP laws to conduct within their own territories. Moreover, this approach enabled each state to fashion their laws in order to further their own economic, social and cultural policies within their own territories.⁴⁴³ National treatment is now a standard provision in IP conventions and is included in TRIPS.⁴⁴⁴

National treatment is reinforced by provisions in the Paris and Berne Conventions on the independence of IP rights.⁴⁴⁵ These provisions were intro-

⁴⁴¹ Cornish et al. 2013 p. 28 (stating that the political unacceptability of a conflicts approach based on universality of rights was soon enough appreciated and instead the territorial character of IP rights became widely accepted during the 19th century). Pursuant to a conflict of law approach based on universality, a right acquired in its country of origin would be respected in the other contracting states. For patents, this would be the law of the state where the invention was first made, for trademarks, the law of the state where the trademark was first used or registered, and for copyright, the law of the state where the right holder was a national. van Eechoud 2003 p. 58; Beier 1984 p. 8-9.

⁴⁴² Beier 1984 p. 8 (stating the conflict approach “fails to appreciate the legitimate interest of each country in submitting all industrial property rights it has granted within its sovereign territory and which limit freedom of action of its domestic industry to the same rules, i.e. the rules of its national legislation.”).

⁴⁴³ Dinwoodie & Dreyfuss 2005 p. 24 (“Territoriality holds that each member state enjoys sovereign authority to determine the conditions under which intellectual property will exist within its borders.”); Ullrich 1995 p. 158-161; Ulmer 1978 p. 9.

⁴⁴⁴ Article 3.1 TRIPS (“1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection (3) of intellectual property . . .”); Footnote 3 (“For the purposes of Articles 3 and 4, “protection” shall include matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights as well as those matters affecting the use of intellectual property rights specifically addressed in this Agreement.”).

⁴⁴⁵ Article 4bis PC (“(1) Patents applied for in the various countries of the Union by nationals of countries of the Union shall be independent of patents obtained for the same invention in other countries, whether members of the Union or not. (2) The foregoing provision is to be understood in an unrestricted sense, in particular, in the sense that patents applied for during the period of priority are independent, both as regards the grounds for nullity and forfeiture, and as regards their normal duration.”); article 6 PC (“(1) The conditions for the filing and registration of trademarks shall be determined in each country of the Union by its domestic legislation. (2) However, an application for the registration of a mark filed by a national of a

duced to prevent the contracting states from granting foreign right holders fewer rights than those that would be available to national right holders under the domestic law pursuant to national treatment. Indeed, before the conventions the national authorities and courts kept conditioning the existence of a right on whether an equivalent right existed in the foreign national's home state.⁴⁴⁶

More specifically, article 4bis PC makes clear that patents granted by contracting states are independent of other patents obtained for the same invention, in particular, "as regards the grounds for nullity and forfeiture, and as regards their normal duration."⁴⁴⁷ This provision does not prevent contracting states from recognising foreign patent rights. In fact some developing countries issue revalidation and importation patents in order to create incentives for foreign companies to exploit their inventions in the developing countries.⁴⁴⁸ These patents are granted on the basis of a foreign patent without conducting any novelty or inventive step investigation. Once granted however these patents must be fully independent of their foreign equivalents.⁴⁴⁹

Like many of the earlier bilateral conventions, the Paris Convention includes a *telle quelle* rule which obligates the contracting states to accept for registration marks that have been duly registered in their state of origin, subject to certain reservations listed in the article including conflict with prior local rights or lack of distinctiveness.⁴⁵⁰ Pursuant to the *telle quelle* rule, these

country of the Union in any country of the Union may not be refused, nor may a registration be invalidated, on the ground that filing, registration, or renewal, has not been effected in the country of origin. (3) A mark duly registered in a country of the Union shall be regarded as independent of marks registered in the other countries of the Union, including the country of origin."); article 5(2) BC ("The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work.").

⁴⁴⁶ van Eechoud 2003 p. 100; Ladas 1975 p. 269; Bodenhausen 1968 p. 87.

⁴⁴⁷ Article 4bis PC.

⁴⁴⁸ See e.g. article 102 Argentine Law No. 24.481 on Patents and Utility Models (Ordered by decree 260/1996 text.) (Law amended by Law 25.859); article 14 Bolivia Law of December 2, 1916 on Industrial Patents, Rules for their Application and Use in the Republic.

⁴⁴⁹ See Heath 2010 p. 975 (referring to Argentine Supreme Court decision, October 24, 2000, *Unilever v INPI* holding that *telle quelle* patents are independent from the patent in the country of origin as regards nullity, invalidation, and duration).

⁴⁵⁰ Article 6quinquies PC states in part: "(1) Every trademark duly registered in the country of origin shall be accepted for filing and protected as is in the other countries of the Union, subject to the reservations indicated in this Article." A trademark registered in compliance with the law of the country of origin must be protected in the other states of the Union. Bodenhausen 1968 p. 110. This rule gives foreign trademark holders the possibility to register, as trademarks, signs which would not have been entitled to registration by nationals under the domestic trademark law. See Jaconiah 2009 (discussing how European companies may be

trademarks may be dependent on the existence of the registration in the country of origin.⁴⁵¹ Article 6 PC makes clear however that dependence on the registration in the country of origin is only applicable to *telle quelle* marks and not to trademarks registered pursuant to national treatment.⁴⁵²

The original version of the national treatment rule in the Berne Convention set forth that the existence of protection of a work in the other countries of the Union was dependent on the "accomplishment of the conditions and formalities prescribed by the law in the country of origin."⁴⁵³ The formalities requirement created difficulties because it required courts to apply the law of the country of origin to determine whether the formalities were fulfilled. It also caused confusion as to whether the scope of protection was dependent on reciprocal protection in the country of origin, as was required under earlier bilateral treaties. At the Berne revision conference, the German Government proposed that the protection in the protecting countries be entirely independent of the protection in the country of origin. This proposal was opposed by the French Government because it maintained that works should have a uniform term of protection. A compromise was reached in the 1908 Berlin Act. The requirement of complying with formalities in the country of origin was removed, and an amendment set forth that the exercise and enjoyment of the rights "are independent of the existence of protection in the country of origin." The term of protection in the Berne Convention was however made subject to reciprocity.⁴⁵⁴ In addition, the Berne Convention allows (but does not require) reciprocity for the protection of works of applied art, *droit de suite*, and regarding the protection of nationals of countries not party to the Berne Convention.⁴⁵⁵ These were situations where the differences in views among the contracting states were too significant and the contracting states offering greater protection were unwilling to grant full national treatment.

able to claim protection for unconventional marks in Tanzania under the *telle quelle* rule that would not otherwise be protected under national treatment). The scope of this rule has often been interpreted narrowly so as to cover only the form of the mark and not other possible registration requirements such as ownership. See United States – Section 211 Omnibus Appropriations Act of 1998, AB-2001-7, Report of the Appellate Body, WT/DS176/AB/R, 2 January 2002, p. 36-44 ("We also agree that the obligation of countries of the Paris Union under Article 6quinquies A(1) to accept for filing and protect a trademark duly registered in the country of origin "as is" does not encompass matters related to ownership."); Bodenhausen 1968 p.107-111; Correa 2007 p. 175-178. Nevertheless, there still persists some disagreement on whether this rule also encompasses other registration requirements such as use. Correa 2007 p. 175.

⁴⁵¹ Article 6quinquies D PC.

⁴⁵² Bodenhausen 1968 p. 120.

⁴⁵³ van Eechoud 2003 p. 68-70.

⁴⁵⁴ Article 7(8) BC.

⁴⁵⁵ Article 2(7) BC, article 14ter BC, and article 6(1) BC.

The rules on the principle of independence ensure that the contracting states do not, within the scope of national treatment, treat foreign nationals less favourably than national right holders, aside from where reciprocity is explicitly permitted. On the other hand, the rules on the principle of independence do not prevent (and in the case of *telle quelle* trademarks require) the contracting states from treating foreign right holders more favourably than national right holders by giving rights acquired under foreign law effect in the domestic territory, even if such rights are not available under domestic law.

Consequently, the international conventions do not prohibit states from respecting foreign IP rights. The bundle theory is rather a consequence of the fact that most states do not perceive any beneficial state interest in respecting foreign IP rights.⁴⁵⁶ As Huber observed already in the 17th century, if foreign law is applied or foreign rights are recognised, it is by a decision of the enforcing state in the exercise of its sovereignty. In practice however states are not usually interested in treating foreign nationals more favourably than their own nationals. Consequently, the rules on the principle of independence affirm this aspect of the principle of territoriality (the bundle theory) because each state grants foreign nationals the same protection granted to their own nationals, which leads to a bundle of different national IP rights.

Territorial limitations on IP rights

The territoriality principle of IP law also informs that the rights conferred under an IP right are limited to the territory of the state that grants or protects the right.⁴⁵⁷ In other words, the territoriality principle informs that the rights are valid only in the granting or protecting state and not outside of it. This aspect of the territoriality principle is often seen as the opposite side of the coin of the bundle theory. In fact, however the two do not always coincide. As discussed above, states are not usually willing to grant foreign IP rights extraterritorial effect. It is another question whether a state will claim extraterritorial application of the IP rights granted or protected under its own law.

The international IP conventions do not specifically state that the rights conferred under the contracting states' domestic laws must be applied by the domestic courts to protect foreign right holders against infringements taking place on the domestic territory, although it was most likely assumed that this

⁴⁵⁶ van Eechoud 2003 p. 97-99.

⁴⁵⁷ Cornish et al. 2013 p. 28.

would be the case.⁴⁵⁸ Indeed, it was assumed that the contracting states would continue to apply their laws to restricted acts (conduct) within their territories to achieve their economic, social and cultural policy goals, only now the personal scope of the law would include the protection of foreign nationals.⁴⁵⁹ Moreover, the state where the infringement took place was often the only one with jurisdiction.⁴⁶⁰ Also, the fact that many states (at least initially) refused to apply foreign tort law would lead the right holder to bring the case where the infringement took place. The state where the infringing activity was taking place was most likely the only state where the judgment could be enforced. Thus, adjudicative, prescriptive and enforcement jurisdiction coincided.

In addition, the Paris and Berne conventions contain a number of substantive law rules establishing a minimum level of protection that obligate the contracting states to make certain substantive rights available under their national laws. The substantive law rules are an important complement to national treatment because they lessen the potentially negative effects of national treatment by guaranteeing eligible foreign nationals at least some minimum level of protection in those contracting states having low levels of protection.⁴⁶¹ Later IP conventions, in particular TRIPS and WIPO Copyright Trea-

⁴⁵⁸ See e.g. Boschiero 2007 p. 94-95 (stating that the drafters of BC and PC did not envisage that infringement actions would be brought in a state other than the state where the IP right subsists); van Eechoud 2003 p. 108 (stating that it is plausible that the contracting states assumed that copyright owners would bring their cases in the country where an infringement took place and that forum law would apply); Beier 1984 p. 10 (national treatment requires only the willingness of each contracting state to apply its own laws within its own territory). But see Koumantos 1988 p. 416-418 (maintaining that the Berne Convention is not based on the assumption that copyright law should be applied on a territorial basis to determine the existence and scope (e.g. the rights and their limitations) of a copyright and that it is up to the forum state's choice of law rules to determine the applicable law).

⁴⁵⁹ Strömholm, 2001 p. 220 (maintaining that the Berne Convention obligates the contracting states to ensure that infringements taking place on the domestic territory fall within the substantive scope of their national copyright laws).

⁴⁶⁰ van Eechoud 2003 p. 108. The defendant usually resides in the same state in which it carries out its activities and is often the only state with jurisdiction. Also, in the U.S. and UK, the local action rule would have been a bar to bringing an infringement claim arising in a foreign state. Jurisdictional challenges in patent and copyright actions were common in the U.S. on the ground that the action was brought in state court as opposed to federal court. Many actions filed in state court were dismissed because a U.S. state court (e.g. a New York court) did not have jurisdiction over U.S. patents and copyrights, which exists throughout the entire U.S. See e.g. *Steves v Royal Gladding*, 58 U.S. 447 (1854) (observing that a U.S. copyright is coextensive with the entire United States); *Carver v Peck*, 131 Mass 291 (1881) (observing that a U.S. patent exists in the entire United States).

⁴⁶¹ Depending on the constitutional system in place in the contracting state, certain provisions of the Paris and Berne conventions may be self-executing and directly govern a transborder IP infringement dispute. See Massouyé 1978 p. 141; Bodenhausen 1968 p. 13.

ty (WCT), have significantly increased the minimum levels of protection.⁴⁶² A few of the substantive rules in the conventions contain explicit territorial references which clearly indicate that they are to be applied on the basis of territoriality.⁴⁶³

⁴⁶² See Ullrich 1995.

⁴⁶³ See Article 5quarter PC (“When a product is *imported into a country* of the Union where there exists a patent protecting a process of manufacture of the said product, the patentee shall have all the rights, with regard to the imported product, that are accorded to him by the legislation of the country of importation, on the basis of the process patent, with respect to products manufactured in that country.”); article 5ter PC (“In any country of the Union the following shall not be considered as infringements of the rights of a patentee: (i) the use on board vessels of other countries of the Union of devices forming the subject of his patent in the body of the vessel, in the machinery, tackle, gear and other accessories, when such vessels *temporarily or accidentally enter the waters of the said country*, provided that such devices are used there exclusively for the needs of the vessel; (ii) the use of devices forming the subject of the patent in the construction or operation of aircraft or land vehicles of other countries of the Union, or of accessories of such aircraft or land vehicles, when those aircraft or land vehicles temporarily or accidentally enter the said country.”); article 31(f) TRIPS (“any such use [of compulsory licenses] shall be authorized predominantly for the *supply of the domestic market* of the Member authorizing such use.”); article 31bis(3) TRIPS (“It is understood that this will not prejudice the *territorial nature* of the patent rights in question.”); article 6bis(1) PC (“The countries of the Union undertake, ex officio if their legislation so permits, or at the request of an interested party, to refuse or to cancel the registration, and to prohibit the use, of a trademark which constitutes a reproduction, an imitation, or a translation, liable to create confusion, of a mark considered by the competent authority of the country of registration or use to be *well known in that country* as being already the mark of a person entitled to the benefits of this Convention and used for identical or similar goods. These provisions shall also apply when the essential part of the mark constitutes a reproduction of any such well-known mark or an imitation liable to create confusion therewith.”); article 11bis(2) BC (“It shall be a matter for legislation in the countries of the Union to determine the conditions under which the rights mentioned in the preceding paragraph may be exercised, but these conditions shall *apply only in the countries where they have been prescribed*. They shall not in any circumstances be prejudicial to the moral rights of the author, nor to his right to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.”); article 13(1) BC (“Each country of the Union may impose for itself reservations and conditions on the exclusive right granted to the author of a musical work and to the author of any words, the recording of which together with the musical work has already been authorized by the latter, to authorize the sound recording of that musical work, together with such words, if any; but all such reservations and conditions *shall apply only in the countries which have imposed them* and shall not, in any circumstances, be prejudicial to the rights of these authors to obtain equitable remuneration which, in the absence of agreement, shall be fixed by competent authority.”) (emphasis added). Compare Opinion of Mr Advocate General Tizzano in Case C-192/04, Lagardère Active Broadcast, para. 61 (maintaining that the existence of the provision on compulsory licences demonstrates that the principle of territoriality is recognised under the Berne Convention) and Strömholm 2001 p. 220 (maintaining that the Berne Convention obligates the contracting states to ensure that their national copyright laws encompass infringements taking place on the domestic territory) with Koumantos 1988 p. 422 (stating that the rules on compulsory licences in the Berne Convention are exceptions from the general rule that the international scope of limitations depends on the private international law of the forum).

The principle of territoriality of IP law is based not only on the assumption that IP law should be applied on the basis of territoriality but that the territorial basis is exclusive. One reason for this is the fact that IP law gives the right holder the right to stop others from doing any of the restricted acts and states had no possibility to enforce this right outside their territories.⁴⁶⁴ Indeed, unless the defendant voluntarily ceased with the restricted conduct in the foreign state or had some *de facto* presence in the prescribing state so that it could compel enforcement, the exercise of prescriptive jurisdiction would be in vain. However, even under circumstances where the prescribing state has the possibility to enforce its law (i.e. because the defendant was a national or resident of the prescribing state), the perception of IP rights as state granted rights regulating conduct in order to further state policy goals seems to have influenced the assumption that the rights are territorially limited. This understanding has varied among the different rights as well as over time and space.

Patent rights are the most territorial of all IP rights.⁴⁶⁵ Territorial limitations are often explicitly stated in the patent law, and are assumed to exist even if not explicitly stated in the patent legislation.⁴⁶⁶ There exists international consensus that patents (as opposed to the underlying idea) are artificial rights created by the state to fulfil utilitarian goals.⁴⁶⁷ A patent does not come into existence on its own accord but requires a state (public) act to come into existence. Patent law prevents not only free riding but even independent

⁴⁶⁴ Cornish et al. 2013 p. 6.

⁴⁶⁵ See Holbrook 2012 p. 1087; Chisum 1997 p. 605.

⁴⁶⁶ See e.g. section 13(3) Australian Patents Act 1990 (consolidated as of 1 January 2011) (specifying the territorial area in which an Australian patent is effective); article 39 Bolivia Law of December 2, 1916 on Industrial Patents, Rules for their Application and Use in the Republic (stating that the patent is effective “anywhere in the Republic”); article 46 India: The Patents Act, 1970 (stating that a patent is effective throughout India); article 49 Chilean Law No. 19,039, the Industrial Property Law (“stating the exclusive rights to a Chilean patent “extend throughout the Republic”); section 60(1) UK Patents Act 1977 (defining patent infringement as doing “any of the following things in the United Kingdom in relation to the invention without the consent of the proprietor of the patent.”); Bogdan 1980 p. 270 (discussing article 5ter PC as incorporated into Swedish law and concluding that it clearly implies that the Swedish patent law is not applicable outside of the Swedish territory even if this is not explicitly stated).

⁴⁶⁷ Dogauchi 2001 p. 10 (“Some provisions concerning patents and other industrial property rights (hereinafter only patents will be mentioned) under the national law of countries seem to be characterized as public in nature, since a patent can be regarded as an artificial product of a sovereign act of state. Accordingly, it is appropriate to subject patent law to the principle of territoriality, whereas this is would not be the case with regard to copyright law, since copyright should be subject to the choice-of-law method following Savigny’s model.”); Wadlow 1998 p. 161 (“In contrast to the position for copyright, the grant of a patent has always been regarded in English law as an exercise of sovereign power with potentially important economic and social consequences.”); Machlup & Penrose 1950.

inventors from exploiting their own intellectual efforts. As a public law grant, patent rights are generally assumed to be limited by the territorial reach of the sovereign that granted them.⁴⁶⁸ Although international public law today recognises the legitimacy of an exercise of prescriptive jurisdiction where a reasonably close connection or a genuine link exists, state practice with respect to the scope of their patent law has been and remains territorial (although the territoriality principle may be applied differently by different states).⁴⁶⁹

Copyright and trademark are not as resolutely territorial. Although states have not been willing to recognise the copyright and trademark rights of foreign nationals which have been acquired abroad, some states have (and do) on occasion extend the territorial scope of their own copyright and trademark laws to protect domestic right holders when claims are brought before the domestic courts for infringing acts committed abroad (usually by nationals of the forum state).⁴⁷⁰ Kohler's universality principle on trademark law as personality rights influenced the German and Swiss judiciary well into the early 20th century.⁴⁷¹ In addition, although the primary purpose of trademark law is to avoid consumer confusion, trademark law increasingly

⁴⁶⁸ See e.g. Kaesling 2013 p. 90 (observing that the principle of territoriality of IP law, informs that the sovereign's power to attribute exclusive rights is limited to its respective territory); Schack 2009 p. 138 ("The administrative act as foundation of the registered IP rights necessarily limits their territorial reach."); Straus & Klunker 2007 p. 917 ("Patent protection is [] restricted to the area over which the sovereignty of the state extends."); Pertegás Sender 2002 p. 22 (stating that patents as a public act only produces effects within the boundaries of the granting state because an extraterritorial application of public acts would impinge on the sovereignty of the foreign state); Ullrich 1995 p. 190-191 ("It would appear that the market-dividing effects of the principle of territoriality cannot draw upon any other justification than on the historical principle, which is rooted in the concept of identity of the territorial reach of a state's sovereign control and the extension of the market for which this state grants a privilege."); Koch & Froschmaier 1965-1966 p. 344 ("The principle of territoriality of patent law is a result of a territorial limitation of sovereignty."); *Aluminum Co. of America v Sperry Products, Inc.*, 285 F.2d 911 (6th Cir. 1960) ("A patent is granted by a sovereign power and its rights, privileges and obligations begin and end with the country that issues it").

⁴⁶⁹ Other connecting factors such as the nationality of the alleged infringer have played a role only in exceptional circumstances when territoriality alone was not determinative or was ambiguous, such as the use of a patent on the high seas or on a foreign legation. See *Marconi Wireless Tel. Co. of America v U.S.*, 99 Ct.Cl. 1, 1942 WL 4423 (Ct.Cl. 1942), *aff'd in part and rev'd in part on other grounds*, 320 U.S. 1 (1943) (applying U.S. patent law to infringement at U.S. legation in China by U.S. Government); *Norsk retstidende* 1936 s. 625 (Norwegian Supreme Court) (finding that it would not infringe the sovereignty of another state to apply Norwegian law to a Norwegian charter party in international waters).

⁴⁷⁰ Peukert 2011 p. 219-220; Norrgård 2005 p. 576; Strömholm 1961 p. 83, 123 (stating that the extension of the *lex fori* was only used against nationals); Wengler 1955 p. 186 fn 52. See also *Steele v Bulova Watch Co.*, 344 U.S. 280 (1952).

⁴⁷¹ *Beverly-Smith et al.* 2005 p. 129; Levin 1990 p. 108; Hiebert 1990 p. 499-500; Ulmer 1978 p. 10; *Derenberg* 1961 p. 734; Strömholm 1961 p. 119-123; Wengler 1955 p. 174.

protects a trademark owner's good-will, which can be damaged by inappropriate conduct wherever it occurs.⁴⁷² However, when trademarks came to be viewed as state created statutory rights, the extraterritorial application of the domestic German trademark law was abandoned so as to not encroach the sovereignty of other states.⁴⁷³ In the U.S., the understanding of trademarks as common law property rights with a natural law origin is apparent in early U.S. case law and doctrine espousing the view that trademark rights did not have any territorial limits.⁴⁷⁴

With respect to copyright, the view of copyright as *droit acquis*, that is, a right that arises under the law of one state and is subsequently recognised in other states, supports the extraterritorial application of the domestic copyright law.⁴⁷⁵ For example, the rights conferred under the Greek Copyright Act are not explicitly limited to Greece but purport to follow Greek works wherever they are exploited unless contrary to an international treaty.⁴⁷⁶ In

⁴⁷² Chisum 1997 p. 609 fn 29.

⁴⁷³ Ulmer 1978 p. 10 (citing decision of the Reichsgerricht, RGZ 118.26, September 20, 1927 as stating that it could be interpreted as an encroachment upon the legal sphere of another sovereign contracting state where a state would claim validity in the whole world for trademark rights created in its territory and for its territory.); Strömholm 1960 p. 121 (citing decisions of German courts holding that a German registered trademark was protected only in Germany); Norrgård 2005 p. 574 (stating that a worldwide protection for German registered trademarks was believed to be a violation of the sovereignty of other states). See also James Burrough Distillers plc v Speymalt Whisky Distributors Ltd., Outer House, Scotland, [1989] S.L.T. 561 (stating that a registered trademark is “derived from a statutory privilege which the trade mark holder has in the territory in question and is strictly confined to that territory.”).

⁴⁷⁴ Derringer v Plate, 29 Cal. 292 (1865) (stating “The right is not limited in its enjoyment by territorial bounds . . .”). See also Hopkins 1905 p. 10 (stating that the acquisition of a valid trademark in any place carries with it the right to use the mark everywhere); Browne 1873 p. vi (A trademark has a worldwide universality of operation).

⁴⁷⁵ See Matulionyte 2012 p. 265 (stating that Portugal, Romania, and Greece have adopted a universal approach to copyright protection); van Eechoud 2003 p. 101.

⁴⁷⁶ Article 67 Greek Law No. 2121/1993 on Copyright, Related Rights and Cultural Matters (as last amended by Law No. 3057/2002 (article 81) and by Law No. 3207/2003 (article 10 par. 33)). The Greek Copyright Act relies upon a bilateral choice of law rule to determine when the rules set out in the copyright act apply. Article 67 states that the *lex originis* determines the “content” and the “limitations” of the right, which seems to include what rights are conferred under a copyright. Assume, for example, that an author publishes a work for the first time in Greece, and subsequently discovers that copies of the work have been made and distributed in another state. If the author initiates infringement proceedings in Greece, it would seem that the Greek copyright law would govern whether the work is in fact protected by copyright, whether the acts were infringing, and whether any limitations apply, unless this was contrary to an international convention ratified by Greece. From a customary international law perspective, the Greek Copyright Act’s claim to applicability has certain similarities to the passive personality principle because the work’s law of origin follows it wherever it is exploited just as the personal law of a national may protect her wherever she goes, arguably even against foreign nationals acting abroad.

particular, the provisions of copyright law protecting moral rights may be more susceptible to an extraterritorial application because the object of protection is the author's artistic reputation and individuality.⁴⁷⁷ Still, the perception of copyright as a state granted right to fulfil utilitarian goals is evident not least in modern international copyright law.⁴⁷⁸ Explicit statutory territorial limitations can be found especially in those states whose copyright system is based on the common law tradition.⁴⁷⁹ Even in civil law states, territorial limitations on at least the economic rights, even if not explicit, are often presumed.⁴⁸⁰

The national treatment provisions of the international IP conventions reinforce also this aspect of the principle of territoriality, namely, that the rights conferred under each contracting state's domestic law are limited to the protecting state's territory.⁴⁸¹ Indeed, as eligible right holders are usually protected under the law of the contracting state where the infringement takes place, there is no longer any pressing need to extend the territorial operation of the right holder's home law to infringements taking place abroad.⁴⁸²

Fawcett & Torremans suggest that a territorial limitation on the contracting states' substantive IP law is required by national treatment.⁴⁸³ They maintain

⁴⁷⁷ See generally De Souza & Waelde 2002; Strömholm 2001 p. 288-290.

⁴⁷⁸ TRIPS preamble ("Recognizing the underlying public policy objectives of national systems for the protection of intellectual property, including developmental and technological objectives."); WCT preamble ("Emphasizing the outstanding significance of copyright protection as an incentive for literary and artistic creation.").

⁴⁷⁹ See e.g. section 36 Australia Copyright Act 1968 (consolidated as of 1 June 2011) (stating that it is an infringement to do "in Australia . . . any act comprised in the copyright"); article 5 Canada Copyright Act (R.S.C., 1985, c. C-42) (stating that "copyright shall subsist in Canada" under certain conditions); section 1 Indian Copyright Act, 1957 (stating that the act "extends to the whole of India"); section 16(1) UK Copyright, Designs, and Patent Act of 1988 ("The owner of the copyright in a work has, in accordance with the following provisions of this Chapter, the exclusive right to do the following acts in the United Kingdom").

⁴⁸⁰ See Strömholm 2001 p. p. 173-181; Doi 2002 p. 377 (lumping copyright together with patent as those categories of IP rights to which "the territoriality principle is most strictly applied.").

⁴⁸¹ Cornish et al. 2013 p. 27 (stating that there is less accord on the implications of the territoriality principle); Dinwoodie 2005 p. 195 (stating that the international IP conventions rest firmly on the proposition that copyright law operates nationally).

⁴⁸² Goldstein & Hugenholz 2013 p. 97-98 (stating that a reason why states do not apply their copyright laws extraterritorially is that they have succeeded in getting their copyright norms adopted in the international IP conventions that the other contracting states are obligated to incorporate into their own laws).

⁴⁸³ Fawcett & Torremans 2011 p. 688 ("If one State's legislation would also extend to another State, the rule in article 2 [of the Paris Convention], which dictates that the law of the latter country should be applicable there as the law of the protecting country, would be infringed. The territorial scope of national intellectual property statutes and the rights granted under

that national treatment must be interpreted in view of the unilateral (statutist) approach to choice of law that was still in use when the conventions were drafted, which was based on determining the personal or territorial reach of substantive law. In their view, national treatment directly affects the personal scope of the national IP law by ensuring that it encompasses qualified foreign nationals to the same extent that it encompasses nationals and also affects the territorial scope of the national IP law by ensuring it only claims applicability to infringement taking place on the domestic territory.⁴⁸⁴

Some commentators maintain that a territorial limitation on prescriptive jurisdiction is implicit in the fact that the conventions obligate certain substantive minimum rights, yet tolerate differences among national laws.⁴⁸⁵ According to this view, the right to choose the particular level of protection afforded under the domestic IP law, over and above the minimum standard required by the conventions, would be undermined if other states could override that choice through the extraterritorial application of their own IP laws.

Other commentators hold the view that states may apply their IP laws extraterritorially, limited only by international public law limitations and the obligation to afford national treatment to foreign eligible nationals.⁴⁸⁶ In fact, the extraterritorial application of IP law might be said to serve an underlying purpose of the international IP conventions, which is to ensure greater pro-

these statutes are restricted to the territory of the State concerned. This is the territoriality principle that has been derived from the text of Article 2.”).

⁴⁸⁴ Fawcett & Torremans 2011 p. 675-76 (“But the old style rules also had a second aspect to deal with. In this approach there was a risk that when determining the (territorial) scope of application of the national law a vacuum could be created, i.e. situations in which no law would apply or where more than one law conflicts. . . .Article 5(1) [of the Berne Convention] is an example of a rule that also solves that. There can be no vacuum as there will on each occasion be a single law that applies by extending the national law on a country by country basis to foreign authors. This is the conflicts rule that is coupled with the non-discrimination rule.”). See e.g. *Subafilms, Ltd. v MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1097 (9th Cir. 1994) (en banc) (stating that the “[e]xtraterritorial application of American law would be contrary to the spirit of the Berne Convention, and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern.”).

⁴⁸⁵ Bradley 1997 p. 549.

⁴⁸⁶ See Fentiman 2005 p. 146 (“It is open to the *lex fori* to extend the protection of its intellectual property law extraterritorially.”); Ulmer 1978 p. 10 (“from the point of view of the law laid down by the conventions, it is still an open question whether national legislation may extend the application of national law to acts which have taken place abroad.”). But see Bradley 1997 p. 547-48 (“the extraterritorial application of a state’s intellectual property laws could subvert the national treatment principle’s non-discrimination approach by allowing right holders from countries with extraterritorial laws to receive more protection abroad than right holders from other countries.”).

tection for right holders.⁴⁸⁷ True, TRIPS provides that any greater (e.g. extra-territorial) protection may not contravene any provisions in TRIPS and the other international IP conventions, and may not be applied in a manner that could unreasonably restrain trade.⁴⁸⁸ It is difficult however to interpret TRIPS as flat out prohibiting extraterritorial jurisdiction. Moreover, extraterritorial regulation may be more acceptable for achieving shared goals like combatting counterfeit and piracy.

Even if the international IP conventions reinforce the idea that the rights conferred are territorially limited, they do not exhaustively define or limit what those rights (and limitations) are, nor do they localise them.⁴⁸⁹ When the national legislatures aim to regulate activity abroad that causes negative effects at home, they add new acts of infringement which make the actor located within the protected territory liable for the infringement.⁴⁹⁰ Localisation was not necessary at the time the Paris and Berne conventions were drafted because they were premised on the assumption that effects arising from the infringing acts (restricted conduct) would be located within one and the same contracting state. Allowing the contracting states the freedom to determine the substantive content of their own laws (apart from the minimum level of protection) and apply them to activities taking place within

⁴⁸⁷ Indeed, the international IP conventions lay down only minimum requirements but give the contracting states the discretion to grant more extensive protection than is prescribed in the conventions. Bodenhausen 1968 p. 15-16. The extraterritorial application of IP law does not violate national treatment if the laws are applied in a non-discriminatory fashion giving extraterritorial protection to nationals and foreign right holders alike.

⁴⁸⁸ Article 1(1) TRIPS (“Members shall give effect to the provisions of this Agreement. Members may, but shall not be obliged to, implement in their law more extensive protection than is required by this Agreement, provided that such protection does not contravene the provisions of this Agreement.”). TRIPS must be interpreted in light of the objectives and principles established in articles 7-8 TRIPS which emphasise the need to maintain a balance of rights and obligations and to refrain from practices which unreasonably restrain trade. Grosse Ruse-Khan & Kur 2011 p. 43-44; Dinwoodie & Dreyfuss 2005 p. 111 (arguing that TRIPS imposes ceilings on Members in order to protect users’ rights).

⁴⁸⁹ The Paris and Berne Conventions obligate only a few substantive rights and gave the contracting states the freedom to add new rights to increase the level of protection. Article 19 BC; Bodenhausen 1968 p. 15-16. The Paris and Berne Conventions each contain one mandatory limitation. Article 10(1) BC (“It shall be permissible to make quotations from a work which has already been lawfully made available to the public, provided that their making is compatible with fair practice, and their extent does not exceed that justified by the purpose, including quotations from newspaper articles and periodicals in the form of press summaries.”), article 5ter PC. Otherwise, the conventions allow the contracting states to introduce other limitations within certain restrictive parameters. See article 9 BC (three step test for exceptions to reproduction right), 10(2) BC (teaching), 10bis BC (current events); article 5 PC (compulsory licences). Strömholm 2001 p. 151 (stating that the international IP conventions do not contain any rules on the legal localisation of an alleged act of infringement).

⁴⁹⁰ See e.g. 28 U.S.C. § 271(f) (making it an infringement to supply or cause to be supplied in or from the U.S. components of a patented invention for assembly outside the U.S.).

their own territories was consistent with the territoriality principle of public international law recognising each state's jurisdiction over acts committed within its territory. It was also consistent with the (then) widely held belief that the domestic tort law was mandatory. At the same time, it also enabled each contracting state to regulate for its own territory the public's access to IP content and competition on the domestic market without interference from other states.⁴⁹¹

This premise was first seriously challenged by satellite broadcasting where the act of emission in one contracting state leads to the works being received in other contracting states (footprint states), thereby affecting the market in those states. Here, the question arose whether the broadcasting right in the Berne Convention should be interpreted to mean that the contracting states were obligated to interpret the territorial scope of their copyright law to encompass both acts of emission from and communication to (footprint) their territories.⁴⁹² It had been generally assumed that the act of broadcasting took place in the state of emission because the traditional application of the territoriality principle implies that the act of broadcasting be localised where the actor carried out tangible activity.⁴⁹³ This traditional interpretation was challenged because the place of emission was no longer the (only) place where the work was received by the public and impaired the right holder's market.⁴⁹⁴ Dr. Arpad Bogsch, then Director General of WIPO, was of the view that broadcasting was localised in all countries within the footprint of the satellite as well as the state of emission. In 1986, the Secretariats of WIPO and UNESCO discussed arguments for and against a country of emission and the countries of reception theory but in the end no agreement was reached.⁴⁹⁵

⁴⁹¹ Ullrich 1995 p. 161, 193 (stating that the principle of territoriality's basic virtue "is to prevent national interference with other countries' intellectual property interests and policies.").

⁴⁹² See Article 11bis(1)(i) BC ("(1) Authors of literary and artistic works shall enjoy the exclusive right of authorising: (i) the broadcasting of their works or the communication thereof to the public by any other means of wireless diffusion of signs, sounds or images;").

⁴⁹³ Ficsor 1990 p. 261 (discussing the traditional view); Ulmer 1978 p. 14 (stating that prevailing opinion, in conformity with the BC, is that the act of broadcasting takes place in the country of emission); Fawcett & Torremans 2011 p. 710-11 (maintaining that this view still prevails).

⁴⁹⁴ Ficsor 1990 p. 261 (stating that the traditional interpretation that broadcasting should be considered as taking place at the point of emission is misleading because the country of emission and the country where communication to the public took place were the same in the case of traditional broadcasting). But see Karnell 1990 p. 265 (stating that "only acts of use" have been relevant to the definition of broadcasting and that "[n]o act of use is undertaken by a broadcaster in any footprint country").

⁴⁹⁵ See Sterling 1999 p. 323 -326.

Today, there are similar debates with respect to the localisation of other rights, not least the making available right in article 8 of the WCT.⁴⁹⁶ The difference is that now, the debate is focused less on whether the contracting states are obligated to interpret their copyright law to encompass receipt within their territories but whether the contracting states may be obligated to interpret their copyright law to exclude the mere possibility of receipt within their territories when there are no actual, intended or foreseeable IP impairing effects there.⁴⁹⁷ Also, new questions arise whether the contracting states may be obligated to interpret their IP laws to exclude certain tangible acts within their territories when the acts do not give rise to any IP impairing effects there. For example, the question can be raised whether localisation is appropriate at the country of emission if the work is only received abroad. While the text of article 8 WCT emphasises the significance of the role of the public, the weight of opinion seems to agree that the article does not exclude an alternative localisation in the country of transmission, i.e. where tangible conduct takes place.⁴⁹⁸ The country of transmission might be localised in the country where the individual is located when she makes the content available or where the tangible equipment (e.g. server) from where the work is made available is located. An additional question is raised whether localisation at the location of a server where it is not also the location of the establishment of the alleged infringer, fulfils the requirement of a genuine link to justify the exercise of prescriptive jurisdiction.⁴⁹⁹

⁴⁹⁶ See Peukert 2011 p. 205 (“The newly created internet-right of making a work available on the internet according to the 1996 World Copyright Treaty and EU copyright law is understood to cover the whole act of communication, including the upload and the entire transmission to the download.”); Austin 2006 p.588-589 (stating that the WCT is silent on the extraterritorial reach of the communication right in article 8); Ginsburg 2004 (discussing different interpretations of article 8 WCT right and concluding that each contracting state remains free to choose between the law of the country of emission or of receipt). Article 8 WCT (“authors of literary and artistic works shall enjoy the exclusive right of authorizing any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access these works from a place and at a time individually chosen by them.”).

⁴⁹⁷ See Dinwoodie 2009 p. 771 (stating that in contemporary transborder IP disputes, the primary challenge for courts is not a lack of authority to prescribe but an excess of authority); Ginsburg 2004 p. 4 (stating that a separate application of the laws of all the countries of receipt might encumber exploitation on the internet, which was the underlying goal of the WCT); Dinwoodie 2005 p. 203 (stating that the problem with territoriality in an online context is that it offers an excess of prescriptive authority in resolving multinational disputes).

⁴⁹⁸ Ginsburg 2004 p. 4 (pointing out that it is not necessary to prove that a member of the public in fact accessed the works offered for a making available to occur).

⁴⁹⁹ An argument might be made that the Agreed Statements concerning article 8 of the WCT exclude localisation at the location of the server unless it is also the location of the establishment of the alleged infringer. See Ginsburg 2004 p. 9 (discussing whether the connection between a link aggregator and the place where the work is communicated to the public may be too attenuated in order to localise the copyright relevant act at the location of the link

Similar localisation questions arise with respect to trademarks, not least as a consequence of new technologies.⁵⁰⁰ Difficulties arising from conflicting and concurrent claims of prescriptive (and adjudicative) jurisdiction over trademark disputes on the internet gave rise to WIPO's Joint Recommendation concerning the protection of trade marks on the internet (WIPO Recommendation 2001).⁵⁰¹ The WIPO Recommendation 2001 is based on the assumption that the mere use of a sign on the internet does not infringe any rights in that sign that might exist under the law of a particular contracting state.⁵⁰² The Recommendation takes the position that use on the internet should only be taken into consideration under the laws of a particular Member State if such use has a commercial effect and can, therefore, be deemed to have taken place in that Member State. Thus, if the use has not had a commercial effect in a state, no use is said to have occurred in that state, and the right holder would not have successfully proven her claim under the substantive law.⁵⁰³ The Recommendation functions at the substantive law level to determine whether under the applicable law, an infringement has occurred.⁵⁰⁴

aggregator in light of the Agreed Statement to WCT on article 8). The Agreed Statement to WCT concerning article 8 states: "It is understood that the mere provision of physical facilities for enabling or making a communication does not in itself amount to communication within the meaning of this Treaty or the Berne Convention. It is further understood that nothing in Article 8 precludes a Contracting Party from applying Article 11bis(2)." The reason for the agreed statement was that online service providers requested a safeguard against their liability for the illicit acts of their users. The statement is intended to clarify that the mere provision of physical facilities such as cables does not constitute communication to the public, so that the mere supply of such devices cannot possibly be an infringement, even if other actors subsequently make infringing uses through such devices. von Lewinski 2008 p. 458. The statement may also suggest however that such a minor point of contact is not sufficient for the localisation of the infringing act even in relation to the users of the facilities. Of course this does not rule out a country of origin localisation, it only suggests that localisation in the country of origin should not be based merely on the location of physical facilities used to communicate works to the public.

⁵⁰⁰ With respect to trademarks see Bettinger & Thum 2000:2 p. 287 ("it seems to be more reasonable to restrict the scope of both (or all) subjective trademark rights involved in a cross-border Internet dispute on the ground of the global nature of the medium, by excluding certain uses of a foreign trademark, despite their effect on the national territory, from the scope of the substantive trademark-law exclusivity in each national trademark law").

⁵⁰¹ The Recommendation is not binding on the WIPO Member States but constitutes soft law, which may be a source of customary international law to the extent that it reflects state practice and is followed by states.

⁵⁰² Article 6 and explanatory notes WIPO Recommendation 2001.

⁵⁰³ Dinwoodie 2009 p. 779; Kur 2002 p. 42.

⁵⁰⁴ Preface WIPO Recommendation 2001 ("The determination of the applicable law itself is not addressed by the present provisions, but left to the private international laws of individual Member States.").

The Recommendation states that to determine whether the use has had a commercial effect in a Member State, a court or other competent authority shall take into account all the relevant circumstances, such as the language of the website and whether the site has actually been visited by internet users in the Member State.⁵⁰⁵ If a commercial effect has occurred under the applicable law and the right is found to be infringed in that Member State, the Recommendation states further that the remedies provided shall be proportionate to the commercial effect in that Member State.⁵⁰⁶ In addition, the Recommendation directs the court to balance the different interests, rights, and circumstances involved and to avoid, wherever possible, imposing a remedy that would have the effect of prohibiting any future use of the sign on the internet. In particular, further use of a sign shall not be prohibited where the alleged infringer is entitled to use it under the factual or legal conditions of another territory than that where the use was found to be infringing.

The WIPO Recommendation 2001 is significant because it implicitly acknowledges that the territoriality principle of trademark law is not contingent on a tangible act within the territory. At the same time, the WIPO Recommendation 2001 is evidence of an emerging consensus that mere effects within the territory are also not sufficient. The Recommendation suggests that a genuine link necessary for the legitimate exercise of prescriptive jurisdiction requires the existence of a commercial effect within the territory of the prescribing state, at least when no tangible act is carried out there. Moreover, the WIPO Recommendation 2001 supports a balancing approach to conflicting and concurrent claims of prescriptive jurisdiction, as it suggests that the court take the competing interests of other states into account when fashioning the remedy.⁵⁰⁷

Localisation difficulties have not arisen as frequently in patent disputes. This may be because the medium is normally a tangible invention that is likely to have its direct effects in the same state where tangible activities are carried out (such as the location of the actor or equipment).⁵⁰⁸ Still, digital commu-

⁵⁰⁵ Article 3 WIPO Recommendation 2001. Depending on the circumstances of the case, some of the factors that might be taken into account are whether the user of the sign is actually serving customers located in the Member State, whether the user has disclaimed his intention to deliver goods or provide services to customers located in the Member State, whether the prices are indicated in the official currency of the Member State, whether the user is using a domain name including the country code of the Member State, whether the language used is one predominantly used in the Member State, and whether the sign is used in conjunction with an internet location which has actually been visited by internet users located in the Member State. The factors are exemplary and not exhaustive.

⁵⁰⁶ Article 13 and explanatory notes WIPO Recommendation 2001.

⁵⁰⁷ Dinwoodie 2009 p. 779-780.

⁵⁰⁸ See Christie 2015 p. 20 (observing that cross-border online infringement disputes concerning patents are rare).

nication technologies have raised localisation difficulties for patents as well as copyright and trademarks.⁵⁰⁹

Also, the localisation of the act of patent infringement in a state where inconsequential conduct occurs, in this case transit, has caused international discord. In 2010, India and Brazil accused the EU and the Netherlands of violating international obligations because the Dutch customs on numerous occasions seized pharmaceuticals in transit through the Netherlands where the pharmaceuticals were protected by patent, but which had originated in India where there was no patent and which were destined to Brazil where there also was no patent.⁵¹⁰ In this context, the controversy was over the freedom of a Paris contracting state and TRIPS Member to regulate conduct within its territory that affects the possibility of other contracting states and Members to determine the availability of inventions (e.g. pharmaceuticals) within their territories. In the view of the protesting states the seizure of the pharmaceuticals, even though it was physically carried out on the prescribing state's territory, violated the principle of territoriality of patent law because the effects of the conduct were felt in their territories.⁵¹¹

Territoriality's implications for private international law

The principle of territoriality of IP law and the international IP conventions have been assumed to have implications for private international law, both for jurisdiction and choice of law.

⁵⁰⁹ See e.g. *NTP, Inc. v Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006).

⁵¹⁰ The Dutch customs acted in reliance on the Dutch court's interpretation of the (former) EU Customs Regulation, which was held to mean that goods in transit through a EU Member State should be treated as if they had been manufactured in that state. On the basis of this "manufacturing fiction", the pharmaceuticals were suspected of infringing the Dutch patent law and were seized. While India and Brazil protested against the "public law" actions by the Dutch Customs, it is unlikely that India and Brazil would have found any more palatable sanctions ordered by a Dutch court and enforced on the Dutch territory pursuant to private lawsuits for the infringement of the Dutch patent. See generally Abbott 2009; Grosse Ruse-Khan & Jaeger 2009.

⁵¹¹ WTO WT/DS408/1, G/L/921, IP/D/28, European Union and a Member State - Seizure of Generic Drugs in Transit - Request for Consultations by India, 19 May 2010; WTO, WT/DS408/3, European Union and a Member State - Seizure of Generic Drugs in Transit - Request to Join Consultations - Communication from Brazil, 2 June 2010. India and Brazil claimed that it also violated the freedom of transit. China and Canada also requested to join the consultations in light of the fact that they are large producers of generic drugs. See also WTO WT/DS408/6, WTO European Union and a Member State - Seizure of Generic Drugs in Transit - Request to Join Consultations - Communication from China, 10 June 2010 and WTO WT/DS408/2, European Union and a Member State - Seizure of Generic Drugs in Transit - Request to Join Consultations - Communication from Canada, 1 June 2010.

It is sometimes assumed that every state has exclusive jurisdiction over disputes concerning the infringement within its own territory of its own domestic IP rights.⁵¹² The reasons for attributing exclusive jurisdiction are based primarily on the public (state) interest in the private law dispute arising under IP rights granted for each state's own territory, in much the same way that states have been reluctant to apply or enforce foreign public law.⁵¹³ The argument has been made that because of the territorial limitation of IP law, it cannot be applied by courts of other states.⁵¹⁴ Underlying these arguments is the notion that the enforcement of foreign IP rights would violate territorial sovereignty of the forum state because it has no interest in assisting the foreign state to further its own state policies, and doing so may negatively impact on the forum state's own policies.⁵¹⁵ Another argument is that it would offend the sovereignty of the state granting or protecting the right if another court would exercise jurisdiction over infringement claims. This argument is based on the important role of IP rights to further economic, social and cultural policies of the protecting state and that adjudication by another state could be seen as an interference with those policies.⁵¹⁶ A related argument is

⁵¹² Ubertazzi 2012:1 p. 7-9; Fawcett & Torremans 2011 p. 12-15; Pertegás Sender 2002 p. 19-28; Ulmer 1978 p. 10.

⁵¹³ Austin 1997 p. 331-335 (concluding that the arguments do not justify treating foreign IP infringement disputes differently from other private disputes).

⁵¹⁴ Lipstein 2005 p. 610 (stating that the forum "must of necessity cease to exercise jurisdiction in the absence of a cause of action."). See also *Potter v The Broken Hill Proprietary Co.*, 1906 VLR 292, Australian High Court (Judge Barton) ("Is it not then a strange proposition that a right which cannot exist outside [of the territory that created the right] should be enforceable extra-territorially by a branch of the governing power of every other country?").

⁵¹⁵ Pertegás Sender 2002 p. 22 (citing Szászy for the proposition that a foreign territorially limited patent right does not interest the forum state on account of its subject matter and also that enforcement of foreign patents could violate forum *ordre public*).

⁵¹⁶ Fentiman 2005 p. 132-133 (stating that jurisdiction may be declined because any risk that the foreign law might be misapplied is unacceptable in an area like IP, which is of such great interest to the state whose law is in question); Chaen 2010 p. 109 (stating that Japanese courts should decline jurisdiction over infringement disputes if the claims are closely related to public interest policy of a foreign state such as public health care policy or freedom of expression); Cornish 1996 p. 288 (stating that the comity of nations is likely to be shaken if the courts of X find that a national of X has an action against a national of Y for the infringement of a Y patent in Y); *Gallo Africa Ltd v Sting Music (Pty) Ltd* (40/2010) [2010] ZASCA 96; 2010 (6) SA 329 (SCA); [2011] 1 All SA 449 (SCA) (South Africa: Supreme Court of Appeal 3 September 2010) *Gallo Africa Ltd v Sting Music (Pty) Ltd* (40/2010) [2010] ZASCA 96; 2010 (6) SA 329 (SCA); [2011] 1 All SA 449 (SCA) (South Africa: Supreme Court of Appeal 3 September 2010), para. 21 ("intellectual property rights exist at the sufferance of the domestic sovereign. . . . [I]ndividual domestic copyright statutes still define the circumstances in which copyrights come into existence and the nature and content of authors' rights"); *Plastus Kreativ AB v Minnesota Mining and Manufacturing Co*, England and Wales High Court, [1995] R.P.C. 438, 447 ("Although patent actions appear on their face to be disputes between two parties, in reality they also concern the public. A finding of infringement is a finding that a monopoly granted by the state is to be enforced. The result is invariably that the public have

limited to prohibiting the exercise of jurisdiction over claims implicating the registration or validity of registered rights. This follows from the general rule that one state will not invalidate the public law acts of another state.⁵¹⁷

In fact, it is sometimes claimed that the territorial system of protection set up by the international IP conventions obligates a territorial approach to adjudicative jurisdiction, in that it both obligates the exercise of jurisdiction over claims involving domestic rights and forbids the exercise of jurisdiction over claims involving foreign rights.⁵¹⁸ This view is based on the assumption that national treatment requires the contracting states to expand the personal scope of the domestic IP law to encompass qualified foreign nationals on the same terms as nationals so as to protect against infringement on the domestic territory.⁵¹⁹ When a foreign national asserts that her IP right has been infringed within the forum state, national treatment obligates the contracting state courts to exercise jurisdiction because the claim falls within the territorial scope of the domestic IP law.⁵²⁰ It is a case of the cart pulling the

to pay higher prices than if the monopoly did not exist. If that be the proper result, then that result should, I believe, come about from a decision of a court situated in the state where the public have to pay the higher prices”); Denmark 1961 p. 119 (maintaining that states have an interest in determining the validity of their own patents because of the importance for the domestic market).

⁵¹⁷ Akehurst 1972-73 p. 250 (“Since states are independent of one another, it would be a breach of international law for a court of one state . . . to annul an act of another state.”); Bogdan 1980 p. 274 (stating that as a general rule, Swedish courts may not invalidate or alter decisions of foreign authorities). See also *Potter v The Broken Hill Proprietary Co.*, 1906 VLR 292, Australian High Court (Judge Griffith) (“Now, it is the settled law of all civilized countries that the acts of the Government of a State done within its own territory are not examinable at all in the Courts of another State. . . . any exercise by a de facto repository of any power of sovereignty, which results in the creation of a right of property that can only be created by such an exercise, must be regarded as an act of the State itself. . . . the substantial question sought to be raised by the defendant is the validity of the act of the governing power of New South Wales in granting the patent sued on, and that such a question can only be dealt with by the proper Courts of that State.”). But see e.g. Chaen 2010 p. 88 (stating that an interference with national sovereignty does not arise if a registered right is declared invalid *inter partes*).

⁵¹⁸ See *Fort Dodge Animal Health Ltd v Akzo Nobel NV and Intervet International BV*, England and Wales High Court, [1998] F.S.R. 222 (finding that the EPC was not directly concerned with jurisdiction); *Pearce v Ove Arup Limited and others*, England and Wales Court of Appeal, IIC 1999, 30(7), 825-840, 825 (where the argument that national treatment governed jurisdiction was raised but rejected); Bragiel 1999 p. 158.

⁵¹⁹ See Fentiman 2005 p. 134-137; Ulmer 1978 p. 9-10; Lipstein 2005 p. 611; Bogdan 1980 p. 275.

⁵²⁰ *Creative Technology, Ltd. v Aztech System PTE, Ltd.*, 61 F.3d 696, 705-706 (9th Cir. 1995) (Ferguson dissenting) (“The national treatment principle requires that, where a copyright has been infringed in a particular country, the author has the right to pursue a remedy in that country.”).

horse.⁵²¹ The court has jurisdiction because the claim falls within the spatial (personal and territorial) scope of its domestic law. The argument continues that because the international IP conventions do not give any guidance for when an infringement occurs outside a contracting state's territory and therefore outside the territorial scope of the forum law, the international IP conventions exclude the possibility of the application of foreign IP law by domestic courts. Because the courts cannot apply foreign IP law, they cannot exercise jurisdiction. Again the cart is pulling the horse. The court does not have jurisdiction because the claim falls outside the territorial scope of its domestic law.

Today however the prevailing view seems to be that jurisdictional rules cannot be derived from the rule on national treatment.⁵²² First, the view that national treatment is a unilateral choice of law rule that instructs the courts of the forum state to apply forum law to infringements taking place within the territory is not the only possible interpretation of the national treatment rule, as will be explained further below. Moreover, even assuming that national treatment instructs the court to apply forum law to infringements taking place within the territory (but is silent with respect to infringements taking place outside the territory), this does not lead to the conclusion that jurisdiction is mandatory if the dispute falls within the forum law territorial scope and prohibited if it falls outside its scope.⁵²³

In fact, the conventions have very little to say about jurisdiction. The word jurisdiction is mentioned only once in the Paris Convention, once in the TRIPS Agreement, and not at all in the Berne Convention or the WCT.⁵²⁴

⁵²¹ Ricketson & Ginsburg 2006 p. 1293-1294.

⁵²² See e.g. Fawcett & Torremans 2011 p. 13-14. See also Hausmann 2003 p. 279 (stating that international jurisdiction for claims arising under foreign IP rights does not interfere with a foreign state's territorial jurisdiction and cannot be perceived as an encroachment on sovereign powers).

⁵²³ Fentiman 2005 p. 135 (finding nothing in the international IP conventions that prevents a court from applying its own rules of private international law to choose the applicable law when the forum law does not apply); Wadlow 1998 p.10 ("There has been widespread confusion between the proposition that intellectual property laws are not extraterritorial, and the quite separate proposition that they are not justiciable in foreign courts.").

⁵²⁴ Article 2(3) PC ("The provisions of the laws of each of the countries of the Union relating to judicial and administrative procedure and to *jurisdiction*, and to the designation of an address for service or the appointment of an agent, which may be required by the laws on industrial property are expressly reserved.") (emphasis added); Article 41.4 TRIPS ("Parties to a proceeding shall have an opportunity for review by a judicial authority of final administrative decisions and, subject to *jurisdictional* provisions in a Member's law concerning the importance of a case, of at least the legal aspects of initial judicial decisions on the merits of a case. However, there shall be no obligation to provide an opportunity for review of acquittals in criminal cases.") (emphasis added).

Article 2(3) of the Paris Convention makes an exception from national treatment for rules on jurisdiction. This exception can hardly be understood however to allow the contracting states to discriminate against foreign right holders by refusing them access to the courts to remedy infringements of domestic rights taking place on the domestic territory.⁵²⁵ Indeed, it was probably assumed that infringement disputes concerning IP rights would be litigated in the state where the right was registered or protected and infringed.⁵²⁶ Rather, the reason for the exception on jurisdiction in the Paris Convention was to allow the contracting states to maintain their rules on exorbitant jurisdiction in favour of forum nationals, without having to make these rules available to eligible foreign right holders.⁵²⁷

TRIPS might be interpreted to obligate the Members to exercise adjudicative jurisdiction over infringement disputes involving domestic rights where territorial enforcement would be effective in order to fulfil the obligation to establish “effective action against any act of infringement of intellectual property rights.”⁵²⁸ This argument is based on the fact that article 41.1 TRIPS obligates Members to ensure that there are enforcement procedures “to permit effective action against any act of infringement” and article 42 TRIPS obligates the Members to “make available to right holders civil judicial procedures concerning the enforcement of any intellectual property right

⁵²⁵ See TRIPS Resource Book 2005 p. 74 (noting that “the distinction between a ‘remedy’ which must be the ‘same’, and a ‘procedure’ that is ‘reserved’ or exempt may be difficult to draw, and in this sense the Paris Convention is not a model of clarity.”).

⁵²⁶ van Eechoud 2003 p. 108. The forum court would likely have jurisdiction based on the domicile of the alleged infringer. The attribution of jurisdiction over foreign nationals who infringe domestic IP rights follows from generally accepted rules on jurisdiction *forum delicti*, which recognises jurisdiction of the state where a wrong occurred and from *forum rei sitae*, which recognises jurisdiction of the state where property over which the disputes concerns is located.

⁵²⁷ Ladas 1975 p. 267; Bodenhausen 1968 p. 32. The reservation on jurisdiction suggests that the contracting states were aware of the use of exorbitant bases of jurisdiction and implicitly consented to the continued use of them, even in relation to nationals from the other contracting states. In addition, the exception for administrative procedures was to allow states to require foreign nationals bringing a civil action to deposit a bond to cover court costs. The exception from national treatment for judicial and administrative procedures was preserved in the TRIPS Agreement but in a qualified form. See Article 3.1 TRIPS (“Members may avail themselves of the exceptions permitted under paragraph 1 in relation to judicial and administrative procedures, including the designation of an address for service or the appointment of an agent within the jurisdiction of a Member, only where such exceptions are necessary to secure compliance with laws and regulations which are not inconsistent with the provisions of this Agreement and where such practices are not applied in a manner which would constitute a disguised restriction on trade.”).

⁵²⁸ See Bronckers et al. 2000 p.17 (“The TRIPS Agreement requires that its Members provide for the competence of the courts at the place of infringement.”); TRIPS Resource Book p. 580.

covered by this Agreement.” A cumulative reading of these obligations suggests that Members must make available judicial procedures such as the jurisdiction of the domestic courts in situations where domestic rights are alleged infringed and effective enforcement can take place on the territory. Enforcement and jurisdiction are undeniably linked. When interpreting the extent of the TRIPS obligations however it must be observed that the provisions were intentionally drafted broadly to take into account diverse legal traditions.⁵²⁹ This includes reserving to the national judicial authorities the discretion whether or not to exercise jurisdiction in the particular case.⁵³⁰

The question whether the international IP conventions have any implications on applicable law is almost as old as the Paris and Berne conventions themselves. As noted, one view of national treatment holds that it operates as a (unilateral) choice of law rule because it instructs the courts of the contracting states to apply forum law to protect the rights of foreign nationals against infringements taking place within their territories in the same way that the court applies forum law to protect the rights of its own nationals against infringements taking place within their territories.⁵³¹ This choice of law rule is incomplete however because it does not instruct the courts of the contracting states what law to apply if a claim is brought for an infringement taking place in another state’s territory. Some authors maintain that a choice of law rule can be derived from national treatment which ensures that each state’s IP law applies to infringements within its own territory regardless of where the dispute is adjudicated.⁵³²

Ulmer gives an example of an eligible foreign right holder who brings an action in Germany claiming the infringement of his work by a German impresario, who performed the work in Denmark without consent. Ulmer explains that the Berne Convention does not obligate Germany to extend the protection of the German copyright law to the foreign national in this situation. Indeed, Ulmer maintains that the protection that the foreign national

⁵²⁹ Article 41(5) TRIPS; Hacon & Pagenberg 2008 p. 122.

⁵³⁰ TRIPS Resource Book 2005 p. 580-81 (“It would appear more appropriate in evaluating the effectiveness of a Member’s enforcement procedures that an inconsistency would be found when there is evidence of a systemic problem in the complaint against Member; that is, a problem that is likely to recur.”).

⁵³¹ Beier 1984 p. 9-10 (stating that art 2 PC on national treatment contains a conflicts rule that direct “each country to apply its own laws within its own territory without distinguishing between nationals and foreigners.”); Stewart & Sandison 1989 p. 38-39, 44 (stating that national treatment leads to an application of domestic law); Ulmer 1979 p. 9-10 (the conflict rule in the principle of national treatment provides that eligible foreign nationals may claim protection of the domestic law in every contracting state for acts of infringement in the state).

⁵³² Fawcett & Torremans 2011 p. 671-688; Geller 2004 p. 328-332; Stewart & Sandison 1989 p. 46-47 (echoing Ulmer’s view); Boytha 1989 p. 409 Ulmer 1978 p. 9-14. See also Pertegás Sender 2002 p. 222 -223 (citing other authors).

may claim under the Berne Convention need only be granted in accordance with the law of the contracting state where the infringement took place. Ulmer states that a choice of law rule can be derived from this obligation for situations where protection is claimed for an infringement which has taken place in another state.⁵³³

With respect to copyright, the view that national treatment contains an implicit choice of law rule is supported by the wording in the second sentence of article 5(2) BC, which states: “the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.” Pursuant to this view, “the country where protection is claimed” is understood to mean the country *for which* the plaintiff claims protection against an infringement and not the country *in which* protection is claimed (i.e. where the proceedings are brought).⁵³⁴ However not all authors who maintain that the international IP conventions affirm the principle of territoriality, agree that a specific choice of law can be derived from them.⁵³⁵ The reluctance to interpret choice of law significance into national treatment is supported by the fact that the phrase “the laws of the country where protection is claimed” found in article 5(2) BC is ambiguous.

A different interpretation of national treatment holds that foreign right holders must be completely assimilated with national right holders with regard to the domestic law as a whole, including the choice of law rules.⁵³⁶ Pursuant to

⁵³³ Ulmer 1978 p. 9-11.

⁵³⁴ Strömholm 2001 p. 146; Austin 1999 p. 24-25; Ulmer 1978 p. 9-10. Ulmer concedes that the phrase “where protection is claimed” is ambiguous. He submits however that it could not logically refer to the *lex fori* because this would mean that the applicable law would vary depending upon in what contracting state the plaintiff chose to bring legal proceedings. Ulmer 1978 p. 9-10. See also van Eechoud 2003 p. 106 -110 (containing citation to other authors).

⁵³⁵ Dinwoodie 2009 p. 716-718 (stating that while national treatment suggests that IP protection should be based on territory and not nationality, it is a “very general philosophy with little specific content”); Ricketson & Ginsburg 2006 p. 1297-1300; Dinwoodie 2005 p. 201 (stating that the Berne Convention suggests that some notion of place rather than nationality should be controlling); Fentiman 2005 p. 134-37; van Eechoud 2003 p. 125-127 (stating that a general agreement that BC is based on a *droit indépendants* approach does not lead to specific choice of law rules).

⁵³⁶ Schack 2009 p. 138; Pertegás Sender 2002 p. 222-23, 230-231; Patry 2000 p. 396-410, 405-6 (“the requirement of national treatment could be satisfied by an amendment to the U.S. Copyright Act providing that rights for both domestic and foreign authors are to be determined by the laws of the country of origin. According to such a provision, in an action for infringement brought in U.S. courts, a work whose country of origin is the United States would be governed by U.S. law, while a work whose country of origin is Russia would be governed by Russian law. Both domestic and foreign works would be treated alike though: both would receive ‘national treatment’ because the same rule--the law of the country of

this view, national treatment does not contain any limitations on prescriptive jurisdiction or imply any choice of law rule, or even necessarily mandate that IP law (these arguments are usually only made with respect to copyright and unregistered rights) is applied on the basis of territoriality.⁵³⁷ National treatment gives each contracting state the discretion to determine the applicable law, provided they do not do it in a discriminatory manner aside from where specifically exempted under the conventions.⁵³⁸

This interpretation is also consistent with article 5(2) BC because a literal reading in fact points to the law of the state where the right holder brings proceedings (*lex fori*), which in turn might be interpreted to mean that the forum state should apply its domestic law including its choice of law rules.⁵³⁹ Pursuant to this interpretation, the forum is obligated to apply its procedural law (which is broadly interpreted to include remedies) in a non-discriminatory fashion while questions of substance are decided by the forum's choice of law rules (also in a non-discriminatory fashion).⁵⁴⁰ This in-

origin--would apply to domestic and foreign authors. National treatment thus requires only that the same rules apply, not that any particular law govern.”).

⁵³⁷ Massouyé 1978 p. 34 (stating that under article 5(2) BC, the forum court must apply its rules of private international law to determine the applicable law); Koumantos 1988 p. 418-423. Koumantos maintains that the Berne Convention is not based on the assumption that copyright law should be applied on a territorial basis to determine the existence and scope (e.g. the rights and their limitations) of a copyright. In his view, it is up to the forum's choice of law rules to determine the applicable law. Moreover, Koumantos maintains that the Berne Convention implies the *lex originis* as a general choice of law rule. According to him, *lex originis* may be derived from article 5(3) of the Berne Convention, which states that “Protection in the country of origin is governed by domestic law.” Koumantos views article 5(3) BC as a unilateral conflict rule, which establishes that the country of origin's substantive copyright law applies to national works but does not establish which state's law should apply to foreign works. Koumantos would make the rule in article 5(3) BC bilateral so that foreign works are also protected by the law of the work's country of origin (*lex originis*). Koumantos 1988 p. 424.

⁵³⁸ Article 2(7) BC, 6(1) BC, 7(8) BC, and 14ter(2) BC make exceptions from national treatment and allow a contracting state to treat an eligible foreign national less favourably in certain situations. Also, article 2(3) PC exempts from national treatment provisions relating to judicial and administrative procedure and to jurisdiction, and to the designation of an address for service or the appointment of an agent from the non-discretionary treatment of forum law.

⁵³⁹ Massouyé 1978 p. 34; *Pearce v Ove Arup Limited and others*, England and Wales Court of Appeal, IIC 1999, 30(7), 825-840 (“What Article 5(2) does, in our view, is to leave it to the courts of the country in which the proceedings are brought to decide whether the claim for protection should be upheld.”).

⁵⁴⁰ See van Eechoud 2003 p. 108-109 (discussing Schack's view); Koumantos 1988 p. 426. Indeed, many of the Berne Convention articles in which the reference to the “law of the protecting country” is made refer generally to rules which are typically classified as procedural rules. For example, article 5(2) of the Berne Convention refers to the “extent of protection” and the “means of redress”, which arguably suggests a reference to remedies and the form of actions available. Article 6bis (3) of the Berne Convention on moral rights also refers to the “means of redress.” Article 6bis (2) concerns the question who may exercise moral rights after

terpretation of national treatment gives the contracting states greater flexibility in constructing choice of law rules as they are not confined to a strictly territorial approach.⁵⁴¹ There is strong agreement however that national treatment prohibits the use of the right holder's nationality as a choice of law rule, at least to the extent that it results in less protection for eligible foreign nationals.⁵⁴²

Regardless of whether one accepts the view that the international IP conventions contain a choice of law rule, in practice, most choice of law rules are derived from the principle of territoriality. The territorially based rules employed are either the law of the country for which protection is claimed (*lex protectionis*) or the law of the country where the tort (wrong) is committed (*lex loci delicti*).⁵⁴³ These rules are often used interchangeably, although their precise meanings are not clearly defined.⁵⁴⁴ The rules usually lead to the same result, but this is not always the case.⁵⁴⁵

the death of the author (i.e. standing to sue), which may be classified as procedural. Article 10bis (1) refers to "the legal consequences of a breach" which again may refer to remedies, which is classified as procedural under the law of many states. Pursuant to this interpretation, courts are obligated to make their domestic procedures available to foreign nationals, but they retain the prescriptive discretion to determine what substantive IP law should be applied under their choice of laws rules.

⁵⁴¹ The choice of law rule *lex originis*, which is used in some states such as Greece for copyright, is based on this interpretation of national treatment. See generally Koumantos 1988.

⁵⁴² Dinwoodie 2009 p. 717-718; Boschiero 2007 p. 97; Fentiman 2005 p. 135; van Eechoud 2003 p. 109, 126-27; Pertegás Sender 2002 p. 231. National treatment could alternatively have a corrective function that modifies on the level of substantive law the results of any choice of law rule to the extent that a foreign national is given less protection than a national would under similar circumstances. Such an interpretation has been given to the country of origin rule in article 3 Directive 2000/31/EC. Joined cases C-509/09 and C-161/10, eDate Advertising and others

⁵⁴³ Pertegás Sender 2005 p.162 (stating with respect to patents: "Based on a comparative study of a number of states, it is possible to identify two major tendencies. Both the law of the protecting state (*lex loci protectionis*) and the law of the place of infringement (*lex loci delicti*) co-exists in the current private international mosaic.")

⁵⁴⁴ Metzger 2010 p. 171 (stating that although *lex protectionis* and *lex loci delicti* are different from a doctrinal view, the practical outcome is the same because an infringement of an IP right arising from activities outside the country of protection is hardly conceivable); van Engelen 2008 p. 442 (concluding that there is no real difference between *lex protectionis* and *lex loci delicti* when applied to IP infringements); Drex1 2005 p.154 (stating that *the lex protectionis* rule is fundamentally different from the *lex loci delicti commissi* rule); van Eechoud 2003 p. 105-106 (stating that it is inaccurate to equate *lex protectionis* and *lex loci delicti*); Stewart 1989 p. 30 (stating that the country where protection is claimed is the country where the infringement is committed).

⁵⁴⁵ Matulionytė 2012 p. 266 (stating that the two rules led to the application of different laws in the Japanese Card Reader case).

As indicated above, *lex protectionis* has been given somewhat different meanings. It could mean the law of the country *where* protection is claimed (i.e. where the proceedings are brought) or the law of the country *for which* protection is claimed.⁵⁴⁶ It is the latter meaning that is discussed here. Even the latter meaning has been given slightly different sub-meanings. It sometimes refers to the law of the state for which the plaintiff claims to have an IP right (e.g. the state where a patent is registered) or the law of the state for which the plaintiff seeks protection (e.g. where the plaintiff claims its right is infringed).⁵⁴⁷ In either case, *lex protectionis* is often understood as containing a subjective connecting factor because the plaintiff determines the applicable law or laws by its statement of claim.⁵⁴⁸ The claim may indicate the specific states in which the right holder seeks protection or the specific IP rights it holds. The court applies the law of the country invoked by the plaintiff, and determines whether under this country's applicable law, an infringing act has been committed there. *Lex protectionis* allows each state to determine the territorial scope of its own IP law in much the same way as the statist's method.⁵⁴⁹ The *lex protectionis* rule does not depend on the dispute being characterised as a tort (e.g. infringement dispute) but also may be applied to define the proprietary aspects of the right in invalidity and ownership actions.

Lex loci delicti refers to the law of the state where the tort (wrong) was committed. Where the tortious act and the resulting damage occur in different states, the rule has developed to mean either the law of the state where the harmful act took place (*lex loci delicti commissi*) or the law of the state where the damage arose (*lex loci damni*), sometimes giving the plaintiff a

⁵⁴⁶ Matulionyte 2012 p. 264-267 (discussing different interpretations given to *lex protectionis* such as the law of the state that grants protection, the law of the country where protection is sought, the law of the country whose market is impacted); Savola 2014 p. 299 ("There have been multiple interpretations of what "for which country protection is sought" means in the context of ubiquitous online copyright infringement.").

⁵⁴⁷ Kur states that in light of the territoriality principle, rights arising out of registration can only confer protection in the state for which registration has been effected, so the result will usually be the same. Kur 2005:1 p. 962. However, this assumes that registered IP rights never claim extraterritorial application, which is not always the case. See *Steele v Bulova Watch Co*, 344 U.S. 280 (1952). See also Pertegás Sender 2005 p. 163 (stating that the law of the protecting state in the 1987 Swiss Private International Law Act refers to the law of the state in which the plaintiff claims to have IP protection); Ancel 2012 p. 564.

⁵⁴⁸ Hellner 2014 p. 182; Illmer 2011 p. 241; Kojima et al. 2010 p. 185-186 (discussing the subjective method but deciding in favour of a traditional objective connecting factor); Kur 2005:1 p. 963 ("the plaintiff should be required to explicitly declare the countries in which it actually seeks protection"); Drexl 2005 p. 154.

⁵⁴⁹ Dickinson 2008 p. 458 (stating that *lex protectionis* allows each prescribing state to determine its own set of unilateral connecting factors describing the required connection to the territory); Drexl 2005 p. 154; Ulmer 1979 p. 14 (explaining that *lex protectionis* allows each contracting state to determine the territorial scope of its own IP law).

choice.⁵⁵⁰ Under the sovereignty based choice of law rules, a state would have prescriptive jurisdiction to regulate the dispute provided an element of the claim took place within its jurisdiction (e.g. the conduct or the damage). Under modern choice of law theory, the choice of connecting factor depends on the interests favoured and policies pursued by the forum state which are often based on meeting the expectations of the parties to achieve justice and facilitate international commerce.⁵⁵¹ Sometimes the *lex loci delicti* rule may be displaced if another country has a closer connection to the dispute such as where the parties have a common personal law or a pre-existing contractual relationship.⁵⁵² If the tort takes place in a number of countries, the laws of these countries may be cumulatively applied.

In the specific context of a transborder IP infringement dispute however it is sometimes held that the *lex loci delicti* rule is not appropriate. This is because the territoriality principle informs that it is not possible to distinguish between the state where the harmful act takes place and the state where the direct damage arises.⁵⁵³ The application of the *lex loci delicti commissi* rule could lead to the application of a law of a country different from the one that the right holder claims protection for, and result in the application of a law that does not protect the right holder.⁵⁵⁴ Also, the application of the *lex loci damni* rule might lead to the law of a country where the right holder is established even though there are no IP impairing effects in that market.⁵⁵⁵ Moreover, it is often held that in any case the *lex loci delicti* rule should not be displaced by alternative connecting factors such as the parties' common personal residence or party autonomy because this would conflict with the underlying rationale of the territoriality principle which is to allow a state to regulate acts within its own territory that affect its domestic IP policies.⁵⁵⁶

⁵⁵⁰ Morse 1984; Strömholm 1961 p. 116-143.

⁵⁵¹ Under a U.S. interest analysis approach, the court weighs the state interests with respect to regulating conduct and compensating the victim. See generally Symeonides 2009. The EU legislator is more concerned with fairness to the parties, predictability, and international harmony of decisions. See generally von Hein 2008.

⁵⁵² Morse 1984 p. 90-93; Article 4(2-3) Regulation 864/2007.

⁵⁵³ See e.g. Drexl 2005 p. 154.

⁵⁵⁴ See *Société des Auteurs des Arts Visuels et de l'Image Fixe (SAIF) v Google Inc.*, Paris Court of First Instance, 3rd ch, 1st sec., no. 05/12117, 20 May 2008 (applying *lex loci delicti* leading to the application of U.S. copyright law, a fair use defence, and resulting in a finding of no infringement). This decision was reversed on appeal. See *Société des Auteurs des Arts Visuels et de l'Image Fixe (SAIF) v Google Inc.*, Paris Court of Appeal, 26 January 2011.

⁵⁵⁵ Drexl 2005 p. 154; Strömholm 2001 p. 230-1 (stating that the damage arising in the state of the right holder's residence or establishment is deemed to be indirect damage).

⁵⁵⁶ Drexl 2005 p. 155 (stating that the territoriality principle respects "the decision of a given national legislator to balance all interests involved - of inventors, creators, exploiters and the public - with regard to acts affecting the national market."); Fentiman 2005 p. 132, 140 (finding that *lex protectionis* respects the interests of states in having their law applied in accord-

The fundamental difference between the two rules is the approach. *Lex protectionis* employs a subjective connecting factor and follows a unilateral approach in an otherwise multilateral choice of law rule in that it starts with the laws of the state invoked by the plaintiff and allows each law to determine its own spatial reach.⁵⁵⁷ The *lex loci delicti* rule uses an objective connecting factor (e.g. the tort or an element of it such as an act or damage) which requires that the court localise its seat in a particular state or states. While the *lex protectionis* and *lex loci delicti* do not always lead to the application of the same state's law, the end result will usually be the same as a result of the territorial nature of IP laws.⁵⁵⁸

Lex protectionis and *lex loci delicti* could lead to two different substantive results. Savigny's intention that the connecting factors be identified based upon pre-defined universal criteria has not been realised. In reality, states have different notions concerning what an infringement entails and where it can be localised.⁵⁵⁹ As a court needs to identify and localise the connecting factor from the perspective of some national legal system, most courts do so from the perspective of the *lex fori*.⁵⁶⁰ For example, assume that A sues B for copyright infringement before a Xandian court because B, who is domiciled in Xandia, communicates a protected work to Patria. A owns the copyright to the work in Patria but not in Xandia. Under a *lex protectionis* approach, the court applies Patrian law because that is the law of the country for which A claims to have a right that protects it against infringements on the Patrian territory. If the communication of a work to the public in Patria is an infringement under the Patria Copyright Act, A will win the lawsuit. Under a *lex loci delicti* approach, the court first identifies and localises the tort (usually) from a *lex fori* perspective. If pursuant to Xandian law, the tort (e.g. the act of communication of a work to the public) is localised in Xandia, e.g. the place from where the work is communicated, the court will apply Xandian

ance with their legislative intent); Pertegás Sender 2002 p. 213 (stating that the national law of the parties is irrelevant in a patent infringement dispute). But see Maunsbach 2010 p. 703 - 707 (questioning the need to treat IP disputes differently from "regular" non-contractual disputes).

⁵⁵⁷ Peukert 2011 p. 202 (stating that the plaintiff chooses the applicable law by identifying in its statement of claim which IP rights have been infringed, e.g. U.S. or German patents or copyrights, and whether an infringement has occurred will be decided on the basis of each state's respective substantive IP regime).

Drexl 2005 p. 154; Ulmer 1979 p. 14 (explaining that *lex protectionis* allows each contracting state to determine the territorial scope of its own IP law).

⁵⁵⁸ Metzger 2010 p. 171-172; Fawcett & Torremans p. p. 830 -834 (giving examples of the operation of a *lex loci delicti* approach).

⁵⁵⁹ Fawcett & Torremans 2011 p. 807; Pertegás Sender 2003 p. 218-219.

⁵⁶⁰ Strömholm 2001 p. 151 (stating that Swedish courts must refer to Swedish rules of private international law to localise the infringing act); Nussbaum 1943 p. 80-81.

law. As A does not own the copyright to the work in Xandia, it loses the lawsuit. The difference arises from the fact that the application of the territoriality principle on the substantive law level differs among states.

Traditionally, party autonomy has been disfavoured for IP infringements disputes as being inconsistent with the principle of territoriality of IP law.⁵⁶¹ The argument is that IP rights are territorially limited because they are part of each state's public policy. As states are said to have an interest in the enforcement of domestic IP rights, parties may not by agreement force or oust the jurisdiction of state courts. Also, if the IP law of one state should be applied to determine whether an IP right has been infringed in another state, it would violate the sovereignty of the latter state to have its own IP law applied to infringements taking place within its territory.⁵⁶² Moreover, the argument has been made that party autonomy is not consistent with the international IP conventions that obligate the contracting states to apply their domestic IP laws to infringements taking place within their own territories and (in some authors' view) obligates the contracting states to apply the laws of other states to infringements taking place in those states' territories.⁵⁶³

Some states today have accepted a limited party autonomy with respect to IP infringements disputes.⁵⁶⁴ The justification is that not all issues involving IP

⁵⁶¹ Hausmann 2003 p. 285 (stating that the territoriality principle bars party autonomy for IP disputes); von Hein 2008 p. 1694 (stating that party autonomy is limited in IP infringements disputes because IP law serves important public goals, which must not be subjected to an individual choice of law made by the parties); Strömholm 2001 p. 219-221 (discussing how certain provisions of the Swedish Copyright Act are mandatory rules the application of which are not subject to party autonomy); van Eechoud 2003 p. 174-75; Peukert 2011 p. 195.

⁵⁶² Matulionyte 2013 p. 82-83; de Boer 2007 p. 26 (stating that Kreuzer's argument against party autonomy on the ground that the parties could select a legal system under which no IP right may exist is a compelling argument).

⁵⁶³ Strömholm 2001 p. 219-221 (finding that the strongest argument against party autonomy over choice of law in copyright infringement disputes is national treatment obligation to apply domestic law to foreign nationals); Pertegás Sender 2002 p. 219-220 (considering but rejecting this argument against party autonomy for patent infringement disputes on the ground that PC does not influence choice of law).

⁵⁶⁴ See e.g. Article 110(2) of the 1987 Swiss Code on Private International Law (explicitly allows the parties to choose Swiss law as an alternative to the law of the state for which protection is sought to govern "claims arising out of infringement of intellectual property right."); Article 50 Law of the Application of Law for Foreign-Related Civil Relations of the People's Republic of China, Adopted at the 17th session of the Standing Committee of the 11th National People's Congress on October 28, 2010 ("The laws at the locality where protection is claimed shall apply to the liabilities for tort for intellectual property, the parties concerned may also choose the applicable laws at the locality of the court by agreement after the tort takes place."). Matulionyte 2012 p. 281-290 (discussing differences in the national legislation and practice regarding party autonomy over IP infringements disputes in an international context).

rights implicate state (public) interests and that certain issues are within the parties' disposition.⁵⁶⁵ On a continuum, states are said to be most concerned with issues concerning the IP right as such (existence, validity, ownership, scope), then its infringement, and lastly the remedies.⁵⁶⁶ Moreover, even to the extent that state interests are implicated, the argument has been made that party autonomy arguably does not prejudice these interests because today IP law is to a greater extent harmonised under the international IP conventions so any contracting state or Member's IP law will adequately protect another state's IP policy.⁵⁶⁷ Also, party autonomy may even favour state interests because it increases the chances that a right holder will pursue enforcement for all states in a situation where infringements take place within a number of states' territories, even though enforcement may be under another state's IP law.⁵⁶⁸ However, even in those areas where party autonomy is accepted, it may be restricted to protect weaker parties and the rights of third parties.⁵⁶⁹

While private international law in general has liberalised itself from the principle of territoriality, the territoriality principle continues to have implications for the private international law of IP rights. IP rights are still treated differently from other classic private rights (e.g. contracts and torts) when it comes to jurisdiction and choice of law. The adjudication and application of domestic contract law to contracts concluded or performed abroad or the

⁵⁶⁵ de Boer 2007 p. 29 (stating that the restriction on choice of law in IP infringement disputes does not seem to be warranted by a concern for public interests but more likely by an outdated choice of law approach); van Eechoud 2003 p. 174-175 (stating that substantive IP law does not allow parties to decide whether an IP right exists and for how long as the reason why party autonomy is not acceptable for existence, scope and duration of copyright. At the same time however she concedes that a licensee may recognise a licensor's claim to an IP right. She concludes however that neither party has influence on the actual existence of such rights independently of the contractual relationship. This does not answer the question why the parties cannot choose the law concerning the existence of an IP right in the context of an infringement dispute when the result only has *inter partes* effect).

⁵⁶⁶ Matulionyte 2013 p. 83 (stating that many academics maintain that state policies predominantly concern IP rights as such and not infringements); Pertegás Sender 2002 p. 220-221 (maintaining that party autonomy should be limited where state interests play an essential role but concluding that state interests are not implicated with respect to the patrimonial consequences of a patent infringement); Metzger 2010 p. 176-177 (stating that an argument can be made that even the remedies are a crucial part of a state's national trade policy that cannot be derogated from by contract); van Eechoud 2003 p. 214 (maintaining that party autonomy in copyright infringement disputes should be limited to liability for and consequences of the infringement and not the unlawfulness of the act itself so as not to have a negative effect on the state interests in the public domain); Pertegás Sender 2002 p. 238 (discussing the views of Vischer and Dutoit holding that parties are not free to choose the applicable law with respect to injunctions).

⁵⁶⁷ Matulionyte 2013 p. 85.

⁵⁶⁸ Matulionyte 2013 p. 85.

⁵⁶⁹ Matulionyte 2013 p. 93-97.

application of domestic tort law to impose tort liability on conduct taking place abroad is less likely to be understood as implicating the interests of the other state than is the application of one state's IP law to determine the infringing character of acts taking place within the territory of another state.⁵⁷⁰ Before the exponential increase in transborder exploitation of IP rights, a territorial treatment of IP disputes under private international law served state interests because it allowed them to regulate activities within their own territories to achieve their policy goals without interfering with the policies of other state. It also served the interests of private parties in achieving justice and in facilitating international commerce because jurisdiction would lie with a forum that was fair, convenient, and foreseeable.⁵⁷¹ Also, the right holder would be able to rely on a predictable level of protection for the IP rights it acquires for a certain territory and the user would be acquainted with the IP law of the state in which it acts.⁵⁷² Today, where acts taken in one state can have IP impairing effects in other states, a strictly territorial treatment of IP disputes under private international law do not necessarily serve state interests or private party interests.

In an attempt to come to terms with this problem, in 2010, the International Law Association established a committee on Intellectual Property and Private International Law.⁵⁷³ The Committee aims to build upon and synthesise the various academic proposals made around the globe to find appropriate solutions. In the U.S., the American Law Institute (ALI) has adopted principles governing jurisdiction, choice of law, and judgments in transnational intellectual property disputes.⁵⁷⁴ In Europe, the European Max Planck Group on Conflicts of Laws in Intellectual Property (CLIP) has adopted similar

⁵⁷⁰ Compare Goldstein & Hugenholtz 2013 p. 97 ("For State A to impose copyright liability on conduct occurring in State B might be viewed by State B as an attack on its sovereignty, particularly if its own law excused the same conduct from copyright liability.") with article 3-4 EU Regulation No 864/2007 and article 4-7 EU Regulation No 864/2007 (leading to the application of a law of a state other than the state where the contract is performed or where the conduct occurred). See Trimble 2015:2 p. 382-390 (discussing states' reluctance to resolve copyright infringement disputes under one governing law).

⁵⁷¹ Study on Residual Jurisdiction 2007 p. 26 (stating that jurisdiction is usually based on purely territorial connecting factors because states often allocate jurisdiction in an aim to achieve the proper administration of justice).

⁵⁷² Goldstein & Hugenholtz 2013 p. 97 (stating that "the territoriality principle seeks to promote international commerce by securing reasonable investment expectations."); Kegel & Seidl-Hohenveldern 1981-82 p. 247 (stating that the territoriality principle serves the private interests of individuals).

⁵⁷³ See ILA's Intellectual Property and Private International Law Committee website, <http://www.ila-hq.org/en/committees/index.cfm/cid/1037>. See generally Editorial JIPITEC 2012 (collection of papers given at the ILA committee's inaugural meeting in March 2012).

⁵⁷⁴ ALI, Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes 2007.

Principles on Conflicts of Laws in Intellectual Property.⁵⁷⁵ Other proposals are the Japanese Transparency Principles (Transparency), the Principles by Korean Private International Law Association (KOPILA) and the Joint Proposal drafted by Members of the Private International Law Association of Korea and Japanese Waseda University Global COE Project (Joint JK).⁵⁷⁶ In general, the proposals take a liberal and flexible view of the effects of the principle of territoriality of IP law on private international law.

The ALI, CLIP, Transparency, and the Joint JK proposals all reject any type of exclusive jurisdiction with respect to disputes concerning unregistered rights.⁵⁷⁷ Also, all proposals would permit courts to adjudicate disputes concerning the validity of foreign IP rights when the question arises as an incidental question such as in the context of an infringement dispute, provided the ruling is limited *inter partes*.⁵⁷⁸ The ALI and Transparency proposals go further than CLIP and the Joint JK proposals by rejecting exclusive jurisdiction over disputes concerning the invalidity of registered rights even when the claim is principally raised such as in a claim for a declaration that a patent is invalid, provided the ruling is limited *inter partes*.⁵⁷⁹ All proposals restrict the exercise of adjudicative jurisdiction over claims to invalidate foreign registered rights with *erga omnes* effect.⁵⁸⁰

All the proposals contain a special rule on infringement jurisdiction.⁵⁸¹ The ALI version of the infringement rule is divided into two prongs. Under the activity prong, a defendant may be sued in any state in which she substantially acted to initiate or further an alleged infringement, and the scope of the court's jurisdiction extends to all injuries (including foreign injuries) arising out of the conduct within that state.⁵⁸² With respect to the effects prong, ALI limits the scope of the court's jurisdiction to injuries occurring in that state.⁵⁸³ However, an exception to this rule establishes that, if there is no WTO Member that would have jurisdiction with respect to all injuries arising from the defendant's infringing conduct, jurisdiction is permissible in any state in which the defendant's activities give rise to an infringement

⁵⁷⁵ European Max Planck Group on Conflicts of Laws in Intellectual Property, Principles on Conflict of Laws in Intellectual Property (2011).

⁵⁷⁶ See generally Matulionyte 2012; Ubertazzi 2012:2. The Transparency proposal adopts a unilateral approach that determines when the Japanese courts will have international jurisdiction.

⁵⁷⁷ Ubertazzi 2012:2 p. 250.

⁵⁷⁸ ALI § 211(2), 212(4); CLIP art. 2:401(2); Ubertazzi 2012 p. 250.

⁵⁷⁹ See ALI §213(3); Ubertazzi 2012:2 p. 250.

⁵⁸⁰ ALI § 211; CLIP art. 2:401; Ubertazzi 2012:2 p. 250.

⁵⁸¹ See generally Ubertazzi 2012:2 p. 227-262 (comparing the rules on infringement jurisdiction in the ALI, CLIP, Transparency, and Joint JK proposals).

⁵⁸² See ALI §204(1) (Infringement activity by a defendant not resident in the forum).

⁵⁸³ See ALI §204(2).

claim, provided the defendant can be reasonably seen as having directed activities to that state and the defendant solicits or maintains contacts, business, or an audience in that state on a regular basis, whether or not such activity initiates or furthers the infringing activity.⁵⁸⁴ This exception allows the forum to exercise jurisdiction with respect to all damages occurring anywhere in the world even though the defendant has not acted in the forum state.

The Transparency proposal also distinguishes between the act and its effects. It states that the Japanese courts shall have jurisdiction over IP infringement claims, when the results of an IP infringement occurred or are to occur in Japan, or when an infringing act took place or is to take place in Japan, excluding “ubiquitous infringement” claims except where the results of an “ubiquitous infringement” are maximised or to be maximised in Japan.⁵⁸⁵

In contrast, the CLIP infringement rule does not distinguish between activity and effects jurisdiction. Under the CLIP rule, a defendant may be sued in any state where an alleged infringement occurs and the scope of the jurisdiction is limited to the infringement that occurred or may occur in that state.⁵⁸⁶ The CLIP Principles provide for a more extensive scope of jurisdiction only for infringements carried out through ubiquitous media, e.g. internet.⁵⁸⁷ In these cases, a court where an alleged infringement occurs or may occur also has jurisdiction over infringements which occur or may occur in other states, provided the activities giving rise to the infringement have no substantial effect in the state where the infringer is habitually resident, and substantial activities in furtherance of the infringement in its entirety have been carried out within the forum state or the harm caused by the infringement in the forum state is substantial in relation to the infringement in its entirety.

All of the proposals require targeting or some minimum threshold of effects in the forum state for the exercise of international civil jurisdiction.⁵⁸⁸ Under the effects prong of the ALI infringement rule, a defendant may be sued in a state in which its (foreign) activities give rise to a (domestic) infringement claim, “if it reasonably can be seen as having directed those activities to that State.”⁵⁸⁹ In a similar vein, the corresponding CLIP rule restricts jurisdiction based on effects in situations where the defendant’s “activity cannot reason-

⁵⁸⁴ See ALI §204(3).

⁵⁸⁵ Article 105 Transparency.

⁵⁸⁶ See CLIP Art 2:202 (Infringement); Art 2:203 (Extent of jurisdiction over infringement claims).

⁵⁸⁷ See CLIP art. 2:203(2).

⁵⁸⁸ See generally Ubertazzi 2012:2 p. 234-237.

⁵⁸⁹ ALI §204(2).

ably be seen as having been directed to that state.”⁵⁹⁰ In the case of ubiquitous infringements (e.g. carried out by internet), the Transparency rule allows for jurisdiction only if the results “are maximized or to be maximized in Japan.”⁵⁹¹ The concept of “results of the infringement” is however vague and raises the possibility that mere economic effects such as injury to a Japanese right holder might be sufficient for Japanese jurisdiction under the Transparency proposal.⁵⁹²

All of the proposals reflect a consensus that the choice of law rule be based on territoriality with respect to the right as such and its consequences.⁵⁹³ The ALI rule sets forth “the law of each State of registration” and for unregistered rights, “the law of each State for which protection is sought” to determine the existence, validity, duration, attributes, infringement, and remedies.⁵⁹⁴ The CLIP rule does not distinguish between registered and unregistered rights and refers generally to “the law of the State for which protection is sought” to govern all matters concerning the right as such, including its existence, validity, registration, scope, duration, as well as its infringement including the violation of the IP right and the remedies.⁵⁹⁵

In the case of ubiquitous infringements, all the proposals allow for a single law approach based on the closest connection (although defined somewhat differently), with the possibility to retreat back to the territorial approach.⁵⁹⁶ The proposals allow the single law to regulate almost all issues arising in an infringement dispute including existence, validity, duration, and limitations of a right.⁵⁹⁷ The Transparency proposal is more restrictive in this respect as the single chosen law covers only the infringement issues, which is understood by the drafters to mean the remedies.⁵⁹⁸ Also, all of the proposals allow for party autonomy in varying degrees.⁵⁹⁹ The Joint JK Proposal takes the most liberal approach and would allow the parties to agree on the law applicable to define the right as such, albeit only with effect between the parties. CLIP takes the most restrictive approach and allows party autonomy only with respect to remedies. In addition, the CLIP proposal includes a rule of

⁵⁹⁰ CLIP art 2:202.

⁵⁹¹ Art 105 Transparency.

⁵⁹² Ubertazzi 2012:2 p. 236.

⁵⁹³ See generally Matulionyte 2012 p. 263-306.

⁵⁹⁴ ALI § 301 (Territoriality).

⁵⁹⁵ CLIP Article 3:102 (*Lex protectionis*); Article 3:601 (Basic principle).

⁵⁹⁶ Matulionyte 2012 p. 287; ALI § 321 (Law or laws to be applied in cases of ubiquitous infringement); CLIP 3:603 (Ubiquitous infringement).

⁵⁹⁷ Matulionyte 2012 p. 287; ALI § 321 (Law or laws to be applied in cases of ubiquitous infringement); CLIP 3:603 (Ubiquitous infringement).

⁵⁹⁸ Matulionyte 2012 p. 287.

⁵⁹⁹ Matulionyte 2012 p. 287; ALI § 302 (Agreements pertaining to choice of law); CLIP 3:606 (Freedom of choice for remedies).

substantive IP law that instructs that a court shall only find for an infringement under the applicable law if the defendant has substantially acted or caused a substantial effect in the protecting state.⁶⁰⁰

At present, there are no conventions with global application that govern the private international law aspects of transborder IP infringement disputes. The 1999 draft Hague Convention would have included private law disputes concerning IP rights but the convention did not succeed. One of the reasons for its failure was the fact that states could not agree on how to treat proceedings concerning the invalidity and infringement of registered intellectual property rights.⁶⁰¹

Summing up, the territoriality principle of IP law has its origin in the territorial sovereignty of each state to regulate persons, property, and events occurring within its own territory in order to further its own economic, social and cultural policies. The international IP conventions preserve this broad state discretion provided the contracting states afford eligible foreign nationals certain minimum rights within their territories and otherwise do not discriminate against them. While the international IP conventions do not forbid (or require) states from respecting foreign rights, national treatment leads to each state granting a separate, independent right (the bundle theory), because states usually have no interest in affording foreign nationals greater rights than their own nationals.

The international IP conventions are based on and accept the fact that the enforcement of IP rights were in fact territorially limited, i.e. the right to stop others from doing certain activities that infringed the right were limited to the territory of the granting or protecting state. The territorial limitation was partly due to enforcement difficulties and partly due to assumed limitations on the sovereign authority of the state to legislate beyond the domestic territory due to the public law nature of the rights. The view of the rights as territorially limited varied depending on the understanding of the nature of the right, which has varied over time and space.

The international IP conventions reinforce the territoriality principle because they are based on the assumption that the contracting states will continue to apply their laws to restricted acts (conduct) within their territories to achieve their economic, social and cultural policy goals, only the personal scope of the IP law will include eligible foreign nationals. However, the international IP conventions do not prohibit states from extending the territorial scope of the rights beyond their own territory. Still, prescriptive jurisdiction must

⁶⁰⁰ CLIP Article 3:602 (*De minimis* rule).

⁶⁰¹ See generally IP Experts Report 2001.

remain within the accepted public international law limitations so as not to encroach on the sovereignty of other states.

The international IP conventions do not localise the restricted acts because it was assumed IP policies would be affected in the state of the tangible conduct. Today, the territoriality principle is being challenged because the possibility to regulate conduct in the territory of one state can affect the economic, social and cultural policies of other states, while at the same time attempts to regulate IP impairing effects within the domestic territory may affect conduct in other states. The territoriality principle, while to some extent abandoned or supplemented in other areas of private international law, has endured in the treatment of IP disputes under private international law. The influence of territoriality on private international law is challenged today because it does not always adequately serve state and party interests.

Chapter Three: Adjudicative Jurisdiction: International Civil Jurisdiction

This chapter investigates and compares the interpretation and operation of the principle of territoriality of IP law in international civil jurisdiction in the EU and U.S. legal systems. More specifically, the chapter investigates and compares the role of physical, tangible criteria and/or effects (IP impairing effects or otherwise) to support the EU and U.S. claims of adjudicative jurisdiction when jurisdiction is based on factors related to the underlying dispute. In addition, the chapter investigates and compares whether, in light of the important state interests underlying IP rights, the territoriality principle operates in an affirmative manner, enabling or mandating the exercise of jurisdiction, or in a restrictive manner, limiting the exercise of jurisdiction.

The chapter begins with an introduction to the EU and U.S. rules on international civil jurisdiction and a short overview of jurisdiction based on factors unrelated to the underlying claim such as the defendant being “at home” in the forum state. Indeed, it is important to understand how the EU and U.S. legal systems define where a defendant is “at home.” In addition, it is interesting to investigate under what circumstances jurisdiction may be exercised against a foreign defendant not at home in the forum state based on factors unrelated to the underlying claim (exorbitant jurisdiction). The main part of the chapter investigates and compares jurisdiction granting factors that are related to the underlying dispute, based on tangible criteria or acts in the forum state, intangible criteria (i.e. effects) in the forum state, and party autonomy. Finally, the chapter investigates and compares whether the nationality of the IP right under which the claim arises plays a role in limiting or enabling (or mandating) jurisdiction, and whether party autonomy has any effect on this.

When mapping out the above rules in the compared legal systems, the chapter seeks to explain why the legal systems function as they do. Does the explanation lie in the different legal traditions upon which the legal systems are based, the character of the legal system (e.g. federal or supranational), the different interests that are taken into consideration (e.g. state interests in their own domestic rights or in their own nationals), respect for other states’ interests (international comity), or more traditional private international law in-

terests in justice for the parties and facilitating international commerce? Do these interests vary depending on the characteristics and functions of the IP rights themselves?

European Union: Introduction

The TFEU grants the *European Union* the competence to enact rules on jurisdiction and choice of law in civil matters having cross-border implications.⁶⁰² Rules on international civil jurisdiction and choice of law by definition fulfil the requirements of being civil matters and of having cross-border implications. With the Lisbon Treaty, the former requirement that the EU's competence to enact private international law rules was limited "insofar as necessary for the proper functioning of the internal market" was replaced with the broader requirement that the EU had the competence to enact rules "particularly when necessary for the proper functioning of the internal market."⁶⁰³ This formulation is sufficiently broad to grant the EU the competence to enact rules on private international law that also regulate the Member States in relation to third states.

On the basis of its internal competence, the EU has adopted Regulation 1215/2012 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters (Regulation 1215/2012, Brussels I Regulation, BR or Recast).⁶⁰⁴ The Recast was recently amended to regulate its relationship with the Agreement on a Unified Patent Court (UPC Agreement).⁶⁰⁵ The EU has also enacted rules on international civil jurisdiction in the Regulation on EU Trademarks (EUTMR).⁶⁰⁶ In addition, the EU has the exclusive competence to conclude agreements with third states in the area of

⁶⁰² See Article 81 TFEU ("The Union shall develop judicial cooperation in civil matters having cross-border implications, . . . particularly when necessary for the proper functioning of the internal market, aimed at ensuring: . . . (a) the mutual recognition and enforcement between Member States of judgments . . . (c) the compatibility of the rules applicable in the Member States concerning conflict of laws and of jurisdiction"). Pursuant to Protocol 21 TFEU on the Position of the United Kingdom and Ireland in Respect of the Area of Freedom, Security and Justice and Protocol 22 TFEU on the Position of Denmark, these Member States do not participate in the adoption of measures concerning judicial cooperation in civil matters. See generally Bogdan 2012 p. 6-14.

⁶⁰³ Compare article 65 EC Treaty with article 81 TFEU.

⁶⁰⁴ Regulation 1215/2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast), replaces Regulation 44/2001.

⁶⁰⁵ Regulation 542/2014 amending Regulation 1215/2012 as regards the rules to be applied with respect to the Unified Patent Court and the Benelux Court of Justice.

⁶⁰⁶ Regulation 207/2009 on the Community trade mark, amended by Regulation 2015/2424. There are also rules on international civil jurisdiction in Regulation 6/2002 on Community Designs and Regulation 2100/94 on Community Plant Variety Rights.

private international law in order to maintain a uniform and consistent application of EU law.⁶⁰⁷ On the basis of this external competence, the EU has concluded the 2007 Lugano Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters (Lugano Convention) and the 2005 Hague Choice of Court Convention (Choice of Court Convention).⁶⁰⁸ The EU has not used its competence to its full extent. EU law does not contain a comprehensive set of rules that governs jurisdiction for all situations in relation to third states. In some situations, the Member States apply their own rules on international civil jurisdiction. Thus, the Member States courts' jurisdiction in relation to third states is governed by a patchwork of EU rules and the Member States' own national rules on jurisdiction.

The premier EU law on international civil jurisdiction is the Brussels I Regulation.⁶⁰⁹ The principle aim of the Brussels I Regulation is “maintaining and

⁶⁰⁷ See article 3(2) TFEU (“The Union shall also have exclusive competence for the conclusion of an international agreement when its conclusion is provided for in a legislative act of the Union or is necessary to enable the Union to exercise its internal competence, or in so far as its conclusion may affect common rules or alter their scope.”). This external competence was previously implied under the ERTA doctrine, which holds that where EU rules have been adopted, the Members States no longer have the right, acting individually or even collectively, to undertake obligations with third states that affect those rules. Case C-22/70, *Commission / Council*. The CJEU relied on the ERTA doctrine in its opinion on the exclusive competence of the EU to sign and ratify the 2007 Lugano Convention on jurisdiction and the enforcement of judgments in civil and commercial matters with Denmark, Iceland, Norway, and Switzerland. Opinion 1/03, of 7 February 2006 on the exclusive jurisdiction of the EU to enter into the 2007 Lugano Convention with third states. See also Bogdan 2012 p. 12-13.

⁶⁰⁸ The 2007 Lugano Convention replaces the Lugano Convention of 16 September 1988 on jurisdiction and the enforcement of judgments in civil and commercial matters. The 2007 Lugano Convention is directly applicable in all EU Member States (except Denmark), and does not need to be incorporated in their domestic law. See Joined cases C-300/98 and C-392/98, *Dior and others*, para. 42 (observing that pursuant to settled CJEU case law, international agreements with non-member states (or provisions thereof) are given direct effect when, “regard being had to the wording, purpose and nature of the agreement, it may be concluded that the provision contains a clear, precise and unconditional obligation which is not subject, in its implementation or effects, to the adoption of any subsequent measure.”); Swedish Proposal on A New Lugano Convention, Law Council report (*lagråd remiss*) 2009 p. 30 (concluding that the new Lugano Convention was directly applicable in Sweden). The Member States (except Denmark) are also bound by the 2005 Hague Convention without any need to implement it into their national law. See Recital 6, 9 Council Decision of 4 December 2014 on the approval, on behalf of the European Union, of the Hague Convention of 30 June 2005 on Choice of Court Agreements, 2014/887/EU (stating that “the Member States shall be bound by the Convention by virtue of its approval by the Union” and recognising that Denmark is not bound).

⁶⁰⁹ Regulation 1215/2012 replaced Regulation 44/2001 for all the Member States except Denmark. Denmark is not bound by Regulation 1215/2012 nor is Denmark subject to its application, without prejudice to the possibility of Denmark applying the amendments to Regulation 44/2001. See recital 41 Regulation 1215/2012. Regulation 44/2001 was based upon the Brussels Convention, an international treaty, among the Member States of the EU.

developing an area of freedom, security and justice, *inter alia*, by facilitating access to justice, in particular through the principle of mutual recognition of judicial and extra-judicial decisions in civil matters.⁶¹⁰ The Brussels I Regulation requires the Member States to recognise and enforce civil and commercial judgments handed down by other Member States.⁶¹¹ The Regulation's aim is broader than the sound operation of the internal market by facilitating the free circulation of judgments.⁶¹² The Regulation also harmonises rules governing jurisdiction in the EU Member States and eliminates the use of the exorbitant bases of jurisdiction in relation to EU defendants.⁶¹³ The Brussels I Regulation provides for a limited number of highly predictable rules of jurisdiction, so that parties should be able to identify and foresee where they can sue or be sued, which also strengthens the legal protection of persons established in the EU.⁶¹⁴ The Brussels I Regulation is based on the mutual trust in the administration of justice among the Member States.⁶¹⁵

The jurisdictional rules harmonised in the Brussels I Regulation are applicable only to disputes having territorial connections to an EU Member State. The primary territorial connection triggering the application of the Brussels I Regulations rules on jurisdiction is that the defendant is domiciled in a

The case law from the CJEU interpreting the Brussels Convention and the old Brussels I Regulation is relevant for interpreting the Recast.

⁶¹⁰ Recital 3 Regulation 1215/2012.

⁶¹¹ Chapter III Regulation 1215/2012. The Recast does away with the need for exequatur proceedings so that Member State judgments must be enforced without any declaration of enforceability being required. Article 39 Regulation 1215/2012.

⁶¹² Recital 3 Regulation 1215/2012 (using the qualifying word “particularly” as used in the TFEU). See also Fentiman 2008:2 p. 2043-2044; Hare 2006 p. 164 (stating the CJEU has interpreted the Brussels Convention in far grander terms than merely ensuring the smooth working of the internal market by facilitating the free movement of judgments).

⁶¹³ Recital 4 Regulation 1215/2012.

⁶¹⁴ See Recital 1 (setting forth aim to further enhance access to justice); Recital 2 (setting forth the general aim to serve and protect EU citizens); Recital 15 Regulation 1215/2012 (“The rules of jurisdiction should be highly predictable and founded on the principle that jurisdiction is generally based on the defendant’s domicile. Jurisdiction should always be available on this ground save in a few well-defined situations in which the subject-matter of the dispute or the autonomy of the parties warrants a different connecting factor.”); Case C-533/07, Falco Privatstiftung and Rabitsch, para. 22 (stating that the Brussels I Regulation “pursues an objective of legal certainty which consists in strengthening the legal protection of persons established in the European Community, by enabling the applicant to identify easily the court in which he may sue and the defendant reasonably to foresee before which court he may be sued.”); Case C-281/02, Owusu, para. 39 (“According to its preamble, the Brussels Convention is intended to strengthen in the Community the legal protection of persons established therein, by laying down common rules on jurisdiction to guarantee certainty as to the allocation of jurisdiction among the various national courts before which proceedings in a particular case may be brought.”).

⁶¹⁵ Recital 26 Regulation 1215/2012.

Member State.⁶¹⁶ In addition, the rule on exclusive jurisdiction in the Brussels I Regulation is applicable regardless of the domicile of the parties, if the specific subject matter of a dispute is located in a Member State.⁶¹⁷ An example with relevance for the subject of this dissertation is if the proceedings are concerned with the registration or validity of an IP right registered in a Member State.⁶¹⁸ Also, the rule on prorogation of jurisdiction in the Brussels I Regulation is applicable regardless of the domicile of the parties, if the parties have agreed upon the court of a Member State.⁶¹⁹ Disputes having the requisite territorial connection to a Member State, thereby triggering the application of the Brussels I Regulation, may also contain territorial connections to third states. In general, non-EU plaintiffs are treated the same as European plaintiffs under the Brussels I Regulation with respect to the right to rely on the bases of jurisdiction set out in the Regulation.⁶²⁰

The Brussels I Regulation also provides mechanisms for avoiding the possibility of concurrent proceedings in order to ensure that irreconcilable judgments will not be given in different Member States.⁶²¹ More specifically, the Brussels I Regulation has rules on declining jurisdiction when a court is second seised with a cause of action that is identical or related to a cause of action that is already pending before another Member State court (*lis pendens* and related actions).⁶²² These rules are applicable only when both courts competing for jurisdiction are Member State courts. The Brussels I Regulation does not authorise a Member State court to decline jurisdiction on the basis of *forum non conveniens*, and the application of that doctrine is not

⁶¹⁶ Article 4(1) Regulation 1215/2012 (“Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.”) & article 5(1) (“Persons domiciled in a Member State may be sued in the courts of another Member State only by virtue of the rules set out in Sections 2 to 7 of this Chapter.”).

⁶¹⁷ Article 24 Regulation 1215/2012.

⁶¹⁸ Article 24(4) Regulation 1215/2012.

⁶¹⁹ Article 25 Regulation 1215/2012. Although not relevant here, the rules on jurisdiction in the Brussels I Regulation apply also to certain weaker party contract disputes when the plaintiff is domiciled in a Member State. Sections 3-5 Regulation 1215/2012.

⁶²⁰ Case C-412/98, Group Josi. (stating that the Brussels Convention is in principle applicable where the defendant has its domicile in a Contracting State, even if the plaintiff is domiciled in a third state). Exceptions to this rule are weaker party contract disputes not relevant here.

⁶²¹ Recital 21 Regulation 1215/2012.

⁶²² See articles 29-30 Regulation 1215/2012 on *lis pendens* and related actions.

compatible with the Brussels I Regulation.⁶²³ This is the case even if the only other state competing for jurisdiction is a third state.⁶²⁴

The Brussels I Regulation was “recasted” with an aim to improve the function of the Regulation in the international legal order.⁶²⁵ A significant addition in the Recast is the introduction of rules on declining jurisdiction (*lis pendens* and related actions) for disputes first pending before a third state court.⁶²⁶ Another important change was the removal of the requirement that at least one of the parties must be domiciled in a Member State for the rule in the Recast on prorogation agreements to apply.⁶²⁷

The original Recast proposal would have harmonised all rules on jurisdiction, even those in relation to defendants domiciled in third states. The reason for the proposal was the fact that the Member States’ national rules on jurisdiction applicable to third state defendants reflect great diversity and affect equal access to justice for EU citizens.⁶²⁸ An aim with the proposed legislation was to protect the interests of EU plaintiffs so that they would be able to litigate in the EU rather than having to go abroad.⁶²⁹ To this end, the Recast proposal would have extended all of the rules on jurisdiction in the Brussels I Regulation to third state defendants while at the same time prohibiting the use of Member States’ national rules on jurisdiction.⁶³⁰ In order to compensate for the loss of the national rules, the proposal suggested two new bases of jurisdiction applicable only in relation to third state defendants, one based on the location of property in a Member State and another based on *forum necessitatis*.⁶³¹ The original Recast proposal considered possible third state objections to the introduction of these new bases of jurisdiction and noted that the “mildly exorbitant” rules on jurisdiction were “hardly

⁶²³ Case C-281/02, *Owusu* (“allowing *forum non conveniens* in the context of the Brussels Convention would be likely to affect the uniform application of the rules of jurisdiction contained therein in so far as that doctrine is recognised only in a limited number of Contracting States, whereas the objective of the Brussels Convention is precisely to lay down common rules to the exclusion of derogating national rules.”).

⁶²⁴ Case C-281/02, *Owusu* (stating that *forum non conveniens* cannot be applied even if the dispute has ties to a third state, but not with another Member State). Thus, the former practice by the UK courts to retain the possibility of dismissing cases where the other court competing for jurisdiction was a non-EU member state is no longer possible. See Bragiel 1999 p. 140 (citing the English case *Re Harrods (Buenos Aires Ltd)* 1992 Ch 72, CA, which endorsed the view that the Brussels Convention only regulated jurisdiction between contracting states).

⁶²⁵ Recast Proposal 2010 p. 8.

⁶²⁶ Articles 33-34 Regulation 1215/2012.

⁶²⁷ Compare article 23 Regulation 44/2001 with article 25 Regulation 1215/2012.

⁶²⁸ Report on Regulation 44/2001 2009 p. 5; Study on Residual Jurisdiction 2007 p. 5-7.

⁶²⁹ Recast Impact Assessment 2010 p. 20-22.

⁶³⁰ Recast Proposal 2010 p. 5.

⁶³¹ Recast Proposal 2010 p. 8.

objectionable on a diplomatic level” and were therefore not likely to offend third states.⁶³² Ultimately, this proposal was rejected, except in relation to the protective rules on jurisdiction for weaker party contracts not relevant here.⁶³³ A reason for rejecting the proposal was that EU plaintiffs were believed to benefit more from the national (sometimes exorbitant) rules than from harmonised EU rules.⁶³⁴

EU Rules on international civil jurisdiction can also be found in the 2007 Lugano Convention. The objective of the Lugano Convention is to expand the applicability of the Brussels I Regulation in the relations between the Member States on the one hand, and Norway, Iceland and Switzerland on the other. With the exception of the new rules introduced in the Recast, the rules in the Lugano Convention are almost identical to those of the Brussels I Regulation, and as a general rule, the two instruments are to be interpreted the same. The more specific details of the Lugano Convention are outside the scope of this dissertation, which focuses on jurisdiction in relation to third states such as the U.S.

EU rules on international civil jurisdiction can also be found in the EUTMR.⁶³⁵ The EUTMR obligates the Member States to designate in their territories EU Trade Mark courts which have exclusive jurisdiction over any infringement action, declaration of non-infringement, and counterclaim for revocation or declaration of invalidity of a EU trademark (EUTM).⁶³⁶ The EUTMR expressly excludes the application of Brussels I Regulation rules on *inter alia* domicile, harmful event, and establishment jurisdiction, as well as the application of the Member States’ national rules that are otherwise ap-

⁶³² Recast Impact Assessment 2010 p. 6; Green Paper on Regulation 44/2001 2009 (discussing a balance between access to justice for EU citizens and international courtesy); Study on Residual Jurisdiction 2007 p. 9 (observing that “sanctifying exorbitant fora into Community law would likely be regarded as offensive by persons established outside the Community.”). In fact, the Commission noted that the proposal was in the interest of third states because the Member States would no longer be able to maintain their own exorbitant rules on jurisdiction. Recast Impact Assessment p. 6.

⁶³³ The Recast extends the protective rules on jurisdiction to non-EU defendants thereby giving EU employees and EU consumers the possibility to sue at home. These rules are not generally implicated in transborder IP infringement disputes and are outside the scope of this dissertation.

⁶³⁴ Dickinson 2011 p. 14 (stating that the proposal would disadvantage all Member States business by placing restrictions upon the circumstances in which they could sue non-EU domiciled counterparts within the EU); Burbank 2013 p. 1047-48 (stating that a reason EU did not unilaterally limit the Member States exorbitant rules on jurisdiction in the Recast was to ensure it had a pawn to sacrifice in future Hague negotiations on a treaty). See generally Luzzatto 2012 p. 111-116.

⁶³⁵ Regulation 207/2009, amended by Regulation 2015/2424.

⁶³⁶ Article 95-97 Regulation 207/2009, amended by Regulation 2015/2424.

plied in relation to third state defendants.⁶³⁷ The aim of the EUTMR jurisdictional rules is to maintain the unitary character of EUTMs and to ensure that a forum always exists in a Member State for an action arising under the EUTMR.⁶³⁸

As noted, the Recast was recently amended to regulate its relationship with the Agreement on a Unified Patent Court (UPC Agreement).⁶³⁹ The UPC Agreement establishes a unified court common to the Contracting Member States for the settlement of disputes relating to European patents and a European patent with unitary effects.⁶⁴⁰ The UPC will replace the national Contracting Member States courts for disputes falling within its exclusive competence, which includes infringement actions, actions for non-infringement, and revocation actions.⁶⁴¹ The UPC Agreement was concluded by most but not all of the Member States (Spain and Poland have not signed the Agreement).⁶⁴² In addition, pursuant to enhanced cooperation procedure among 26 Member States, Regulation 1257/2012 (or the Unitary Patent Regulation) was enacted to set up a European patent with unitary effect (Spain and Croatia do not participate).⁶⁴³ The international jurisdiction of the UPC will be established in accordance with the Recast (as amended) and the Lugano Convention.⁶⁴⁴ At this time, the UPC Agreement has yet to enter into force and the Unitary Patent Regulation has not begun to apply.⁶⁴⁵

⁶³⁷ Article 94(2)(a) Regulation 207/2009, amended by Regulation 2015/2424.

⁶³⁸ Recital 16 Regulation 207/2009, amended by Regulation 2015/2424.

⁶³⁹ See Regulation 542/2014.

⁶⁴⁰ Article 1 Agreement on a Unified Patent Court signed on 29 February 2013 (OJ 2013 C 175, p. 1) (UPC Agreement).

⁶⁴¹ Article 32 UPC Agreement;

⁶⁴² See <https://www.unified-patent-court.org/>, viewed 6 September 2016.

⁶⁴³ See Regulation 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection; Regulation 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements. Regarding the validity of the decision to authorise enhanced cooperation see Joined Cases C-274/11 and C-295/11, Spain and Italy / Council. See also https://ec.europa.eu/growth/industry/intellectual-property/patents/unitary-patent_en, viewed 6 September 2016.

⁶⁴⁴ Article 31 UPC Agreement (“The international jurisdiction of the Court shall be established in accordance with Regulation (EU) No 1215/2012 or, where applicable, on the basis of the Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Lugano Convention).”).

⁶⁴⁵ In order for the Unified Patent Court (UPC Agreement) to enter into force, it needs to be ratified by at least 13 Contracting Member States, including France, Germany and the United Kingdom. See Article 89 UPC Agreement. It is not yet known what effect “Brexit” will have on the future of the UPC Agreement. See Tilmann 2016 p. 558 (stating that the Patent Package will need to be revised and that many concessions made to the UK will be open for discussion); Opinion 1/09, of 8 March 2011 on The draft agreement on the European and Community Patents Court (holding that the envisaged agreement creating a unified patent litigation system that was outside the institutional and judicial framework of the EU for the adjudi-

Article 71a and 71b (1) of the amended Recast specify that the UPC is a court within the meaning of the Recast and shall have jurisdiction under the Recast where the courts of a Contracting Member State to the UPC Agreement would have jurisdiction under the Recast.⁶⁴⁶ This is expressly stated to ensure legal certainty and predictability in light of the fact that a court designated under the Recast, e.g. on the basis of an EU defendant's domicile, may in fact be situated in another Contracting Member State as a result of the internal allocation of proceedings among the divisions of the UPC.⁶⁴⁷ Also, as the Brussels I Regulation and the Lugano Convention are not applicable to third state defendants (apart from article 24 and 25), article 71 b (2-3) extends the jurisdictional rules in the Recast to third state defendants and also supplements these rules with an additional rule.⁶⁴⁸

The Member States apply their own national rules in all other cases where a dispute falls outside the scope of the EU rules on international civil jurisdiction described above.⁶⁴⁹ About one-half of the EU Member States have specific rules on international civil jurisdiction for private disputes implicating third state defendants, according to a Study on Residual Jurisdiction conducted by the EU.⁶⁵⁰ A significant number of Member States lack specific rules but use the internal venue rules, which allocate jurisdiction within the Member State to determine international jurisdiction. In most of these Member States, the question whether the internal forum rule can be extended to situations of international civil jurisdiction is left to the courts. A few Member States follow a combination of these two practices. In the large majority of the Member States, the national jurisdictional rules are directly borrowed from or heavily influenced by the rules in the Brussels I Regulation and its interpretation by the CJEU.⁶⁵¹

cation of disputes relating to the future Community patent was not compatible with the provisions of the EU Treaty and the FEU Treaty). The Unitary Patent Regulation will apply from the date of entry into force of the UPC Agreement. Article 18(2) Regulation 1257/2012.

⁶⁴⁶ Article 1 Regulation 542/2014 (amending Regulation 1215/2012 to add article 71a & 71b (1)).

⁶⁴⁷ Recital 4 542/2014; De Miguel Asensio 2014:2 p. 156-157; Torremans 2014:1 p. 409-410, 412-413.

⁶⁴⁸ Article 1 & recital 6-7 Regulation 542/2014 (amending Regulation 1215/2012 to add article 71 b (2-3)).

⁶⁴⁹ Article 6(1) Regulation 1215/2012 ("If the defendant is not domiciled in a Member State, the jurisdiction of the courts of each Member State shall, subject to Article 18(1), Article 21(2) and Articles 24 and 25, be determined by the law of that Member State.").

⁶⁵⁰ Study on Residual Jurisdiction 2007 p. 16-19.

⁶⁵¹ Kono 2012 p. 26; Study on Residual Jurisdiction 2007 p. 19-21. Since the study was conducted at least one more state, Finland, has modelled its national rules on the Brussels I Regu-

In addition, a number of Member States have rules on exorbitant jurisdiction that allow their courts to exercise jurisdiction over third state defendants in relation to disputes with which they have little or no connection.⁶⁵² Moreover, non-EU plaintiffs are sometimes treated differently under the Member States' national rules on jurisdiction in that some exorbitant bases of jurisdiction are not available to non-EU plaintiffs.⁶⁵³ It can be noted that the rules on the free circulation of Member State judgments apply even if the judgment is given based on a national basis on jurisdiction.⁶⁵⁴ The question whether third state judgments are recognised and enforced depends on the Member States' national rules, which may be affected by their various bilateral treaty obligations.

The Member States' national rules reflect the forum's interest in providing a forum for its nationals or to further its regulatory interests as well as the forum's concern about litigational convenience, fairness and justice.⁶⁵⁵ In Member States that follow the civil law tradition and have explicit rules on international civil jurisdiction, the court is expected to apply the statutory rules and there is little or no discretion on the part of the judge not to exercise jurisdiction otherwise properly granted by the legislature.⁶⁵⁶ In the Member States that lack specific rules, there is room for discretion for the court to make its own determination as to the reasonableness of exercising jurisdiction. To the extent the courts have discretion, the civil law Member

lation. See Niemi 2010 p. 52 (stating that the Finnish rules from 2009 were modelled after the Brussels I Regulation).

⁶⁵² Study on Residual Jurisdiction 2007 p. 58-63. See e.g. article 23 of the German Code of Civil Procedure; Chapter 10 section 3 of the Swedish Code of Civil Procedure; article 14 French Code de Civil. See generally Clermont & Palmer 2006; de Winter 1968; Nadelmann 1967.

⁶⁵³ See Section 14 of the French Code de Civil allows a French citizen to sue a foreign defendant in France for obligations arising in a foreign country. This basis of jurisdiction reflects France's interest in providing a forum for its own nationals without consideration to the interests of foreign defendants or the third states to which they belong. The TFEU prohibits discrimination against EU nationals on the ground of nationality so any basis of jurisdiction available to nationals from one EU Member State must be available to all EU nationals. Also, article 6(2) BR extends the national bases of jurisdiction to all persons domiciled in the EU Member State regardless of nationality.

⁶⁵⁴ Recital 27 Regulation 1215/2001 ("For the purposes of the free circulation of judgments, a judgment given in a Member State should be recognised and enforced in another Member State even if it is given against a person not domiciled in a Member State.").

⁶⁵⁵ See Usunier 2007 p. 554-555 (discussing Paul Lagarde's classification of jurisdictional theories into those supported by sovereignty and those supported by the principle of proximity); von Mehren 1983-84 p. 53-62 (discussing jurisdictional theories based on allegiance, power, and fairness); Silberman 2012 p. 607 (discussing France and Germany).

⁶⁵⁶ Pearce 1994 p. 563-64. See also Fentiman 2008:2 p. 2036-2038 (contrasting the civil law's "administrative", non-discretionary approach with that of the common law).

State courts balance the interest of the forum state and the plaintiff on the one hand against those of the foreign defendant.⁶⁵⁷ The interest of third states in having their adjudicative jurisdiction respected is rarely taken into account.⁶⁵⁸

For example, Sweden does not generally have statutory rules that regulate when a Swedish court has international civil jurisdiction over disputes against third state defendants. The Swedish courts often seek guidance from the internal forum rules or the rules in the Brussels I Regulation, both of which may be applied by analogy.⁶⁵⁹ These rules are not mechanically applied but the Swedish courts take into consideration the interest in Swedish jurisdiction (*svenskt rättsskipningsintresse*) in the particular case.⁶⁶⁰ The Swedish courts have primarily been influenced by practical reasons and “suitability” justifications such as the need for Swedish judgment and whether the judgment can be enforced in Sweden.⁶⁶¹ A foreign defendant’s interest in not being sued in Sweden with respect to disputes with no connection to Sweden does not usually play a significant role, at least if there is a Swedish interest in providing a forum for the plaintiff in light of the plaintiff’s connection to Sweden and the enforceability of the judgment in Sweden.⁶⁶² There does not seem to be any indication that Sweden takes into ac-

⁶⁵⁷ Smit 1972 p. 350-352.

⁶⁵⁸ Pearce 1994 p. 550 (stating that the interests of individuals take precedence over solicitude for the integrity of foreign tribunals or regulatory systems).

⁶⁵⁹ Bogdan 2014 p. 118 (stating that it is only appropriate to follow CJEU case law if it leads to an expansion but not a restriction on jurisdiction); Maunsbach 2010 p. 204-208; Strömholm 2001 p. 101-102.

⁶⁶⁰ Bogdan 2014 p. 119; Strömholm 2001 p. 106 (describing *rättsskipningsintresse* as the legal economic consequences that the alleged infringement has in Sweden or on Swedish right holders); Eek 1965 p. 82 (stating that when determining the Swedish court’s international civil jurisdiction, the essential question is whether the interests of Swedish justice are in any way engaged).

⁶⁶¹ Bogdan 2014 p.119; Strömholm 2001 p. 106-107; Karlgren 1966 p. 172 (stating that practical reasons and values underlie the forum rules). See also NJA 2007 p. 482 (suggesting that the rules on jurisdiction in the Brussels I Regulation may be taken into consideration when determining jurisdiction under the Swedish national rules but that enforcement considerations need to be considered as well); NJA 1981 p. 386 (holding that property intended for foreign defendant’s personal use during temporary stay in Sweden was not basis for jurisdiction); NJA 1988 p. 440 (holding that bill of lading that had no market value because the goods had already been delivered could not form basis of Swedish international civil jurisdiction).

⁶⁶² Denmark 1961 p. 176 (discussing foreign domiciled defendant’s interest in not being sued in Sweden only in situation where both parties are domiciled abroad and Sweden does not have any interest in providing a forum). But see NJA 2004 s. 891 (holding that ownership of stock in Swedish company held in paperless system could not be basis for jurisdiction in Sweden without decision of Swedish legislature since it would expose foreign persons to Swedish jurisdiction who had not been exposed to such jurisdiction before the introduction of such paperless systems). This decision has been criticised in the Swedish legal doctrine be-

count the interests of third states in preserving their jurisdiction in relation to their own nationals or domiciliaries or in relation to events occurring on their territories.⁶⁶³ In principle, the Swedish rules on jurisdiction are available even for the benefit of non-Swedish plaintiffs. If the injured party is Swedish, however, the Swedish interest in the adjudication of the case is stronger.⁶⁶⁴ If neither party has any connection to Sweden, jurisdiction may be declined because there is no Swedish interest in providing a forum.⁶⁶⁵

United States: Introduction

In the *United States*, the U.S. Constitution gives the U.S. legislature the competence to enact rules on private international law (or conflicts of law) binding on both the federal and state courts.⁶⁶⁶ The U.S. legislature has however rarely used this power. Hence, jurisdiction is governed by a patchwork of federal and state rules as well as by considerations of international comity.

In order for a court to exercise personal jurisdiction over the defendant, there must be a statutory basis of jurisdiction.⁶⁶⁷ There is no comprehensive federal statute that generally regulates personal jurisdiction in private law disputes for either the state or even the federal courts. The U.S. legislature has enacted however a federal jurisdictional statute specifically applicable to foreign defendants sued in federal court for claims arising under federal law (federal long arm statute).⁶⁶⁸ This statute provides a basis for jurisdiction over foreign defendants alleged to infringe federal (U.S.) IP rights.⁶⁶⁹ In addition, section 293 of the federal Patent Act provides for federal court jurisdiction over foreign owners of U.S. patents in “any action respecting the patent or rights

cause there was a strong interest in having a Swedish forum where a judgment could be directly enforced. Bogdan, *Juridisk tidskrift* 2004-5 p. 674.

⁶⁶³ Eek 1965 p. 74, 82 (stating that when determining the Swedish court’s international civil jurisdiction, the jurisdiction of foreign courts is not taken into consideration).

⁶⁶⁴ Strömholm 2001 p. 106.

⁶⁶⁵ Denmark 1961 p. 176; Strömholm 2001 p. 108.

⁶⁶⁶ See Kaminsky 2010 p. 103; Basedow 2008 p. 2126; Casad 1992 p. 1616, 1619-1621.

⁶⁶⁷ There are no common law bases of jurisdiction. See *Omni Capital Intern. v Rudolf Wolff & Co., Ltd.*, 484 U.S. 97, 108-111 (1987) (declining to devise a common law jurisdictional rule on the ground that the responsibility lies with the U.S. legislature).

⁶⁶⁸ Rule 4(k)(2) Federal Rules of Civil Procedure (“For a claim that arises under federal law, serving a summons or filing a waiver of service establishes personal jurisdiction over a defendant if: (A) the defendant is not subject to jurisdiction in any state’s courts of general jurisdiction; and (B) exercising jurisdiction is consistent with the United States Constitution and laws.”).

⁶⁶⁹ See generally Armstrong 2003.

thereunder.”⁶⁷⁰ Also, section 1125(d)(2)(A) of the Anticybersquatting Consumer Protection Act (ACPA) provides for *in rem* jurisdiction against a domain name at the place where the domain name is registered.⁶⁷¹ This jurisdictional basis serves to remedy the situation where a foreign individual who is not otherwise subject to personal jurisdiction cybersquats on a domain name that infringes a U.S. trademark.

There is however no federal jurisdictional statute that is generally applicable to IP infringement cases.⁶⁷² This means that apart from the specific federal bases described above, personal jurisdiction with respect to IP infringement claims is regulated by state law (e.g. New York).⁶⁷³ The state jurisdictional statutes define the possible bases for the state courts’ jurisdiction over defendants who are not present in the forum state, and may be applied in relation to both U.S. defendants and foreign defendants who are not resident in the forum state. These state statutes are popularly referred to as “long arm statutes.” Some state long arm statutes simply authorise the exercise of juris-

⁶⁷⁰ 35 U.S.C. § 293 (“Every patentee not residing in the United States may file in the Patent and Trademark Office a written designation stating the name and address of a person residing within the United States on whom may be served process or notice of proceedings affecting the patent or rights thereunder. If the person designated cannot be found at the address given in the last designation, or if no person has been designated, the United States District Court for the Eastern District of Virginia shall have jurisdiction and summons shall be served by publication or otherwise as the court directs. The court shall have the same jurisdiction to take any action respecting the patent or rights thereunder that it would have if the patentee were personally within the jurisdiction of the court.”).

⁶⁷¹ 15 U.S.C. § 1125(d)(2)(A) (“The owner of a mark may file an *in rem* civil action against a domain name in the judicial district in which the domain name registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c); and (ii) the court finds that the owner— (I) is not able to obtain *in personam* jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or (II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by— (aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and (bb) publishing notice of the action as the court may direct promptly after filing the action.”).

⁶⁷² See *Autoscribe Corp. v Goldman & Steinberg*, 47 F.3d 1164 (4th Cir. 1995) (“Perhaps the concern for preserving the rights guaranteed by federal law to the holders of intellectual property rights constitutes a good policy reason for providing for nationwide service of process in copyright and trademark case; that, however, is a matter to be addressed to the legislative branch.”).

⁶⁷³ Rule 4(k) Federal Rules of Civil Procedure (“Territorial Limits of Effective Service. (1) In General. Serving a summons or filing a waiver of service establishes personal jurisdiction over a defendant: (A) who is subject to the jurisdiction of a court of general jurisdiction in the state where the district court is located;”).

diction on any basis not inconsistent with the U.S. Constitution.⁶⁷⁴ Other state long arm statutes catalogue in detail the circumstances under which a state court may exercise jurisdiction (e.g. committing a tortious act within the state).⁶⁷⁵

In the absence of an applicable federal basis for jurisdiction, a federal rule instructs a federal court to “borrow” the state long arm statute in force in the U.S. state in which the federal court sits.⁶⁷⁶ The state long arm statutes provide the only basis of jurisdiction over U.S. defendants who are not resident in the forum state for claims arising under U.S. or foreign IP laws. The state long arm statutes provide a basis for jurisdiction over foreign defendants for claims arising under the U.S. IP laws where the foreign defendant may be subject to jurisdiction of a specific U.S. state. The state long arm statutes provide the only basis of jurisdiction over foreign defendants for any non-federal claim.

In addition, the exercise of personal jurisdiction must be consistent with the Due Process Clauses of the U.S. Constitution, which protect the defendant against injustice by the state and federal governments.⁶⁷⁷ In an early decision

⁶⁷⁴ See e.g. CA CIV PRO § 410.10 (California).

⁶⁷⁵ See e.g. the long arm statute for New York state § 302(a)(2-3) N.Y. C.P.L.R. (2003) (“Acts which are the basis of jurisdiction. As to a cause of action arising from any of the acts enumerated in this section, a court may exercise personal jurisdiction over any non-domiciliary, or his executor or administrator, who in person or through an agent: 2. commits a tortious act within the state, except as to a cause of action for defamation of character arising from the act; or 3. commits a tortious act without the state causing injury to person or property within the state, except as to a cause of action for defamation of character arising from the act, if he (i) regularly does or solicits business, or engages in any other persistent course of conduct, or derives substantial revenue from goods used or consumed or services rendered, in the state, or (ii) expects or should reasonably expect the act to have consequences in the state and derives substantial revenue from interstate or international commerce;”). As the infringement of an intellectual property right is classified as a tort, the provision of the state long arm statute that authorises jurisdiction over someone who commits a tortious act or tortious injury within the state is a common basis of jurisdiction for IP infringement disputes against non-resident defendants.

⁶⁷⁶ Rule 4(k)(1)(a) Federal Rule of Civil Procedure (“Serving a summons or filing a waiver of service establishes personal jurisdiction over a defendant: (A) who is subject to the jurisdiction of a court of general jurisdiction in the state where the district court is located;”).

⁶⁷⁷ The powers of the federal government, which encompasses the federal courts, are restricted by the “due process” clause of the Fifth Amendment of the U.S. Constitution. The 5th Amendment states in relevant part: “No person shall . . . be deprived of life, liberty, or property, without due process of law.” The powers of the state government, which encompasses the state courts, are restricted by the “due process” clause of the 14th Amendment of the U.S. Constitution. The 14th Amendment states in relevant part: “nor shall any State deprive any person of life, liberty, or property, without due process of law.” See also *Stabilisierungsfonds Fur Wein v Kaiser Stuhl Wine Distributors Pty. Ltd.*, 647 F.2d 200 (C.A.D.C. 1981) (stating that “the outer boundaries of a court’s authority to proceed against a particular person or entity

on personal jurisdiction, the Supreme Court used the state's territorial jurisdiction as a yardstick for Due Process so that judgments rendered against a defendant who was outside of a state's sovereign reach violated Due Process of law.⁶⁷⁸ Due Process was satisfied provided the defendant or its property was present within a state's territorial boundaries. In the landmark decision *International Shoe v Washington*, the Supreme Court held that a U.S. state could constitutionally exercise personal jurisdiction over a defendant not residing in the forum state, provided the defendant had "certain minimum contacts with it such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice."⁶⁷⁹ The requirement of traditional notions of fair play and substantial justice is typically described in terms of "reasonableness" or "fairness."⁶⁸⁰ *International Shoe v Washington* has been perceived primarily as a liberalisation of the strict territorial limitations on jurisdiction because the defendant's physical presence in the territorial jurisdiction of the forum was no longer necessary to satisfy Due Process. Minimum contacts and reasonableness could substitute for the defendant's physical presence.

While the reasonableness of an exercise of jurisdiction may allow a lesser showing of contacts than would otherwise be required, it does not negate the necessity of minimum contacts, even if jurisdiction is not at all inconvenient to the defendant and the dispute is otherwise closely connected to the forum state.⁶⁸¹ On the other hand, where sufficient contacts exist, the exercise of

is set for federal tribunals by the due process clause of the Fifth Amendment and for the state courts by the due process clause of the Fourteenth Amendment."; Casad 1992 p. 1599.

⁶⁷⁸ *Pennoyer v Neff*, 95 U.S. 714, 722 (1877) ("every State possesses exclusive jurisdiction and sovereignty over persons and property within its territory. . . [and] that no State can exercise direct jurisdiction and authority over persons or property without its territory.").

⁶⁷⁹ *International Shoe v Washington*, 326 U.S. 310, 316 (1945) ("due process requires only that, in order to subject a defendant to a judgment in personam, if he be not present within the territory of the forum, he have certain minimum contacts with it such that the maintenance of the suit does not offend "traditional notions of fair play and substantial justice."").

⁶⁸⁰ *World-Wide Volkswagen Corp. v Woodson*, 444 U.S. 286, 292 (1980).

⁶⁸¹ *Walden v Fiore*, 134 S.Ct. 1115, 1122 (2014) ("Due process limits on the State's adjudicative authority principally protect the liberty of the nonresident defendant—not the convenience of plaintiffs or third parties."); *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Kennedy plurality opinion) (understanding the defendant's personal liberty interest as a right to not be "subjected to a sovereign power with which it does not have sufficient contacts."); *World-wide Volkswagen Corp. v Woodson*, 444 U.S. 286, 294 (1980) ("Even if the defendant would suffer minimal or no inconvenience from being forced to litigate before the tribunals of another State; even if the forum State has a strong interest in applying its law to the controversy; even if the forum State is the most convenient location of the litigation, the Due Process Clause, acting as an instrument of interstate federalism, may sometimes act to divest the State of its power to render a valid judgment."); *Hanson v Denckla*, 357 U.S. 235, 251 (1958) (holding that jurisdiction could not be obtained over a defendant who had little

jurisdiction may be unreasonable in light of the other circumstances of the case.⁶⁸²

A modern understanding of the Due Process Clause is that it protects the defendant's individual liberty interest against the unlawful or unreasonable exercise of judicial power of the state.⁶⁸³ The Court has observed that the requirement for minimum contacts ensures that non-residents have fair warning that a particular activity may subject them to litigation within the forum and also to protect them against the burdens of litigating in a distant or inconvenient forum.⁶⁸⁴ In addition, the idea that a state's exercise of jurisdiction is limited by its sovereignty and the sovereignty of the other co-equal states in the federal system underlies many Supreme Court opinions.⁶⁸⁵ After academic criticism on the ground that Due Process had nothing to do with federalism, the Court clarified that Due Process "represents a restriction on judicial power not as a matter of sovereignty, but as a matter of individual liberty."⁶⁸⁶ Still, a tension exists in the values underlying the Due Process Clauses reflecting on one hand a limitation on state sovereignty and on the other hand values of fairness and reasonableness.⁶⁸⁷ Moreover, regardless of

contact with the forum despite the fact that the inconvenience to the defendant would be minimal, and the dispute otherwise bore a close relationship to the forum state).

⁶⁸² *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 476 (1985) ("Once it has been decided that a defendant purposefully established minimum contacts within the forum State, these contacts may be considered in light of other factors to determine whether the assertion of personal jurisdiction would comport with "fair play and substantial justice."").

⁶⁸³ *Redish* 1980-81 (arguing that due process is solely concerned with the relationship between the state and an individual and not the relationship among states).

⁶⁸⁴ See *Burger King Corp. v. Rudzewicz*, 471 U.S. 462, 472 (1985); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 297 (1980).

⁶⁸⁵ *J. McIntyre Machinery, Ltd. v. Nicastro*, 564 U.S. 873 (2011) (Kennedy plurality opinion) ("And if another State were to assert jurisdiction in an inappropriate case, it would upset the federal balance, which posits that each State has a sovereignty that is not subject to unlawful intrusion by other States."); *World-Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 291-292 (1980) (stating that the requirement of minimum contacts for Due Process "acts to ensure that the States, through their courts, do not reach out beyond the limits imposed on them by their status as coequal sovereigns in a federal system."); *Hanson v. Denckla*, 357 U.S. 235, 251 (1958) (stating that jurisdictional "restrictions are more than a guarantee of immunity from inconvenient or distance litigation. They are a consequence of territorial limitations on the power of the respective States.").

⁶⁸⁶ *Insurance Corp. of Ireland, Ltd. v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702 fn 10 (1982) ("It is true that we have stated that the requirement of personal jurisdiction, as applied to state courts, reflects an element of federalism and the character of state sovereignty vis-à-vis other States. . . . The restriction on state sovereign power . . . however, must be seen as ultimately a function of the individual liberty interest preserved by the Due Process Clause. That Clause is the only source of the personal jurisdiction requirement and the Clause itself makes no mention of federalism concerns.").

⁶⁸⁷ *Silberman* 2012 p. 606; *McMunigald* 1998 p. 209-213. Compare *J. McIntyre Machinery, Ltd. v. Nicastro*, 564 U.S. 873, 884 (2011) (Kennedy plurality opinion) ("Personal jurisdiction,

any possible role that federalism may play, the Supreme Court has indicated that the interests of foreign states and international comity be considered.⁶⁸⁸ Jurisdiction over foreign defendants also raises separation of powers concerns because a U.S. court's exercise of unreasonable jurisdiction over a foreign defendant can negatively affect the U.S. government's interest in its foreign relations.⁶⁸⁹

A debated question is whether a non-resident defendant must have minimum contacts with the individual U.S. state exercising jurisdiction (e.g. New York) or the U.S. nation-state as a whole.⁶⁹⁰ This question has many variables depending on whether a state or federal court is exercising jurisdiction, whether the claim arises under state or federal law, and whether it is a foreign or U.S. defendant. Although the Supreme Court has not specifically addressed the issue, it has assumed that even foreign defendants can invoke the protections of the Due Process Clauses.⁶⁹¹ Without venturing too deeply into this fray, a few basic observations can be made.

of course, restricts "judicial power not as a matter of sovereignty, but as a matter of individual liberty", for due process protects the individual's right to be subject only to lawful power. [citation omitted] But whether a judicial judgment is lawful depends on whether the sovereign has authority to render it.") with *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Ginsburg dissenting) ("The modern approach to jurisdiction over corporations and other legal entities, ushered in by *International Shoe*, gave prime place to reason and fairness.").

⁶⁸⁸ *Daimler AG v Bauman*, 134 S. Ct. 746 (2014) ("The Ninth Circuit, moreover, paid little heed to the risks to international comity its expansive view of general jurisdiction posed. Other nations do not share the uninhibited approach to personal jurisdiction advanced by the Court of Appeals in this case."); *Asahi Metal Industry Co. v Superior Court*, 480 U.S. 102, 115 (1987) (majority opinion) ("[A] court [must] consider the procedural and substantive policies of other nations whose interests are affected by the assertion of jurisdiction by the California court. The procedural and substantive interests of other nations in a state court's assertion of jurisdiction over an alien defendant will differ from case to case. In every case, however, those interests, as well as the Federal Government's interest in its foreign relations policies, will be best served by a careful inquiry into the reasonableness of the assertion of jurisdiction in the particular case, and an unwillingness to find the serious burdens on an alien defendant outweighed by minimal interests on the part of the plaintiff or the forum State."). See also Parrish 2006 p. 54-55 (recommending that when it comes to foreign defendants jurisdiction should "focus on and encapsulate concerns for comity and nation-state sovereignty."); Strauss 1998 p. 1260 (stating that the international order allocates jurisdiction among nation-states); Pearce 1994 p. 548-49 (stating that lower courts blend Due Process and comity to find that an even greater degree of reasonableness is required to justify the exercise of jurisdiction over a foreign defendant); Kane & Degnan 1988 p. 815 ("Notions of sovereignty and territoriality form the basis for limiting extraterritorial jurisdiction in the international realm."); Born 1987 p. 27-34.

⁶⁸⁹ Bookman 2015 p. 1100-1103.

⁶⁹⁰ See e.g. Sachs 2014; Casad 1992; Welkowitz 1987; Abrams 1982/83; Abraham 1963.

⁶⁹¹ See *Daimler AG v Bauman*, 134 S. Ct. 746 (2014); *Dunlop Tires Operations, SA v Brown*, 131 S.Ct. 2846 (2011); *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011); *Asahi Metal Industry Co. v Superior Court*, 480 U.S. 102, 113-115 (1987); *Helicopteros Nacionales*

When a state court adjudicates a state law claim (e.g. breach of a patent licence agreement) against a U.S. defendant not resident in the forum state, the defendant must have minimum contacts with the forum state. Likewise, if a federal court adjudicates a state law claim and jurisdiction is based on the state long arm statute, the defendant must have minimum contacts with the forum state in which the federal court sits.⁶⁹² A reason for this is that if the federal court applied a different jurisdictional standard than the state court applied, a defendant might be subject to jurisdiction in federal court for a claim arising under state law, even though the state court itself lacked jurisdiction.⁶⁹³ Applying the same jurisdictional standard ensures the uniform administration of state law.

If a federal court is adjudicating a federal law claim (e.g. claim for the infringement of a federal patent) but has “borrowed” a state long arm statute, the non-resident U.S. defendant must have minimum contacts with the state in which the federal courts sits.⁶⁹⁴ As the federal court is applying federal

v Hall, 466 U.S. 408 (1984); *Insurance Corp. of Ireland, Ltd. v Compagnie des Bauxites de Guinee*, 456 U.S. 694 (1982); *Perkins v Benguet Consolidated Mining Co.*, 342 U.S. 437 (1952). See also Silberman 2012 p. 595 (“One fundamental question in the United States is whether a foreign defendant can even invoke the protections of the Due Process Clause.”); Born 2011 p. 106-07 (raising the question whether Due Process should discriminate against foreign country defendants like the Brussels I Regulation discriminates against third state defendants); Parrish 2006 p. 28-34 (concluding that the 5th and 14th Amendments do not protect foreign defendants against the exercise of U.S. court jurisdiction); Haugen 1993 p. 114-118 (maintaining that the Due Process Clauses do not protect foreign defendants against jurisdiction in the U.S.); Born 1987 p. 21-22 (stating that the full protection of the Due Process Clause should be available to foreign defendants summoned to defend themselves in U.S. courts).

⁶⁹² *Burger King Corp. v Rudzewicz*, 471 U.S. 462 (1985) (assuming without directly deciding that the 14th Amendment Due Process standard applied to federal courts adjudicating state created rights); *Keeton v Hustler Magazine, Inc.*, 465 U.S. 779 (1984) (same).

⁶⁹³ But see *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Kennedy plurality opinion) (suggesting that a federal court might not be bound by the same due process standard as the state court) & *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Ginsburg dissenting) (criticising Kennedy for suggesting “such a curious limitation.”).

⁶⁹⁴ See e.g. *ALS Scan, Inc. v Digital Service Consultants*, 293 F.3d 707 (4th Cir. 2002) (holding that non-resident U.S. defendant accused of copyright infringement must have sufficient contacts with forum state in which federal courts sits); *Autoscribe Corp. v Goldman & Steinberg*, 47 F.3d 1164 (4th Cir. 1995) (holding that non-resident U.S. defendant accused of trademark and copyright infringement must have sufficient contacts with forum state in which federal courts sits); *Janmark, Inc. v T.Reidy*, 132 F.3d 1200 (7th Cir. 1997) (holding that non-resident U.S. declaratory defendant in copyright action must have sufficient contacts with forum state in which federal courts sits); *Dakota Industries, Inc. v Dakotas Sportswear, Inc.*, 946 F.2d 1384 (8th Cir. 1991) (holding that non-resident U.S. defendant accused of trademark infringement must have sufficient contacts with forum state in which federal courts sits); *Akro Corp. v Luker*, 45 F.3d 1541 (Fed. Cir. 1995) (holding that non-resident U.S. defendant ac-

law, the dispute cannot be said to implicate the sovereign interests of the U.S. states in the uniform administration of their state laws. Instead, a limitation on jurisdiction may be justified as a result of the defendant's individual liberty interest in not having to litigate before an inconvenient forum. Another reason for requiring contacts with the individual U.S. forum state is that it follows as a matter of statutory construction because the federal jurisdictional rule instructs the federal district court to "borrow" the jurisdictional rules in the state where the federal district court sits, which arguably encompasses the state Due Process standard.⁶⁹⁵

The federal courts have also applied this practice in relation to non-resident foreign defendants. That is, the foreign defendant must have minimum contacts with the U.S. state in which the federal court sits when jurisdiction is based on a "borrowed" state long arm statute.⁶⁹⁶ This practice has been widely criticised because it is said to allow foreign defendants to avoid juris-

cused of patent infringement must have sufficient contacts with forum state in which federal courts sits); *Horne v Adolph Coors Co.*, 684 F.2d 255 (3rd Cir. 1982) (holding that non-resident U.S. defendant accused of patent infringement must have sufficient contacts with forum state in which federal courts sits).

⁶⁹⁵ See *Walden v Fiore*, 134 S.Ct. 1115, 1121 (2014) (assuming but not deciding that when a federal district court adjudicates a federal claim on the basis of a state long arm statute, the defendant must have minimum contacts with the U.S. state because a federal district court's authority is linked to service of process on a defendant "who is subject to the jurisdiction of a court of general jurisdiction in the state where the district court is located."); *Omni Capital Intern. v Rudolf Wolff & Co., Ltd.*, 484 U.S. 97 (1987) (suggesting that in the absence of a federal jurisdictional statute, a federal court is limited to exercising jurisdiction "under the circumstances" prescribed in the state rule, which arguably means that the defendant must have sufficient contacts with the forum U.S. state).

⁶⁹⁶ See e.g. *Red Wing Shoe Co., Inc. v Hockerson-Halberstadt, Inc.*, 148 F.3d 1355 (Fed. Cir. 1998) (holding that foreign country defendant accused of patent infringement must have sufficient contacts with forum state in which federal courts sits); *Honeywell, Inc. v Metz Apparatewerke*, 509 F.2d 1137 (7th Cir. 1975) (holding that foreign country defendant accused of patent infringement must have sufficient contacts with forum state in which federal courts sits); *Wells Fargo & Co. v Wells Fargo Exp Co.*, 556 F.2d 406, 418-419 (9th Cir. 1977) (holding that foreign country defendant accused of trademark infringement must have sufficient contacts with forum state in which federal courts sits). Before the Supreme Court's decision in *Omni v Capital*, a handful of federal district courts had challenged this premise on the ground that it is not unreasonable for a foreign country defendant with contacts with the U.S. as a whole to be subject to the jurisdiction of any U.S. federal courts. Also, in these situations sister state sovereignty issues are not relevant when the claim was based on federal law. *Cryomedics, Inc. v Spemby, Ltd.*, 397 F.Supp. 287 (D. Conn 1975) ("when a federal court is asked to exercise jurisdiction over an alien defendant sued on a claim arising out of federal law, jurisdiction may appropriately be determined on the basis of the alien's aggregated contacts with the United States as a whole"); *Engineered Sports Products v Brunswick Corp.*, 362 F.Supp. 722 (D. Utah 1973) (Due Process or traditional notions of fair play and substantial justice should not immunise an alien defendant from suit in the United States simply because each state makes up only a fraction of the substantial nationwide market for the offending product).

diction in the U.S., even though they have minimum contacts with the U.S. as a whole, because they lack sufficient contacts with any single U.S. state.⁶⁹⁷ Moreover, as foreign defendant is said to be concerned with the prospect of being sued in the U.S. (not California or New York), jurisdiction is arguably not unreasonable provided the defendant has minimum contacts with the U.S. as a whole. This perceived loophole was the reason for the enactment of the federal long arm statute.⁶⁹⁸ Thus, if a federal court adjudicates a federal law claim (e.g. claim for the infringement of a federal patent) against a foreign defendant on the basis of the federal long arm statute, the foreign country defendant need only have minimum contacts with the U.S. as a whole.⁶⁹⁹

The federal long arm statute is limited however to federal court adjudication of federal claims against foreign defendants. State court adjudication of all claims against foreign defendants and federal court adjudication of non-federal claims (i.e. state and foreign law claims) against foreign defendants are outside the scope of the federal long arm statute.⁷⁰⁰ Thus, for non-federal claims, the only available basis for personal jurisdiction against the foreign defendant (or a U.S. defendant) is a state long arm statute, and the defendant must have sufficient minimum contacts with the U.S. state.⁷⁰¹

An additional requirement for jurisdiction is that the dispute fall within a court's adjudicatory authority (i.e. subject matter jurisdiction). The U.S.

⁶⁹⁷ See Degnan & Kane 1988; Hay 1984.

⁶⁹⁸ See *Omni Capital Intern. v Rudolf Wolff & Co., Ltd.*, 484 U.S. 97 (1987) (suggesting that Congress create a federal basis of jurisdiction over alien defendants for claims arising under federal law, which would then be subject to only the 5th Amendment standard).

⁶⁹⁹ See e.g. *Getz v Boeing Co.*, 654 F.3d 852 (9th Cir. 2011) (the federal alien statute allows federal courts to exercise jurisdiction over foreign defendants, subject only to the limitations of the 5th Amendment Due Process Clause).

⁷⁰⁰ See e.g. *Irwin v ZDF Enterprises GmbH*, 2006 WL 374960 (S.D.N.Y. 2006) ("Jurisdiction under Rule 4(k)(2) is not available against Defendant UKTV because neither of the two claims alleged against UKTV- (1) unfair competition under New York law and (2) violation of British copyright law - "arise under federal law," as specifically required by the rule. Fed.R.Civ.P. 4(k)(2).").

⁷⁰¹ See *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Kennedy plurality opinion) (finding foreign manufacturer that sold its products in the U.S. did not have minimum contacts with New Jersey even though the defective product was distributed and caused injury in New Jersey). See also *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Ginsburg dissenting) ("On what measure of reason and fairness can it be considered undue to require [defendant] McIntyre UK to defend in New Jersey as an incident of its efforts to develop a market for its industrial machines anywhere and everywhere in the United States? Is not the burden on McIntyre UK to defend in New Jersey fair, i.e., a reasonable cost of transacting business internationally, in comparison to the burden on Nicastro to go to Nottingham, England to gain recompense for an injury he sustained using McIntyre's product at his workplace in Saddle Brook, New Jersey?").

Constitution imposes limitations on the type of disputes that may be adjudicated before the federal courts.⁷⁰² These Constitutional limitations are a consequence of the federal system of government, and allocate jurisdiction between the state and federal courts, so as to protect the states' right to ensure that their courts had exclusive jurisdiction over matters not of a federal interest.⁷⁰³ In contrast, the allocation of subject matter jurisdiction between the U.S. courts and foreign courts is the province of international law and international comity.⁷⁰⁴

Based on this Constitutional authority, the U.S. legislature has authorised the federal courts to exercise subject matter jurisdiction over cases arising under federal laws (federal question jurisdiction).⁷⁰⁵ There is a specific grant of federal question jurisdiction for civil actions arising under federal IP laws.⁷⁰⁶ Supplemental jurisdiction is a statutory interpretation of federal question jurisdiction to encompass even "all other claims that are so related to" the federal claims "that they form part of the same case or controversy."⁷⁰⁷ In

⁷⁰² Article III of the U.S. Constitution calls for the creation of a Supreme Court and inferior courts and defines the kinds of proceedings that Congress may authorise them to entertain. Article III, section 2 of the U.S. Constitution states: "The judicial power shall extend to all cases, in law and equity, arising under this Constitution, the laws of the United States, and treaties made, or which shall be made, under their authority;--to all cases affecting ambassadors, other public ministers and consuls;--to all cases of admiralty and maritime jurisdiction;--to controversies to which the United States shall be a party;--to controversies between two or more states;--between a state and citizens of another state;--between citizens of different states;--between citizens of the same state claiming lands under grants of different states, and between a state, or the citizens thereof, and foreign states, citizens or subjects." By subsequent amendment, the federal courts' jurisdiction was limited somewhat as to exclude suits against a U.S. state by citizens of another U.S. state or foreign country. 11th Amendment of the U.S. Constitution.

⁷⁰³ Strauss 1998 p. 1247-48 (stating that Article III, section 2 of the U.S. Constitution allocates subject matter jurisdiction between the state and federal courts).

⁷⁰⁴ Strauss 1998 p. 1247-48 (stating that Article III, section 2 of the U.S. Constitution is not relevant to the allocation of jurisdiction between U.S. courts and foreign courts).

⁷⁰⁵ 28 U.S.C. §1331 ("The district courts shall have original jurisdiction of all civil actions arising under the Constitution, laws, or treaties of the United States").

⁷⁰⁶ See 28 U.S.C. § 1338(a) ("The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.").

⁷⁰⁷ 28 U.S.C. § 1367(a). The supplemental jurisdiction statute codified a Supreme Court precedent where the Court interpreted the Constitutional grant of subject matter jurisdiction to also encompass state law claims where the relationship between the federal claim and the state law claim "permits the conclusion that the entire case before the court comprises but one constitutional case." The test is whether the claims arise from "a common nucleus of operative fact" and whether the "plaintiff's claims are such that he would ordinarily be expected to try them all in one judicial proceeding." *United Mine Workers of America v Gibbs*, 383 U.S. 715 (1966).

addition, the U.S. legislature has authorised the federal courts to exercise subject matter jurisdiction over cases involving diverse parties where the parties come from two different U.S. states (diversity jurisdiction) or from a U.S. state and a foreign state (alien jurisdiction) (collectively called diversity jurisdiction).⁷⁰⁸ The justification for diversity jurisdiction was to protect out-of-state and foreign litigants against local bias.⁷⁰⁹ In contrast to the federal courts, the U.S. state courts are courts of general jurisdiction. A state court of general jurisdiction has the authority to hear cases of all kind unless its jurisdiction is circumscribed by statute or case law.⁷¹⁰

Even if a U.S. court has personal jurisdiction over the defendant and subject matter jurisdiction over the claim, it does not necessarily need to exercise that jurisdiction. Under the common law doctrine of *forum non conveniens*, a U.S. court has the discretion to dismiss a dispute properly within its jurisdiction if it finds that the courts of a foreign country would be a more appropriate forum to litigate a dispute.⁷¹¹ In making this determination, the court first determines whether an adequate alternative forum exists. Thereafter, the court weighs various private and public interest factors to determine whether in the interest of justice as well as the convenience of the parties and the courts, the foreign country forum would be more appropriate.⁷¹² Ordinarily, there is a strong presumption in favour of the plaintiff's choice of forum. Foreign plaintiffs are entitled to less deference because it is assumed to be less convenient to litigate away from home.⁷¹³

⁷⁰⁸ 28 U.S.C. § 1332 (codifying and limiting diversity to "all civil actions where the matter in controversy exceeds the sum or value of \$75,000.").

⁷⁰⁹ See Johnson 1996 p. 15 ("the historical record leaves little doubt that state courts were biased against British creditors").

⁷¹⁰ See *Stump v Sparkman*, 435 U.S. 349, 358 (1978).

⁷¹¹ *Gulf Oil Corp v Gilbert*, 330 U.S. 501 (1947).

⁷¹² See *Gulf Oil Corp. v Gilbert*, 330 U.S. 501 (1947) (In assessing the private interest of the litigants, the courts consider access to sources of proof, availability of compulsory process for attendance of unwilling witness, enforceability of a judgment and other practical issues that make a trial easy, expeditious and inexpensive. The public interest factors include the administrative difficulties flowing from court congestion; the local interest in having controversies decided at home; the interest in having the trial in a forum that is familiar with the law governing the action; the avoidance of unnecessary problems in conflict of laws or in the application of foreign law; the unfairness of burdening citizens in an unrelated forum with jury duty). An important public interest factor is the competing foreign state interests in the dispute. *Piper Aircraft C. v Reyno*, 454 U.S. 235, 260 (1981).

⁷¹³ *Piper Aircraft C. v Reyno*, 454 U.S. 235, 256 (1981) ("When the home forum has been chosen, it is reasonable to assume that this choice is convenient. When the plaintiff is foreign, however, this assumption is much less reasonable. Because the central purpose of any *forum non conveniens* inquiry is to ensure that the trial is convenient, a foreign plaintiff's choice deserves less deference.").

The doctrine of *lis pendens* is not well recognised in the U.S. courts.⁷¹⁴ In exceptional cases, courts may decline jurisdiction or stay proceedings in deference to parallel foreign proceedings, or even more exceptionally, absent such litigation, in the interest of international comity or efficient judicial administration (international abstention).⁷¹⁵ Unlike the European *lis pendens* doctrine, the question which court was first seised with the proceedings is not determinative. An anti-suit injunction is the mirror image of international abstention, whereby under certain circumstances, the courts will indirectly “force” a foreign court to defer jurisdiction by prohibiting a litigant from initiating or continuing proceedings before the foreign forum.⁷¹⁶ There is considerable overlap between the international abstention doctrine and the doctrine of *forum non conveniens*.⁷¹⁷

The United States is not a contracting party to any private international law conventions with respect to international civil jurisdiction, applicable law, or the enforcement of judgments that would apply to transborder IP infringe-

⁷¹⁴ The general rule is that parallel sets of proceedings are allowed to continue simultaneously until judgment is reached in one court that can then be recognised and enforced by the courts of the other. This approach was developed within the U.S. domestic system where it is not possible to consolidate proceedings because the individual U.S. states have their own sovereign courts systems, but the enforcement of the first judgment is guaranteed due to the full faith and credit clause of the U.S. Constitution, thereby putting an end to the other set of proceedings. Parallel proceedings before a U.S. and a foreign country court have been treated analogously even though there is no guarantee that the first judgment will be recognised and enforced in the other state. Born 2011 p. 548-552 (observing that the Supreme Court has not considered international *lis pendens*); Teitz 2004 p. 10-11; *Laker Airways Ltd. v Sabena, Belgian World Airlines*, 731 F.2d 909, 926-27 (1984).

⁷¹⁵ Compare *Gross v German Foundation Indus. Initiative*, 456 F.3d 363 (3rd Cir. 2006) (declining to abstain from jurisdiction because there was no ongoing foreign proceeding which could create a true conflict between the U.S. and Germany) with *Ungaro-Benages v Dresdner Bank AG*, 379 F.3d 1227 (11th Cir 2004) (abstaining prospectively even though no parallel foreign proceeding was pending). The doctrine of international abstention has been developed by the federal courts with little or no authoritative guidance from the Supreme Court. Born 2011 p. 549.

⁷¹⁶ Teitz 2004 p. 10 (stating that rules for allowing parallel proceedings and issuing anti-suit injunctions are reverse images). The standards for an anti-suit injunction vary somewhat among the Circuits with some Circuits more willing than others to issue such injunctions. In general, an injunction may be granted if there are parallel proceedings whereby the parties and the issues are the same and the domestic action is dispositive of the foreign action, the foreign litigation frustrates a policy of the forum issuing the injunction or is vexatious or oppressive, and the injunction's “impact on comity is tolerable.” Born 2011 p. 568-569; *Sanofi-Aventis Deutschland GmbH v Genentech, Inc.*, 716 F.3d 586 (Fed. Cir. 2013); *Microsoft Corp. v Motorola, Inc.*, 696 F.3d 872 (9th Cir. 2012).

⁷¹⁷ See *Calamita* 2006 p. 636-640 (stating that comity was at the roots of the adoption of *forum non conveniens*); *Pearce* 1994 p. 551 (stating that *forum non conveniens* presents a fairly pure application of the comity doctrine notwithstanding its focus on fairness to the individual and its separate treatment by courts).

ment disputes, apart from the 2005 Hague Choice of Court Convention, which it has signed but not yet ratified.⁷¹⁸ Nevertheless, the U.S. often unilaterally recognises foreign judgments even in the absence of a treaty obligation.⁷¹⁹ Pursuant to the Full Faith and Credit Clause of the U.S. Constitution, a valid judgment of one U.S. state is enforceable in all other U.S. states.⁷²⁰

Jurisdiction Enabling Factors

Factors unrelated to the dispute

The EU and the U.S. legal systems allow a forum court to exercise jurisdiction if the defendant is “at home” in the forum state. This is a basis of general jurisdiction because a “local” defendant may be sued in its own state with respect to any and all claims regardless of whether the dispute has any connection to the forum state, provided there are no limitations on the subject matter of the types of cases the court can adjudicate (subject matter jurisdiction or exclusive jurisdiction). In addition, under certain circumstances, both the EU and the U.S. legal systems permit the exercise of general jurisdiction against a foreign defendant who is not at home in the forum state based on factors unrelated to the underlying claim.

In the *European Union* defendants domiciled in the Union must be sued in their Member State of domicile unless there is a specifically applicable exception in the Brussels I Regulation granting jurisdiction to another Member

⁷¹⁸ The United States signed the Hague 2005 Choice of Court Convention on January 19, 2009.

⁷¹⁹ Many U.S. states have adopted laws based on the 2005 Uniform Foreign-Country Money Judgments Recognition Act or the earlier 1962 Uniform Foreign Money-Judgments Recognition Act, which are model laws drafted by the National Conference of Commissioners on Uniform State Laws. Pursuant to these laws a foreign country judgment will not be recognised if it comes from a court system that is not impartial or that dishonours due process, or there is no personal jurisdiction over the defendant or over the subject matter of the litigation. There are a number of grounds that may make a U.S. court deny recognition, i.e. the defendant did not receive notice of the proceeding or the claim is repugnant to American public policy. In the absence of such a law, a foreign judgment may be recognised and enforced pursuant to the doctrine of international comity, provided the rendering court had jurisdiction and the procedure was compatible with due process of law. See *Hilton v Guyot*, 159 U.S. 113 (1895) (requiring reciprocity when the judgment creditor is a national of the state in which the judgment was rendered and the judgment debtor is a national of the United States). The reciprocity requirement is no longer followed by most federal (and state) courts. Restatement (Third) of Foreign Relations Law § 481-482, in particular § 481 cmt. d.

⁷²⁰ Article IV, section 1 U.S. Constitution.

State court.⁷²¹ Jurisdiction in the Member State of domicile is a rule on general jurisdiction which allows an EU defendant to be sued for almost any civil or commercial claim even though the claim has no other connection to the forum Member State or the EU. This means that the dispute can have connections to third states. The fact that the defendant is domiciled in a Member State is a sufficient connection for jurisdiction. Nationality is not a relevant factor under the Regulation.⁷²² The justification for using domicile and not nationality as the connecting factor was that it furthered legal certainty and was considered fair.⁷²³

The domicile of natural persons is defined by the law of the Member State of the putative domicile; there is no autonomous European definition.⁷²⁴ The domicile of legal persons is autonomously defined in the Recast by three alternative criteria, namely, the statutory seat, the central administration or the principal place of business.⁷²⁵ The broad definition of domicile ensures that a legal person can be brought before a court in a Member State with which it has “a significant connection.”⁷²⁶ It is enough that at least one of the criteria is fulfilled for a legal person to be considered domiciled in a particular Member State. A legal person can have more than one domicile.⁷²⁷

The concept “statutory seat” is a clear criterion which can be found in the articles of association and in the public registers.⁷²⁸ “Central administration” refers to the legal person’s management and control centre.⁷²⁹ It is the place where the company organs take the decisions that are essential for the com-

⁷²¹ Article 4(1) Regulation 1215/2012 (“Subject to this Regulation, persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State.”) & Article 5(1) (“Persons domiciled in a Member State may be sued in the courts of another Member State only by virtue of the rules set out in Sections 2 to 7 of this Chapter.”).

⁷²² Article 4(1-2) Regulation 1215/2012.

⁷²³ Jenard Report 1979 p. 14-15 (stating that the domicile rule allows those who contribute to the EU’s economic activity and prosperity to benefit from the Brussels Convention).

⁷²⁴ Article 62 Regulation 1215/2012.

⁷²⁵ Article 63 Regulation 1215/2012. These criteria mirror those in the TFEU on the right of establishment. Article 54 TFEU (“Companies or firms formed in accordance with the law of a Member State and having their registered office, central administration or principal place of business within the Union shall, for the purposes of this Chapter, be treated in the same way as natural persons who are nationals of Member States.”).

⁷²⁶ Pocar Report 2009 para. 30.

⁷²⁷ Magnus & Mankowski 2016 p. 994; Pålsson 2008 p. 102; Maunsbach 2005 p. 120.

⁷²⁸ Magnus & Mankowski 2016 p. 994; Pocar report 2009 para. 29 (stating that the statutory seat offers a significant degree of certainty because it is easy to identify).

⁷²⁹ Magnus & Mankowski 2016 p. 995; Pocar report 2009 para. 29 (stating that central administration is a factor internal to the company and is not always immediately identifiable).

pany's operation.⁷³⁰ The location of the central administration depends on factual circumstances and is less easily ascertainable than statutory seat.

The concept of “principal place of business” also depends on factual circumstances.⁷³¹ There does not seem to be consensus regarding the precise interpretation of the concept principal place of business.⁷³² Some legal doctrine focuses on where the main business is in fact actively carried out, whereas other doctrine focuses on where the business’ primary, tangible resources are located such as factories, production facilities or personnel. This could be difficult if a legal person’s primary tangible resource (such as a massive server farm) is located in one state but its primary economic activity is carried out through a virtual presence in another state (such as offering cloud computing services).⁷³³ When interpreting domicile one needs to keep in

⁷³⁰ *Young v Anglo American South Africa Limited*, England and Wales Court of Appeal, [2014] EWCA Civ 1130 (holding that central administration was the place where that company's relevant organs, according to its own constitutional provisions, took the decisions that were essential for that company's operations and conducted its entrepreneurial management); Case C-81/87, *The Queen v H. M. Treasury*, Opinion of Mr Advocate General Darmon; Maunsbach 2005 p. 120.

⁷³¹ Magnus & Mankowski 2016 p. 995 (stating that the concept principal place of business is also factual and could give rise to problems, which have to be solved by the forum); Pocar Report 2009 para. 29 (stating that principal place of business is certainly easier to identify and verify than central administration).

⁷³² Maunsbach 2005 p. 121; Lindskoug 2004 p. 46.

⁷³³ In interpreting another jurisdictional rule in the Brussels I Regulation, the CJEU has rejected the possibility of attributing jurisdiction on the basis of the location of a server because this was not consistent with the aim of the Brussels I Regulation in providing highly predictable rules on jurisdiction. See Case C-523/10, *Wintersteiger* (“in view of the objective of foreseeability, which the rules on jurisdiction must pursue, the place of establishment of that server cannot, by reason of its uncertain location, be considered to be the place where the event giving rise to the damage occurred for the purpose of the application of Article 5(3) of Regulation No 44/2001.”). See also Lindskoug 2004 (maintaining that the location of the defendant’s server or the server on which the defendant conducts its business should not be given any significance when determining principal place of business because its location is arbitrary). In the factual context in which the ruling arose, however, the defendant used the services of a third party search engine operator that were technically performed at the location of the search engine operator’s web servers, whose location might be unknown to the parties. Attributing jurisdiction under those circumstances could lead to a situation where the plaintiff would not know with legal certainty where it could bring suit and the defendant would not know where it could be sued. If the server farm is owned by the defendant and readily identifiable as such, attributing jurisdiction would not contravene the aim of legal certainty and predictability. With respect to the question whether a virtual presence could qualify as a principal place of business, Bogdan maintains that a virtual presence such as a webpage set up to enter into contracts could qualify as a secondary establishment under EU law if it is used to carry out the company’s activities and gives the appearance of permanency. Bogdan 1998 p. 832-834. This may suggest that a virtual presence could likewise qualify as a principal establishment.

mind the EU's aim to provide for highly predictable rules of jurisdiction.⁷³⁴ This suggests that one should be cautious about making overly broad interpretations of the concept domicile. There might be reason to interpret domicile more broadly however if it expanded rather than restricted jurisdiction in the EU in relation to third state legal persons in situations where the defendant is attempting to avoid being brought before a Member State court.⁷³⁵

Looking at the *national rules of the Member States*, a number of Member States have rules on exorbitant jurisdiction that allow their courts to exercise jurisdiction over third state defendants in relation to disputes with which they have little or no connection.⁷³⁶ These bases of jurisdiction may not be used in relation to EU defendants.⁷³⁷ The theoretical justification for these rules is the Member States' sovereignty over its own nationals or its territory.⁷³⁸ For example, in some Member States, jurisdiction may be based on the nationality of the plaintiff (France), the presence of property in the forum (Germany and Sweden), or the defendant's presence (even transient) in the territory (UK).⁷³⁹ It seems that these exorbitant bases of jurisdiction have not (yet) been used against third state defendants with respect to the infringement of foreign IP rights.⁷⁴⁰ The exorbitant bases of jurisdiction were included on the list of prohibited grounds of jurisdiction in the 1999 draft Hague Convention.⁷⁴¹ One of the reasons why the 1999 Hague Convention did not succeed was that states were not willing to give up their exorbitant bases for jurisdiction.

⁷³⁴ Recital 15 Regulation 1215/2015.

⁷³⁵ Maunsbach 2005 p. 126-128 (discussing situation where defendant does not have a known domicile apart from a virtual principal place of business and server); Bogdan 1998 p. 825 (stating that a reason for concluding that a webpage does not constitute an establishment in the EU is if it were set up to avoid application of the exorbitant national rules on jurisdiction).

⁷³⁶ Study on Residual Jurisdiction 2007 p. 58-63. See generally Clermont & Palmer 2006; de Winter 1968; Nadelmann 1967.

⁷³⁷ Article 5(2) Regulation 1215/2015.

⁷³⁸ von Mehren 1983-84 p. 53-59; Usunier 2007 p. 554-555.

⁷³⁹ See e.g. article 23 of the German Code of Civil Procedure; Chapter 10 section 3 of the Swedish Code of Civil Procedure; article 14 French Code de Civil; Fawcett & Torremans 2011 p. 260 (stating that mere transient presence of an individual will suffice).

⁷⁴⁰ De Miguel Asensio 2014:2 p. 165 fn 24; Fawcett & Torremans 2011 p. 282.

⁷⁴¹ Article 18 1999 draft Hague Convention. Article 18(1) set out a general prohibition against exercising jurisdiction over a defendant habitually resident in a contracting state if there was "no substantial connection between that State and the dispute." Article 18(2) contained a list of specifically prohibited bases which included the presence of property in the state if the claim did not relate to the property, the nationality, domicile, residence or presence of the plaintiff in the state, the nationality of the defendant or the defendant's temporary or transitory presence in the state, and the carrying on by the defendant of a commercial or other activity in the state except where the dispute was directly related to those activities.

In the *United States* for a natural person, domicile is the paradigm forum for the exercise of general jurisdiction. The equivalent of domicile for a legal person is its place of incorporation or its principal place of business.⁷⁴² General jurisdiction allows a defendant to be sued in its state of domicile for any activities or damage it has caused anywhere, even if they are totally unrelated to the forum state, provided the court has subject matter jurisdiction.⁷⁴³ The exercise of general jurisdiction at the place of domicile can be justified both on the grounds of reasonableness (in that it is fair, convenient, and foreseeable to the parties) as well as on sovereignty grounds.⁷⁴⁴ While a modern understanding of Due Process focuses on fairness and reasonableness, sovereignty justifications remain significant.⁷⁴⁵ Indeed, sovereignty was the rationale for upholding the use of U.S. nationality as a basis for federal court jurisdiction for a federal criminal claim under the Due Process Clause.⁷⁴⁶

Recently, the Supreme Court has narrowed the application of general jurisdiction, at least in relation to foreign corporate defendants. Previously, general jurisdiction could be established over non-resident defendants (both U.S. and foreign) provided their contacts with the forum state were “continuous

⁷⁴² *Goodyear Dunlop Tires Operations, SA v Brown*, 564 U.S. 915, 924 (2011) (“For an individual, the paradigm forum for the exercise of general jurisdiction is the individual’s domicile; for a corporation, it is an equivalent place, one in which the corporation is fairly regarded as at home.”); *Daimler AG v Bauman*, 134 S. Ct. 746 (2014) (citing *Brilmayer* 1987-1988 p. 728 and *Twitchell* 1988:1 p. 633 for the proposition that a corporation is at home at its place of incorporation or its principle place of business). The U.S. does not recognise the concept of central administration as a separate criterion from principal place of business.

⁷⁴³ *Helicopteros Nacionales v Hall*, 466 U.S. 408, 414 (1984) (“When a State exercises personal jurisdiction over a defendant in a suit not arising out of or related to the defendant’s contacts with the forum, the State has been said to be exercising “general jurisdiction” over the defendant.”).

⁷⁴⁴ See *Brilmayer* 1987-88 p. 727-733 (explaining how domicile satisfies the major theoretical justifications for the assertion of jurisdiction, namely convenience for the parties, power, and allegiance, which she characterises by a state’s special relationship with those that have a right to influence state decision making); *Daimler AG v Bauman*, 134 S. Ct. 746, 760 (2014) (indicating that domicile, principal place of business, and place of incorporation are easily ascertainable and predictable).

⁷⁴⁵ *Niesel* 2015 p. 885 (stating that general jurisdiction is premised on traditional considerations of presence and the power of the state).

⁷⁴⁶ *Blackmer v U.S.*, 284 U.S. 421, 437-438 (1932) (“Nor can it be doubted that the United States possesses the power inherent in sovereignty to require the return to this country of a citizen, resident elsewhere, whenever the public interest requires it, and to penalize him in case of refusal. . . . It is also beyond controversy that one of the duties which the citizen owes to his government is to support the administration of justice by attending its courts and giving his testimony whenever he is properly summoned.”). See also *Brilmayer* 1980:1 p. 85 (stating that there can be no objections to a state exercising general jurisdiction over its residents and that objecting residents can invoke the state’s political process).

and systematic.”⁷⁴⁷ Many lower courts found general jurisdiction to be satisfied as long as the defendant was “doing business” in the state, even though the forum state was not its principal place of business.⁷⁴⁸ The “doing business” basis of jurisdiction has been controversial, in particular from an international perspective, and was included along with tag jurisdiction on the list of prohibited grounds of jurisdiction in the 1999 draft Hague Convention on jurisdiction and the effects of foreign judgments in civil and commercial matters.⁷⁴⁹

In *Goodyear v Dunlop*, the Supreme Court found that a foreign corporate defendant’s continuous activity of some sorts within a U.S. state is not enough to support the demand that the corporation be amendable to suits unrelated to that activity.⁷⁵⁰ This ruling was confirmed in *Daimler AG v Bauman*, where the Court observed: “A corporation that operates in many places can scarcely be deemed at home in all of them.”⁷⁵¹ Referencing inter-

⁷⁴⁷ *Helicopteros Nacionales v Hall*, 466 U.S. 408 (1984) (finding foreign defendant’s contacts not “continuous and systematic” for general jurisdiction); *Perkins v Benguet Consolidated Mining Co.*, 342 U.S. 437 (1952) (finding foreign defendant’s contacts “continuous and systematic” for general jurisdiction).

⁷⁴⁸ See e.g. *Gator.Com Corp. v L.L. Bean, Inc.*, 341 F.3d 1072 (9th Cir 2003), *vacated as moot on reh’g en banc on basis of settlement*, 398 F.3d 1125 (9th Cir. 2005) (US non-resident retailer had sufficient contacts with forum state based on its interactive web site and extensive marketing and sales there to permit exercise of general jurisdiction). General jurisdiction based on a non-resident defendant’s “continuous and systematic” presence was based on a fact specific analysis, and was not subject to clear and predictable legal rules. Born 2011 p. 117. Courts analysed contacts such as the existence of offices or staff, being registered to do business, having a registered agent for service of process, making sales, earning revenues, and paying taxes in the forum state. See e.g. *Mavrix Photo, Inc. v Brand Technologies, Inc.*, 647 F.3d 1218 (9th Cir. 2011). See generally Twitchell 2001.

⁷⁴⁹ Article 18 1999 draft Hague Convention. Article 18(1) set out a general prohibition against exercising jurisdiction over a defendant habitually resident in a contracting state if there was “no substantial connection between that State and the dispute.” Article 18(2) contained a list of specifically prohibited bases which included *inter alia* the carrying on by the defendant of a commercial or other activity in the state except where the dispute was directly related to those activities.

⁷⁵⁰ *Goodyear Dunlop Tires Operations, SA v Brown*, 564 U.S. 915, 927-930 (2011).

⁷⁵¹ *Daimler AG v Bauman*, 134 S. Ct. 746, 761 fn 20 (2014). In addition, the *Daimler* Court cast doubt on the agency theory where the contacts of a U.S. subsidiary are imputed to a foreign corporate defendant for the purpose of establishing general jurisdiction. *Daimler AG v Bauman*, 134 S. Ct. 746, 759 (2014) (stating that the fact that an agent may be appointed for some business purpose does not make that individual an agent for every purpose). In this case, the Court found that *Daimler*’s subsidiary could not be deemed to be its agent based on the importance of its services to *Daimler*. *Daimler AG v Bauman*, 134 S.Ct. 746 (2014) (“But if “importan[ce]” in this sense were sufficient to justify jurisdictional attribution, foreign corporations would be amenable to suit on any or all claims wherever they have an in-state subsidiary or affiliate, an outcome that would sweep beyond even the “sprawling view of general jurisdiction” rejected in *Goodyear*.”).

national comity considerations, the Court observed that other nations do not share such an uninhibited approach to personal jurisdiction.⁷⁵² The Court stated that it was only in “exceptional cases” that a foreign corporate defendant would be subject to general jurisdiction in the U.S.⁷⁵³

It seems likely that the *Goodyear* and *Daimler* rulings will put an end to “tag jurisdiction” over (at least foreign) corporate defendants. Tag jurisdiction is a form of general jurisdiction based on the fact that the defendant is successfully served with the plaintiff’s complaint while in the territorial jurisdiction of the forum state, even if the defendant is there only temporarily or even in transit through the state.⁷⁵⁴ In *Burnham v Superior Court of California*, the Supreme Court found that tag jurisdiction was consistent with Due Process when a California state court exercised general jurisdiction over a U.S. non-resident natural person defendant who was “tagged” when he travelled to California to handle an unrelated business matter and to visit his children.⁷⁵⁵

⁷⁵² *Daimler AG v Bauman*, 134 S. Ct. 746, 763 (2014). The Court observed that the rules on general jurisdiction in the Brussels I Regulation were limited to the defendant’s domicile. The Court seems to have lost sight of the fact that the domicile rule in the Brussels I Regulation is not applicable to defendants domiciled outside of the EU Member States and Lugano contracting states. In relation to third states defendants (e.g. U.S. defendants), many of the national rules in the individual Member States allow the exercise of general jurisdiction based on other exorbitant connecting factors such as the nationality or domicile of the plaintiff and the location of the defendant’s assets in the Member State.

⁷⁵³ *Daimler AG v Bauman*, 134 S. Ct. 746 (2014) (“We do not foreclose the possibility that in an exceptional case, [citation omitted] a corporation’s operations in a forum other than its formal place of incorporation or principal place of business may be so substantial and of such a nature as to render the corporation at home in that State.”). As an example of an exceptional case, the Supreme Court referred to its decision in *Perkins* where it held that a Philippine Corporation could be sued in Ohio, when the company’s affairs were temporarily overseen there during WWII. *Perkins v Benguet Consolidated Mining Co.*, 342 U.S. 437 (1952). This is the only time that the Court has upheld general jurisdiction over a foreign defendant. See also Silberman 2015 p. 681-684 (criticising the Court for reigning in general jurisdiction too tightly and suggesting that the Court adopt as an alternative to principal place of business and place of incorporation, an actual “physical presence” standard for establishing general jurisdiction); Niesel 2015 p. 874-880 (arguing that in addition to principal place of business and place of incorporation, general jurisdiction should be possible at the place where the foreign corporate defendant maintains physical facilities from which the corporation is controlled and managed).

⁷⁵⁴ See Born 2011 p. 129-137.

⁷⁵⁵ *Burnham v Superior Court of Calif.*, 495 U.S. 604 (1990). There was no majority opinion. Four justices opined that jurisdiction was consistent with Due Process because the state was acting within the territorial limits of its sovereign authority, and territorial jurisdiction was a continuing tradition of the U.S. legal system. In their view, a separate reasonableness inquiry was only necessary if the defendant is physically absent from the forum state. *Burnham v Superior Court of Calif.*, 495 U.S. 604, 619 (1990) (Scalia opinion) (“The short of the matter is that jurisdiction based on physical presence alone constitutes due process because it is one of the continuing traditions of our legal system that define the due process standard of “traditional notions of fair play and substantial justice.” That standard was developed by analogy to

The courts have been divided however over whether tag service on a corporate officer while present within the forum state provides jurisdiction over the corporation itself.⁷⁵⁶ Citing *Daimler*, the Ninth Circuit recently held that tag jurisdiction could not be used on a corporate defendant.⁷⁵⁷ While the corporate defendant in that case was a foreign country defendant, the court did not attribute that any special significance.⁷⁵⁸ Thus, one might predict that tag jurisdiction over corporate defendants (both foreign and U.S.) will soon meet its demise.⁷⁵⁹

The courts that have applied tag jurisdiction over foreign (natural and legal) defendants have not generally considered the transnational context.⁷⁶⁰ *Daimler* indicates however that the transnational context is important in assessing general jurisdiction over a foreign defendant, and that international comity is a factor to consider.⁷⁶¹ This weighs against the Constitutionality of tag jurisdiction over foreign natural defendants too, even if it is acceptable in relation to non-resident natural U.S. defendants.⁷⁶²

"physical presence," and it would be perverse to say it could now be turned against that touchstone of jurisdiction." In contrast, four other justices opined that Due Process required an independent inquiry into whether jurisdiction was reasonable under modern notions of Due Process, but that jurisdiction was reasonable in this case because the defendant was "voluntarily and knowingly" in the forum state. *Burnham v Superior Court of Calif.*, 495 U.S. 604, 640 (1990) (Brennen concurring).

⁷⁵⁶ Born 2011 p. 136. Compare *C.S.B. Commodities, Inc. v Urban Trend (HK) Ltd.*, 626 F.Supp.2d 837 (N.D. Ill 2009) (service on corporate agent was not sufficient) with *Oyuela v Seacor Marine (Nigeria), Inc.*, 290 F.Supp.2d 713 (E.D. La. 2003) (service on corporate agent was sufficient).

⁷⁵⁷ See *Martinez v Aero Carribean*, 764 F.3d 1062 (9th Cir. 2014) (holding that *Burnham* does not apply to corporations, and that a court may exercise general personal jurisdiction over a corporation only when its contacts "render it essentially at home" in the state).

⁷⁵⁸ See *Martinez v Aero Carribean*, 764 F.3d 1062 (9th Cir. 2014).

⁷⁵⁹ Prior to the 20th century all exercises of jurisdiction were based on the presence of the defendant or her property in the forum, and were justified in terms of sovereignty. *Twitshell* 1988:1 p. 614.

⁷⁶⁰ *Dubinsky* 1998 p. 330-331. See e.g. *First American Corp. v Price Waterhouse LLP*, 154 F.3d 16, 20-21 (2nd Cir. 1998) (refusing to distinguish *Burnham* even though the defendant here was a non-US citizen).

⁷⁶¹ One recent exception is *Jaramilla v Naratjo*, 2014 WL 4898210 (S.D. Florida 2014) (noting that *Daimler* instructs that the transnational context is important in assessing general jurisdiction over a defendant). Ultimately, the court found jurisdiction was proper because the defendant, who had been incarcerated in the forum state for 35 years, could be said to be domiciled there.

⁷⁶² In contrast with the view within the U.S., tag jurisdiction is not internationally accepted. Taking into consideration a foreign country's notion on acceptable limits on jurisdiction coupled with the unique burden of defending in a foreign country, it might be unreasonable for a foreign country defendant to be adjudged by a sovereign based merely on physical presence in the forum.

The question can be raised whether the transnational context may, in exceptional cases, make the presence of a foreign defendant's property in the forum a Constitutional basis for general jurisdiction, even though it is not in relation to non-resident U.S. defendants. In *Shaffer v Heitner*, the Court ruled that the presence of property within the forum state that was unrelated to the claim was not a sufficient basis for jurisdiction over a non-resident U.S. defendant because "the perpetuation of ancient forms" of jurisdiction would be "fundamentally unfair to the defendant."⁷⁶³ In a footnote however the Court noted that it did not have to consider "the question whether the presence of a defendant's property in a U.S. state is a sufficient basis for jurisdiction when no other forum is available to the plaintiff."⁷⁶⁴ Against a U.S. defendant, there is always a forum in the defendant's U.S. state of domicile, and that judgment will be enforceable in all the other U.S. states.⁷⁶⁵ This may not be the case with foreign defendants. If the foreign defendant's domicile state discriminates against U.S. plaintiffs or does not comport with commonly accepted standards of Due Process, another forum might not be available to the plaintiff or a judgment, if given by the foreign state, may not be enforceable in the U.S.⁷⁶⁶ This might be an example of an "exceptional case" where a foreign defendant might be subject to general jurisdiction.⁷⁶⁷

⁷⁶³ *Shaffer v Heitner*, 433 U.S. 186, 212 (1977).

⁷⁶⁴ *Shaffer v Heitner*, 433 U.S. 186, 211 fn 37 (1977).

⁷⁶⁵ *Shaffer v Heitner*, 433 U.S. 186, 210 (1977) (noting that the primary rationale for treating the presence of property as a sufficient basis for jurisdiction, namely that a wrongdoer should not be able to avoid payment of his obligations by removing his assets to a place where he is not subject to jurisdiction, is not a valid argument in light of the Full Faith and Credit Clause).

⁷⁶⁶ Jurisdiction based on the presence of property in the forum state is arguably not unreasonable because a foreign defendant owning property in the U.S. is aware of the possibility of being sued there. See *Shaffer v Heitner*, 433 U.S. 186, 218 (1977) (concurring opinion of Justice Stevens) ("As a matter of international law, [the presence of property] might be acceptable because a foreign investment is sufficiently unusual to make it appropriate to require the investor to study the ramifications of his decision. But a purchase of securities in the domestic market is an entirely different matter."); Restatement Third of Foreign Relations Law § 421 Note 8.

⁷⁶⁷ There is some support in the case law for the proposition that *in rem* jurisdiction may be applied against foreign defendants not otherwise subject to U.S. jurisdiction. See *Ultra Trading Int'l Ltd. v Ham Long*, 2005 WL 1653724 (D. Oregon 2005) (stating the language "no other forum is available" has been interpreted to mean that suit may be brought in a state where the defendant has no minimum contacts only if the defendant is not subject to suit in any other U.S. state); *Excel Shipping Corp. v Seatrain Int'l* 584 F.Supp. 7341986 (E.D. N.Y. 1984) (upholding *in rem* jurisdiction over foreign defendant when "dismissal of the suit in this District may render the defendant unavailable for suit in any court in the United States."); *Louring v Kuwait Boulder Shipping Co.*, 455 F.Supp. 630 (D. Conn. 1977) (upholding *in rem* jurisdiction over foreign defendant not otherwise subject to U.S. jurisdiction). But see *J.S. Service Center Corp. v Banco Continental and Electro Peru*, 103 Misc.2d 325, 425 N.Y.S.2d 945 (Supreme Court, Westchester County, New York 1980) ("Absent a clear showing that plaintiff cannot obtain a fair trial other than in New York (and plaintiff's implied suggestion that a South American country would not afford it a fair trial is not such a showing), this

Finally, many U.S. states require that foreign corporations who do business in the state appoint an agent to receive service of process. Some states construe the appointment of a registered agent as consent to general jurisdiction.⁷⁶⁸ The Supreme Court's restriction on general jurisdiction, in particular in relation to foreign corporations, raises questions as to whether this type of "forced" consent is consistent with Due Process.⁷⁶⁹

Summing up, the Recast rules on general jurisdiction are restricted to clear, limited connecting factors that significantly connect the defendant to the forum state by its domicile. The rules aim to be predictable, convenient, and fair. These rules do not apply however to third state defendants. The individual Member States' rules applicable to third state defendants are varied and sometimes exorbitant, which means that a third state defendant may be subject to unpredictable, inconvenient, and unfair exercises of jurisdiction. The exorbitant Member States' rules are based on criteria such as nationality or territoriality. The justification for the rules is the interest of the forum state, and the interests of third states are not given much or any consideration. In the Recast, the EU decided not to prohibit the exorbitant national rules, most likely because they are beneficial to EU plaintiffs and also provide the EU with a bargaining chip in a future Hague Convention negotiation. In theory, third state defendants could be subject to the jurisdiction of the Member States courts for IP infringements unconnected to the forum Member State.

In contrast, the U.S. Supreme Court has recently reigned in the U.S. rules on general jurisdiction against foreign defendants in the interests of international comity. The U.S. domicile rule on general jurisdiction is based on clear, limited criteria similar to the EU's domicile rule in the Recast. It remains to be seen whether foreign defendants will be subject to general jurisdiction under tag, *in rem* jurisdiction, or "forced" consent. The Supreme Court's narrowing of the concept of general jurisdiction means that in the future, transborder IP infringement disputes brought against foreign defendants will almost always need to be based on specific jurisdiction.

Court does not see how the interests of fair play and substantial justice mandate an alteration of Shaffer's principles merely because defendant is an out-of-country bank.”).

⁷⁶⁸ Silberman 2015 p. 687-688.

⁷⁶⁹ Silberman 2015 p. 687-688.

Factors related to the dispute

Tangible criteria or acts in the forum state

In the *European Union*, article 7(2) of the Brussels I Regulation is a rule on special jurisdiction that grants jurisdiction in relation to disputes against EU defendants in the Member State “where the harmful event occurred or may occur.”⁷⁷⁰ This concept has been interpreted to mean either where “the event giving rise to the damage” took place (harmful act head of jurisdiction) or where “the damage occurred” (damage head of jurisdiction).⁷⁷¹ The reason for attributing jurisdiction to either place is that both of these places constitute significant connecting factors, and are appropriate with a view to the sound administration of justice, the foreseeability of conferring jurisdiction, and efficacious conduct of proceedings.⁷⁷² The scope of a Member State court’s jurisdiction differs however depending on whether the jurisdiction is premised on the harmful act or on the damage.⁷⁷³ The court where the harmful act takes place has jurisdiction to hear an action for all damage caused by the unlawful act, whereas the jurisdiction of the court where the damages arises is limited to the damage arising in that Member State.⁷⁷⁴

The concept of the harmful act presupposes some active conduct or tangible act in the forum Member State that causes damage in that Member State or

⁷⁷⁰ Article 7(2) Regulation 1215/2012 (“A person domiciled in a Member State may be sued in another Member State: in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur.”). Disputes concerning alleged infringements of IP rights fall comfortably within the definition of a tort. The concept “matters relating to tort, delict or quasi-delict” is an autonomous EU concept which is not dependent on whether an action is classified as a tort, delict or quasi-delict in the specific state whose law is applicable. Case C-189/87, *Kalfelis / Schröder and others*, para. 16.

⁷⁷¹ Case C-21/76, *Handelskwekerij Bier / Mines de Potasse d'Alsace*.

⁷⁷² Recital 16 Regulation 1215/2012 (stating that the alternative grounds of jurisdiction are “based on a close connection between the court and the action or in order to facilitate the sound administration of justice”); Case C-21/76, *Handelskwekerij Bier / Mines de Potasse d'Alsace*, para. 11 (stating that jurisdiction is based on the existence of a particularly close connecting factor between the dispute and courts other than those of the State of the defendant’s domicile, which justifies the attribution of jurisdiction to those courts for reasons relating to the sound administration of justice and the efficacious conduct of proceedings.); Case C-133/11, *Folien Fischer and Fofitec*, para. 38 (stating that the place where the harmful event occurred or may occur are usually the most appropriate for deciding the case, in particular on grounds of proximity and ease of taking evidence); Case C-523/10, *Wintersteiger*, para. 31 (“It is settled case law that the provisions of Regulation No 44/2001 must be interpreted independently, by reference to its scheme and purpose . . . which include the foreseeability of conferring jurisdiction, ensuring sound administration of justice and efficacious conduct of proceedings.”).

⁷⁷³ Case C-68/93, *Shevill and others / Presse Alliance*.

⁷⁷⁴ Case C-68/93, *Shevill and others / Presse Alliance*.

other states.⁷⁷⁵ The harmful act is usually alleged to have been carried out by the defendant, but this does not always have to be the case. In a negative declaratory action, the harmful act may be carried out by the plaintiff.⁷⁷⁶ In a positive action however jurisdiction may not be based on a harmful act carried out by a co-perpetrator of the alleged damage who is not party to the lawsuit because this connecting factor is not helpful in relation to the evidence and the conduct of proceedings with respect to establishing the liability of the defendant.⁷⁷⁷

In most IP infringement disputes, the harmful act will often coincide with the infringing act as defined under applicable substantive IP law. For example, the sale of infringing goods in a Member State will constitute the harmful act for the purpose of establishing jurisdiction in that Member State.⁷⁷⁸ The sale of infringing goods will also constitute an infringing act under the applicable

⁷⁷⁵ Magnus & Mankowski 2016 p. 281 (“In principle, it comes down to physicalities.”). See also Case C-360/12, *Coty Germany*, para. 34 (stating that the harmful act implies active conduct on the part of the person causing that infringement).

⁷⁷⁶ See Case C-133/11, *Folien Fischer and Fofitec*, para. 43-44 (implying that in a negative declaratory action, the harmful act, namely the causal event giving rise to the damage, may be carried out by the plaintiff, the alleged tortfeasor). Before the *Folien Fischer and Fofitec* ruling, it had been unclear whether negative declaratory actions fell within the scope of article 5(3) (now 7(2)) and a number of Member States courts had refused to accept jurisdiction on the ground that in a negative declaratory action, no harmful act or damage could be said to have arisen or risk arising as it was precisely the absence of a harmful act and damage that the plaintiff sought to establish. See *BL Machine Automatische v Windmoeller und Hoelscher*, Italian Supreme Court, 6 November 2003, E.I.P.R. 2004, 26(9), N155; *Flootek v Kaldnes*, NJA 2000 p. 273 (Swedish Supreme Court). See also *Lundstedt 2001* (for a critical analysis of the *Flootek v Kaldnes* decision). Other Member States courts accepted jurisdiction for negative declaratory actions under article 5(3) (now article 7(2)) on the ground that the unjust and false accusation of liability was the tortious act. See e.g. *Fort Koffiebranderij, Café Liégeois and Beyers Koffie v Sara Lee*, Antwerp Court of First Instance (*Rechtbank van eerste aanleg Antwerpen*), 20 February 2004, referenced in *De Jong*, E.I.P.R. 2005, 27(2) 75-81.

⁷⁷⁷ Case C-228/11, *Melzer*, para. 30-41 (stating that in circumstances in which only one among several presumed perpetrators of an alleged harmful act is sued before a court within whose jurisdiction it has not acted, the connecting factor based on the defendant’s acts is, as a matter of principle, absent); Case C-360/12, *Coty Germany*, para. 50 (stating “in circumstances in which only one among several presumed perpetrators of the alleged harmful act is sued before a court within whose jurisdiction he has not acted, the event giving rise to the damage may not be regarded as taking place within the jurisdiction of that court for the purpose of Article 5(3) of Regulation No 44/2001”); Case C-387/12, *Hi Hotel HCF*, para. 32 (“Article 5(3) of that regulation does not allow jurisdiction to be established on the basis of the place of the causal event with respect to one of the supposed perpetrators of the damage who has not acted within the jurisdiction of the court seised.”).

⁷⁷⁸ See Magnus & Mankowski 2016 p. 297.

substantive IP law.⁷⁷⁹ The scope of the court's jurisdiction in the Member State where the harmful act takes place encompasses all damage caused by the harmful act.⁷⁸⁰ Indeed, the sale of the goods in the forum Member State provides the close connecting factor that justifies jurisdiction in this Member State with respect to all damage arising from this harmful act because the relevant evidence and witnesses with respect to establishing the defendant's liability will be located here. Damage caused by other similar harmful acts in other Member States or third states is outside the scope of the forum Member State court's jurisdiction. Thus, if the harmful act is the sale of infringing goods in the forum Member State, the court's jurisdiction will not encompass damage arising from the sale of similar infringing goods in other Member States or third states.⁷⁸¹ This is because the evidence and witnesses found in one Member State are not normally relevant to an infringement claim based on the sale of similar infringing goods in another Member State or third states. Moreover, this would lead to forum shopping and undermine the general rule that the defendant shall be sued in its domicile except for "a few well-defined situations in which the subject-matter of the dispute . . . warrants a different connecting factor."⁷⁸²

The CJEU has made clear that the concept of the harmful act for the purpose of jurisdiction does not need to coincide with the harmful act as defined under the applicable substantive law. Indeed, the harmful act for the purpose of jurisdiction is an autonomous EU concept that is defined by reference to the schemes and purpose of the Brussels I Regulation. For example, in a trans-border defamation dispute arising from the distribution of printed material in a number of Member States, the harmful act was localised where the publisher was established, and not where the libellous material was communi-

⁷⁷⁹ See e.g. Sec 3 Swedish Patent Act (selling on the market is an infringing act); section 3 Swedish Copyright Act (distribution to the public is an infringing act); sec 10(1)(2) Swedish Trademark Act (selling the goods under the sign is an infringing act).

⁷⁸⁰ Case C-68/93, *Shevill and others / Presse Alliance*, para. 25.

⁷⁸¹ See e.g. NJA 2007 s. 287 (stating that use of a mark in connection with the marketing and distribution of goods in Sweden did not give the Swedish court jurisdiction over an infringement claim for the use of mark in connection with marketing and distribution of goods in other Member States in the absence of an allegation that the acts taken in Sweden led to the infringement of the foreign trademarks); Metzger 2012 p. 594 (stating that where patented goods are distributed in several states including Germany, the German court only has jurisdiction with respect to the distribution in Germany in an action against EU defendant not domiciled in Germany); Fawcett & Torremans 2011 p. 161-161, 166-167, 247.

⁷⁸² Recital 15 regulation 1215/2012 ("The rules of jurisdiction should be highly predictable and founded on the principle that jurisdiction is generally based on the defendant's domicile. Jurisdiction should always be available on this ground save in a few well-defined situations in which the subject-matter of the dispute or the autonomy of the parties warrants a different connecting factor. The domicile of a legal person must be defined autonomously so as to make the common rules more transparent and avoid conflicts of jurisdiction.").

cated to third parties, which is the place where the tort of libel was consummated under the applicable law.⁷⁸³ When identifying and localising the harmful act, the CJEU takes into account the proximity to the evidence and witnesses, the efficacious conduct of the proceedings, and the foreseeability of jurisdiction.⁷⁸⁴

The proposition that the harmful act for the purpose of jurisdiction does not need to coincide with the harmful act under the applicable substantive law has long been denied as being inconsistent with the principle of territoriality of IP law, which distinguishes it from other normal torts.⁷⁸⁵ If someone fires a gun in state A across the border into state B, and the shot hits and kills another person in state B, this entire fact pattern, that is the harmful act in state A and the effect in state B, constitutes a single tort.⁷⁸⁶ However, when certain activity involving an IP right takes place in state A that leads to IP impairing effects in state B, this fact pattern is normally seen as potentially constituting two separate torts (or infringements), one in state A and one in state B, provided an IP right is protected in each respective state and the act in state A and the IP impairing effects in state B constitute an infringement under the law of state A respective state B. This being the case, it has been questioned whether state A has a close connection to the alleged infringement in state B to justify the attribution of jurisdiction in light of the fact that

⁷⁸³ Case C-68/93, *Shevill and others / Presse Alliance*, para. 24. See also Opinion of Advocate General Léger delivered on 10 January 1995, Case C-68/93, *Shevill and others / Presse Alliance*, para. 30-37 (disagreeing with the position of the UK that "the communication of defamatory material . . ., rather than the editing or printing of the newspaper, is the causal event which, both as a matter of English law, and in fact, immediately damages the victim").

⁷⁸⁴ See Case C-45/13, *Kainz*, para. 27 (holding that in a products liability case, the harmful act is the place where the product is manufactured because this facilitates the possibility of gathering evidence in order to establish the defect in question, even if the tort has not been consummated in the forum Member State).

⁷⁸⁵ See e.g. *Magnus & Mankowski* 2016 p. 297 (describing the view but finding it unconvincing); *Kur* 2015 p. 469 (recognising the impact of the CJEU's case law on IP rights but finding it "not easily reconciled with the territorial structure of intellectual property rights."); *Petz* 2012 p. 298-299; *Metzger* 2012 p. 593-94; *van Engelen* 2012 p. 857 (stating that the Dutch courts have held that they do not have cross border jurisdiction under article 5(3) (now 7(2))); *Mozina* 2012 p. 957 (stating that because of the territorial nature of IP rights, the act and the damage cannot arise in different Member States for the purpose of jurisdiction under the BR); *Nuyts* 2008 p. 118 (acknowledging but rejecting the argument that an act located outside the protecting state could not be a causal act because it would not be a tort at the place where it is carried out); *Boschiero* 2007 p. 105 (stating that the principle of territoriality means that a IP right cannot be infringed where it does not exist and this excludes jurisdiction based on a harmful act if the right is not protected in the forum); *Drexl* 2005 p. 162 (citing the views of *Stauder* and *Kreuzer & Wagner*); *Maunsbach* 2005 p. 135 (discussing but disagreeing with the view); *Hausmann* 2003 p. 280 (stating that the principle of territoriality does not require that an industrial property right is protected in the Member State for that State to have jurisdiction based on a harmful act).

⁷⁸⁶ See *Kur* 2015 p. 472.

circumstances taking place in state A do not constitute an element of the infringement claim alleged to have taken place in state B.⁷⁸⁷

The CJEU has however declined to interpret the harmful act this narrowly for the purpose of jurisdiction over IP infringements because attributing jurisdiction at the place where the harmful event occurs has the advantage of proximity to the evidence, which may be relevant to proving an infringement claim in another state.⁷⁸⁸ In the *Wintersteiger* case, a German company purchased a Google AdWords (TM) on Google's German search engine that was identical to its Austrian competitor's national Austrian trademark so that every time an internet user typed the trademark as a search term into the search engine, a sponsored link to the German company's webpage appeared.⁷⁸⁹ The CJEU observed that the harmful act was the physical activation of the technical process that caused the display of the advertisement whereas the allegedly infringing act under the substantive trademark law was the display of the advertisement in the Member State where the trademark was protected.⁷⁹⁰ In other words, the concept of the harmful act for the purpose of jurisdiction was not dependent on a trademark being protected and infringed in the forum Member State. This means that a harmful act may take place in one Member State for the purposes of jurisdiction, which gives rise to infringements in another Member State or even third states.⁷⁹¹ The CJEU has made clear that the principle of territoriality does not operate to limit a Member State's jurisdiction to IP rights protected only in that Member State when jurisdiction is based on the occurrence of a harmful act:

it should be noted that the territorial limitation of the protection of a national mark is not such as to exclude the international jurisdiction of courts

⁷⁸⁷ Kur 2015 p. 472.

⁷⁸⁸ Case C-523/10, *Wintersteiger*, para. 33 ("In a situation such as that in the main proceedings, the advantage presented by the place where the event giving rise to an alleged infringement occurred includes the ease with which the court there may gather evidence relating to that event").

⁷⁸⁹ Case C-523/10, *Wintersteiger*.

⁷⁹⁰ Case C-523/10, *Wintersteiger*, para. 34 ("the activation by the advertiser of the technical process displaying, according to pre-defined parameters, the advertisement which it created for its own commercial communications which should be considered to be the event giving rise to an alleged infringement, and not the display of the advertisement itself"). See also Case C-441/13, *Hejduk*, para. 24-25 (stating that in an action for copyright infringement by the placing of certain photographs online on a website without the photographer's consent, the harmful act was "the activation of the process for the technical display of the photographs on that website").

⁷⁹¹ See e.g. *Ubertazzi* 2012:2 p. 232; *Janssens* 2012 p. 406 (observing that Belgian courts have not hesitated to apply article 5(3) (now 7(2)) to IP infringement cases that occur over internet, and the harmful act is the place from where the website is managed or supplied with content, and the forum has jurisdiction with respect to all damage arising from the harmful act).

other than the courts of the Member State in which that trade mark is registered.⁷⁹²

Thus, the view previously held by many authors and courts that the principle of territoriality prohibits the possibility of a harmful act occurring outside of the state where an IP right is protected is no longer viable.

In a number of cases, the CJEU has localised the harmful act at the establishment of the alleged tortfeasor.⁷⁹³ In a few cases, it has localised the harmful act at the establishment of the alleged tortfeasor even though the harmful act in fact took place somewhere else, possibly even in another state. In *Wintersteiger*, the CJEU found that the harmful act was the activation by the defendant of the technical process leading to the display of the advertisement, and that harmful act took place on the search engine's server.⁷⁹⁴ However, because the location of the server was uncertain and not likely to be known to either the plaintiff or the defendant, the CJEU localised the harmful act at the establishment of the defendant because it was the place where the decision to activate the display was made, and was a "definite and identifiable place."⁷⁹⁵ In other words, the location of the server was not predictable or foreseeable to either the plaintiff or the defendant. In addition, it seems the CJEU assumed that any relevant evidence and witnesses would be found at the establishment of the defendant. While this evidence may not have much bearing on whether an infringement occurred in the Member State of registration (which as Kur rightly points out, will depend on the IP impairing effects in the Member State of registration), it may be relevant to establish that the defendant was responsible for the infringement and the defendant's

⁷⁹² Case C-523/10, *Wintersteiger*, para. 30.

⁷⁹³ See e.g. Case C-68/93, *Shevill and others / Presse Alliance*, para. 24 ("In the case of a libel by a newspaper article distributed in several Contracting States, the place of the event giving rise to the damage, within the meaning of those judgments, can only be the place where the publisher of the newspaper in question is established, since that is the place where the harmful event originated and from which the libel was issued and put into circulation."); Joined cases C-509/09 and C-161/10, *eDate Advertising and others*, para. 42.

⁷⁹⁴ Case C-523/10, *Wintersteiger*, para. 34, 36 (stating that the location of the server "cannot, by reason of its uncertain location, be considered to be the place where the event giving rise to the damage occurred for the purpose of" establishing jurisdiction).

⁷⁹⁵ Case C-523/10, *Wintersteiger*, para. 37 ("By contrast, since it is a definite and identifiable place, both for the applicant and for the defendant, and is therefore likely to facilitate the taking of evidence and the conduct of the proceedings, it must be held that the place of establishment of the advertiser is the place where the activation of the display process is decided."). See also Case C-441/13, *Hejduk*, para. 24-25 (stating that in an action for copyright infringement by the placing of certain photographs online on a website without the photographer's consent, the harmful act was "the activation of the process for the technical display of the photographs on that website" and that this act "may be localised only at the place where EnergieAgentur has its seat, since that is where the company took and carried out the decision to place photographs online on a particular website.").

intent to target the Member State of registration which, regardless of whether this is relevant for establishing liability, may have a bearing on the damage award.⁷⁹⁶

The CJEU has not defined the concept of establishment for the purposes of jurisdiction under article 7(2) BR. The concept of establishment is found in the TFEU setting forth the right of establishment in other Member States.⁷⁹⁷ According to established CJEU case law, establishment implies the actual pursuit of an economic activity through a fixed establishment for an indefinite period.⁷⁹⁸ In many cases, the place of establishment will also be the principal place of business, and consequently, jurisdiction would already exist as this is the domicile of the defendant.⁷⁹⁹ However, one cannot exclude the possibility that the defendant has a secondary establishment in another Member State different from its principal place of business. This would mean that as an alternative to being sued in the Member State of its domicile, an EU defendant could be sued under article 7(2) BR in the Member State where it has an establishment and that court would have jurisdiction over all damage caused by the harmful act, including damage arising in other Member States and third states. It can be noted that in such a case, jurisdiction might already exist under article 7(5) BR as that article allows for jurisdiction at the place of establishment for disputes arising out of the operations of an establishment.⁸⁰⁰

⁷⁹⁶ For a critical view of Wintersteiger, see Kur 2015 p. 472 (“The question whether an infringement actually takes place is not decided by the circumstances under which the decision to use a mark for keyword advertising was taken – which may have occurred e.g. when the alleged infringer was travelling abroad – but solely by the way in which the impugned activities affect the perception of consumers in the country for which protection is sought.”).

⁷⁹⁷ Article 49 - 55 TFEU.

⁷⁹⁸ See e.g. Case C-221/89, *The Queen / Secretary of State for Transport, ex parte Factortame*, para. 20. See also recital 19 Directive 2000/31/EC (which adopts this definition).

⁷⁹⁹ Article 4, 63 Regulation 1215/2012. Establishment and place of business are synonyms. Magnus & Mankowski 2016 p. 353. See also Case C-68/93, *Shevill and others / Presse Alliance*, para. 26 (stating that establishment and domicile will often coincide).

⁸⁰⁰ Article 7(5) Regulation 1215/2012 allows jurisdiction “as regards a dispute arising out of the operations of a branch, agency or other establishment, in the courts for the place in which the branch, agency or other establishment is situated.” The CJEU has defined establishment for the purpose of article 7(5) as: “a place of business which has the appearance of permanency, such as the extension of a parent body, has a management and is materially equipped to negotiate business with third parties so that the latter, although knowing that there will if necessary be a legal link with the parent body, the head office of which is abroad, do not have to deal directly with such parent body but may transact business at the place of the business constituting the extension.”; Case C-33/78, *Somafer SA v Saar-Ferngas AG*; Magnus & Mankowski 2016 p. 359 (stating that in the majority of cases, the place of establishment under article 7(5) BR will coincide with the place of the harmful act under 7(2) BR).

It is not certain that the harmful act will always be localised at the Member State of an establishment if localisation at another place is more conducive with respect to the possibility of gathering evidence and the efficient conduct of the proceedings.⁸⁰¹ For example, in a dispute concerning the infringement of a process patent, it is arguable that the harmful act could be localised at the place of manufacture (even if it is not also the infringer's establishment) because important evidence would be located there, even though the patent is not protected there and the claim alleges the infringing importation of the product into another Member State or third state where a patent is pending.⁸⁰²

Moreover, it cannot be excluded that even the location of a server could constitute the place of the harmful act if the defendant owns the physical server infrastructure, it is identifiable as such, and evidence and witnesses can be found at its location, because then attributing jurisdiction at its location furthers the gathering of the evidence, the efficient conduct of the proceedings, and foreseeability.⁸⁰³ An argument against localisation of the harmful act at a place other than establishment, is that an infringement in one state might be preceded by a number of potentially harmful acts in different Member States, some of which may take place in arbitrary locations (decision making, transport, uploading), which may give rise to legal uncertainty and unforeseeability. This disadvantage is lessened by the ability of the CJEU to hand down autonomous EU definitions binding on the Member States.

⁸⁰¹ See e.g. Case C-45/13, *Kainz*, para. 26-27 (stating that in a product liability case, the harmful act is the place where the product is manufactured because this facilitates the possibility of gathering evidence in order to establish the defect in question); Case C-189/08, *Zuid-Chemie*, para. 26 (same).

⁸⁰² See Lundstedt 2007 p. 356-357 (making a similar argument with respect to the Swedish nationals rules on jurisdiction); Advocate General Cruz Villalón's opinion in Case C-523/10, *Wintersteiger*, para. 21 (submitting that if "an Austrian national trade mark has been infringed as a result of counterfeit goods produced in Germany and targeted at the Austrian market . . . there is nothing to preclude the proprietor of the trade mark from relying on Article 5(3) of Regulation No 44/2001 for the purposes of bringing proceedings in Germany (the place where the event giving rise to the damage occurred) . . .").

⁸⁰³ See Savola 2014 p. 297 (arguing that the harmful act could be localised at location of the server in particular if the defendant is trying to avoid jurisdiction and regulation by localising itself in a low protection state); Fawcett & Torremans 2011 p. 553 (preferring localising the harmful act in an IP infringement dispute at the place of uploading, which the authors define as the location of the server, to the defendant's place of establishment, because the former ensures that jurisdiction is allocated to the most appropriate Member State, although they recognise the risk of manipulation). But see Petz 2012 p. 264-265 (assuming that the harmful act under BR is where defendant was physically present when uploading infringing content and discounting server location as arbitrary); Maunsbach 2005 p. 147-48 (concluding that the harmful act should be localised where the infringer was physically located when she uploaded the content).

With respect to *negative declaratory actions*, a court that would have jurisdiction to adjudicate an infringement action would also have jurisdiction to adjudicate an action for non-infringement.⁸⁰⁴ This is because the close linking factor that justifies the attribution of jurisdiction, here the occurrence of the harmful act in the Member State, which is particularly helpful in relation to the evidence and the conduct of proceedings with respect to establishing that the pre-conditions for liability are not satisfied, is not affected by the fact that the roles of plaintiff and defendant are reversed in a negative declaratory action.⁸⁰⁵ In practice, this means that the would-be infringer plaintiff could often bring the action in its own domicile because the harmful act upon which jurisdiction is based is likely to have occurred there.⁸⁰⁶

With respect to claims arising under a *European trademark*, the fact that the claim arises under a EUTM is in essence the connecting factor that attributes jurisdiction to the Member State EU trademark courts.⁸⁰⁷ The EUTMR relies on different criteria such as domicile, establishment, and the location of the EU IP office to link the dispute to a specific EU Member State. The EUTMR also contains a rule on special jurisdiction in article 97(5) EUTMR that allows a defendant (both EU and third state) to be sued in the courts of the Member State in which “the act of infringement has been committed or threatened”, as an alternative to the above criteria.⁸⁰⁸ Pursuant to this basis of jurisdiction, the scope of the court’s jurisdiction is limited to acts commit-

⁸⁰⁴ See Case C-133/11, *Folien Fischer and Fofitec*, para. 43-44 (implying that in a negative declaratory action, the harmful act, namely the causal event giving rise to the damage, may be carried out by the plaintiff, the alleged tortfeasor). Before the *Folien Fischer and Fofitec* ruling, it had been unclear whether negative declaratory actions fell within the scope of article 5(3) (now 7(2)) and a number of Member States courts had refused to accept jurisdiction on the ground that in a negative declaratory action, no harmful act or damage could be said to have arisen or risk arising as it was precisely the absence of a harmful act and damage that the plaintiff sought to establish. See *BL Machine Automatische v Windmoeller und Hoelscher*, Italian Supreme Court, 6 November 2003, E.I.P.R. 2004, 26(9), N155; *Flootek v Kaldnes*, NJA 2000 p. 273 (Swedish Supreme Court). See also *Lundstedt 2001* (for a critical analysis of the *Flootek v Kaldnes* decision). Other Member States courts accepted jurisdiction for negative declaratory actions under article 5(3) (now article 7(2)) on the ground that the unjust and false accusation of liability was the tortious act. See e.g. *Fort Koffiebranderij, Café Liégeois and Beyers Koffie v Sara Lee*, Antwerp Court of First Instance (*Rechtbank van eerste aanleg Antwerpen*), 20 February 2004, referenced in *De Jong*, E.I.P.R. 2005, 27(2) 75-81.

⁸⁰⁵ See Case C-133/11, *Folien Fischer and Fofitec*, para. 41-52.

⁸⁰⁶ See *De Miguel Asensio 2014:2* p. 166 (stating that jurisdiction under article 7(2) BR may encompass actions for non-infringement of IP rights registered or protected outside of the forum Member State).

⁸⁰⁷ *De Miguel Asensio 2014:2* p. 160; *Maunsbach 2005* p. 266.

⁸⁰⁸ Article 97(5) Regulation 207/2009, amended by Regulation 2015/2424. Declarations for non-infringement are excluded.

ted or threatened within the territory of the Member State.⁸⁰⁹ This provision does not affect the question whether a defendant (EU or third state) can be sued in the EU, only in which Member State they may be sued. Still, as the interpretation of this provision may affect the interpretation of a similar provision of EU law that regulates choice of law, it is of interest with respect to the EU's relationship with third states.

In the *Coty Germany* case, a Belgian perfume wholesaler sold and delivered, in Belgium, perfume to a German businessman, who then resold the perfume in Germany. The perfume was sold under a trademark that allegedly infringed the German company *Coty's* EUTM.⁸¹⁰ *Coty* sued the Belgian perfume wholesaler (but not the German businessman) before a German court alleging jurisdiction on the basis of article 97(5) EUTMR. The German Court asked the CJEU whether article 97(5) EUTMR should be interpreted consistently with article 7(2) BR so that an action could be brought either where the harmful act occurred (Belgium) or where the damage arose (Germany).⁸¹¹

In its answer, the CJEU held that because the EUTMR expressly excludes the application of article 7(2) BR with respect to infringement claims based on a EUTM, article 97(5) EUTMR must be interpreted independently from article 7(2) BR. It could not be assumed therefore that the duality of linking factors in article 7(2) BR automatically applies to article 97(5). EUTMR⁸¹² The CJEU found that the wording of article 97(5) referring to “an act of infringement” “implies . . . that that linking factor relates to active conduct on the part of the person causing that infringement.”⁸¹³ Also, the CJEU found attributing jurisdiction to the Member State where the effects arose would conflict with the wording of article 98(2) EUTMR, which limits the jurisdiction of EU trade mark courts “only in respect of acts committed or threat-

⁸⁰⁹ Article 98(2) Regulation 207/2009, amended by Regulation 2015/2424.

⁸¹⁰ At the time, the right was called the Community trademark and the Regulation was called the Community Trademark Regulation, but for the purpose of simplicity, both are referred to under the new name.

⁸¹¹ When the dispute arose, article 5(3) Regulation 44/2001 was still in effect. As it is identical to article 7(2) Regulation 1215/2012, for the purpose of simplicity, article 7(2) is referred to in the text. The same goes for article 93(5) and article 94(2) of the previous Trademark Regulation 40/94, which was in effect at the time of the dispute but was later replaced by article 97(5) and article 98(2) Regulation 207/2009.

⁸¹² Case C-360/12, *Coty Germany*, para. 31 (“With regard to the interpretation of Article 93(5), . . . the concept of ‘the Member State in which the act of infringement has been committed or threatened’, referred to in that provision, must be interpreted independently of the concept of ‘the place where the harmful event occurred or may occur’ . . .”).

⁸¹³ Case C-360/12, *Coty Germany*, para. 34. The German language version also implies active conduct as it uses the word “verletzungshandlung.” The Swedish language version refers to the infringement (“intrång”) in article 97(5) but acts (“handlingar”) in article 98(2).

ened in the territory of the Member State in which that court is situated.”⁸¹⁴ The CJEU stated that both the origin and the context of the Trademark Regulation confirmed the intention of the EU legislature to derogate from the corresponding rule on jurisdiction in the Brussels I Regulation because of the inability of that rule on jurisdiction to respond to the specific problems relating to the infringement of a EUTM.⁸¹⁵ Therefore, the CJEU held that the linking factor provided for by article 97(5) EUTMR refers only to the Member State where the act giving rise to the alleged infringement occurred or may occur, and not the Member State where that infringement produces its effects.

Assume, for example, that a trader meets with a representative for a search engine at the trader’s establishment in Sweden and decides to purchase as a search term (e.g. AdWords (TM)) the trademark of a competitor so that every time an internet user types in the search term, an ad for the trader appears under sponsored links. The trader decides to target the French, German, and Italian markets. The competitor claims that this use of its mark infringes its EUTM and requests damages. As the CJEU has stated that active conduct is necessary for jurisdiction to be established under article 97 EUTMR, this suggests that the trader who uses a EUTM in its internet offer directed to a French, German, and Italian public could not be sued in any of these respective Member States, notwithstanding the fact that the trader makes an infringing use of the mark in these states under the EUTM Regulation.⁸¹⁶ The trader could be sued however in the EU under the domicile rule for the damage arising from the infringing use in all Member States.⁸¹⁷

The question remains whether the trader can be sued in Sweden under article 97(5) EUTMR and what is the scope of the jurisdiction. If the act of infringement in article 97(5) EUTMR is given an independent EU definition and interpreted consistently with the harmful act head of jurisdiction in article 7(2) BR, the act of infringement might be found to be the active conduct that leads to an infringement, e.g. the purchase of the search term at the trader’s establishment in Sweden. If that is the case, the trader could be sued in Sweden under article 97(5).

If this interpretation is correct, it raises also the question of the scope of the Swedish EUTM court’s jurisdiction. Article 98(2) states it is limited to “acts

⁸¹⁴ Case C-360/12, *Coty Germany*, para. 35.

⁸¹⁵ Case C-360/12, *Coty Germany*, para. 36.

⁸¹⁶ See Maunsbach 2005 p. 277-278. See also Case C-324/09, *L’Oréal and others* (holding that a EUTM can be infringed if its use in advertising on a webpage located in a third state is directed to consumers in the EU).

⁸¹⁷ Article 97(1-3) Regulation 207/2009, amended by Regulation 2015/2424.

committed or threatened” within its territory. While the forum court’s jurisdiction is limited to “acts” committed in its territory, its jurisdiction may arguably encompass damage that arises in the other Member States as a result of the act in its territory. This would mean that the Swedish EUTM court would have jurisdiction over the damage arising in France, Germany, and Italy as a result of the act in Sweden.⁸¹⁸

If, however the act of infringement must also constitute an alleged infringement under substantive law, it is questionable whether the trader could be sued in Sweden. This is because an infringement under substantive trademark law occurs with the use of a sign in relation to goods or services in a way that affects, or is liable to affect, the functions of the trade mark, not the purchase of the sign.⁸¹⁹

With respect to *European patents*, if the UPC Agreement comes into effect for the adjudication of *inter alia* the infringement and invalidity of European patents, third state defendants can be sued before the UPC pursuant to the rules on jurisdiction in the Recast as if the third state defendant was domiciled in the EU.⁸²⁰ In other words, the amendments to the Recast remove the requirement that a defendant must be domiciled in the EU for the jurisdictional rules in the Recast to apply (apart from article 24 and 25 BR, which apply regardless of domicile). A mechanism for providing a basis for jurisdiction against third state defendants was necessary because the UPC, unlike national Member States courts that apply the Recast, is not able to exercise jurisdiction on the basis of national law.⁸²¹ However, unlike the EUTMR, the amendment to the Recast does not rely on the plaintiff’s domicile and the EU IP office as connecting factors to link the dispute to the EU when the defendant is not domiciled there, but rather extends the operation of the Recast rules themselves with the addition of a supplemental rule.

Pursuant to the harmful act head of jurisdiction in article 7(2) BR, a third state defendant that commits a harmful act in a Contracting Member State to the UPC Agreement can be sued before the UPC for all damage caused by

⁸¹⁸ Maunsbach 2005 p. 277-278 (maintaining that jurisdiction under article 97(5) EUTMR encompasses damage arising in other Member States as a result of the act of infringement in the forum Member State).

⁸¹⁹ See by analogy Joined cases C-236/08 to C-238/08, *Google France and Google*.

⁸²⁰ Article 1 Regulation 542/2014 (amending Regulation 1215/2012 to add article 71b(2)). De Miguel Asensio 2014:2 p. 158-159.

⁸²¹ Recital 6 Regulation 542/2014; article 6 BR (instructing the Member State court to refer to its national rules). See Véron 2015 p. 592 (observing that the UPC is a court common to many Member States and it cannot be assumed that the various divisions would apply the law of the Member State where they sit); Larsen 2014 p. 360 (observing that if national rules applied, it would create unequal access to justice).

the harmful act with respect to claims falling within the competence of the UPC. As discussed above, a harmful act may take place in one Member State for the purposes of jurisdiction, which gives rise to infringements in third states. Consequently, a harmful act in one Contracting Member State will arguably provide a basis for jurisdiction over infringements of European patents validated in non-Contracting Member States e.g. Spain and in third states that are contracting states to the European Patent Convention (EPC) e.g. Turkey.⁸²² Regardless of where the harmful act occurs, the UPC will have jurisdiction over alleged infringements of European patents validated in Contracting Members States to the UPC Agreement pursuant to the damage head of article 7(2) BR.

The amendment to the Recast deals only with the international jurisdiction of the UPC, that is, under what circumstances a third state defendant can be sued in the EU before the UPC. The rules on international civil jurisdiction do not affect the internal allocation among the UPC's internal divisions nor do they deal with arrangements concerning the exercise of jurisdiction during the transitional period foreseen in the UPC Agreement.⁸²³ In general, under the internal UPC rules on allocation of competence, infringement actions can be brought before the local division where the “actual or threatened infringement has occurred or may occur”, or where the defendant resides, has its principal place of business, or subsidiarily place, has a place of business.⁸²⁴ With respect to third state defendants and other defendants residing outside the territory of the Contracting Member States, the case may be brought either before the local division where the “actual or threatened infringement has occurred or may occur” or before the central division.⁸²⁵ The interpretation of the concept where the “actual or threatened infringement has occurred or may occur” is likely to give rise to problems of interpretation not unlike those raised under the EUTMR with respect to the interpretation of the concept “act of infringement” in article 97(5) EUTMR.⁸²⁶ The UPC is

⁸²² See De Miguel Asensio 2014:2 p. 163.

⁸²³ De Miguel Asensio 2014:2 p. 161. See article 33 UPC Agreement (outlining the competence of the divisions of the Court of First Instance of the UPC).

⁸²⁴ Article 33(1)(a-b) UPC Agreement. If there is no local division at the place of the connecting factor, the case may be brought before the regional division in which the Contracting Member State participates.

⁸²⁵ Article 33(1)(b) 3rd para. UPC Agreement. See also Tilmann 2016 p. 550-553 (arguing that the internal allocation of competence under article 33(1)(b) third para. UPC Agreement contradicts the fundamental principle of proximity in the Brussels I Regulation because the central division has no connection to the dispute or the defendant); Véron 2015 p. 593 (arguing that the internal allocation of jurisdiction contradicts the Brussels I Regulation with respect to defendants from non-Contracting Member states (e.g. Spain) and defendants residing in Member States that have yet to ratify the UPC Agreement).

⁸²⁶ See Larsen 2014 p. 369- 371 (discussing different possible interpretations of the concept “actual or threatened infringement” as used in the UPC Agreement).

one court system even if it is divided up into different divisions that are situated in different Member States, and the different UPC divisions have Union-wide competence.⁸²⁷

Turning to the *national rules in the EU Member States*, article 7(2) BR is not applicable in relation to third state defendants. However, almost all Member States' national laws provide for jurisdiction against third state defendants based on the occurrence of a tort, which in most Member States includes the place where the harmful act occurred.⁸²⁸ In many Member States, it is expressly acknowledged that the national jurisdictional rule on torts has been modelled after the case law of the CJEU, and that the national rules must be construed in light of this case law.⁸²⁹ Thus, even though article 7(2) BR is concerned with the allocation of jurisdiction in relation to EU defendants, article 7(2) BR and its interpretation by the CJEU influence the interpretation of the Member States' national jurisdictional rules on torts in relation to third state defendants.⁸³⁰

If the Member States follow the CJEU's Wintersteiger case law when interpreting their national rules, a Member State court could have jurisdiction over a dispute against a third state defendant who was alleged to commit a harmful act in the forum Member State that leads to the infringements of IP rights registered or protected in other Member States or third states. This interpretation is broader than the traditional understanding held by some Member States courts that because the principle of territoriality means that an IP right cannot be infringed where it does not exist, there cannot be a tortious act in the forum Member State for the purpose of establishing jurisdiction over a claim for the infringement of an IP right protected in another state.⁸³¹ If the principle of territoriality no longer limits the Member States

⁸²⁷ See Brinkhof & Ohly 2014 p. 211 (contrasting this with the situation under the EUTMR); Larsen 2014 p. 365-366, 371-372.

⁸²⁸ Residual Jurisdiction Study 2007 p. 33 (stating that in 23 Member States, a claim may be brought at the location of the tort). See e.g. section 32 German Code of Civil Procedure as promulgated on 5 December 2005 ("For complaints arising from tort, the court in the jurisdiction of which the tortious act was committed shall have jurisdiction.").

⁸²⁹ Residual Jurisdiction Study 2007 p. 34. Belgium's Code of Private International Law has expressly adopted the CJEU's holding that the scope of the Belgium court's jurisdiction where the harmful act occurred encompasses all damage arising from the harmful act, even damage arising outside of Belgium. Article 96(2) Belgium Code of Private International Law, 16 July 2004.

⁸³⁰ See e.g. article 6(e) Dutch Code of Civil Procedure ("The Dutch courts also have jurisdiction in cases involving: ... e. obligations arising from a tortious act, if the event that has caused the damage has occurred or may occur in the Netherlands..."); van Engelen 2010 p. 6-7 (suggesting that the Dutch rules will be interpreted similarly to the Brussels I Regulation).

⁸³¹ See Petz 2012 p. 299-300 (stating that Austrian court would not have jurisdiction under its national tort rule over a claim for an infringement of a foreign patent against a third state

courts' tort jurisdiction, the national rules might be interpreted more broadly than article 7(2) BR because considerations concerning the sound administration of justice and the efficacious conduct of proceedings that operate in connection with EU defendants play out differently in relation to third state defendants.⁸³² In addition, the Member State courts may take purely national interests into consideration under their national rules.

The Italian Supreme Court seems to have interpreted its jurisdiction under its national rules even more broadly than its jurisdiction under the Recast.⁸³³ The Court held there was jurisdiction in Italy under its national tort jurisdictional rule (which is identical to article 7(2) BR) to hear patent claims against third state defendants arising in another Member State.⁸³⁴ In this case, a German would-be infringer brought a negative declaratory action against a U.S. owner of an Italian and a German EPC patent and its U.S. exclusive licensee for a declaration that it did not infringe the patents. The U.S. companies objected to jurisdiction in Italy because none of the parties were domiciled or had any establishments in Italy, and because the plaintiff had not explained why a harmful event should be said to occur in Italy. As the German company offered and sold its products directly in Germany and Italy without the use of retailers, a harmful act (and damage) may be said to occur in both Germany and Italy respectively.⁸³⁵ Thus, it seems clear that an Italian court would have jurisdiction over the Italian patent claim and a German court would have jurisdiction over the German patent claim.⁸³⁶ It is not clear from the available facts however why an Italian court also had jurisdiction with respect to the German patent claim.⁸³⁷ There is nothing in the

defendant because an act that does not infringe an Austrian IP right cannot be harmful for the purpose of jurisdiction); *Mozina* 2012 p. 957 (stating that because of the territorial nature of IP rights, the act and the damage cannot arise in different states for the purpose of jurisdiction under the Slovenian national rules).

⁸³² See *van Engelen* 2010 p. 6-7 (referring to a Dutch case decided under the old Dutch national rules where the court found that it had cross-border jurisdiction based on the harmful act in the Netherlands).

⁸³³ *General Hospital Corp. v Asclepion Laser Tech GmbH*, Italian Supreme Court, 10 June 2013, IIC 2014, 45(7), 822-824.

⁸³⁴ Italy has by statute extended the Brussels I Regulation to third state defendants. See *Study on Residual Jurisdiction* 2007 p. 19-20; Section 3 Italian International Private Law 218/1995.

⁸³⁵ *Sobol* 2013 p. 777.

⁸³⁶ See section 32 German Code of Civil Procedure as promulgated on 5 December 2005 ("For complaints arising from tort, the court in the jurisdiction of which the tortious act was committed shall have jurisdiction.").

⁸³⁷ *Sobol* has submitted that jurisdiction could be based on article 28(2) BR (now article 31(2)), which allows a Member State court to "decline jurisdiction if the court first seised has jurisdiction over the actions in question and its law permits the consolidation thereof." *Sobol* 2013 p. 778-779. Article 31 BR is however not a rule that attributes jurisdiction but a rule that gives the possibility to decline jurisdiction in favour of another Member State court first seised. In this case, there was no other Member State court seised with the actions. Moreover,

decision that indicates that the occurrence of a harmful act in Italy was alleged to give rise to an infringement Germany. Without any further explanation, the Italian Supreme Court states: “The jurisdiction of the Italian courts as courts of the place where the tort may occur has to be affirmed also for the German part of the European patent.”⁸³⁸ It is possible the Italian court believed that even if the German patent claim did not arise out of the harmful act in Italy, it was at least related to it because of the similarity of the harmful acts in Germany and Italy due to the fact that the claims arose under patents validated under the EPC.⁸³⁹

While this exercise of jurisdiction may seem broad in that Italy is exercising jurisdiction over third state defendants with respect to the non-infringement of a foreign patent, the foreign patent alleged infringed was part of a European patent. With a view to the efficient conduct of the proceedings, Italy (or alternatively Germany) was the best placed forum in the EU to hear the dispute in its entirety.⁸⁴⁰ As the case was against third state defendants, there was no Member State forum available at the defendant’s domicile. Moreover, in terms of fairness and predictability, it may not have been of much consequence to third state defendants whether they are sued in Italy or Germany, only that they are sued in Europe at all. It will be interesting to see if the Italian court would be willing to interpret its jurisdiction as broadly when it comes to claims against third state defendants arising under a third state IP right (e.g. a U.S. patent).

Of course, if the Member States follow the CJEU case law to localise the harmful act at the establishment of the defendant, the Member State courts may not have any wider jurisdiction under the tort rule than they would probably already have under their jurisdictional rules based on secondary establishment. Indeed, almost all Member States have national rules that

a prerequisite for the application of this article is that “the court first seised has jurisdiction over the actions in question”, which is questionable in the Italian case.

⁸³⁸ *General Hospital Corp. v Asclepion Laser Tech GmbH*, Italian Supreme Court, 10 June 2013, IIC 2014, 45(7), 822-824.

⁸³⁹ While the CJEU’s decision in *Roche* suggests that claims relating to different parts of a EPC patent are not related, *Roche* deals with the joinder of additional defendants under the multiple defendant rule in the Brussels I Regulation, whereas in the Italian case, there was only one defendant. See Case C-539/03, *Roche Nederland and others*, para. 29, 35 (“Furthermore, although the Munich Convention lays down common rules on the grant of European patents, it is clear from Articles 2(2) and 64(1) of that convention that such a patent continues to be governed by the national law of each of the Contracting States for which it has been granted. . . . The fact remains that the legal situation would not be the same . . . and therefore there would be no risk, even in such a situation, of contradictory decisions.”).

⁸⁴⁰ Unless Italy (or Germany) was prepared to hear both claims, there would not be any single fora where both claims could be heard as a U.S. fora (at the defendant’s domicile) was not available. See *Voda, M.D. v Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007).

permit a dispute arising out of the operations of a third state defendant's secondary establishment to be brought in the Member State where that secondary establishment is situated.⁸⁴¹ These national rules are similar to (although often broader than) article 7(5) BR.⁸⁴² Traditionally however the secondary establishment rule is rarely used for transborder tort claims, not least transborder infringement claims.⁸⁴³

In the *United States*, in order for a court to exercise specific jurisdiction over a non-resident U.S. or foreign defendant, there must be a statutory basis of jurisdiction and the jurisdiction must comport with Due Process. The exercise of specific jurisdiction is consistent with Due Process if the defendant has minimum contacts with the forum state, the dispute arises out of or relates to these contacts, and the exercise of jurisdiction is reasonable.⁸⁴⁴ The concept of specific jurisdiction encompasses all types of claims against the defendant regardless of whether they are characterised as tort, contract or upon some other legal ground.⁸⁴⁵

A prerequisite for specific jurisdiction is the existence of minimum contacts between the forum state and specifically, the defendant, not just the claim itself. There must be "some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum state, thus invoking the benefits and protections of its laws."⁸⁴⁶ Indeed, as Due Process protects the defendant's individual liberty interest, the relationship to the

⁸⁴¹ See Residual Study Jurisdiction 2007 p. 36-37. See e.g. section 21 German Code of Civil Procedure as promulgated on 5 December 2005 ("(1) Should someone have a place of business serving the operation of a factory, a trade enterprise, or any other commercial establishment, and from which transactions are directly concluded, all actions that relate to the operation of the place of business may be brought against that person at the court of the location at which the place of business is situated. (2) The jurisdiction of the place of business also applies to actions brought against persons acting as owners, beneficiaries, or lessees in managing a property, on which residential and service buildings have been constructed, to the extent such complaints concern the legal relationships relating to the property's management.").

⁸⁴² See Residual Study Jurisdiction 2007 p. 36-37.

⁸⁴³ See generally Maunsbach 2005 p. 238-242; Strömholm 2001 p. 105 (discussing the situation in Sweden).

⁸⁴⁴ See *Helicopteros Nacionales v Hall*, 466 U.S. 408, 414 (1984) ("It has been said that, when a State exercises personal jurisdiction over a defendant in a suit arising out of or related to the defendant's contacts with the forum, the State is exercising "specific jurisdiction" over the defendant"). See von Mehren & Trautman 1966 p. 1144-1164 (discussing specific jurisdiction in the U.S.).

⁸⁴⁵ The connection between the defendant and the forum state may vary depending on the type of claim, for example, whether it is based on contract or tort. Nevertheless, the connection is not based on hard and fast concepts such as contractual performance or harmful event but requires a fact specific analysis in the individual case.

⁸⁴⁶ *Hanson v Denckla*, 357 U.S. 235, 252 (1958).

forum must arise out of contacts that the defendant itself creates with the forum.⁸⁴⁷

Minimum contacts with the forum state will often be satisfied by physical entry into the forum state by the defendant or its agent, goods, mail, or some other tangible contact.⁸⁴⁸ In IP infringement disputes, the relevant contact for the purpose of jurisdiction will usually coincide with the alleged infringing act under substantive IP law.⁸⁴⁹ For example, the sale of infringing goods in

⁸⁴⁷ *Walden v Fiore*, 134 S.Ct. 1115, 1122 (2014).

⁸⁴⁸ *Walden v Fiore*, 134 S.Ct. 1115, 1122 (2014) (“And although physical presence in the forum is not a prerequisite to jurisdiction, [citation omitted], physical entry into the State—either by the defendant in person or through an agent, goods, mail, or some other means—is certainly a relevant contact.”); *Burger King Corp. v Rudzewicz*, 471 U.S. 462, 476 (1985) (“ . . . territorial presence frequently will enhance a potential defendant's affiliation with a State . . .”). See e.g. *Cambridge Literary Properties v W.Goebel Porzellanfabrik G.m.b.H.*, 295 F.3d 59 (1st Cir. 2002) (foreign defendant's direct shipment into forum state of goods alleged to exploit copyright for action for share in profits satisfied minimum contacts).

⁸⁴⁹ *Synthes (U.S.A.) v G.M. Dos Reis Jr. Ind. Com de Equip. Medico*, 563 F.3d 1285 (Fed. Cir. 2009) (Brazilian medical device manufacturer had sufficient minimum contacts with U.S. States to be subject to specific personal jurisdiction under the Due Process Clause in patent infringement action, where manufacturer brought allegedly infringing locking bone plates into the U.S. and displayed them at a trade show there. The plaintiff claimed these actions infringed the patent under the importing and offering to sell prong of the Patent Act.). A minor exception is that the filing of an abbreviated new drug application (ANDA) to obtain regulatory approval from the Federal Drug Administration (FDA) is not purposeful availment with the state of Maryland (where the FDA is located) for the exercise of specific jurisdiction, even though such filing constitutes a statutory act of patent infringement that is consummated in Maryland, and the infringement claim arises out of that contact. See 35 U.S.C. § 271(e)(2). The Federal Circuit held that this contact is exempted under the “government contacts” exception to personal jurisdiction in order to avoid the “creation of a national judicial forum in Maryland for generic drug infringement cases.” *Zeneca Ltd. v Mylan Pharmaceuticals, Inc.*, 173 F.3d 829, 835 (Fed.Cir 1999). The government contacts exception excludes contacts with the forum state's governmental agencies from the jurisdiction analysis. In a concurring opinion, Judge Rader reasoned that the court need not rely on the governmental contacts exception because the defendant's contact with Maryland was not sufficient in the first place to satisfy Due Process. Judge Rader stated: “At the outset, [defendant] Mylan's contacts are not actually with the state of Maryland at all. Rather Mylan's contacts involve the federal government whose office for receipt of ANDAs happens to be within that state. In the same sense, Mylan has not purposefully availed itself of the benefits of the laws of Maryland or purposefully directed its activities at Maryland residents. Mylan seeks benefits only from the federal government through the FDA. Therefore, Mylan has directed its activities at the FDA, not at the state of Maryland or its residents.” In this case, the defendant was a U.S. company so the right holder could obtain jurisdiction over the defendant in a different U.S. state where the defendant was domiciled. The situation would be different however if an ANDA is filed by a foreign country defendant and jurisdiction was based on the federal long arm statute. First, the filing of an ANDA would arguably be a sufficient contact with the U.S. to satisfy jurisdiction under the federal long arm statute. By filing an ANDA, a foreign country defendant seeks the benefit of being able to sell its generic medicine in the U.S. Also, the federal long arm statute allows for jurisdiction in any federal district court so there is no risk that a “supercourt” would

a U.S. state will constitute purposeful availment for the purpose of establishing jurisdiction in that state for an infringement claim arising from the sale of the goods.⁸⁵⁰ The sale of infringing goods will also constitute an infringing act under the applicable substantive IP law.⁸⁵¹ Even one single, isolated infringing act in the forum state can fulfil the requirement of minimum contacts provided it was purposefully made by the defendant.⁸⁵²

An interesting question is whether a non-resident defendant can be said to purposefully avail itself of the privilege of conducting activities within the forum if it infringes an IP right (e.g. by making copies of a work, offering patented goods, or using a trademark) through the use of a server located in the forum state. Some courts have upheld personal jurisdiction at the location of a server in situations where the location of the server on which the harmful act was committed was known to the defendant so that the exercise of jurisdiction was foreseeable.⁸⁵³ For example, in one case, an Indian de-

be created in Maryland where the FDA is located. Finally, if this contact would not satisfy Due Process or if the government contacts exception would apply, the patent owner would be without a U.S. forum in which to bring its lawsuit against the foreign country defendant.

⁸⁵⁰ See e.g. *Louis Vuitton v Mosseri*, 736 F.3d 1339, 1357-58 (11th Cir. 2013) (finding that defendant had minimum contacts with forum state because he *inter alia* directly shipped infringing goods to the forum); *Avocent Huntsville Corp. v Aten Intern. Co. Ltd.*, 552 F.3d 1324, 1332 (Fed. Cir. 2008) (“In the ordinary patent infringement suit, the claim asserted by the patentee plaintiff is that some act of making, using, offering to sell, selling, or importing products or services by the defendant constitutes an infringement of the presumptively valid patent named in suit. See 35 U.S.C. § 271(a). Thus, for purposes of specific jurisdiction, the jurisdictional inquiry is relatively easily discerned from the nature and extent of the commercialization of the accused products or services by the defendant in the forum. In such litigation, the claim both “arises out of” and “relates to” the defendant’s alleged manufacturing, using, or selling of the claimed invention (citations omitted).”).

⁸⁵¹ See 35 U.S.C. § 271(a) (selling in the U.S. is an infringing act of patent infringement); 17 U.S.C. § 106 (distribution in the U.S. is an infringing act of copyright infringement); 15 U.S.C. § 1114 (use of a mark in connection with the sale of goods or services is an infringing act of trademark infringement).

⁸⁵² *Wells Fargo & Co. v Wells Fargo Exp. Co.*, 556 F.2d 406, 415-416 (9th Cir. 1977) (finding that a single loan made in the forum state under a sign alleged to infringe a trademark is clearly sufficient to satisfy the constitutional test for “minimum contacts” when the cause of action arises from that loan). See also *McGee v International Life Ins.Co.*, 355 U. S. 220, 223 (1957) (upholding jurisdiction based on issuance of one single insurance contract with insured in forum state).

⁸⁵³ See e.g. *Rhapsody Solutions LLC v Cryogenic Vessel Alternatives, Inc.*, 2013 WL 820589 (S.D. Tx. 2013) (upholding personal jurisdiction over foreign defendant that accessed its U.S. subsidiary’s server in the forum to make an infringing copy); *Intercon, Inc. v Bell Atlantic Internet Solutions Inc.*, 205 F.3d 1244, 1248 (10th Cir. 2000) (upholding personal jurisdiction over U.S. non-resident defendant based on defendant’s unauthorised and knowing use of plaintiff’s servers located in forum); *CompuServe, Inc. v Patterson*, 89 F.3d 1257, 1266-67 (6th Cir. 1996) (upholding personal jurisdiction over U.S. non-resident defendant based partly on defendant’s knowing use of plaintiff’s servers located in the forum state to market and distribute his software); *Peridyne Tech. Solutions, L.L.C. v Matheson Fast Freight, Inc.*, 117

defendant was alleged to have made an infringing copy on its subsidiary's server in the forum state, which was held to be a sufficient basis for jurisdiction.⁸⁵⁴ However merely using the services of a web hosting service with a server in the forum state upon which the website that allegedly infringes an IP right is stored does not support specific jurisdiction because it is not foreseeable for a non-resident defendant to be sued in any U.S. state in which a third party server is located.⁸⁵⁵ Likewise, the mere registration of a domain name with a registrar located in a U.S. state is not sufficient for the exercise of specific jurisdiction in a dispute arising from the infringing use of that domain name.⁸⁵⁶ This is consistent with the principle that jurisdiction against a non-resident defendant must be based on purposeful contacts, and not merely "random, fortuitous, or attenuated contacts he makes by interacting with other persons affiliated with the State."⁸⁵⁷ With respect to U.S. defendants, this does not create any significant problems because the U.S. defendant can always be sued in the U.S. state of its domicile. It might be a problem in obtaining personal jurisdiction over foreign defendants accused of infringing U.S. IP rights who do not have any other "tangible" contact with the U.S. apart from their use of a U.S. server.⁸⁵⁸

F.Supp.2d 1366 (N.D. Ga. 2000) (upholding personal jurisdiction over non-resident U.S. defendant partly based on the location of the plaintiff's servers in Georgia, which defendant was alleged to have hacked). See also Andrews & Newman 2013 p. 363 (stating that jurisdiction over a hacker would be possible at the location of the hacked server); Svantesson 2012 p. 356-357 (stating that "possibly the U.S. still, to some degree, appl[ies] the location of the server as a ground for jurisdiction . . . in defining the place of the wrong").

⁸⁵⁴ Rhapsody Solutions LLC v Cryogenic Vessel Alternatives, Inc, 2013 WL 820589 (S.D. Tx. 2013).

⁸⁵⁵ See Carefirst of Maryland, Inc. v Carefirst Pregnancy Centers, Inc., 334 F.3d 390, 402 (4th Cir. 2003) ("we have described as "de minimis" the level of contact created by the connection between an out-of-state defendant and a web server located within a forum."); Amberson Holdings LLC v Westside Story Newspaper, 110 F.Supp.2d 332, 337 (D. N.J. 2000) ("defendants' only possible connection to New Jersey is a "host server" that channels the flow of information to "westsidestory.com". It is unreasonable that by utilizing a New Jersey server, defendants' should have foreseen being hauled into a New Jersey federal court"). See also Trimble 2015:2 p. 366 (maintaining that when determining jurisdiction, "courts focus on the human aspects of acts" and not the location of the server).

⁸⁵⁶ See Graduate Management Admission Council v Raju, 241 F.Supp.2d 589 (E.D.Va. 2003) (holding that "mere registration of the domain name with a company located in Virginia does not support personal jurisdiction in this state" over trademark and copyright claim arising from use of domain name by foreign country defendant); America Online, Inc. v Huang, 106 F.Supp.2d 848 (E.D.Va. 2000) (holding that registration of two domain names with domain name registry in Virginia from which plaintiffs' ACPA claim arises are not sufficient contacts with Virginia for purposes of personal jurisdiction over U.S. non-resident defendant).

⁸⁵⁷ Walden v Fiore, 134 S.Ct. 1115, 1123 (2014) (internal quotation marks omitted).

⁸⁵⁸ But see Ginsburg 1997:2 p.157 (concluding that jurisdiction would be proper in a U.S. court at the location of the server over a foreign defendant alleged to commit copyright infringement by deliberately sending a work to a U.S. website).

To remedy this problem with respect to trademark infringements by the registration of a domain name, section 1125(d)(2)(A) of the ACPA provides a specific federal statutory basis of jurisdiction that allows an *in rem* action to be filed against a domain name itself in the judicial district in which the domain name registrar is located.⁸⁵⁹ The existence of a domain name registration provides a basis for the exercise of *in rem* jurisdiction against the domain name itself in actions where the domain name allegedly infringes upon a U.S. trademark.⁸⁶⁰ This *in rem* basis of jurisdiction may be used only if the plaintiff is unable to otherwise obtain personal jurisdiction over the defendant because the defendant does not have sufficient minimum contacts with the U.S. or the defendant cannot be located (e.g. because it has given the registrar a false address when it registered the domain name). The relief that may be granted under this basis of jurisdiction is limited to cancellation or transfer of the domain name; the owner of the domain name is not subject to damages. This statutory basis of jurisdiction has been held to satisfy Due Process because the location of the property (e.g. the domain name) in the forum is a sufficient minimum contact in which only the property itself is the source of the underlying controversy.⁸⁶¹

Apart from minimum contacts, another criterion for the exercise of specific jurisdiction is that the claim must “arise out of or relate to” the forum contacts. The scope of a court’s jurisdiction based on purposeful availment in the forum state is limited to disputes that “arise out of or relate to” the defendant’s forum contacts.⁸⁶² The Supreme Court has not clearly delineated the nexus necessary to satisfy the “arise out of or related to” prong.⁸⁶³ In a

⁸⁵⁹ *In rem* jurisdiction deals with the interests of a person or persons in a thing.

⁸⁶⁰ See e.g. *Mattel, Inc. v Barbie-Club.COM*, 310 F.3d 293 (2nd Cir. 2002) (The purpose of this basis of jurisdiction is to remedy the situation where a non-U.S. resident cybersquats on a domain name that infringes upon a U.S. trademark).

⁸⁶¹ *Porsche Cars North America, Inc. v Porsche.net*, 302 F.3d 248 (4th Cir 2002) (holding that *in rem* jurisdiction over domain names owned by British defendants, by federal district court in Virginia, did not violate constitutional principles of due process, even though registrant and holder of domain names did not have minimum contacts with that jurisdiction); *Harrods Ltd. v Sixty Internet Domain Names*, 302 F.3d 214 (4th Cir. 2002) (holding that federal district court in Virginia had *in rem* jurisdiction, consistent with due process, in action under the ACPA related to registrant’s rights and duties arising out of ownership of those names). But see *Struve & Polk Wagner 2002* (arguing that *in rem* jurisdiction under section 1125(d)(2)(A) is unconstitutional).

⁸⁶² *Burger King Corp. v Rudzewicz*, 471 U.S. 462, 472 (1985) (“Where a forum seeks to assert specific jurisdiction over an out-of-state defendant who has not consented to suit there, this ‘fair warning’ requirement is satisfied if the defendant has ‘purposefully directed’ his activities at residents of the forum, [citation omitted]), and the litigation results from alleged injuries that ‘arise out of or relate to’ those activities.”).

⁸⁶³ *Helicopteros Nacionales v Hall*, 466 U.S. 408, 414 fn 10 (1984) (“Absent any briefing on the issue, we decline to reach the questions (1) whether the terms “arising out of” and “related to” describe different connections between a cause of action and a defendant’s contacts with a

defamation case however the Supreme Court found that the defendant's purposeful contact with one U.S. state was sufficiently related to damage arising in other U.S. states for a court in the first state to exercise jurisdiction with respect to damage arising in all U.S. states.⁸⁶⁴ In that case, a U.S. non-resident publisher who regularly distributed magazines in New Hampshire as well as in the other U.S. states was sued in New Hampshire for defamation. The publisher objected to jurisdiction because it had only distributed a small portion of the magazines in New Hampshire as compared to the other U.S. states. In finding jurisdiction in New Hampshire to be consistent with Due Process, the Court found that New Hampshire had a legitimate adjudicatory interest in the case even though most of the defendant's activities took place outside of the forum state because New Hampshire had a "substantial interest in cooperating with other States, through the "single publication rule,""⁸⁶⁵ to provide a forum for efficiently litigating all issues and damages claims arising out of a libel in a unitary proceeding.⁸⁶⁶ Moreover, the Court found that in light of the single publication rule, the defendant could "reasonably anticipate being haled into court" in New Hampshire and also could "anticipate that such a suit will seek nationwide damages."⁸⁶⁷ Thus, the Court held that it was not unfair to the defendant for New Hampshire to exercise juris-

forum, and (2) what sort of tie between a cause of action and a defendant's contacts with a forum is necessary to a determination that either connection exists. Nor do we reach the question whether, if the two types of relationship differ, a forum's exercise of personal jurisdiction in a situation where the cause of action "relates to," but does not "arise out of," the defendant's contacts with the forum should be analyzed as an assertion of specific jurisdiction."); *Ticketmaster-New York, Inc. v Alioto*, 26 F.3d 201 (1st Cir. 1994) (stating that relatedness prong is "the least developed prong of the due process inquiry" and finding that the disjunctive nature of "arises out of or relates to" adds flexibility and signals a relaxation of the applicable standard).

⁸⁶⁴ *Keeton v Hustler Magazine, Inc.*, 465 U.S. 770 (1984).

⁸⁶⁵ Pursuant to the single publication rule, which is followed in the great majority of U.S. states, only one defamation action can be maintained, the action must encompass all damages suffered in all jurisdictions, and a judgment for or against the plaintiff bars any other action for damages between the same parties in all jurisdictions. See Restatement (Second) of Torts § 577A(4) (1977). The purpose of the rule is to avoid a multiplicity of suits, as well as harassment of defendants and possible hardship upon the plaintiff himself. Restatement (Second) of Torts § 577A (1977) cmt. D. The single publication rule may also be applied in relation to foreign damage. See *Pippen v NBC Universal Media, LLC*, 734 F.3d 610 (7th Cir. 2013) (applying the single-publication rule to online defamation); Restatement (Second) of Torts § 577A (1977) cmt. E & illus. 8 (stating that victim can recover in one single action damages for the publication to all persons whom the communication has reached or may be expected to reach including publication in foreign countries).

⁸⁶⁶ *Keeton v Hustler Magazine, Inc.*, 465 U.S. 770, 775-778 (1984) ("We agree that the "fairness" of haling respondent into a New Hampshire court depends to some extent on whether respondent's activities relating to New Hampshire are such as to give that State a legitimate interest in holding respondent answerable on a claim related to those activities.").

⁸⁶⁷ *Keeton v Hustler Magazine, Inc.*, 465 U.S. 770, 781 (1984).

diction over the entire claim.⁸⁶⁸ The Court's decision is anchored in the different purposes attributed to Due Process, namely that jurisdiction is limited by the state's sovereign authority and that the jurisdiction should be foreseeable to the defendant, and otherwise fair and reasonable.

It seems unlikely that the current Court will be able to give any clear guidance in light of the sovereignty and fairness tension reflected in the plurality and dissenting opinions in *J. McIntyre Machinery, Ltd. v Nicastro*.⁸⁶⁹ This tension is also reflected in the academic debate. Brilmayer understands Due Process to protect defendants against illegitimate exercises of jurisdiction by the state.⁸⁷⁰ She observes that the forum state may legitimately exercise its sovereignty over its own domiciliaries by requiring them to appear and defend in a suit brought in its courts.⁸⁷¹ She maintains however that a state cannot impose this burden on foreigners without justification. A legitimate justification lies however in a state's jurisdiction to regulate activities occurring within its territory.⁸⁷² Brilmayer submits that a state has the sovereign power to exercise its adjudicative authority over non-resident defendants only if the defendant carries out a harmful act in the state; it is the harmful act within the state's territory that gives the state regulatory authority to adjudicate.⁸⁷³ She proposes a "substantive relevance" test which requires that the defend-

⁸⁶⁸ *Keeton v Hustler Magazine, Inc.*, 465 U.S. 770, 781 (1984).

⁸⁶⁹ Compare *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873, 881 (2011) (Kennedy plurality opinion) ("Where a defendant 'purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws,' [citation omitted], it submits to the judicial power of an otherwise foreign sovereign to the extent that power is exercised in connection with the defendant's activities touching on the State. In other words, submission through contact with and activity directed at a sovereign may justify specific jurisdiction "in a suit arising out of or related to the defendant's contacts with the forum.") with *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873, 901 (2011) (Ginsburg dissenting) (stating that "the plurality's notion that consent is the animating concept draws no support from controlling decisions of this Court. Quite the contrary, the Court has explained, a forum can exercise jurisdiction when its contacts with the controversy are sufficient; invocation of a fictitious consent, the Court has repeatedly said, is unnecessary and unhelpful.").

⁸⁷⁰ Brilmayer 1980:1 p. 85 ("the sovereignty concept inherent in the Due Process Clause is not the reasonableness of the burden but the reasonableness of the particular's State's imposing it.").

⁸⁷¹ Brilmayer 1980:1 p. 85.

⁸⁷² Brilmayer 1980:1 p. 86; Brilmayer 1987-88 p. 739. See also Michaels 2006 p. 1057 (observing that jurisdiction must be justified if the defendant is not part of the community that asserts jurisdiction).

⁸⁷³ Brilmayer 1980:1 p. 86-88; Brilmayer 1987-88 p. 739-40 ("The state's interest in regulating activities in the state cannot justify predicating jurisdiction upon local conduct that is not legally wrongful."). Brilmayer states that a state's regulatory authority to adjudicate does not necessarily mean that the state will apply its own substantive law; Brilmayer 1988 p. 1452.

ant's forum contacts be relevant to the substance of the plaintiff's claim in order for the claim to "arise of or be related" to the forum contact.⁸⁷⁴

It appears that Brilmayer believes that in the case above, the New Hampshire contacts were substantively relevant to the plaintiff's libel claims as Brilmayer cites the case as an example of how a state has a legitimate interest in exercising judicial jurisdiction over those who commit torts within its territory.⁸⁷⁵ She does not explain however why a state that has the sovereign authority to adjudicate disputes with respect to a harmful act in its own territory may legitimately exercise jurisdiction over harmful acts committed by a foreign defendant in other states' territories. Assuming as she does that an imposition of burdens on foreigners must be justifiable, there should be some level of proportionality between the forum activity and the burden imposed by the state.⁸⁷⁶ If the defendant's forum activity is innocent however she maintains that it may not be a basis for jurisdiction.⁸⁷⁷

Twitchell submits that because specific jurisdiction turns on the reasonableness of adjudicating a particular dispute in the forum, the central question should be one of fairness not sovereignty.⁸⁷⁸ She criticises the substantial relevance test because it is both over inclusive and under inclusive. With respect to under inclusiveness, she posits that relatedness may be found when the forum conduct has a historical connection with the dispute or when the forum conduct is similar to conduct in another state that gives rise to the claim.⁸⁷⁹ In Twitchell's view of the defamation case, the exercise of jurisdiction was fair, even though the New Hampshire contacts were not substantially relevant, at least not for the part of the case claiming damages based on libel occurring outside of New Hampshire.⁸⁸⁰

⁸⁷⁴ Brilmayer 1980:1 p. 80-88; Brilmayer 1987-88 p. 736-741; Brilmayer 1988.

⁸⁷⁵ Brilmayer 1987-88 p. 739-40 fn 98.

⁸⁷⁶ See McMunigald 1998 p. 220-226 ("the strength of the justification for imposing jurisdiction should be proportional to the degree of burden that jurisdiction actually imposes on the defendant.").

⁸⁷⁷ Brilmayer 1987-88 p. 739 ("allowing a state to use innocent conduct within the state as a pretextual basis for asserting power over conduct occurring outside the state would not be reasonable.").

⁸⁷⁸ Twitchell 1988:1 p. 643-665, 653 (observing that Brilmayer's test is grounded in state sovereignty).

⁸⁷⁹ See Twitchell 1988:1 p. 643-665.

⁸⁸⁰ Twitchell 1988:1 p. 655 fn 199 ("The part of the suit claiming damages based on libel occurring outside the forum involved no substantively relevant forum contacts."). She concedes that there are two possible arguments for finding the substantive relevance test is fulfilled with respect to the case as a whole. First, that the substantive relevance test is fulfilled because a part of the case, e.g. the claim for damages arising from the New Hampshire contacts, satisfied the test. As discussed above, this does not address the question whether there should be some level of proportionality between the forum activity and the burden imposed.

In an IP infringement action, the scope of a court's jurisdiction based on the purposeful availment by the sale of infringing goods in the forum state encompasses damage arising from the sale of identical infringing goods in other U.S. states.⁸⁸¹ Indeed, a claim based on the sale of infringing goods in the other U.S. states is related to the forum activity due to the similarity of the defendant's harmful conduct in all states, even if the claim does not strictly arise out of the sales in the forum state. The forum state may be said to act within its legitimate adjudicatory authority as it has an interest in cooperating with other states in the application of federal law for the efficient resolution of the dispute.⁸⁸² Indeed, the dispute raises no question of the fair and reasonable allocation of adjudicatory authority among U.S. states as the dispute is based on federal IP law (and most likely adjudicated in federal court).⁸⁸³ Thus, it is foreseeable for the defendant to be hauled into court in one U.S. state with which it has sufficient minimum contacts, and to be subject to nationwide damages arising from sales of identical infringing sales in other U.S. states.⁸⁸⁴

The question does not seem to have arisen however whether a U.S. court that exercises specific jurisdiction over a non-resident foreign defendant based on a purposeful act, e.g. the sale of infringing goods in the forum state, can ex-

Second, that the extraterritorial claims fall within the forum's adjudicatory power because the forum had an interest in cooperating with other states under the single publication rule. See *Ibid.*

⁸⁸¹ See e.g. *Beverly Hills Fan Co. v Royal Sovereign Corp.*, 21 F.3d 1558, 1568 fn 21 (Fed. Cir. 1994) (Virginia had jurisdiction against foreign defendant for all patent infringements taking place in the U.S. even though most of the infringing sales took place in other U.S. states); *MCA Records Inc. v Charley Records Ltd.*, 108 F.3d 338 (9th Cir. 1997) (California had jurisdiction against foreign defendant over all copyright infringements taking place in the U.S. even though amount of infringing sales in California were quite small); *Vault Corp. v Quid Software*, 775 F.2d 638 (5th Cir. 1985) (finding that court had jurisdiction over copyright infringement suit against foreign (Canadian) defendant even though forum sales made up only 0.3 % of the defendant's total revenue).

⁸⁸² *Beverly Hills Fan Co. v Royal Sovereign Corp.*, 21 F.3d 1558, 1568 (Fed. Cir. 1994) ("These other states will thus be spared the burden of providing a forum for [the plaintiff] to seek redress for these sales. And defendants will be protected from harassment resulting from multiple suits."). IP rights granted or protected in the U.S. are valid throughout the entire U.S., so the claim based on the sales of infringing goods in all U.S. states will arise under the same federal IP right.

⁸⁸³ The U.S. federal courts have exclusive jurisdiction in relation to the state courts with respect to actions arising under federal patent or copyright law, but not federal trademark law where jurisdiction is concurrent. 28 U.S.C. § 1338.

⁸⁸⁴ *Beverly Hills Fan Co. v Royal Sovereign Corp.*, 21 F.3d 1558, 1568 (Fed. Cir. 1994) (citing *Keeton v Hustler Magazine, Inc.*, 465 U.S. 770 (1984)). Observe that this analysis is only relevant if the defendant is sued under a state long arm statute where the relevant sovereign is a U.S. state. If the defendant is sued under the federal long arm statute, the relevant sovereign is the U.S.

ercise jurisdiction over that defendant with respect to the sale of identical infringing goods in foreign states. The question is whether a dispute with respect to the foreign defendant's sale of the identical infringing goods in a foreign state is sufficiently "related" to the defendant's U.S. contacts (i.e. the sale of the infringing goods in the U.S.) to satisfy Due Process. In light of the sovereignty tension underlying many of the Court's precedents, it is possible that the principle of territoriality of IP law, as a matter of Due Process, might be understood to limit the adjudicatory authority of the forum state. This is because the principle of territoriality is sometimes assumed to mean that the state of registration or protection has exclusive jurisdiction over claims arising under its domestic IP rights, and that link may be severed only where the court's jurisdiction is based on the defendant's affiliation with the adjudicating state (U.S. national or resident).⁸⁸⁵ While the U.S. has adjudicative authority over its own nationals and residents and over non-residents that commit harmful acts within its territory, it might be questioned whether it has legitimate adjudicatory authority to require a non-resident foreign defendant to appear before a U.S. court on a claim related to foreign activities and arising under a foreign IP right. It might be said to violate the defendant's Due Process right if it was subject to this "illegitimate" claim of jurisdiction. This may be less problematic with respect to copyright and unregistered rights, which are usually classified as transitory actions that may be brought before any forum that has personal jurisdiction over the defendant.⁸⁸⁶ The question whether the Due Process clause limits the scope of a court's jurisdiction has not arisen, most likely due to the federal courts' disinclination to hear cases arising under foreign IP rights even against U.S. defendants.

It is also unclear whether the relatedness prong may be satisfied when the forum conduct has a historical connection with an IP claim that arises in a foreign state. Assume for example that a non-resident defendant makes copies of a work in Maine, U.S. for export and distribution in Canada. The work is not protected in the U.S. but it is in Canada. The plaintiff wants to bring suit in Maine for the infringement of its copyright in Canada. Is it consistent with Due Process to require a non-resident foreign defendant to appear and defend this claim in Maine? Surely, the defendant's production of copies in Maine would constitute "purposeful availment" with the state of Maine but does the Canadian copyright claim arise out of or relate to the Maine con-

⁸⁸⁵ See Advocate General Jääskinen's opinion in Case C-170/12, *Pinckney*, para. 46 (espousing this view from a EU perspective).

⁸⁸⁶ See Ginsburg 1997:2 p. 166-168 (suggesting that a U.S. court having jurisdiction over a foreign defendant that causes infringements in the U.S. could also have jurisdiction with respect to similar foreign infringements based on an analogous application of the single publication rule to copyright infringement).

tacts? The alleged infringement in Canada can be said to be related in the sense that it would not have arisen “but for” the reproduction of the copies in Maine. One might argue that it is not unforeseeable for a defendant who makes copies in Maine to be subject to its courts with respect to subsequent distribution of those copies, in particular because evidence with respect to the Canadian claim might be located in Maine making it a convenient forum.⁸⁸⁷ But does Maine have a legitimate adjudicatory interest in the dispute that justifies it ordering a non-resident defendant to appear before its courts? While the Canadian copyright infringement claim would seem to pass Twitchel’s reasonableness test, it would seem to fail Brilmayer’s substance relevance test because the act of copying is not an element of a claim based on the unlawful distribution.

Ginsburg submits that a U.S. state where a server is located onto which a non-resident foreign defendant deliberately uploads a work would have personal jurisdiction over that defendant in relation to damage arising in all foreign states where the work is communicated.⁸⁸⁸ Assuming that the contact with the U.S. server is a sufficient minimum contact, the question remains whether the foreign damage is sufficiently related to the U.S. damage for it to be included within the scope of the U.S. court’s jurisdiction. Here, it would seem that an important element of the plaintiff’s foreign damage claim is that the defendant was responsible for uploading the work that was made available, and evidence linking the infringement to the defendant (or to its IP address) may be found on the server; whereas in the example above, it was not relevant whether the defendant was responsible for making the copies, only that it distributed them. Moreover, in Brilmayer’s view, it is not fatal that the conduct is legal under forum law (e.g. because the work was not protected in the U.S.); it is enough that it is unlawful under one law reasonably vying to govern the case.⁸⁸⁹ Thus, this example arguably satisfies Brilmayer’s substantive relevance test. It is another question whether attributing jurisdiction to the state where the server is located is sufficiently foreseeable to the defendant to constitute a purposeful contact in the first place and also whether the exercise of jurisdiction is reasonable.

⁸⁸⁷ There might be evidence in Maine with respect to how many copies were made and where in Canada the copies were sent that might be helpful in proving the extent of the damage as well as in enforcing a recall of copies.

⁸⁸⁸ See Ginsburg 1997:2 p. 157 (“[J]urisdiction in a U.S. court over the website operator and over the foreign national who deliberately sent the work to that site would be proper at the U.S. location of the server. The territorial scope of the claim would cover not only distributions of the work to U.S. users, but distributions to foreign users who access and download from the U.S. website.”).

⁸⁸⁹ Brilmayer 1988 p. 1456.

Finally, the exercise of jurisdiction must be reasonable in light of the other circumstances of the case. When evaluating the reasonableness of the exercise of jurisdiction, the courts weigh various interests such as: (1) the burden on the defendant; (2) the interests of the forum state; (3) the plaintiff's interest in obtaining relief; (4) the interstate or international judicial system's interest in obtaining the most efficient resolution of controversies; and (5) the states and nations' shared interest in furthering fundamental substantive social policies.⁸⁹⁰ The Supreme Court has indicated that when it comes to foreign defendants, heightened Due Process scrutiny is required because of the unique burdens of having to defend oneself under a foreign legal system.⁸⁹¹ Also, the fact that foreign law claims applicability to the dispute may implicate the interests of those foreign states and make the exercise of jurisdiction less reasonable.⁸⁹² On the other hand, the plaintiff's interest in obtaining relief in a convenient forum and the forum state's interest in providing a forum for the adjudication of the dispute are greater if the plaintiff is a resident of the forum or if an infringement occurred within the forum state.⁸⁹³

With respect to *negative declaratory actions*, the jurisdictional analysis is the same; the only difference is that the roles of plaintiff and defendant are re-

⁸⁹⁰ See *Asahi Metal Industry Co. v Superior Court*, 480 U.S. 102, 113 (1987) (majority opinion); *World-Wide Volkswagen Corp. v Woodson*, 444 U.S. 286, 292 (1980).

⁸⁹¹ *Asahi Metal Industry Co. v Superior Court*, 480 U.S. 102, 114 (1987) (majority opinion) (“Certainly the burden on the defendant in this case is severe. Asahi has been commanded by the Supreme Court of California not only to traverse the distance between Asahi's headquarters in Japan and the Superior Court of California in and for the County of Solano, but also to submit its dispute with Cheng Shin to a foreign nation's judicial system. The unique burdens placed upon one who must defend oneself in a foreign legal system should have significant weight in assessing the reasonableness of stretching the long arm of personal jurisdiction over national borders.”). See also Born 1987 p. 24-27. The courts will consider the burden on the defendant in light of the specific circumstances of the case. See e.g. *Deprenyl Animal Health, Inc. v University of Toronto Innovations Foundation*, 297 F.3d 1343 (Fed. Cir. 2002) (burden of subjecting Canadian defendant to litigation in Kansas, U.S. is relatively minimal due to similarity of legal systems and language).

⁸⁹² See e.g. *Dudnikov v Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063 (10th Cir. 2008) (finding that UK's substantive policies were not implicated because case will be decided solely under federal copyright law and not UK law.); *Int'l Tech Consultants, Inc. v Euroglas S.A.*, 107 F.3d 386 (6th Cir. 1997) (finding that Switzerland's interests were implicated when claim for conversion of IP rights arose out of a contract calling for the application of Swiss law); *MCA Records Inc. v Charley Records Ltd.*, 108 F.3d 338 (9th Cir. 1997) (“English sovereignty will not be undermined by this action, however, for MCA asserts claims based on Defendants' violation of MCA's rights in the United States under United States trademark law, and seeks recovery of only those damages incurred in the United States.”).

⁸⁹³ *Chloe v Queen Bee of Beverly Hills, LLC*, 616 F.3d 158 (2nd Cir. 2010) (finding that plaintiff had an interest in litigating in the forum state because its headquarters were in the forum state and witnesses were there); *Asahi Metal Indus. v Superior Court*, 480 U.S. 102 (1987) (finding that because the plaintiff is not a California resident, California's legitimate interests in the dispute were small).

versed. This means that the forum must have minimum contacts with the right holder who is the defendant in the action. Thus, a court that would have jurisdiction to adjudicate an infringement action would not necessarily have jurisdiction to adjudicate an action for non-infringement. The would-be infringer's (i.e. the plaintiff) contacts with the forum state such as manufacturing or selling the allegedly infringing goods in the forum state are not relevant to establish minimum contacts between the defendant right holder and the forum state.

Also, the dispute must arise out of or relate to the right holder defendant's forum contacts. A declaratory action is not merely a mirror image of an infringement claim but concerns "the wrongful restraint [by the right holder] on the free exploitation of non-infringing goods."⁸⁹⁴ Thus, only those forum contacts related to the right holder's wrongful attempt to restrain the plaintiff from using the work, invention or sign by undertaking "enforcement or defense efforts" are relevant.⁸⁹⁵ The right holder defendant's forum activities in relation to commercialising its own goods in the forum are not relevant contacts because the non-infringement claim does not arise out of these contacts.⁸⁹⁶

⁸⁹⁴ *Avocent Huntsville Corp. v Aten Int'l Co.*, 552 F.3d 1324, 1328 (Fed. Cir. 2008); *Dudnikov v Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063 (10th Cir. 2008).

⁸⁹⁵ *Avocent Huntsville Corp. v Aten Int'l Co.*, 552 F.3d 1324, 1328 (Fed. Cir. 2008) ("only enforcement or defense efforts related to the patent rather than the patentee's own commercialization efforts are to be considered for establishing specific personal jurisdiction in a declaratory judgment action against the patentee."). See also *Ham v La Cienega Music Co.*, 4 F.3d 413 (5th Cir. 1993). Examples of contacts that satisfy Due Process are initiating judicial or extra-judicial enforcement efforts within the forum or entering into an exclusive licence agreement or other undertaking which imposes enforcement obligations with a party residing in the forum state. See e.g. *Campbell Pet Co. v Miale*, 542 F.3d 879, 886 (Fed. Cir. 2008) (enlisting third party to remove plaintiff's products that allegedly infringed defendant's patent from a trade show that was being held in the forum state); *Breckenridge Pharmaceutical, Inc. v Metabolite Laboratories, Inc.*, 444 F.3d 1356 (Fed. Cir. 2006) (entering into an exclusive patent licence with company that conducts business in forum state); *Viam Corp. v Iowa Export Import Trading Co.*, 84 F.3d 424 (Fed. Cir. 1996) (initiating action seeking to enforce the same patent that is the subject of lawsuit in unrelated action in the same district court); *Janmark, Inc. v Reidy*, 132 F.3d 1200 (7th Cir. 1997) (threatening alleged infringer's customers with suits for contributory infringement of copyright); *Dudnikov v Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063 (10th Cir. 2008) (affirmatively interfering with plaintiffs' business by getting eBay to remove their auction due to copyright infringement); *Foot Locker Retail, Inc. v SBH, Inc.*, 2005 WL 91306 (S.D.N.Y. 2005) (attempting to license its intent to use applications for the trademarks to forum company.).

⁸⁹⁶ *Autogenomics, Inc. v Oxford Gene Technology Ltd.*, 566 F.3d 1012 (Fed. Cir. 2009) (UK company could not be sued in California despite its commercial presence in California including the grant of at least ten patent licences to companies in California); *Avocent Huntsville Corp. v Aten Int'l Co.*, 552 F.3d 1324, 1328 (Fed. Cir. 2008) (The foreign right holder defendant's manufacture, use or sale of the patented product in the forum state was not a relevant contact because that conduct does not give rise to the claim); *Ham v La Cienega Music*

For the would-be infringer, it may be difficult to obtain a forum apart from the right holder's domicile.⁸⁹⁷ If the right holder is a U.S. defendant, it can be sued in the state of its U.S. domicile. If the right holder resides in a foreign nation-state however the mere registration of a U.S. patent by the foreign patentee is a sufficient and relevant contact to establish jurisdiction over the foreign patentee. Section 293 of the U.S. Patent Act is a special federal long arm statute that ensures that there is at least one forum in the U.S. in which jurisdiction may be obtained over a non-U.S. resident patent owner for any action respecting the patent or the rights thereunder, in particular actions for declarations of non-infringement or invalidity actions.⁸⁹⁸ It is based on the assumption that the mere registration of a U.S. patent is a sufficient "tangible" contact with the state of Virginia (where the U.S. Patent and Trademark office is located) to comply with Due Process.⁸⁹⁹ Indeed, obtaining a U.S.

Co., 4 F.3d 413 (5th Cir. 1993) (copyright holder's exploitation of its work in the forum does not relate to the action for non-infringement of copyright); *Beacon Enterprises, Inc. v MENZIES*, 715 F.2d 757 (2nd Cir. 1983) (finding no sufficient nexus between right holder's shipment of goods to forum and alleged infringer declaratory judgment action for non-infringement of trademark); *Sinclair v StudioCanal, S.A.*, 709 F.Supp.2d 496 (E.D.La. 2010) (declaratory judgment actions in trademark suit does not arise out of or relate to the selling of infringing products in the forum, but instead arises out of or relates to the activities of the defendant trademark owner in enforcing its trademark).

⁸⁹⁷ See *La Belle* 2010:1 p. 70 (explaining how right holders generally have an easier time demonstrating that alleged infringers are subject to personal jurisdiction in infringement actions than alleged infringers have in demonstrating that the right holder is subject to personal jurisdiction in actions for declarations of non-infringement).

⁸⁹⁸ *National Patent Development Corp. v T.J. Smith & Nephew Ltd.*, 877 F.2d 1003 (C.A.D.C. 1989) (citing comment by the Department of State at a House hearing on what became section 293: "The Department understands that this provision has been added for the benefit of American residents desiring to bring action against foreign owners of United States patents. At the present time American manufacturers threatened by charges of infringement of United States patents by persons resident abroad are especially handicapped by inability to bring suit for declaratory judgment."). There is some question whether the federal long arm statute can apply to declaration for non-infringement against foreign owners of U.S. patents because they are subject to the jurisdiction of United States District Court for the Eastern District of Virginia pursuant to Section 293 of the Patent Act. Compare *Pharmachemie B.V. v Pharmacia S.p.A.*, 934 F.Supp. 484, 488 (D.Mass.1996) (holding that the District Court for the District of Columbia was not a court of general jurisdiction as required by the federal alien long arm statute) with *NXP Semiconductors USA, Inc. v Brevets*, 2014 WL 4621017 (N.D.Cal. 2014). In practical terms, this means it is unclear whether the plaintiff must bring the action in Eastern District of Virginia or whether the plaintiff can choose any federal court. This does not change the Due Process analysis, and there is no reason to doubt that Due Process would be satisfied also under the federal long arm statute as the relevant forum in the United States.

⁸⁹⁹ See *Deprenyl Animal Health*, 297 F.3d 1343 (Fed. Cir. 2002) (section 293 "represents an important Congressional judgment that in exchange for obtaining the benefits of a United States patent, it is appropriate to require foreign patentees to submit to broader jurisdiction in United States Federal Court than that to which they would otherwise be subject."); *Japan Gas*

patent is a meaningful contact by which the foreign defendant patentee purposefully avails itself of a significant benefit of U.S. law.⁹⁰⁰ Moreover, a declaratory action for non-infringement can be said to “arise out of or relate to” the registration of a U.S. patent because the registration of a patent itself can be seen as an enforcement or defence effort. The registration is what creates the exclusive right, and in a declaratory action, it is the claim to the exclusive right that is the source of the underlying controversy between the right holder and the alleged infringer.⁹⁰¹

While there is no special long arm statute for foreign owners of U.S. trademarks or U.S. copyrights, the federal long arm statute would provide a statutory basis of jurisdiction in an action for non-infringement of the U.S. trademark or a U.S. copyright.⁹⁰² This raises the question whether the mere registration of a trademark or a copyright in the U.S. is a sufficient contact to comply with Due Process for disputes against a foreign right holder concerning the non-infringement of the U.S. trademark or U.S. copyright. There is some support in the case law for the proposition that filing an application for trademark protection with the U.S. Patent and Trademark Office (USPTO) creates a sufficient contact with the forum in which the USPTO is located

Lighter Ass'n v Ronson Corp., 257 F.Supp. 219, 228, 150 USPQ 589, 594 (D.N.J.1966) (Section 293 was “designed to assist a plaintiff by producing an alternative avenue to obtain personal jurisdiction and service where it would otherwise be difficult or impossible.”). It should be noted that personal jurisdiction under section 293 is broader than subject matter jurisdiction under section 1338 (federal question jurisdiction for claims arising under the federal IP laws). See *National Patent Devel. Corp. v T.J.Smith & Nephew Ltd.*, 877 F.2d 1003 (Fed. Cir. 1989). Consequently, the District Court for the Eastern District of Virginia may have personal jurisdiction over a defendant pursuant to section 293 but may be unable to hear a dispute if the dispute does not “arise under” the patent law. An example is an action concerning the ownership of a U.S. patent. The Virginia federal court would have personal jurisdiction over the foreign patent owner but not jurisdiction over the subject matter of the dispute. The court could hear the case however if subject matter jurisdiction is satisfied by diversity jurisdiction.

⁹⁰⁰ *Deprenyl Animal Health, Inc. v University of Toronto Innovations Foundation*, 297 F.3d 1343 (Fed. Cir. 2002); *Nat'l Patent Dev. Corp. v T.J. Smith & Nephew Ltd.*, 877 F.2d 1003, 1010, 11 USPQ2d 1211, 1216 (D.C. Cir. 1989) (en banc) (R.B. Ginsburg, J.) (“By registering a patent in the United States Patent Office, a party residing abroad purposefully avails itself of the benefits and protections patent registration in this country affords.”).

⁹⁰¹ See *Shaffer v Heitner*, 433 U.S. 186 (1977) (“[W]hen claims to the property itself are the source of the underlying controversy between the plaintiff and the defendant, it would be unusual for the State where the property is located not to have jurisdiction.”).

⁹⁰² Rule 4(k)(2) Federal Rules of Civil Procedure. 15 U.S.C. § 1071(b)(4) provides a basis of personal jurisdiction over civil actions involving an adverse party residing in a foreign country initiated after issuance of an unsatisfactory decision by the USPTO director or the TTAB. It does not generally provide a basis for jurisdiction against foreign country defendants for declaratory actions concerning the non-infringement of the trademark.

(today Virginia) to support personal jurisdiction over a foreign trademark holder in a declaratory action that the trademark has not been infringed.⁹⁰³

Also, an argument can be made that the filing of an application for trademark protection is a minimum contact with the U.S. by which a foreign applicant purposefully avails itself of certain benefits under U.S. law.⁹⁰⁴ Moreover, at least with respect to trademarks that are registered under the Madrid protocol or on the basis of a valid registration in the applicant's country of origin (*telle quelle*), a declaration for non-infringement arises out of or relates to the registration, because unlike registrations based on actual trademark use, here it is the registration itself that creates the right.⁹⁰⁵ Just like with patents, it could be argued that in these cases the mere registration of the trademark is an enforcement effort.

⁹⁰³ See *Rosenruist-Gestao E Servicos LDA v Virgin Enterprises Ltd.*, 511 F.3d 437 (4th Cir. 2007), *cert. denied*, 553 U.S. 1065 (2008) (stating in *dicta* that if the issue was before it, it would conclude that the foreign applicant's activities before the USPTO in connection with its trademark application were a sufficient and relevant minimum contact for personal jurisdiction); *Zero Motorcycles, Inc. v Pirelli Tyre S.p.A.*, 802 F.Supp.2d 1078 (N.D. Cal. 2011), *rev'd on other grounds*, 517 Fed. Appx 589 (9th Cir. 2013), 2013 WL (1777730) (stating that "[b]y interjecting themselves into matters before the PTO in Washington, D.C., [the foreign] Defendants have voluntarily submitted themselves to the jurisdiction of Washington, D.C." with respect to a claim for the non-infringement of their U.S. trademark). Observe that the USPTO is now located in Virginia. But see *Rosenruist-Gestao E Servicos LDA v Virgin Enterprises Ltd.*, 511 F.3d 437 (4th Cir. 2007), *cert. denied*, 553 U.S. 1065 (2008) (dissenting opinion by Judge Wilkinson) (criticising the majority for imposing such a heavy burden on foreign applicants "for the price of a simple trademark application" and for disregarding international comity). It is another matter whether filing an application for trademark protection by a foreign applicant is a relevant contact with respect to a claim that the foreign applicant is itself infringing someone else's trademark. Compare *Quick Technologies, Inc. v The Sage Group PLC*, 313 F.3d 338 (5th Cir. 2003) (suggesting that filing intent to use trademark application with USPTO was a minimum contact but that plaintiff's claim for trademark infringement did not sufficiently arise out of this contact) and *See, Inc. v Imago Eyewear Pty, Ltd.*, 167 Fed. Appx. (6th Cir. 2006) (stating that intent to use application was not a sufficient contact with respect to claim that the foreign country applicant was infringing plaintiff's own trademark where there were no allegations that foreign country defendant sold any products in the U.S.) with *Monster Cable Products, Inc. v Euroflex S.R.L.*, 642 F.Supp.2d 1001 (N.D.Cal. 2009) (stating that filing intent to use trademark application with the USPTO to gain trademark protection in U.S. constitutes a substantial contact with the U.S. in a dispute concerning infringement by foreign country applicant of another party's trademark).

⁹⁰⁴ *Monster Cable Products, Inc. v Euroflex S.R.L.*, 642 F.Supp.2d 1001 (N.D.Cal. 2009) ("The privilege of trademark registration invokes the benefits and protections of trademark law."). Indeed, by registering a trademark in the U.S., the trademark owner benefits from nationwide protection, prima facie evidence of the trademark's validity, its warning function, and treble damages in egregious cases of infringement.

⁹⁰⁵ 15 U.S.C. 1141h (a)(3) & 15 U.S.C. 1126(e) ("The application must state the applicant's bona fide intention to use the mark in commerce, but use in commerce shall not be required prior to registration.").

There does not seem to be any support for the proposition that the mere registration of a U.S. copyright is a sufficient minimum contact with the U.S. to support personal jurisdiction in an action for a declaration of non-infringement of the right against a foreign defendant. It is true that by registering a U.S. copyright, the registrant does purposefully avail itself of certain benefits under U.S. law. Indeed, registering a copyright in the U.S. gives the benefit of notice against innocent infringement, *prima facie* evidence of validity, statutory damages and award of attorney fees.⁹⁰⁶ However, a declaration for non-infringement of a U.S. copyright does not arise out of or relate to the registration because registration cannot be seen as an enforcement or defence effort. Copyright protection arises automatically in the U.S. through the fixation of an original work in a tangible medium.⁹⁰⁷ Indeed, foreign right holders do not need to register their copyright to enforce the right in the U.S.⁹⁰⁸ Thus, in order for a foreign holder of a U.S. copyright to be subject to personal jurisdiction in the U.S. for an action for non-infringement of a U.S. copyright, the foreign defendant would need to have additional contacts with the U.S., apart from the mere registration of the copyright. The additional contact would need to be some enforcement or defence effort in the U.S. such as interfering with the alleged infringer's business in the U.S. or taking some enforcement effort in the U.S.⁹⁰⁹

It is not clear whether sending a cease and desist letter to a would-be infringer in the U.S. would be considered a sufficient minimum contact. The Federal Circuit has held that merely sending a cease and desist letter will not subject a patent holder to jurisdiction in the would-be infringer's home state even though a cease and desist letter can be seen as a minimum contact directed at the forum and the declaratory judgment action arises out of the letter.⁹¹⁰ The reason for this is that this contact fails the reasonableness test because it discourages patent holders from attempting to settle infringement disputes for fear of being subject to jurisdiction in the U.S. state where the

⁹⁰⁶ Halpern et al. 2012 p. 36-38.

⁹⁰⁷ See 17 U.S.C. 102 (a) ("Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression . . .").

⁹⁰⁸ 17 U.S.C. § 411(a) (registration requirement before copyright infringement suit may be filed applies only to works of U.S. origin.).

⁹⁰⁹ See e.g. *Dudnikov v Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063 (10th Cir. 2008) (finding that right holder defendant that filed claim with eBay in California getting eBay to remove plaintiff's auction of goods alleged to infringe defendant's copyright was an enforcement action that interfered with plaintiff's business in Colorado and that dispute arose directly from this forum contact).

⁹¹⁰ *Red Wing Shoe v Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1359-1361 (Fed. Cir. 1998) (indicating that warning letters themselves might be expected to support an assertion of specific jurisdiction over the patentee because the letters are purposefully directed at the forum and the declaratory judgment action arises out of the letters, but finding that policy considerations weigh against upholding personal jurisdiction).

alleged infringer is domiciled.⁹¹¹ Some courts have extended this rule outside the patent context to preclude the exercise of personal jurisdiction in copyright and trademark cases as well.⁹¹² The Federal Circuit has also disregarded warning letters sent by foreign patent holders, but they are at least subject to jurisdiction in Virginia where the patent is registered.⁹¹³ The situation might be different in relation to a foreign copyright owner who is not otherwise subject to the jurisdiction of any U.S. court because of the U.S. interest in providing at least one forum in the U.S. for such actions.⁹¹⁴

Summing up, under both the EU and U.S. legal systems, jurisdiction over transborder IP infringement disputes may be based on tangible criteria such as a harmful act in the forum state. In the EU, the attribution of jurisdiction is made with a view to the sound administration of justice and efficacious conduct of proceedings in light of the fact that evidence and witnesses relevant to the claims are likely to be found in that Member State. Jurisdiction at the place of the harmful act also fulfils the Recast's aim of the foreseeability, predictability and legal certainty of conferring jurisdiction so that EU litigants will know where they can sue and be sued. The Member States' na-

⁹¹¹ *Red Wing Shoe v Hockerson-Halberstadt, Inc.*, 148 F.3d 1355 (Fed. Cir. 1998). See generally *La Belle* 2010:2 (criticising the Federal Circuit's bright line rule in the interest of settling patent disputes in light of the greater public interest in invalidating bad patents).

⁹¹² See *La Belle* 2010:2 p. 85 (stating that the rule has been extended outside the patent context to preclude the exercise of personal jurisdiction in copyright and trademark cases as well). But see *SGS-Thomson Micro-Elects., Inc. v Ferris*, 55 F.3d 632 (5th Cir. 1995), *cert. denied*, 516 U.S. 922 (1995) (cease and desist letter sent by defendant into forum state was a sufficient and relevant contact for the exercise of jurisdiction over defendant for the non-infringement of defendant's copyright).

⁹¹³ See *Avocent Huntsville Corp. v Aten Intern. Co. Ltd.*, 552 F.3d 1324 (Fed. Cir. 2008) (holding that jurisdiction over Taiwanese patentee in would-be infringer's state of domicile could not be based on warning letters sent by patentee but observing that every foreign patentee is subject to jurisdiction in at least one state or in the District of Columbia under section 293 of the Patent Act).

⁹¹⁴ But see *Dudnikov v Chalk & Vermilion Fine Arts, Inc.*, 514 F.3d 1063, 1082 (10th Cir. 2008) (assuming but not deciding that cease and desist letter sent by foreign copyright holder should be disregarded in minimum contacts test under reasonableness criterion). In addition, in order to obtain declaratory relief, the plaintiff must demonstrate the existence of a "substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." See *MedImmune, Inc. v Genentech, Inc.*, 549 U.S. 118, 127 (2007); 28 U.S.C. § 2201(a) ("In a case of actual controversy within its jurisdiction . . . any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such."). The actual controversy requirement is often satisfied if the right holder attempts to enforce its right against the alleged infringer by sending a cease and desist letter. See e.g. *E. & J. Gallo Winery v Proximo Spirits, Inc.*, 583 Fed.Appx. 632 (9th Cir. 2014); *Severe Records, LLC v Rich*, 658 F.3d 571 (6th Cir. 2011).

tional rules, which are applied in relation to third state defendants, are often enacted and interpreted in line with the corresponding Recast rules. These rules may be interpreted more broadly however as the forum state may consider its own national interests. In the U.S., a tangible harmful act in the forum state also provides a basis for jurisdiction, provided the act was purposefully carried out by or on behalf of the defendant. The requirement of a purposeful act protects the defendant's Due Process right not to be subject to an arbitrary exercise of jurisdiction. The requirement of a purposeful act is also sometimes justified on sovereignty grounds in that the defendant's purposeful act within its territory provides the forum with a legitimate justification for exercising adjudicatory authority.

These differences in the justification for the attribution of jurisdiction are apparent for example in the different treatment of negative declaratory actions. In the EU, a tangible harmful act carried out by the would-be infringer plaintiff may serve as a basis for jurisdiction in a negative declaratory action, whereas in the U.S. the act must be carried out by the defendant, who is the right holder. The differences are also apparent in the fact that in the EU, the forum Member State's jurisdiction encompasses all IP infringements caused by the harmful act, even those taking place in other Member States or third states. This serves the sound administration of justice and efficacious conduct of proceedings, since important evidence may be located in the forum Member State. In contrast, in the U.S., it is unclear whether the sovereignty tension underlying the Due Process clause may limit the scope of the court's jurisdiction to infringements of U.S. IP rights only. This is because the territoriality principle might arguably inform that it is outside the legitimate adjudicative authority for a U.S. court to exercise jurisdiction over a foreign defendant who infringes a foreign IP right.

Intangible criteria or effects in the forum state

In the *European Union*, the Brussels I Regulation grants jurisdiction in relation to disputes against EU defendants in the Member State "where the harmful event occurred or may occur."⁹¹⁵ As noted, the harmful event has been interpreted to mean either where the harmful act took place or where the damage arises.⁹¹⁶ Under the damage head of jurisdiction, the courts of each Member State in which the damage arises have jurisdiction to rule sole-

⁹¹⁵ Article 7(2) Regulation 1215/2012 ("A person domiciled in a Member State may be sued in another Member State: in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur.").

⁹¹⁶ Case C-21/76, *Handelskwekerij Bier / Mines de Potasse d'Alsace*.

ly on the damage caused in that state.⁹¹⁷ This is because the courts of each Member State where the damage arises are best placed to determine the damage arising within its own territory.⁹¹⁸

An EU defendant may be sued in the Member State where the damage arises, even though it did not carry out any tangible act in that Member State.⁹¹⁹ The place where the damage arises is the place where the event that may give rise to liability in tort, delict or quasi-delict results in damage.⁹²⁰ Only direct damage provides a basis for jurisdiction. Indirect financial damage alleged to be sustained by the victim following initial damage arising and suffered by him in another Member State is not a basis for jurisdiction.⁹²¹ The CJEU has stated that the damage head of jurisdiction cannot be extended beyond the particular circumstances that justify it with respect to the administration of justice and the efficacious conduct of proceedings because this might “confer jurisdiction on a court which had no connection at all with the subject-matter.”⁹²² Moreover, a broad interpretation of the concept of damage would lead to the recognition of the jurisdiction of the courts of the plaintiff’s domicile, which is against the general spirit of the Brussels I Regulation.⁹²³

The localisation of the damage head of jurisdiction may vary depending on the nature of the right allegedly infringed.⁹²⁴ When it comes to jurisdiction

⁹¹⁷ Joined cases C-509/09 and C-161/10, *eDate Bier Advertising and others*, para. 52 “the criterion of the place where the damage occurred . . . confers jurisdiction on courts in each Member State . . . only in respect of the damage caused in the territory of the Member State of the court seised.”; Case C-68/93, *Shevill and others / Presse Alliance*, para. 30 (It follows that the courts of each Contracting State in which the defamatory publication was distributed and in which the victim claims to have suffered injury to his reputation have jurisdiction to rule on the injury caused in that State to the victim’s reputation.).

⁹¹⁸ Case C-68/93, *Shevill and others / Presse Alliance*, para. 31.

⁹¹⁹ Case C-387/12, *Hi Hotel HCF*, para. 40.

⁹²⁰ Case C-189/08, *Zuid-Chemie*, para. 26.

⁹²¹ Case C-364/93, *Marinari / Lloyd’s Bank*, para. 21 (holding that the damage head of jurisdiction does not “cover the place where the victim claims to have suffered financial damage following upon initial damage arising and suffered by him in another Contracting State.”); Case C-220/88, *Dumez France and others / Hessische Landesbank and others*, para. 20 (“It is the place where the event entailing tortious, delictual or quasi-delictual liability, directly produced its harmful effects upon the person who is the immediate victim of that event.”). See also NJA 2007 p. 287 (*Aredal Foam Systems HB*) (financial damage suffered by right holder as a result of trademark infringements in other Member States was not a basis for jurisdiction under the Brussels I Regulation).

⁹²² Case C-364/93, *Marinari / Lloyd’s Bank*, para. 10, 13, 20.

⁹²³ Case C-364/93, *Marinari / Lloyd’s Bank*, para.13.

⁹²⁴ Case C-170/12, *Pinckney*, para. 32 (“the place where the alleged damage occurred within the meaning of that provision may vary according to the nature of the right allegedly infringed.”). See also Depreeuw & Hubin 2014 p. 759 (“the principles that help to localise

over transborder infringements of trademarks, the principle of territoriality leads to attributing jurisdiction under the damage head to the Member State where the trademark is registered.⁹²⁵ The CJEU stated that this localisation serves the objective of foreseeability because the place where a trademark is registered is “a definite and identifiable place” that will be known to the right holder and easily discoverable by the alleged infringer.⁹²⁶ Moreover, this localisation serves the sound administration of justice because the courts in the Member State where an IP right is protected are best able to assess whether the right has been infringed.⁹²⁷ The CJEU does not explicitly state so, but it seems implicit that the reason for this is that the Member State court where the trademark is registered will apply its own substantive trademark law to the infringement claim.

When it comes to the scope of the forum Member State court’s jurisdiction, the CJEU stated that the courts in the Member State where the national trademark is registered have “the power to determine all the damage allegedly caused to the proprietor of the protected right because of an infringement of it and to hear an application seeking cessation of all infringements of that right.”⁹²⁸ The question could be raised whether the CJEU intended to depart from its previous case law where it has held that the courts of each Member State have jurisdiction solely over damage arising in its territory. In *Wintersteiger* the CJEU suggests that the forum court has jurisdiction with respect to any damage provided it is caused by an infringement of a domestic registered trademark. This interpretation seems at odds with the fact that the CJEU clearly accepted as given the territorial nature of trademark protection on the level of substantive law.⁹²⁹ This would mean that the forum would in

copyright-protected acts have also an impact on issues of jurisdiction, although the rules used to determine jurisdiction are autonomous from localisation of the copyright-protected act.”); Magnus & Mankowski 2016 p. 304 (stating that the CJEU “condemns any approach to imply a reference to the applicable substantive law” but at the same time noting the difficulty in asserting damage without recourse to national law). But see Case C-364/93, *Marinari / Lloyds Bank*, para. 19 (stating that there is no basis for interpreting Article 5(3) by reference to the applicable rules on non-contractual civil liability).

⁹²⁵ Case C-523/10, *Wintersteiger*, para. 25 (“the protection afforded by the registration of a national mark is, in principle, limited to the territory of the Member State in which it is registered, so that, in general, its proprietor cannot rely on that protection outside the territory.”).

⁹²⁶ Case C-523/10, *Wintersteiger*, para. 27.

⁹²⁷ Case C-523/10, *Wintersteiger*, para. 28.

⁹²⁸ Case C-523/10, *Wintersteiger*, para. 28.

⁹²⁹ See Case C-523/10, *Wintersteiger*, para. 25 (“the protection afforded by the registration of a national mark is, in principle, limited to the territory of the Member State in which it is registered, so that, in general, its proprietor cannot rely on that protection outside the territory.”); Opinion of Advocate General Cruz Villalón, Case C-523/10, *Wintersteiger*, para. 25 (“the place where the damage actually occurs will, always and in any event, be the State of registration of the trade mark, since damage can arise only in a place where there is legal protection.”).

theory have (adjudicative) jurisdiction over damage arising in other states as a result of a domestic infringement but in practice, its prescriptive jurisdiction might not extend outside the state. It is possible that the CJEU's choice of wording may have been to make clear that the Member State where the trademark was registered had jurisdiction to issue an injunction to put an end to the infringement even if the tangible act causing the infringement occurred outside of its jurisdiction.⁹³⁰ Alternatively, it is possible that the CJEU wanted to ensure that each Member State had a right to exercise jurisdiction over any damage arising as a result of the infringements of their own registered trademarks, and leave it to the level of substantive law to regulate the scope of the prescriptive jurisdiction.

The CJEU was explicit in ruling however that the scope of the court's jurisdictions did not include damage resulting from the infringement of other trademarks not registered in the forum Member State even if the forum is the trademark holder's residence or principal place of business (i.e. centre of interest).⁹³¹ The centre of interest basis for jurisdiction was developed by the CJEU in the joined cases *eDate Advertising and others*, where the plaintiffs claimed injury to their personality rights by content posted on the internet.⁹³² In those cases, the CJEU had to reconsider its previous ruling in the *Shevill* case where it held that in the context of an international libel by printed material, the damage arises in the place or places where the publication was distributed and in which the victim claimed to have suffered an injury to her reputation.⁹³³ The CJEU observed that when it comes to the injury to personality rights caused by content posted on the internet, the distribution criteria is unhelpful.⁹³⁴ Hence, the CJEU found the need to adapt the localisation of damage for the purpose of establishing jurisdiction to take into account the fact that such content is instantaneously accessible all over the world.⁹³⁵ Consequently, the CJEU localised the damage occurring to personality rights over the internet at the place where the victim has her centre of interests as the court located there is best placed to assess the impact of the material placed online on an individual's personality rights, including the damage

⁹³⁰ Indeed, in another trademark case less than a year before the *Wintersteiger* case, the CJEU made clear that extraterritorial conduct could infringe an EU or Member State trademark. See Case C-324/09, *L'Oréal and others*, para. 63.

⁹³¹ Case C-523/10, *Wintersteiger*, para. 24-25. See also Case C-170/12, *Pinckney*, para. 45-46.

⁹³² Joined cases C-509/09 and C-161/10, *eDate Advertising and others*.

⁹³³ See Case C-68/93, *Shevill and others / Presse Alliance*, para. 29.

⁹³⁴ Joined cases C-509/09 and C-161/10, *eDate Advertising and others*, para. 46.

⁹³⁵ Joined cases C-509/09 and C-161/10, *eDate Advertising and others*, para. 44 (stating that a website "may be consulted instantly by an unlimited number of internet users throughout the world, irrespective of any intention on the part of the person who placed it in regard to its consultation beyond that person's Member State of establishment and outside of that person's control.").

suffered by the individual caused by the libellous material being accessible in other states.⁹³⁶ When it comes to trademark infringement however the courts of a Member State where a trademark is registered are not best placed to assess damage caused by an infringement of a trademark registered in another Member State. This is because unlike personality rights, which follow the person wherever they go, IP rights are territorially limited to the state of protection.⁹³⁷ Thus, the damage arising from the infringement of an IP right does not have the necessary link with the right holder's centre of interests to justify the attribution of jurisdiction.

With respect to copyright, the principle of territoriality operates largely in the same way as with registered trademarks. That is, the principle of territoriality leads to attributing jurisdiction under the damage head to the Member State where the copyright is protected.⁹³⁸ This is because the Member State court where a copyright is protected is "best placed to ascertain whether the right at issue has been infringed."⁹³⁹ When it comes to copyright however the CJEU has more explicitly stated that there must also be an occurrence of damage and/or the likelihood of its occurrence in the forum state, which seems to be a criterion in addition to the plaintiff claiming a copyright in the forum Member State.⁹⁴⁰ A reason for this additional criterion (or at least

⁹³⁶ Joined cases C-509/09 and C-161/10, *eDate Advertising and others*, para. 48 ("Given that the impact which material placed online is liable to have on an individual's personality rights might best be assessed by the court of the place where the alleged victim has his centre of interests, the attribution of jurisdiction to that court corresponds to the objective of the sound administration of justice."). In addition, the CJEU observed that this localisation served the objective of foreseeability because it allows the victim easily to identify the court in which she may sue and the defendant reasonably to foresee before which court she may be sued. Joined cases C-509/09 and C-161/10, *eDate Advertising and others*, para. 50.

⁹³⁷ Case C-523/10, para. 25 ("Contrary to the situation of a person who considers that there has been an infringement of his personality rights, which are protected in all Member States, the protection afforded by the registration of a national mark is, in principle, limited to the territory of the Member State in which it is registered, so that, in general, its proprietor cannot rely on that protection outside the territory.").

⁹³⁸ Case C-170/12, *Pinckney*, para. 39 ("it is true that copyright, like the rights attaching to a national trade mark, is subject to the principle of territoriality."); Case C-441/13, *Hejduk*, para. 29 ("the likelihood of damage occurring in a particular Member State is subject to the condition that the right whose infringement is alleged is protected in that Member State").

⁹³⁹ Case C-170/12, *Pinckney*, para. 37, 46.

⁹⁴⁰ Case C-170/12, *Pinckney*, para. 43 ("It follows that, as regards the alleged infringement of a copyright, jurisdiction to hear an action in tort, delict or quasi-delict is already established in favour of the court seised if the Member State in which that court is situated protects the copyrights relied on by the plaintiff *and* that the harmful event alleged may occur within the jurisdiction of the court seised.") (emphasis added); Case C-441/13, *Hejduk*, para. 34 ("it must thus be held that the occurrence of damage and/or the likelihood of its occurrence arise from the accessibility in the Member State of the referring court, via the website of EnergieAgentur, of the photographs to which the rights relied on by Ms Hejduk pertain."); Case C-387/12, *Hi Hotel HCF*, para. 35-37 (stating that jurisdiction may be established in favour of

stating it explicitly) seems to be that because copyright arises automatically and is therefore protected in every Member State, a specific connection to one or another Member State is lacking. Thus, it is the alleged occurrence of damage or likelihood of damage in the forum Member State that links the dispute to the forum state.⁹⁴¹

Still, the CJEU has interpreted the criterion the occurrence of damage or likelihood of damage in the forum Member State very broadly, so that in practice, jurisdiction will almost always be established in any Member State that protects the copyright. In the *Pinckney* case, Pinckney, an author of some songs, filed a claim for copyright infringement in France against an Austrian company that had allegedly made copies (CDs) in Austria of Pinckney's works without permission.⁹⁴² These CDs were later sold over the internet by two UK companies, which were not brought into the lawsuit. The CDs could be ordered in France from the UK companies' internet sites that were accessible in France. It was not clear from the summary of the facts in the main proceedings that the Austrian defendant organised the distribution of the CDs by the UK companies or that it had any connection with them.⁹⁴³ The Austrian company objected to French jurisdiction, and the French court asked the CJEU whether something more was needed for jurisdiction to be established in France apart from the accessibility of the website in France. The CJEU held that jurisdiction would be established in France under the circumstances at issue in the proceedings of the case because France protects the copyright relied upon by Pinckney and because there was a "possibility of obtaining a reproduction of the work to which the rights relied on by the plaintiff pertain from an internet site accessible within the jurisdiction of the court seised."⁹⁴⁴

The CJEU rejected the Advocate General's suggestion that jurisdiction over the Austrian defendant could not be based on the alleged harm in France resulting from the acts taken by the UK companies who were not parties to the proceeding because there was nothing to establish a link between the Austrian defendant and the acts carried out by the UK companies.⁹⁴⁵ The CJEU also rejected the Advocate General's suggestion that in the interest of

the Member State that protects the copyright and the alleged damage may occur within its jurisdiction and finding that damage may arise "from the possibility of acquiring a reproduction of the work to which the copyright relied on by the applicant attaches in a bookshop located within the jurisdiction of the court seised.")

⁹⁴¹ See Case C-170/12, *Pinckney*, para. 39.

⁹⁴² Case C-170/12, *Pinckney*.

⁹⁴³ Case C-170/12, *Pinckney*, para. 16.

⁹⁴⁴ Case C-170/12, *Pinckney*, para. 43-44.

⁹⁴⁵ See Advocate General Jääskinen's opinion in Case C-170/12, para. 38 (concerning jurisdiction over claims for contributory infringement).

foreseeability, it introduce a targeting requirement into the damage head of jurisdiction.⁹⁴⁶ The literal text of article 5(3) BR (now article 7(2)) does not contain any targeting requirement although the text of another article in the Brussels I Regulation on jurisdiction over consumer contracts disputes does.⁹⁴⁷ Apparently, the CJEU assumed that if the EU legislator had intended to enact a targeting requirement, it knew how to do so, and the CJEU was not willing to judicially create such a requirement.⁹⁴⁸ The CJEU stated that the question whether the IP right actually was infringed and whether that infringement may be attributed to the defendant was not to be examined at the jurisdiction stage but was a question on the merits of the infringement action.⁹⁴⁹

One way of possibly making sense of this is to keep in mind that the Regulation deals only with jurisdiction and not the conditions governing the admissibility of an action.⁹⁵⁰ Each forum Member State court may apply its own procedural rules, provided they do not have the effect of restricting the ap-

⁹⁴⁶ See Advocate General Jääskinen's opinion in Case C-170/12, *Pinckney*, para. 61-68 ("I consider that Article 5(3) of that regulation should be interpreted as meaning that it confers jurisdiction on each of the courts of the Member State whose public is targeted"). See also Advocate General Cruz Villalón's opinion in Case C-523/10, *Wintersteiger*, para. 28-31 (suggesting that CJEU rule that the Member State courts analyze already at the jurisdictional stage the potential for the defendant's conduct to infringe the trademark by looking at various factors such as "the language in which the information is expressed, the accessibility of the information, and whether the defendant has a commercial presence on the market on which the national mark is protected.").

⁹⁴⁷ Article 17(1)(c) Regulation (old 15(1)(c)) 1215/2012 ("In matters relating to a contract concluded by a person, the consumer, for a purpose which can be regarded as being outside his trade or profession, jurisdiction shall be determined by this Section, without prejudice to Article 6 and point 5 of Article 7, if: in all other cases, the contract has been concluded with a person who pursues commercial or professional activities in the Member State of the consumer's domicile or, by any means, directs such activities to that Member State or to several States including that Member State, and the contract falls within the scope of such activities.").

⁹⁴⁸ Case C-170/12, *Pinckney*, para. 42 (stating that "unlike Article 15(1)(c) of the Regulation, . . . Article 5(3) [now art 7(2)] thereof does not require, in particular, that the activity concerned to be 'directed to' the Member State in which the court seised is situated.").

⁹⁴⁹ Case C-170/12, *Pinckney*, para. 40. See also Case C-387/12, *Hi Hotel HCF*; Case C-523/10, *Wintersteiger*, para. 26. But see Kur 2014 p. 472-473 (criticising the *Pinckney* case because it makes no sense to assign jurisdiction for legal consequences arising in France when there are no legal consequences arising in France to decide as the claimant had not alleged that the Austrian company had infringed his rights in France).

⁹⁵⁰ Case C-365/88, *Hagen / Zeehaghe BV* para. 17; Case C-133/11, *Folien Fischer and Fofitec*, para. 50 ("It should further be stated that, during the stage at which jurisdiction is verified, the court seised does not examine either the admissibility or the substance of the application for a negative declaration in the light of national law, but identifies only the points of connection with the State in which that court is sitting, which support its claim to jurisdiction under point (3) of Article 5 of Regulation No 44/2001.").

plication of the rules of jurisdiction laid down in the Brussels I Regulation.⁹⁵¹ It may be possible that some Member States' national rules permit a court to dismiss a claim that does not present a threshold case on the merits. Dismissing a case on that basis cannot be said to restrict the application of the Regulation as the court would do the same anyway at a later stage.⁹⁵² The attribution of jurisdiction to the forum in any case ensures that the Member State court has the possibility to make the decision itself, which respects the interest of the Member States in deciding over infringements alleged to arise under their domestic rights.

Despite the CJEU's clear statement in *Pinckney* that article 5(3) BR (now article 7(2)) did not require that the defendant target or direct its activities toward the forum Member State, the Member State courts were still uncertain whether this ruling was applicable in a truly ubiquitous copyright infringement dispute where the alleged infringement is the accessibility of the protected works on the internet. In the later *Hejduk* case, a German company posted the works of an Austrian photographer without her consent on its German website where the works could be viewed and downloaded everywhere including Austria.⁹⁵³ The photographer sued the German company in Austria alleging the infringement of her protected works in Austria. The German company objected to the Austria court's jurisdiction because the website was not directed to Austria and "mere accessibility" was insufficient to confer jurisdiction, and the Austrian court requested a preliminary ruling from the CJEU.

The Advocate General suggested that the CJEU interpret article 5(3) (now article 7(2)) to exclude the damage head of jurisdiction in truly ubiquitous copyright infringement disputes because in these situations damage was incapable of being localised.⁹⁵⁴ The Advocate General opined that allocating jurisdiction on the basis of such damage was inconsistent with the sound administration of justice because it was impossible to quantify with any certainty the damage in each Member State. He surmised that this could lead to overlaps and gaps in jurisdiction to the prejudice of both the plaintiff and defendant who could not be sure of the scope of a Member State court's jurisdiction. Consequently, he suggested that only the courts of the Member

⁹⁵¹ Case C-68/93, *Shevill and others / Presse Alliance*, para. 35-36; Case C-365/88, *Hagen / Zeehaghe*, para. 18-20 (stating that the application of national procedural rules may not impair the effectiveness of the Brussels Convention).

⁹⁵² See *Fawcett & Torremans* 2011 p. 145 (discussing how under the English national rules a dispute may be dismissed where there is no serious issue on the merits to be tried and maintaining that this is consistent with the Regulation).

⁹⁵³ Case C-441/13, *Pez Hejduk v EnergieAgentur. NRW GmbH*, para. 10-11.

⁹⁵⁴ Advocate General Cruz Villalón's opinion in Case C-441/13, *Hejduk*, para. 41-47.

State where the harmful act occurred should have jurisdiction under this article.

Declining to follow the Advocate General's opinion, the CJEU affirmed its ruling in *Pinckney* that the Member State court where the right was protected and alleged infringed was objectively best placed to determine whether the right was infringed for reasons relating to the sound administration of justice.⁹⁵⁵ The CJEU held that "it is irrelevant that the website at issue in the main proceedings is not directed at the Member State in which the court seised is situated."⁹⁵⁶ Indeed, the CJEU stated that the occurrence of damage in Austria for the purpose of establishing jurisdiction arose from "the accessibility" of the works on the website in Austria.⁹⁵⁷ The question of the extent of the damage alleged by the photographer was part of the examination of the substance of the claim and was not relevant to the stage in which jurisdiction is verified.⁹⁵⁸ In essence, the CJEU simply confirmed for copyright what it had already held concerning damage to personality rights, that is, that mere accessibility of the infringing content in the forum states where a right is alleged infringed is a sufficient basis for jurisdiction.⁹⁵⁹

When it comes to the scope of the court's jurisdiction, the CJEU has held that the centre of interest's basis of jurisdiction was not applicable to damage arising from the infringement of the economic rights conferred by copyright. In this respect the CJEU treats copyright like trademark. Unlike trademark however the CJEU followed its previous *Shevill* case law (and not *Wintersteiger*) in specifically holding the scope of the court's jurisdiction was limited to damage arising within its own territory and not the damage arising from the infringement of the right:

If that court also had jurisdiction to adjudicate on the damage caused in other Member States, it would substitute itself for the courts of those States even though, in principle, in the light of Article 5(3)[now 7(2)] of the Regulation and the principle of territoriality, the latter have jurisdiction to determine,

⁹⁵⁵ Case C-441/13, *Hejduk*, para. 37.

⁹⁵⁶ Case C-441/13, *Hejduk*, para. 33.

⁹⁵⁷ Case C-441/13, *Hejduk*, para. 34 ("In circumstances such as those at issue in the main proceedings, it must thus be held that the occurrence of damage and/or the likelihood of its occurrence arise from the accessibility in the Member State of the referring court, via the website of *EnergieAgentur*, of the photographs to which the rights relied on by Ms *Hejduk* pertain.").

⁹⁵⁸ Case C-441/13, *Hejduk*, para. 35.

⁹⁵⁹ Joined cases C-509/09 and C-161/10, *eDate Advertising and others*, para. 51 (holding that the victim of online injury to personality rights can sue the tortfeasor before each Member State where the content placed online is or has been accessible, and those courts have jurisdiction only with respect to the damage caused in the territory of the Member State of the court seised).

first, the damage caused in their respective Member States and are best placed to ascertain whether the copyrights protected by the Member State concerned have been infringed and, second, to determine the nature of the harm caused.⁹⁶⁰

As noted, in contrast to trademarks where the registration links the dispute to the forum state, for copyright it is the occurrence or likelihood of the occurrence of damage that links the dispute to the forum state. While the CJEU's justification for a limited scope of jurisdiction rests on the sound administration of justice, it is possible that respect for Member State interest plays a role, except that for copyright, there was a need to partition damage in one Member State from damage in another Member State that does not arise to the same extent under trademark law. The jurisdictional limitation allows each Member State to adjudicate infringement claims against EU defendants alleged to occur within their territories arising under their domestic rights. The only possibility of concurrent jurisdiction is with the Member State of the defendant's domicile and the Member State where the harmful act occurred. The limitation of jurisdiction except for those situations where a Member State has jurisdiction based on domicile or a tangible connection to the dispute facilitates mutual trust among the Member States and the free movement of judgments.

As the CJEU only refers to other Member States, it is not clear from the CJEU's statement whether this territorial limitation on jurisdiction also applies to damage arising from a copyright protected in a third state. True, the Brussels I Regulation is concerned with the allocation of jurisdiction among Member States based on the principle of mutual trust; it does not allocate jurisdiction in relation to third states. The Brussels I Regulation is concerned however with allocating jurisdiction to a Member State even when the subject matter of the dispute takes place in a third state. Even if a third state might be best placed to ascertain whether a copyright protected in its territory has been infringed, there is no guarantee that the third state court will exercise jurisdiction. However, in these situations, the plaintiff can always bring the case in its entirety in the Member State of the EU defendant's domicile. Limiting jurisdiction under article 7(2) BR even with respect to damage caused in third states is consistent with the Brussels I Regulation's aim of predictability and the principle that jurisdiction is generally based on the EU defendant's domicile except in a few well-defined situations in which the subject-matter of the dispute warrants a different connecting factor.⁹⁶¹

⁹⁶⁰ Case C-170/12, Pinckney, para. 46.

⁹⁶¹ Recital 15 Regulation 1215/2012 ("The rules of jurisdiction should be highly predictable and founded on the principle that jurisdiction is generally based on the defendant's domicile. Jurisdiction should always be available on this ground save in a few well-defined situations in

Consequently, while a defendant may be subject to jurisdiction in any Member State where an IP right is protected and alleged infringed, because the jurisdiction is limited to damage arising in that Member State (or arising from that Member State's trademark), a defendant that does not have any connection to that Member State is unlikely to be sued there because it is unlikely to have infringed the right or caused any damage there.⁹⁶² In this way, the limitation on the scope of the jurisdiction ensures at least some predictability by reducing the plaintiff's incentive to forum shop. Still, the broad interpretation of damage for the purpose of establishing jurisdiction could enable abuse by a right holder with deep pockets who can harass a defendant by suing in multiple Member States in order to force the defendant into an unfavourable settlement.⁹⁶³

The CJEU has not ruled on the scope of jurisdiction under the damage head of article 7(2) when it comes to the infringement of moral rights.⁹⁶⁴ Moral rights bear a close relationship to personality rights in that they are often linked to the person and not to the territory in which they are exploited. It cannot be excluded that the substantive law of moral rights, at least in some Member States, does not follow the principle of territoriality.⁹⁶⁵ If that is the case, it would arguably facilitate the sound administration of justice if damage arising from the infringement of moral rights was localised at the centre of interest of the author.⁹⁶⁶ In a Swedish case concerning copyright infringement over the internet, the Swedish Supreme Court held it had jurisdiction under the damage head of article 5(3) Lugano Convention (which is basical-

which the subject-matter of the dispute or the autonomy of the parties warrants a different connecting factor.”).

⁹⁶² Kur 2005:2 p. 181-182 (stating that a right holder will not have an incentive to initiate proceedings when the case will likely be lost on the merits).

⁹⁶³ Torremans 2014:1 p. 385-386.

⁹⁶⁴ The issue in the Pinckney case was specifically limited to the infringement of economic rights. See Swedish language version of Case C-170/12, Pinckney, para. 46 (referring to “den ekonomiska delen av upphovsrätten” which translates to the economic part of copyright).

⁹⁶⁵ See Adeney 2006 p. 665 (stating that a French court may apply French law to a delict carried out by a French person outside of France and that article L 335-2 of the French Intellectual Property Code, which covers remedies for the delict of infringement, expressly purports to apply to acts occurring outside France); Strömholm 2001 p. 289 (suggesting that infringements of moral rights depart from the principle of territoriality and be localised at the author's place of domicile).

⁹⁶⁶ See Xalabarder 2015 p. 176-177 (submitting that damage suffered by the victim of a moral rights infringement is very similar to a violation of personality rights and the grounds relied upon in eDate Advertising and others could justify extending the same solution to moral rights infringements).

ly identical to article 7(2) BR) for all damage to the author's moral rights because the author had his centre of interests in Sweden.⁹⁶⁷

It should be noted that the CJEU's interpretations of the damage head of jurisdiction above were made under article 5(3) of the old Brussels I Regulation, Regulation 44/2001. While the Recast did not make any changes to the text of article 5(3) (now 7(2) BR), it did add some new text in the explanatory recital. The original recital states:

In addition to the defendant's domicile, there should be alternative grounds of jurisdiction based on a close connection between the court and the action in order to facilitate the sound administration of justice.⁹⁶⁸

The new recital now continues:

The existence of a close connection should ensure legal certainty and avoid the possibility of the defendant being sued in a court of a Member State which he could not reasonably have foreseen. This is important, particularly in disputes concerning non-contractual obligations arising out of violations of privacy and rights relating to personality, including defamation.⁹⁶⁹

The additional language was added because there was concern that the expansive interpretation of the damage head of jurisdiction in *inter alia* the eDate Advertising and others cases could have a negative impact on freedom of expression.⁹⁷⁰ Freedom of expression concerns were somewhat assuaged in the eDate Advertising and others cases because the CJEU held that the country of origin principle in the E-Commerce Directive meant that a EU provider of an electronic commerce service could not be made subject to stricter requirements than those provided for by the substantive law applicable in the Member State in which that service provider is established.⁹⁷¹ Thus, even though a Member State court could exercise jurisdiction over a service provider established in another Member State based on the mere

⁹⁶⁷ NJA 2012 p. 483 (observing that moral rights as protected under sections 3 and 54 of the Swedish Copyright Act were closely connected to the author and aimed to protect the author from violations to her artistic reputation and were in that respect similar to personality rights). See also Maunsbach 2012 in particular p. 455 (observing that treating moral rights differently from economic rights for jurisdiction purposes may lead to the infringement case being litigated in different fora which may lead to unfortunate consequences).

⁹⁶⁸ Recital 12 Regulation 44/2001; Recital 16, first sentence Regulation 1215/2012.

⁹⁶⁹ Recital 16, second and third sentence Regulation 1215/2012.

⁹⁷⁰ Hess 2012 p. 96 (stating that the European publishers maintained that a wide application of the damage head of jurisdiction would harm the constitutional guarantee of the free press).

⁹⁷¹ Joined cases C-509/09 and C-161/10, eDate Advertising and others, para. 66, 68. See also article 3(2) Directive 2001/31/EC ("Member States may not, for reasons falling within the coordinated field, restrict the freedom to provide information society services from another Member State.").

accessibility of the provider's website in the forum Member State, it could not subject the service provider to rules of substantive law that were more restrictive than the rules in the service provider's Member State of origin. IP rights are explicitly exempted from the scope of the country of origin principle in the E-Commerce Directive.⁹⁷² Nevertheless, on the level of substantive IP law, there are strong indications that an individual will not be found to infringe an IP right on the basis of mere accessibility unless it has directed its activities to the Member State of protection.⁹⁷³ Thus, any concessions given to the plaintiff at the jurisdictional stage are offset on the level of substantive law. Of course, in order to benefit from a level playing field, the defendant will need to defend itself in a foreign Member State, which opens up possibilities for abuse. It remains to be seen whether this additional language in the recital will cause the CJEU to reconsider its liberal interpretation of the damage head of jurisdiction.

The CJEU's interpretation of the damage head of jurisdiction serves the broader aim of European integration. Attributing jurisdiction in the forum Member State that protects the IP right promotes legal certainty in that jurisdiction will always exist in that forum Member State without the need to look at the substance of the case, which facilitates the operation of the internal market. It is also possible that respect for Member State interests plays a role here as well, as this interpretation ensures the ability of each Member State to exercise jurisdiction over infringements of their own IP rights.⁹⁷⁴ The CJEU's liberal interpretation of damage to accord with essentially the Member State of registration or protection demonstrates that the EU's interest in the proper functioning of the internal market, by allowing the Member States to adjudicate disputes alleged to infringe IP rights protected within their own territories, carries more weight than the defendant's interest in avoiding being sued in a Member State in which it has had little or no contact.⁹⁷⁵ On the other hand, the principle of mutual trust means that the Mem-

⁹⁷² Annex Directive 2001/31/EC on Derogations from the country of origin principle ("As provided for in Article 3(3), Article 3(1) and (2) do not apply to: copyright, neighbouring rights, rights referred to in Directive 87/54/EEC(1) and Directive 96/9/EC(2) as well as industrial property rights, which include copyright and industrial property rights.")

⁹⁷³ See Case C-324/09, L'Oréal and others; Case C-173/11, Football Dataco and others.

⁹⁷⁴ See Hartley 2005 p. 814-815, 822 (stating that the CJEU's orientation toward public law gives more weight to state interests over party interests).

⁹⁷⁵ See Fentiman 2008:2 p. 2045 (maintaining that the EU's private international law rules do not aim to achieve optimal conflicts result, but that which best serves the EU's aim of European integration); Hartley 2005 p. 820 (outlining a difference between the EU and the UK approach to jurisdiction in that the "European Court puts the desirability of maintaining good relations among the Contracting States--not offending the Italians--above that of doing justice to the parties.").

ber States trust each other's legal systems and judicial institutions to protect the interests of other EU defendants.⁹⁷⁶

With respect to claims arising under a *European trademark*, the fact that the claim arises under the EUTM is in essence the connecting factor that attributes jurisdiction to the Member State EU trademark courts.⁹⁷⁷ There is no requirement that the defendant is domiciled in or has any connection to the EU. The connecting factor is the registration itself, which leads to the possibility of IP impairing effects in the EU. The EUTMR contains its own rules on international jurisdiction that allocate jurisdiction among the Member States. If the defendant is domiciled, or subsidiarily has an establishment, in the EU, the EU trademark court in that Member State has jurisdiction. If the defendant is neither domiciled nor has an establishment in the EU, the EU trademark court in the Member State where the plaintiff is domiciled, or subsidiarily has an establishment, has jurisdiction. If neither the plaintiff nor the defendant are domiciled or maintain an establishment in the EU, the EU trademark court in the Member State where the EU IP office is located has jurisdiction (e.g. Spain).⁹⁷⁸

As discussed above, the EUTMR contains a rule on special jurisdiction that allows a claim to be brought in a Member State where the act of infringement is committed or threatened, and whose jurisdiction is limited to acts committed or threatened in that Member State.⁹⁷⁹ Unlike the corresponding rule in article 7(2) BR, the CJEU has held that this provision refers only to the Member State where the act giving rise to the alleged infringement occurred or may occur, and not the Member State where that infringement produces its effects.⁹⁸⁰

The Coty Germany decision has been criticised because it is said to overlook the principle of territoriality of IP law in that the infringing act and the IP impairing effects necessarily occur in the same territory.⁹⁸¹ Kur submits that there is no reason to attribute jurisdiction under the Brussels I Regulation based on damage (e.g. IP impairing effect) when it comes to national Member States IP rights but to refuse to attribute such jurisdiction under the EUTMR when it comes to a EUTM.⁹⁸² A possible explanation is that because the EUTM is a unitary right protected throughout the EU and capable of being damaged throughout the EU, a close connection to any particular

⁹⁷⁶ See Case C-116/02, Gasser, para. 72; Case C-159/02, Turner, para. 28.

⁹⁷⁷ De Miguel Asensio 2014:2 p. 160; Maunsbach 2005 p. 266.

⁹⁷⁸ Article 97 Regulation 209/2009.

⁹⁷⁹ Article 97(5) Regulation 209/2009.

⁹⁸⁰ Case C-360/12, Coty Germany, para. 35.

⁹⁸¹ Kur 2015 p. 474.

⁹⁸² Kur 2015 p. 474-475.

Member State is arguably lacking.⁹⁸³ Unlike the situation when a national IP right is alleged infringed and the court applies its own national law, the Member State EUTM courts will not apply their own IP laws but the EUTMR, so that attributing jurisdiction for reason of the sound administration of justice is not as strong as with infringements of national Member State rights. Also, attributing jurisdiction to the Member State where the IP impairing effects arise bodes less well with the aim of foreseeability and avoidance of forum shopping because it would enable the holder of a EUTM to sue in any Member State (albeit only for damage arising in that state). While this is the case when it comes to national IP rights, a Member State does not have a particular interest in the protection of EUTM having an effect on its territory in the same way that it has a particular interest in the protection of its own national IP rights having IP impairing effects on its territory. In the case of unitary rights, there is not the same need to respect the individual Member States' jurisdiction in order to ensure mutual trust among the Member States, the free movement of judgments, and the maintenance of the internal market.

With respect to *European patents*, if the UPC Agreement comes into effect, third state defendants can be sued before the UPC pursuant to the damage head rule on jurisdiction in article 7(2) BR.⁹⁸⁴ As discussed above, when it comes to jurisdiction over infringements of trademarks, the CJEU has stated that the principle of territoriality leads to attributing jurisdiction under the damage head to the Member State where the trademark is registered.⁹⁸⁵ Hence, it would seem that jurisdiction would be established before the UPC if an infringement is alleged to occur in any Contracting Member State where a European patent is validated. It is in essence the validation itself that creates the link to the Member State. However, some local damage is usually easy to establish assuming that like copyright, an additional requirement is that the plaintiff allege damage in the territory of the forum Contracting Member State.⁹⁸⁶

⁹⁸³ See Advocate General Jääskinen's opinion in Case C-360/12, *Coty Germany*, para. 40 ("where a Community trade mark is infringed, each Member State could in practice be considered to be the place where the infringement occurred, since the protected right produces its effects across the entire territory of the European Union.").

⁹⁸⁴ Article 1 Regulation 542/2014 (amending Regulation 1215/2012 to add article 71b (2)). See also Brinkhof & Ohly 2014 p. 211.

⁹⁸⁵ Case C-523/10, *Wintersteiger*, para. 25 ("the protection afforded by the registration of a national mark is, in principle, limited to the territory of the Member State in which it is registered, so that, in general, its proprietor cannot rely on that protection outside the territory.").

⁹⁸⁶ See Torremans 2014:1 p. 414 ("Territorial patents are ideally suited to locate some damage in the jurisdiction and it is relatively easy to blame for example a foreign (parent) company for it. One may not succeed in substantive law, but harassing defendants by obliging them to defend the case becomes relatively easy.").

Moreover, as discussed above, the CJEU seems to have interpreted the damage head of jurisdiction with respect to registered trademark differently than it has with unregistered rights (copyright and personality rights). With respect to the latter, the CJEU's case law informs that the scope of the forum Member State court's jurisdiction based on damage is limited to damage arising in the territory of the Member State. When it comes to the scope of the forum Member State court's jurisdiction based on a registered trademark, the CJEU stated that the courts in the Member State where the national trademark is registered have jurisdiction with respect to all damage caused by its infringement.⁹⁸⁷ While it is not clear whether the CJEU intended to make a distinction between registered trademarks and non-registered rights, if it did, in light of the fact that patents are registered rights, it would seem that article 7(2) BR would provide the UPC with jurisdiction over all damage arising as a result of an infringement of a European patent validated within the territory of a Contracting Member States, including arguably damage arising outside the territory as a result of the domestic infringement.

In addition, the amendment to the Recast adds a supplemental rule in relation to third state defendants that arguably provides a basis for jurisdiction over damage arising as a result of infringements of European patents even outside of the EU.⁹⁸⁸ The supplemental rule states:

where a common court has jurisdiction over a defendant under point 2 in a dispute relating to an infringement of a European patent giving rise to damage within the Union, that court may also exercise jurisdiction in relation to damage arising outside the Union from such an infringement.

Such jurisdiction may only be established if property belonging to the defendant is located in any Member State party to the instrument establishing the common court and the dispute has a sufficient connection with any such Member State.⁹⁸⁹

The Commission proposal explained that the reason for the supplemental rule was to “ensure that the Court would have jurisdiction vis-à-vis a Turkish defendant infringing a European patent covering several Member States and Turkey.”⁹⁹⁰ As discussed above, if a third state defendant commits a harmful

⁹⁸⁷ Case C-523/10, *Wintersteiger*, para. 28 (“Those courts have the power to determine all the damage allegedly caused to the proprietor of the protected right because of an infringement of it and to hear an application seeking cessation of all infringements of that right.”).

⁹⁸⁸ Véron 2015 p. 594-596; De Miguel Asensio 2014:2 p. 163; Torremans 2014:1 p. 419.

⁹⁸⁹ Article 1 Regulation 542/2014 (amending Regulation 1215/2012 to add article 71b (3)).

⁹⁹⁰ COM (2013) 554 final p. 6-7 (“In addition, the new proposal in Art. 71b, paragraph 3 establishes one additional forum for disputes involving defendants domiciled outside the EU. The proposal provides that a non-EU defendant can be sued at the place where moveable assets belonging to him are located provided their value is not insignificant compared to the

act in a Contracting Member State that leads to an infringement of a European patent in Turkey, the UPC would have jurisdiction under the harmful act head of jurisdiction without the need for the supplemental rule.⁹⁹¹ The purpose of the rule seems to be to ensure that if the UPC has jurisdiction based on the damage head of jurisdiction under article 7(2) (e.g. because of an alleged infringement of a European patent validated in the territory of a Contracting Member State), the UPC would also have jurisdiction over infringements of European patents validated in non-EU Member States, e.g. Turkey.

Assume that a U.S. company offers digital communication services to Sweden and Turkey from its U.S. office that allegedly infringe the European parts of the Swedish and Turkish patents held by a Swedish right holder. As the right holder alleges the infringement of a European patent validated in Sweden, the UPC will have jurisdiction under the damage head of article 7(2). Its jurisdiction is limited to damage arising as a result of the infringement of the Swedish part of the European patent and any other parts of the European patent validated in Contracting Member States. However, the supplemental rule on jurisdiction may provide a possibility for the UPC to exercise jurisdiction over the claim for the infringement of the Turkish part of the European patent if the other criteria of the supplemental rule are fulfilled (i.e. assets and close connection). The fact that the claimant is Swedish and the similarity of the evidence relevant for both infringement claims may fulfil the requirement of a close connection.⁹⁹² From the perspective of access to justice for EU claimants, the sound administration of justice, and the

value of the claim and that the dispute has a sufficient connection with the Member State of the court seised. The forum of the location of assets balances the absence of the defendant in the Union. Such a rule currently exists in a sizeable group of Member States and has the advantage of ensuring that a judgment can be enforced in the State where it was issued. It is a rule which fits better in the general philosophy of the Brussels I Regulation (recast) than other rules of subsidiary jurisdiction such as those provided for in the Trademark and Design Regulations mentioned above which allow proceedings against third State defendants to be brought, in particular, before the courts of the Member State where the plaintiff is domiciled (forum actoris). An asset-based forum may ensure the jurisdiction of the Unified Patent Court and the Benelux Court of Justice in situations where the Regulation's extended jurisdiction rules would not provide for jurisdiction and where such jurisdiction may be appropriate. For instance, with respect to the Unified Patent Court, the asset-based jurisdiction would ensure that the Court would have jurisdiction vis-à-vis a Turkish defendant infringing a European patent covering several Member States and Turkey.”).

⁹⁹¹ De Miguel Asensio 2014:2 p. 163.

⁹⁹² Recital 7 Regulation 542/2014 (stating that the domicile of the claimant and the availability of evidence are relevant factors in determining close connection).

efficient conduct of proceedings, it makes sense to allow the UPC to deal with both infringements.⁹⁹³

However, if the situation is changed, and the U.S defendant is a Turkish defendant acting from Turkey, the application of the supplemental rule becomes more controversial.⁹⁹⁴ The dispute still has the same connection to Sweden, it is only that the connection to Turkey is much stronger. Unlike the other rules on jurisdiction in the Recast, the supplemental rule appears to be optional rather than mandatory so the UPC may be able to make a determination taking into account all the factors of the case.⁹⁹⁵

The supplemental rule is applicable only for defendants “not domiciled in a Member State”.⁹⁹⁶ In addition, as the supplemental rule refers to “damage arising outside the Union”, it would seem like damage arising in a non-Contracting Member State e.g. Spain would be outside the scope of the rule.⁹⁹⁷

Turning to the *national rules in the EU Member States*, article 7(2) BR is not applicable in relation to third state defendants. In such cases, the Member States courts apply their national rules on jurisdiction. Some Member States have specific statutory rules on jurisdiction that establish that their courts have jurisdiction to hear actions concerning the infringement or non-infringement of domestic IP rights on the domestic territory.⁹⁹⁸ Another pos-

⁹⁹³ Torremans 2014:1 p. 419 (“In such a case damage inside the EU may be coupled with damage outside the EU in a third state. It may make sense for the common court to deal also with that latter damage and to avoid the need for there to be additional litigation in the third state. Article 7(2) Brussels I Regulation, even if applied without the domicile requirement as a result of paragraph 2, may not have covered damage in a third state and paragraph 3 serves a useful purpose on this point.”).

⁹⁹⁴ See De Miguel Asensio 2014:2 p. 163-164 (submitting that the supplemental rule is controversial).

⁹⁹⁵ See article 71b (3) Regulation 542/2014 (using the word “may” in contrast to “shall” as in other paragraphs). Véron 2015 p. 595.

⁹⁹⁶ See article 71b (3) Regulation 542/2014.

⁹⁹⁷ See article 71b (3) Regulation 542/2014.

⁹⁹⁸ See e.g. article 86 Belgium Code of Private International Law, 16 July 2004 (“In addition to the cases provided for in the general provisions of the present statute, the Belgian courts have jurisdiction to hear actions regarding the protection of intellectual property rights, if the action relates to a protection limited to the Belgian territory.”); article 13 Bulgarian Private International Law Code (“Jurisdiction in Matters Relating to Intellectual Property Rights: (1) The Bulgarian courts shall have jurisdiction over actions on copyrights and neighbouring rights, where protection is sought within the territory of the Republic of Bulgaria. (2) The Bulgarian courts shall have exclusive jurisdiction over actions on items of industrial property, where the patent has been issued or the registration has been effected in the Republic of Bulgaria.”); section 162(1) Austrian Patent Act 1970 (as amended in 1984) (“The Commercial Court of Vienna shall have exclusive jurisdiction for actions and injunctions under this Feder-

sible basis for jurisdiction may be the national rule on *forum rei sitae* that would allow the dispute to be brought in the Member State where the right is protected.⁹⁹⁹ In most Member States, jurisdiction over infringement actions against third state defendants is based on the tort jurisdiction rule. In some Member States, jurisdiction against third state defendants is expressly provided at the place where the damage arises.¹⁰⁰⁰ In other Member States, the rule on tort jurisdiction in relation to third state defendants is interpreted to encompass the place where the damage arises.¹⁰⁰¹ Many Member States' national rules on tort jurisdiction are influenced by the CJEU case law on jurisdiction.¹⁰⁰²

It remains to be seen whether the Member States' national rules will be influenced by the CJEU's broad interpretation of the damage under the Brussels I Regulation, especially in light of the fact that the Member State courts had applied different solutions before the CJEU holdings, many of which required some further connection to the forum state apart from the mere allegation of an infringement in the state.¹⁰⁰³ The French Cour de Cassation may have been influenced by the CJEU's case law on "mere accessibility." In one case, the right holders of the copyright in the iconic photograph of Che Guevara sued a U.S. company alleging that the sale of t-shirts reproducing the famous photo on the U.S. company's website infringed its rights.¹⁰⁰⁴ The right holders alleged that the French courts had jurisdiction pursuant to Article 46 of the French Code of Civil Procedure, which allows jurisdiction at the place of damage.¹⁰⁰⁵ The U.S. company objected to French jurisdiction

al Law. . ."). The Swedish Supreme Court recently judicially created a basis of Swedish jurisdiction over third state defendants alleged to infringe Swedish trademarks. See NJA 2015 p. 798 ("It follows from the territorial limitation on trademarks that there is an interest in Swedish jurisdiction when protection is claimed under a Swedish trademark. Swedish courts are therefore competent to hear an infringement action arising under the Swedish Trademark Act.") (Author's translation).

⁹⁹⁹ NJA 2006 p. 354 (*Alligator v Maxygen*) (holding that a U.S. owner of a Swedish patent could be sued in Sweden for a declaration that a Swedish patent was not infringed under the *forum rei sitae* rule). See Chapter 10:3, first para., second sentence of the Swedish Judicial Code provides that with respect to disputes involving movable property, a person with no known residence in Sweden may be sued at the location of the property.

¹⁰⁰⁰ Study on Residual Jurisdiction 2007 p. 33.

¹⁰⁰¹ Study on Residual Jurisdiction 2007 p. 33.

¹⁰⁰² Study on Residual Jurisdiction 2007 p. 34.

¹⁰⁰³ See Ubertazzi 2012:2 p. 231 ("In the absence of an ECJ judgment on this problem, EU Member States adopt different solutions in relation to the IPRs infringement on the Internet."); Fawcett & Torremans 2011p. 554-560 (discussing various approaches in Germany, France, Scotland, and England).

¹⁰⁰⁴ *Legende Global, Diana D. v Onion* (No. 11-26822), French Supreme Court, Civil 1st ch 1, 22 January 2014.

¹⁰⁰⁵ See Article 46 of the French Code of Civil Procedure, which states: "The plaintiff may bring his case, at his choosing, besides the court of the place where the defendant lives, be-

because it did not direct its activities toward the French market. Indeed, the website was in English, the prices were listed in U.S. dollars, and the only evidence of a sale to France was a purchase by the right holders themselves. The Tribunal de Grande Instance de Paris held that the French courts did not have jurisdiction because there was no significant link to France, and the French Court of Appeal sustained this ruling. The French Supreme Court reversed and held that the accessibility of a website in France was sufficient to establish jurisdiction in relation to a third state defendant under the French national rules.

In other respects, the CJEU has interpreted the damage head of jurisdiction of the Brussels I Regulation restrictively in that jurisdiction is limited to the damage arising within the Member State's territory and does not encompass indirect financial damage. These restrictions have also been incorporated into some Member States' national rules.¹⁰⁰⁶ It is far from certain however that Member States will follow suit as the proper administration of justice and the efficient conduct of proceedings plays out differently in relation to third state defendants. For example, assume that a claim for damages is brought against a third state defendant who is alleged to commit a harmful act in another Member State or a third state that infringes an IP right protected in the forum Member State and also a parallel Member State or third state's IP right. Under some Member States' national rules, it is possible that the Member State court has jurisdiction over the parallel Member State or third state claim against the third state defendant.¹⁰⁰⁷ It should be observed that the principle of mutual trust between the Member States courts does not operate here when the defendant is domiciled in a third state, and there is no such principle in relation to the third state courts competing for jurisdiction. The plaintiff cannot be assured that the other Member State courts or third state courts will protect their interests, which may weigh in favour of jurisdiction in particular if the plaintiff is a national or resident of the forum

fore: [...] in tort matters, the court of the place of the event causing liability or the one in whose district the damage was suffered.”

¹⁰⁰⁶ Study on Residual Jurisdiction 2007 p. 34 (stating that the French and German rules on damage jurisdiction were influenced by the CJEU's ruling in *Marinari* so that jurisdiction is established only at the place where the direct and immediate damage arises, and not where the victim suffers indirect financial damage) & (stating that in Belgium, jurisdiction at the place of damage is limited to damage arising in Belgium); Maunsbach 2005 p. 243 (stating that it is likely that the Swedish court will interpret the corresponding rule on damage in Chapter 10:8 of the Swedish Code of Judicial Procedure consistently with the Brussels I Regulation so that damage is limited to direct damage arising in Sweden).

¹⁰⁰⁷ See *Petz* 2012 p. 268-69 (stating that under the Austrian national rules, an Austrian court has jurisdiction over a third state defendant whose foreign website with infringing works is accessible in Austria (and not directed to another state), and the Austrian court would have jurisdiction over the entire damage resulting from the ubiquitous infringement).

Member State. A third state defendant's interest in predictability and convenience are not given the same weight as EU defendants.

Third state defendants do not benefit from certain mechanisms in the Brussels I Regulation that protect the rights of EU defendants, such as requiring the Member State court to verify jurisdiction where a defendant does not enter an appearance and to stay the proceedings so long as it is not shown that the defendant who fails to appear has been able to receive the document instituting the proceedings.¹⁰⁰⁸ On the other hand, because there is no mutual trust between an EU Member State and a third state, third states are under no obligation to enforce the judgment. The judgment can be enforced however in any of the EU Member States and Lugano Contracting States in which the third state defendant has assets.¹⁰⁰⁹

In the *United States*, in order for a court to exercise specific jurisdiction over a non-resident U.S. or foreign defendant, there must be a statutory basis of jurisdiction and the jurisdiction must comport with Due Process. A non-resident defendant does not need to carry out any tangible activities in the forum state for the exercise of specific jurisdiction to satisfy Due Process. However, a forum state's exercise of jurisdiction over a non-resident defendant "must be based on intentional conduct by the defendant that creates the necessary contacts with the forum."¹⁰¹⁰ The defendant's non-forum contact must "connect[] him to the forum in a meaningful way."¹⁰¹¹ Jurisdiction may not be based solely on damage or effects in the forum state arising there due to the unilateral actions of the plaintiff or a third party.¹⁰¹² The requirement

¹⁰⁰⁸ See article 28(1-2) Regulation 1215/2012 (requiring the Member State court to verify jurisdiction where a defendant does not enter an appearance and to stay the proceedings so long as it is not shown that the defendant who fails to appear has been able to receive the document instituting the proceedings). See also Case C-514/10, *Wolf Naturprodukte*, para. 29 (stating that the Brussels I Regulation "contains certain mechanisms which protect the defendant's rights during the original proceedings in the State of origin, but they apply only if the defendant is domiciled in a Member State of the Union.").

¹⁰⁰⁹ The EU market attracts U.S. capital investment, and in many significant cases, U.S. defendants will have sufficient assets within the EU to satisfy judgments rendered against them. See U.S. Trade Barriers Report 2016 p. 139 (observing that U.S. foreign direct investment in the E.U. was \$2.5 trillion in 2014, which was a 4.7 percent increase from 2013.).

¹⁰¹⁰ *Walden v Fiore*, 134 S.Ct. 1115, 1123 (2014).

¹⁰¹¹ *Walden v Fiore*, 134 S.Ct. 1115, 1125 (2014).

¹⁰¹² *World-Wide Volkswagen Corp. v Woodson*, 444 U.S. 286 (1980) (In a products liability action against a U.S. non-resident car distributor that sold cars to retailers in New York, New Jersey, and Connecticut and its New York retailer, the Supreme Court found that jurisdiction did not lie in Oklahoma, the state where one of the defendants' cars allegedly injured the plaintiff after being driven there by the plaintiff from New York after its purchase from the NY retailer). See e.g. *Celgard, LLC v SK Innovation Co., LTD*, 792 F.3d 1373 (Fed. Cir. 2015) (stating that the unilateral advertising of the third parties of the defendant's allegedly

of a meaningful connection can be analysed under the traditional purposeful availment test.¹⁰¹³ The Court has also formulated a purposeful direction test where the defendant's "intentional, and allegedly tortious, actions" carried out outside the forum state "were expressly aimed" at the forum state.¹⁰¹⁴ Apart from these broad formulations, the Court has been unable to more clearly articulate under what circumstances a defendant whose actions outside the forum state cause effects in the forum state may be subject to jurisdiction there.

This question has arisen twice before the Court in the context of products liability actions, and both times the Court was divided. In *Asahi Metal Industry Co. v Superior Court*, a Japanese manufacturer of valves used in motorcycle wheels was sued in California after a valve it manufactured allegedly failed causing an accident in California. The injured driver sued the Taiwanese tire manufacturer, which in turn filed a third-party complaint seeking indemnification from Asahi, who had sold it the valve. Asahi objected to the California court's jurisdiction because it did not make any sales to California or to the U.S., but sold the valves to various tire manufacturers in Taiwan. Asahi was aware of the fact however that some of its valves ended up in tires in California. Four justices opined that Asahi did not have minimum contacts with California because it did not direct its marketing and sales efforts toward the forum state.¹⁰¹⁵ In contrast, four other justices opined that Asahi had minimum contacts with California because it placed its valves into the "stream of commerce" with the knowledge that they would be sold in the forum state thereby indirectly benefitting from the laws and protection of the forum state.¹⁰¹⁶ A final justice did not think that the Court needed to address

infringing product does not support the exercise of jurisdiction over foreign defendant in North Carolina).

¹⁰¹³ *Hanson v Denckla*, 357 U.S. 235, 252 (1958) (There must be "some act by which the defendant purposefully avails itself of the privilege of conducting activities within the forum State, thus invoking the benefits and protections of its laws.").

¹⁰¹⁴ *Calder v Jones*, 465 U.S. 783, 789 (1984) (finding jurisdiction in California constitutional when defendant's "intentional, and allegedly tortious, actions" although carried out in Florida "were expressly aimed at California."). See also *Walden v Fiore*, 134 S.Ct. 1115, 1122 (2014) (stating that the Court has "upheld the assertion of jurisdiction over defendants who have purposefully 'reach[ed] out beyond' their State").

¹⁰¹⁵ *Asahi Metal Industry Co. v Superior Court*, 480 U.S. 102, 112 (1987) (O'Connor opinion) ("The placement of a product into the stream of commerce, without more, is not an act of the defendant purposefully directed toward the forum State. Additional conduct of the defendant may indicate an intent or purpose to serve the market in the forum State, for example, designing the product for the market in the forum State, advertising in the forum State, establishing channels for providing regular advice to customers in the forum State, or marketing the product through a distributor who has agreed to serve as the sales agent in the forum State.").

¹⁰¹⁶ *Asahi Metal Industry Co. v Superior Court*, 480 U.S. 102, 117 (1987) (Brennan opinion) ("The stream of commerce refers not to unpredictable currents or eddies, but to the regular and anticipated flow of products from manufacture to distribution to retail sale. As long as a

the issue, but indicated a middle ground by which minimum contacts would depend on the volume, the value, and the hazardous character of the components placed into the stream of commerce.¹⁰¹⁷

This issue was raised again more recently in *J. McIntyre Machinery, Ltd.*, where a UK defendant was sued for product liability in New Jersey after a machine it manufactured injured the plaintiff there. The UK defendant did not directly sell any products in New Jersey or the U.S. but enlisted an independent U.S. distributor to do so. The independent U.S. distributor sold one machine in New Jersey, which injured the plaintiff. Four justices opined that the UK defendant did not have minimum contacts with New Jersey because the defendant had not targeted New Jersey.¹⁰¹⁸ They viewed jurisdiction in terms of sovereignty: “The principal inquiry in cases of this sort is whether the defendant’s activities manifest an intention to submit to the power of a sovereign.”¹⁰¹⁹ Two other justices concurred in the judgment because it was not sufficient for minimum contacts that the UK defendant knew that its distributor might sell its products in New Jersey.¹⁰²⁰ Nor was “a single isolated sale” made through its U.S. distributor sufficient.¹⁰²¹ These justices saw no need to articulate a new rule, and expressed disagreement with the plurality’s strict targeting rule.¹⁰²² In their view, Due Process is primarily a question of fairness, not sovereignty, and cannot be assessed by a simple

participant in this process is aware that the final product is being marketed in the forum State, the possibility of a lawsuit there cannot come as a surprise. Nor will the litigation present a burden for which there is no corresponding benefit. A defendant who has placed goods in the stream of commerce benefits economically from the retail sale of the final product in the forum State, and indirectly benefits from the State’s laws that regulate and facilitate commercial activity. These benefits accrue regardless of whether that participant directly conducts business in the forum State, or engages in additional conduct directed toward that State.”)

¹⁰¹⁷ *Asahi Metal Industry Co. v Superior Court*, 480 U.S. 102, 122 (1987) (Stevens opinion).

¹⁰¹⁸ *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873, 882 (2011) (Kennedy opinion) (“The defendant’s transmission of goods permits the exercise of jurisdiction only where the defendant can be said to have targeted the forum; as a general rule, it is not enough that the defendant might have predicted that its goods will reach the forum State.”).

¹⁰¹⁹ *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Kennedy opinion) (“The question is whether a defendant has followed a course of conduct directed at the society or economy existing within the jurisdiction of a given sovereign, so that the sovereign has the power to subject the defendant to judgment concerning that conduct.”).

¹⁰²⁰ *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873, 890 (2011) (Breyer opinion) (“I am not persuaded by the absolute approach . . . [whereby] a producer is subject to jurisdiction for a products-liability action so long as it ‘knows or reasonably should know that its products are distributed through a nationwide distribution system that might lead to those products being sold in any of the fifty states.’”).

¹⁰²¹ *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873, 888 (2011) (Breyer opinion) (“None of our precedents finds that a single isolated sale, even if accompanied by the kind of sales effort indicated here, is sufficient.”).

¹⁰²² *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873, 890 (2011) (Breyer opinion) (stating “I do not agree with the plurality’s seemingly strict no-jurisdiction rule . . .”).

rule.¹⁰²³ Moreover, in their view, the fact that the defendant was foreign weighed against the fairness of the exercise of jurisdiction.¹⁰²⁴ In contrast, the dissent found that minimum contacts were satisfied. While the dissent also viewed Due Process in terms of fairness and reasonableness and not sovereignty, it was clear in their view that New Jersey could exercise jurisdiction.¹⁰²⁵ They took issue with the fact that the plurality analysed the defendant's contacts with New Jersey as opposed to the U.S. as a whole. In the absence of a binding Supreme Court precedent, some Courts of Appeals have followed the less restrictive stream of commerce approach, others have adopted a "something more" approach, and others have declined to take a position.¹⁰²⁶ The situation is unchanged after *J. McIntyre* as the Court again failed to produce a majority opinion.¹⁰²⁷

¹⁰²³ *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Breyer opinion) ("What might appear fair in the case of a large manufacturer which specifically seeks, or expects, an equal-sized distributor to sell its product in a distant State might seem unfair in the case of a small manufacturer (say, an Appalachian potter) who sells his product (cups and saucers) exclusively to a large distributor, who resells a single item (a coffee mug) to a buyer from a distant State (Hawaii).").

¹⁰²⁴ *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Breyer opinion) ("It may be fundamentally unfair to require a small Egyptian shirt maker, a Brazilian manufacturing cooperative, or a Kenyan coffee farmer, selling its products through international distributors, to respond to products-liability tort suits in virtually every State in the United States, even those in respect to which the foreign firm has no connection at all but the sale of a single (allegedly defective) good.").

¹⁰²⁵ *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Ginsburg dissenting) ("Is it not fair and reasonable, given the mode of trading of which this case is an example, to require the international seller to defend at the place its products cause injury? Do not litigational convenience and choice-of-law considerations point in that direction? On what measure of reason and fairness can it be considered undue to require McIntyre UK to defend in New Jersey as an incident of its efforts to develop a market for its industrial machines anywhere and everywhere in the United States? Is not the burden on McIntyre UK to defend in New Jersey fair, i.e., a reasonable cost of transacting business internationally, in comparison to the burden on Nicastro to go to Nottingham, England to gain recompense for an injury he sustained using McIntyre's product at his workplace in Saddle Brook, New Jersey?").

¹⁰²⁶ Compare *Luv N' Care, Ltd. v Insta-Mix, Inc.*, 438 F.3d 465 (5th Cir. 2006) (following stream of commerce approach) with *Bridgeport Music, Inc. v Still N the Water Publishing*, 327 F.3d 472 (6th Cir. 2003) (following stream of commerce plus approach) with *FTH-TG, LLC v Nuvoton Technology Corp.*, 689 F.3d 1358 (Fed. Cir. 2012) (declining to take position).

¹⁰²⁷ *Ainsworth v Moffett Engineering, Ltd.*, 716 F.3d 174 (5th Cir. 2013) (interpreting *J. McIntyre Machinery* as not requiring the 5th Circuit to abandon its stream of commerce theory because it was consistent with Justice Breyer's opinion, which was the narrowest ground for finding no jurisdiction over defendant); *AFTG-TG, LLC v Nuvoton Technology Corp.*, 689 F.3d 1358 (Fed. Cir. 2012) (stating that "because McIntyre did not produce a majority opinion, we must follow the narrowest holding among the plurality opinions" which was Breyer's opinion and that the "law remains the same after McIntyre.").

The same type of analysis is made when a foreign manufacturer releases a product into the stream of commerce that subsequently enters the U.S. and is alleged to infringe a U.S. patent, trademark or copyright. In these cases, the courts have generally found Due Process to be satisfied when the infringing products were available in the forum state after having been sold through an established distribution channel, and not satisfied when the defendant could not have reasonably known that its products were available in the forum state.¹⁰²⁸ There has not yet been a borderline case where the exercise of jurisdiction depended upon a choice between the targeting and stream of commerce tests. In a federal IP case where jurisdiction is based on the federal long arm statute, Due Process is easier to satisfy than in a product liability case as the defendant's U.S. contacts are considered together.

The Court has also formulated a purposeful direction test to delineate under what circumstances a defendant is subject to jurisdiction when its actions outside the forum state cause effects in the forum state. This test has its origin in a defamation action filed by the actress, Shirley Jones, against the author and editor of an allegedly defamatory article written and edited by the defendants in Florida, and distributed by the defendants' employer publisher *inter alia* in California where Ms. Jones lived and worked. There was no question that the publisher was subject to jurisdiction in California as it had distributed copies of the articles there but the author and editor did not have any relevant tangible contacts with California. In upholding the California

¹⁰²⁸ Celgard, LLC v SK Innovation Co., LTD, 792 F.3d 1373 (Fed. Cir. 2015) (holding that Due Process was not satisfied in patent infringement case where there was no evidence that defendant's products actually entered the forum state and no evidence that the foreign defendant was even aware that the infringing product was being marketed in the forum state); Communications, Inc. v Abby Software House, 626 F.3d 1222 (Fed. Cir. 2010) (holding that Due Process was satisfied in a patent infringement case where the foreign defendant licensed infringing products to its U.S. sister corporation in the forum state with expectation that they would be sold there and substantial revenues were made from forum sales); Beverly Hills Fan Co. v Royal Sovereign Corp., 21 F.3d 1558 (Fed. Cir. 1994) (holding that Due Process was satisfied in a patent infringement case where a Chinese defendant sold the allegedly infringing product in the forum state through an established distribution channel, and at least 54 of these products were available for sale in the forum state); Max Daetwyler Corp v Meyer, 762 F.2d 290, 295 (3rd Cir. 1985) (holding that Due Process was not satisfied in patent infringement case when the foreign defendant's own U.S. distributor had never sold any products in the forum state and independent distributor had sold only three); Stabilisierungsfonds Fur Wein v Kaiser Stuhl Wine Distributors, 647 F.2d 200, 203 (D.C. Cir. 1981) (holding that the foreign defendant was "transacting business" as required under the long arm statute because the defendant had an exclusive U.S. importer for the East Coast that encompassed the forum state, defendant "never attempted to curtail [the importer's] authority to distribute in the forum, and the importer had sold infringing products to a forum retailer on several occasions.); Honeywell, Inc. v Metz Apparatewerke, 509 F.2d 1137 (7th Cir. 1975) (holding that Due Process was satisfied in patent infringement case, where foreign defendant sold products in forum state through its exclusive U.S. distributor).

state court's jurisdiction over the Florida defendants, the Supreme Court held that minimum contacts were established in California "based on the "effects" of [the defendants'] Florida conduct in California."¹⁰²⁹ The Court found that jurisdiction was proper because the defendants had committed an intentional act, expressly aimed at the forum state, the brunt of which was suffered and which the defendants knew was likely to be suffered in the forum state.¹⁰³⁰

It was not completely clear however whether the injury was localised in California because Ms. Jones' reputation was centred there since she lived and worked there, or because most of the newspapers were distributed there where they were widely read.¹⁰³¹ The Court seemed to place the most emphasis on the fact that California was where the plaintiff's reputation was centred.¹⁰³² In a more recent case however the Court reinterpreted its Jones holding, explaining that the damage arose in California where the newspaper was extensively circulated because in a libel action the damage arises where the libellous material is communicated to third parties.¹⁰³³

¹⁰²⁹ *Calder v Jones*, 465 U.S. 783, 789 (1984).

¹⁰³⁰ *Calder v Jones*, 465 U.S. 783, 789-790 (1984) ("their intentional, and allegedly tortious, actions were expressly aimed at California. Petitioner South wrote and petitioner Calder edited an article that they knew would have a potentially devastating impact upon respondent. And they knew that the brunt of that injury would be felt by respondent in the State in which she lives and works and in which the National Enquirer [newspaper] has its largest circulation."). See e.g. *Rano v Sipa Press, Inc.*, 987 F.2d 580 (9th Cir. 1993) (California did not have jurisdiction over foreign defendant that caused and profited from third party grant of licences of plaintiff's photographs to magazines that he knew would be distributed in *inter alia* California because this would render foreign defendants amenable to jurisdiction in every state where the work was distributed and because the plaintiff author's resettlement in California was fortuitous and could not have been foreseen by defendant).

¹⁰³¹ *Calder v Jones*, 465 U.S. 783, 784 (1984) (stating that the forum state was the state "in which [the plaintiff] lives and works and in which the National Enquirer has its largest circulation.").

¹⁰³² *Calder v Jones*, 465 U.S. 783,788-789 (1984) ("The plaintiff's lack of "contacts" will not defeat otherwise proper jurisdiction, [citation omitted] but they may be so manifold as to permit jurisdiction when it would not exist in their absence. Here, the plaintiff is the focus of the activities of the defendants out of which the suit arises. [citation omitted] The allegedly libelous story concerned the California activities of a California resident. It impugned the professionalism of an entertainer whose television career was centered in California. The article was drawn from California sources, and the brunt of the harm, in terms both of respondent's emotional distress and the injury to her professional reputation, was suffered in California. In sum, California is the focal point both of the story and of the harm suffered."). See also *Trammell & Bambauer* 2015 p. 1140 (stating that the critical factor was that Jones' reputation was centred in the forum state).

¹⁰³³ *Walden v Fiore*, 134 S.Ct. 1115, 1123-1124 (2014) ("The crux of *Calder* was that the reputation-based "effects" of the alleged libel connected the defendants to California, not just to the plaintiff. The strength of that connection was largely a function of the nature of the libel tort. However scandalous a newspaper article might be, it can lead to a loss of reputation only if communicated to (and read and understood by) third persons. [citation omitted] According-

When it comes to localising damage arising in patent infringement cases, the Federal Circuit has clearly established that the damage arises at the place where the infringing sales are made and not at the residence or principle place of business of the patent holder.¹⁰³⁴ When it comes to copyright and trademark infringement cases, some courts have localised the damage in the state where the right holder has its residence or principal place of business.¹⁰³⁵ It should be noted that in these cases, the right holder's residence or principal place of business and the trademark or copyright alleged infringed were both localised in the U.S., and it was merely a question of which U.S. state had jurisdiction. These cases should not be interpreted to suggest that damage can be localised at the right holder's U.S. principal place of business if the copyright or trademark infringement takes place solely outside of the

ly, the reputational injury caused by the defendants' story would not have occurred but for the fact that the defendants wrote an article for publication in California that was read by a large number of California citizens. Indeed, because publication to third persons is a necessary element of libel, [citation omitted], the defendants' intentional tort actually occurred in California. [citation omitted] In this way, the "effects" caused by the defendants' article—i.e., the injury to the plaintiff's reputation in the estimation of the California public—connected the defendants' conduct to California, not just to a plaintiff who lived there. That connection, combined with the various facts that gave the article a California focus, sufficed to authorize the California court's exercise of jurisdiction.”)

¹⁰³⁴ *Trintec Industries, Inc. v Pedre Promotional Products, Inc.*, 395 F.3d 1275 (Fed. Cir. 2005) (stating that “in patent litigation the injury occurs at the place where the infringing activity directly impacts on the interests of the patentee”, which is where the infringing products are sold); *North American Philips Corp. v American Vending Sales, Inc.*, 35 F.3d 1576 (Fed. Cir. 1994) (“patent infringement occurs where allegedly infringing sales are made” and not at the domicile of the patentee); *Beverly Hills Fan Co. v Royal Sovereign Corp.*, 21 F.3d 1558, 1571 (Fed. Cir. 1994) (stating that an “analysis of long-arm jurisdiction has its focus on the conduct of the defendant. Plaintiff's contacts with the forum—such as where the plaintiff resides—as a general proposition are not considered a determinative consideration”).

¹⁰³⁵ See *Brayton Purcell LLP v Recordan & Recordan*, 606 F.3d 1124, 1129 (9th Cir. 2010) (finding purposeful direction satisfied because by copying content on plaintiff's website, defendant individually targeted the author of the content); *Panavision Int'l, L.P. v Toeppen*, 141 F.3d 1316 (9th Cir. 1998) (effect of cybersquatting on trademark felt at right holder's principle place of business); *Licciardello v Lovelady*, 544 F.3d 1280 (11th Cir. 2008) (effects of trademark infringement suffered in right holder's state of residence); *Janmark, Inc. v Reidy*, 132 F.3d 1200 (7th Cir. 1997) (in declaration for non-infringement of copyright, damage localised at alleged infringer's principle place of business); *MCA Records Inc. v Charley Records Ltd.*, 108 F.3d 338 (9th Cir. 1997) (holding that brunt of the injury is localised where the trademark owner resides); *Washington Shoe Co. v A-Z Sporting Goods Inc.*, 704 F.3d 668 (9th Cir. 2012) (basing jurisdiction on effects of copyright infringement felt at right holder's principle place of business but acknowledging that it was also felt in state where infringement takes place); *Mavrix Photo, Inc. v Brand Technologos, Inc.*, 647 F.3d 1218 (9th Cir. 2011) (effects of copyright infringement felt in state where infringement takes place but acknowledging that effects were also felt in state of right holder's principle place of business).

U.S.¹⁰³⁶ Moreover, localising harm exclusively at the right holder's principal place of business would mean that a foreign right holder would be unable to sue a non-resident foreign defendant in the U.S. even though the copyright was infringed there.¹⁰³⁷

Since the Court's reinterpretation of the Jones case, it is questionable whether localisation in the right holder's U.S. state of residence or principal place of business is proper even if the infringement is alleged to take place in the U.S.¹⁰³⁸ As noted, the Court reinterpreted Jones to mean that reputational injury was localised where the libellous material was circulated to third parties and not where the defamed's reputation was centred. In a similar way, while a right holder whose copyright is infringed feels the impact of the damage at her place of residence, it is the copying or distribution of the work that connects the defendant to the forum state. It seems likely that not even a claim for the infringement of an author's moral rights could be brought at the author's residence or principal place of business unless there was something to connect the defendant to the forum state.¹⁰³⁹

With respect to the scope of a court's jurisdiction, once jurisdiction is established under the purposeful direction approach, the court's jurisdiction encompasses all claims arising out of or related to the forum contacts.¹⁰⁴⁰ In the

¹⁰³⁶ Assume, for example, that a right holder has its principle place of business in New York, U.S., and alleges that the defendant has infringed its copyright protected under Swedish law by distributing its works in Sweden. Under these facts, personal jurisdiction would not be established in New York at the right holder's principle place of business because the defendant did make any purposeful contact with New York, it merely infringed a right which happened to be held by someone from New York.

¹⁰³⁷ See *Goes International, AB v Dudur Ltd.* 2015 WL 5043296 (N.D. Ca. 2015) (localising damage to Swedish copyright owner in the U.S. where its U.S. market was damaged by the defendant's foreign conduct in selling an infringing game to U.S. users).

¹⁰³⁸ See *Walden v Fiore*, 134 S.Ct. 1115, 1125 (2014) ("Mere injury to a forum resident is not a sufficient connection to the forum."). See e.g. *Gordon v Invisible Children, Inc.* 2015 WL 5671919 (rejecting localisation of injury in New York at author/right holder's residence in ubiquitous copyright infringement claim where there was no evidence to show that U.S. non-resident defendant made any purposeful contact with New York).

¹⁰³⁹ *Walden v Fiore*, 134 S.Ct. 1115, 1125 (2014) ("Regardless of where a plaintiff lives or works, an injury is jurisdictionally relevant only insofar as it shows that the defendant has formed a contact with the forum State."). But see *Penguin Group (USA) Inc. v American Buddha*, 16 N.Y.3d 295, 921 N.Y.S.2d 171 (NY Ct of Appeals 2011) ("Based on the multifaceted nature of these rights, a New York copyright holder whose copyright is infringed suffers something more than the indirect financial loss For instance, one of the harms arising from copyright infringement is the loss or diminishment of the incentive to publish or write."). In that case, the court localised the damage at the right holder's principal place of business for the purpose of the long arm statute in a case when damage was ubiquitous.

¹⁰⁴⁰ See *MCA Records Inc. v Charley Records Ltd.*, 108 F.3d 338 (9th Cir. 1997) (holding that California had jurisdiction over foreign defendants with regard to all U.S. damage because defendants granted world wide licence under disputed trademark to third party knowing

Jones case, the California court's jurisdiction encompassed all damage suffered by Ms. Jones, including damages arising as a result of the distribution of the magazine in other U.S. states. However, in order for the forum to have jurisdiction in the first place under the purposeful direction test, the Court suggested that the "brunt of the injury" must be felt in the forum state. This is somewhat difficult to reconcile with the previous defamation case where New Hampshire had jurisdiction with respect to all damages arising in the U.S. even though only a relatively small amount of those damages arose from the sales of the newspaper in New Hampshire. The difference between the two cases seems to be that in the earlier New Hampshire case the Court still viewed jurisdiction in terms of physicalities and was hesitant to allocate jurisdiction to a forum with which the defendant did not have tangible contacts unless a substantial portion of the damage arose there. In the first defamation case, the defendant, although it did not enter the forum, sent 10,000-15,000 newspapers into the forum state. In the Jones case, the defendants did not enter nor send anything tangible into the forum state. It is questionable whether a distinction between tangible and intangible contacts is viable today.¹⁰⁴¹ Indeed, the lower courts apply a less stringent test.¹⁰⁴²

It is an open question whether a U.S. court that has jurisdiction over a foreign defendant with respect to the infringement of a U.S. IP right based on the purposeful direction test would have jurisdiction over similar infringements arising under foreign IP rights. The question is whether the foreign infringements are sufficiently related to the defendant's U.S. contacts to satisfy Due Process. As discussed above, the principle of territoriality of IP law may suggest that it is outside the legitimate adjudicatory authority of a U.S. forum to exercise jurisdiction against a foreign defendant for similar infringements of foreign rights as a matter of Due Process. The argument is stronger here when the defendant is acting outside the U.S.

The Supreme Court has not yet dealt with the application of the purposeful availment test or the purposeful direction test in a digital communications

that this would result in infringing products being distributed in the U.S., and would injure right holder who resided in California).

¹⁰⁴¹ See Ginsburg 1997 p. 165-168 (suggesting that a foreign defendant that uploads an infringing work from a foreign country onto a foreign website but which has a sufficient number of downloads in the U.S. to satisfy the minimum contacts requirement could be sued in a U.S. court and the U.S. court's jurisdiction would encompass also the damage caused by the download anywhere in the world).

¹⁰⁴² See e.g. *Goes International, AB v Dudur Ltd.* 2015 WL 5043296 (N.D. Ca. 2015) (finding a jurisdictionally significant harm in the U.S. by distributing infringing games to between 50,000 – 150,000 U.S. users, resulting in an estimated 35,000 U.S. dollars in revenue from ads targeted to U.S. audience).

context.¹⁰⁴³ The Zippo test, formulated by a federal district court, is an embodiment of the purposeful availment test in a digital context.¹⁰⁴⁴ The Zippo test originated from a trademark dispute between a manufacturer of cigarette lighters that owned a federal trademark for the name ZIPPO, and a California based online adult entertainment company that used the ZIPPO trademark as part of its domain name. The trademark holder sued the online company in Pennsylvania, U.S., and the online company objected to jurisdiction because it had no tangible contacts with Pennsylvania. The court stated that in a digital context, minimum contacts with the forum state depended on “the nature and quality of commercial activity that an entity conducts over the Internet.”¹⁰⁴⁵ In the absence of guidance from the Supreme Court, the Courts of Appeals have analysed online infringements through the purposeful availment test (often utilising or influenced by the Zippo test) and the purposeful direction test.¹⁰⁴⁶

Under any test, the courts have indicated that the mere operation of a passive website that is accessible in the forum state and that allegedly infringes a U.S. IP right is insufficient to establish minimum contacts for the purpose of Due Process.¹⁰⁴⁷ This is the case even in relation to foreign defendants, who,

¹⁰⁴³ The justices are aware of the problems of applying the purposeful availment test to internet jurisdiction cases. See *J. McIntyre Machinery, Ltd. v Nicastro*, 564 U.S. 873 (2011) (Breyer opinion) (“But what do those standards mean when a company targets the world by selling products from its Web site? And does it matter if, instead of shipping the products directly, a company consigns the products through an intermediary (say, Amazon.com) who then receives and fulfills the orders? And what if the company markets its products through popup advertisements that it knows will be viewed in a forum?”).

¹⁰⁴⁴ *Zippo Mfr. Co. v Zippo Dot Com, Inc.*, 952 F.Supp. 1119 (W.D. Pa. 1997).

¹⁰⁴⁵ *Zippo Mfr. Co. v Zippo Dot Com, Inc.*, 952 F.Supp. 1119 (W.D. Pa. 1997) (“At one end of the spectrum are situations where a defendant clearly does business over the Internet. If the defendant enters into contracts with residents of a foreign jurisdiction that involve the knowing and repeated transmission of computer files over the Internet, personal jurisdiction is proper. At the opposite end are situations where a defendant has simply posted information on an Internet Web site which is accessible to users in foreign jurisdictions. A passive Web site that does little more than make information available to those who are interested in it is not grounds for the exercise of personal jurisdiction. The middle ground is occupied by interactive Web sites where a user can exchange information with the host computer. In these cases, the exercise of jurisdiction is determined by examining the level of interactivity and commercial nature of the exchange of information that occurs on the Web site. [citations omitted].”).

¹⁰⁴⁶ Trammell & Bambauer 2015 p. 1150 (criticising Zippo for obscuring the traditional purposeful availment analysis but observing that it remains exceedingly influential); Sherwood 2013.

¹⁰⁴⁷ See e.g. *ALS Scan, Inc. v Digital Service Consultants*, 293 F.3d 707 (4th Cir. 2002) (holding that non-resident U.S. defendant accused of copyright infringement was not subject to jurisdiction based on the mere accessibility of its website in forum state); *Maynard v Philadelphia Cervical Collar Co., Inc.*, 18 Fed.Appx. 814 (Fed. Cir. 2001) (holding that a passive website that merely provides information but did not allow users to enter into contractual agreements with the company and did not target its advertisements towards residents in the

unlike U.S. defendants, may not be amenable to jurisdiction in another U.S. court.¹⁰⁴⁸ Otherwise, it is difficult to specify the exact nature and level of contacts with the forum state that is necessary to satisfy minimum contacts. The analysis is highly fact specific. It would seem that either evidence of targeting (even in the absence of actual effects in the forum state) or transactions with residents in the forum state (which is taken as evidence of targeting) is sufficient to establish minimum contacts. In any case, the threshold does not appear to be very high. Merely maintaining an interactive website on which an infringing trademark appears, where there is no evidence of targeting the forum state or actual effects in the forum state (such as transactions with residents of the forum), not will not sustain jurisdiction.¹⁰⁴⁹

In a case before the Third Circuit, the holder of a federal trademark sued a foreign defendant whose interactive website was accessible in the forum state.¹⁰⁵⁰ The court found that the website, which was in Spanish with prices in pesetas or Euros and which did not accommodate U.S. addresses, was not targeting the forum, and therefore the purposeful availment test was not satisfied.¹⁰⁵¹ While the defendant made two sales to U.S. residents, the court

forum state was insufficient to establish purposeful availment for the purpose of Due Process in patent infringement case); *Mink v AAAA Dev. LLC*, 190 F.3d 333, 337 (5th Cir. 1999) (holding that website containing electronic mail access, a printable order form, and a toll-free phone number was insufficient to establish personal jurisdiction over non-resident U.S. defendant in trademark and copyright infringement case); *Cybersell v Cybersell*, 130 F.3d 414 (9th Cir. 1997) (holding that forum could not exercise jurisdiction over U.S. non-resident defendant in trademark action “who has no contacts with Arizona other than maintaining a home page that is accessible to Arizonans, and everyone else, over the Internet”).

¹⁰⁴⁸ *Pebble Beach Co. v Caddy*, 453 F.3d 1151 (9th Cir. 2006) (holding that express aiming under the qualified effects tests requires something more than the mere accessibility of a website in the forum state); See, *Inc. v Imago Eyewear Pty*, 167 Fed. Appx 518 (6th Cir. 2006) (holding that the accessibility of foreign defendant's website in forum was not purposeful availment in trademark infringement suit where there was no sales to forum residents); *Quick Tech, Inc. v Sage Group*, 313 F.3d 338 (5th Cir. 2003) (holding that accessibility in forum state of foreign defendant's website containing company and product information which included allegedly infringed trademark was not sufficient for the exercise of personal jurisdiction).

¹⁰⁴⁹ *Best Odds Corp. v iBus Media Ltd.*, 2014 WL 2527145 (D. Nev. 2014).

¹⁰⁵⁰ *Toys R Us, Inc. v Step Two*, 318 F.3d 446 (3rd Cir 2003).

¹⁰⁵¹ *Toys R Us, Inc. v Step Two*, 318 F.3d 446, 454 (3rd Cir 2003) (“[T]here must be evidence that the defendant “purposefully availed” itself of conducting activity in the forum state, by directly targeting its web site to the state, knowingly interacting with residents of the forum state via its web site, or through sufficient other related contacts. . . . Step Two's web sites, while commercial and interactive, do not appear to have been designed or intended to reach customers in New Jersey. Step Two's web sites are entirely in Spanish; prices for its merchandise are in pesetas or Euros, and merchandise can be shipped only to addresses within Spain. Most important, none of the portions of Step Two's web sites are designed to accommodate addresses within the United States. While it is possible to join Club Imaginarium and receive newsletters with only an email address, Step Two asks registrants to indicate their residence

discounted them because they were orchestrated by the plaintiff and because it appeared that the defendant “scarcely recognized that the sales with U.S. residents had been consummated.”¹⁰⁵²

In another case against a foreign defendant that was alleged to use plaintiff’s U.S. trademark on its foreign German language website, which accepted payment in Euros and which did not specifically target U.S. customers, the fact that the defendant had ongoing contracts with 577 U.S. websites users who purchased defendant’s services through the website and generated 64,470 Euros in revenue was sufficient evidence of targeting the U.S. forum.¹⁰⁵³ While the percentage of U.S. users and U.S. generated revenue were *de minimis* in relation to worldwide users and revenue (less than one percent), the court found that the absolute number of contacts with the U.S. satisfied minimum contacts.

Maintaining a website that clearly targets the U.S. is a minimum contact even if the actual sales to U.S. consumers are *de minimis*. A foreign website operated by a foreign defendant using plaintiff’s U.S. trademark to sell plaintiff’s copyrighted materials was found to target the U.S. because the website provided specific ordering information for U.S. customers, prices were listed in U.S. dollars, the website included testimonials from U.S. residents and included other promotional text aimed at U.S. buyers, even though there was evidence of only two sales to U.S. residents.¹⁰⁵⁴

In another copyright case where the foreign defendant sold infringing copies of a video game through various online platforms, the defendant was held to expressly aim its infringing acts toward the U.S. because it selected the default setting for worldwide sales instead of making a country specific designation excluding the U.S.¹⁰⁵⁵ In that case there was also actual downloads from U.S. users and actual revenues generated in the U.S. although these were small in proportion to worldwide downloads and revenues.

using fields that are not designed for addresses in the United States.”). Step Two held the rights to an identical trademark for identical goods in nine other countries. *Ibid.* p. 449.

¹⁰⁵² *Toys R Us, Inc. v Step Two*, 318 F.3d 446, 454 (3rd Cir 2003).

¹⁰⁵³ *Bright Imperial Ltd. v RT Mediasolutions, S.R.O.*, 2012 WL 1831536 (E.D. Va. 2012).

¹⁰⁵⁴ *Graduate Management Admission Council v Raju*, 241 F.Supp.2d 589 (E.D. Va. 2003) (finding ample evidence that foreign defendant’s website using plaintiff’s trademark and offering copyright protected materials targeted the U.S. because it provided specific ordering information for U.S. customers, gave prices for the materials listed in U.S. dollars, included testimonials from U.S. citizens, included promotional text aimed at U.S. citizens and shipped materials to the two U.S. residents).

¹⁰⁵⁵ *Goes International, AB v Dudur Ltd.* 2015 WL 5043296 (N.D. Ca. 2015).

In a case involving the unlawful posting of copyrighted material on the internet, the court found that damage could arise in the forum state even in the absence of targeting or actual transactions with residents of the forum state. In that case, the question arose whether a non-resident U.S. defendant could be sued in New York under the state long arm statute that permits jurisdiction over non-residents that commit tortious acts outside New York that cause damage in New York.¹⁰⁵⁶ In interpreting the long arm statute as applicable to infringements that could not be geographically located to any specific state, the court localised the damage at the copyright holder's principal place of business.¹⁰⁵⁷ It should be noted that this interpretation has been limited to ubiquitous damage. In a subsequent case applying the same New York long arm statute, the Second Circuit found that the damage was localised where the tort of copyright infringement was committed.¹⁰⁵⁸

The fact that the court has jurisdiction under its long arm statute does not mean that the exercise of jurisdiction satisfies Due Process. Indeed, for Due Process to be satisfied, the defendant must have purposeful contacts with the forum state.¹⁰⁵⁹ The fact that the right holder resides in the forum state will

¹⁰⁵⁶ Penguin Group (USA) Inc. v American Buddha, 16 N.Y.3d 295, 921 N.Y.S.2d 171 (NY Ct of Appeals 2011).

¹⁰⁵⁷ Penguin Group (USA) Inc. v American Buddha, 16 N.Y.3d 295, 305, 921 N.Y.S.2d 171 (NY Ct of Appeals 2011) ("The crux of Penguin's copyright infringement claim is not merely the unlawful electronic copying or uploading of the four copyrighted books. Rather, it is the intended consequence of those activities—the instantaneous availability of those copyrighted works on American Buddha's Web sites for anyone, in New York or elsewhere, with an Internet connection to read and download the books free of charge. . . . [T]he alleged injury in this case involves online infringement that is dispersed throughout the country and perhaps the world. In cases of this nature, identifying the situs of injury is not as simple as turning to "the place where plaintiff lost business" because there is no singular location that fits that description.

As a result, although it may make sense in traditional commercial tort cases to equate a plaintiff's injury with the place where its business is lost or threatened, it is illogical to extend that concept to online copyright infringement cases where the place of uploading is inconsequential and *it is difficult, if not impossible, to correlate lost sales to a particular geographic area*. In short, the out-of-state location of the infringing conduct carries less weight in the jurisdictional inquiry in circumstances alleging digital piracy and is therefore not dispositive." (emphasis added)). The case was subsequently dismissed because the defendant did not fulfil the "substantial revenue" criteria of the long arm statute. See Penguin Group (USA) Inc. v American Buddha, 2013 WL 865486 (S.D.N.Y. 2013).

¹⁰⁵⁸ Troma Entertainment, Inc. v Centennial Pictures Inc., 729 F.3d 215 (2nd Cir. 2013) (holding that the damage was localised where the tort of copyright infringement was committed, which was either in California where the defendants granted third parties an unauthorised licence to use the works or in Germany, which was the market for which the unauthorised licence was granted, but the damage did not occur in New York where the right holder had its principle place of business).

¹⁰⁵⁹ Penguin Group (USA) Inc. v American Buddha, 16 N.Y.3d 295, 921 N.Y.S.2d 171 (NY Ct of Appeals 2011) ("There must also be proof that the out-of-state defendant has the requi-

not on its own satisfy the minimum contacts in relation to a U.S. non-resident defendant because this does not connect the non-resident defendant to the forum state.¹⁰⁶⁰ It seems unlikely that the analysis would be different in relation to a foreign defendant, apart from heightened scrutiny under the reasonableness test.¹⁰⁶¹ However, the nature of the work alleged infringed by the defendant, that it is in English or of particular interest to U.S. internet users, may be evidence of purposeful contacts with the U.S.¹⁰⁶² The open question is however whether Due Process is satisfied even if the defendant did not target a U.S. audience but by posting a work on the internet, it could have reasonably foreseen that it would cause damage in the U.S. and the defendant derives benefit in the U.S. from the posting.

The Federal Circuit has not yet taken a position on the application of the purposeful availment or purposeful direction test to patent infringement claims in a digital environment.¹⁰⁶³ In a decision interpreting a state long arm statute that required the defendant to transact business or cause a tortious injury in the forum state for jurisdiction to exist, the Federal Circuit found that the non-resident U.S. defendant's use of its interactive website would not satisfy the long arm statute's requirements because the "website is not directed to customers in the [forum], but instead is available to all customers throughout the country who have access to the Internet."¹⁰⁶⁴ The court remanded the case to the district court to determine how frequently the web-

site "minimum contacts" with the forum state and that the prospect of defending a suit here comports with "traditional notions of fair play and substantial justice," as required by the Federal Due Process Clause.").

¹⁰⁶⁰ *Gordon v Invisible Children, Inc.* 2015 WL 5671919 (rejecting localisation of injury in New York at author/right holder's residence in ubiquitous copyright infringement claim where there was no evidence to show that U.S. non-resident defendant made any purposeful contact with New York).

¹⁰⁶¹ But see *Trammell & Bambauer* 2015 p. 188-189 (arguing that intangible damage should rarely if ever suffice for personal jurisdiction in the domestic context because it is unpredictable, unfair, and does not promote efficient litigation, but that different considerations apply in relation to foreign defendants because of the extreme inconvenience for plaintiffs having to navigate a foreign judicial system).

¹⁰⁶² See e.g. *Stevo Design, Inc. v SBR Marketing Ltd.*, 919 F.Supp.2d 1112 (D.Nev 2013) (finding that the fact that the content of defendant's website was US-centric (English language analysis of American sports) indicated that it was targeting a U.S. public and localised the infringing use in the U.S.).

¹⁰⁶³ *La Belle* 2010:2 p. 29.

¹⁰⁶⁴ *Trintec Industries, Inc. v Pedre promotional Products, Inc.*, 395 F.3d 1275 (Fed. Cir. 2005). The decisions of the federal district courts have varied where some district courts have found minimum contacts to exist based on the existence of an interactive website even in the absence of actual sales to the forum state, whereas other courts have found that the existence of actual sales of allegedly infringing goods to forum residents through defendant's interactive website did not constitute minimum contacts because the defendant had not specifically targeted the forum state. *La Belle* 2010:2 p. 28-29.

site's interactive features were in fact utilised by forum residents to transact business with the defendant. This restrictive approach with respect to the long arm statute may indicate that the court will take a restrictive approach with respect to the Due Process issue as well.

Summing up, in the EU, jurisdiction under the Recast may be based on the mere potential for IP impairing effects in a Member State. For IP infringement disputes, damage is localised in the Member State where the IP right alleged infringed is registered or in the case of copyright, where the right is protected and alleged damaged. The defendant may be subject to a Member State's jurisdiction even though it did not target the forum Member State or otherwise have any connection to the Member State enabling it to foresee being subject to its jurisdiction. The justification for jurisdiction is the proper administration of justice and maintaining mutual trust among Member States as it allows each Member State to exercise jurisdiction over the infringement of its own domestic IP rights. This explains why the scope of the forum court's jurisdiction is limited to the alleged infringement of the forum Member State right, and in the case of copyright, more specifically to damage arising in the forum Member State's territory. In addition, considerations of predictability, legal certainty and the avoidance of forum shopping also justify this limitation on jurisdiction.

When it comes to alleged infringements of European trademarks, an allegation of an infringement of the EUTM itself, i.e. the mere possibility of IP impairing effects in the EU, establishes jurisdiction in the EU but does not allow the right holder to sue in any Member State of its choosing for the damage arising in that Member State. This is because the Member States do not have a particular interest in exercising jurisdiction over infringements of European trademarks having IP impairing effects in their territories as they do with respect to infringements of their own domestic IP rights. In addition, when it comes to a EUTM, attributing jurisdiction in the Member State where the effects arise does not further the sound administration of justice, the efficacious conduct of proceedings, predictability and legal certainty.

If the UPC Agreement comes into effect, jurisdiction over infringement claims arising under European patents will be established before the UPC if the defendant is alleged to infringe a European patent validated in a Contracting Member State. In other words, the mere possibility of IP impairing effects in the Contracting Member State establishes jurisdiction before the UPC. The supplemental rule in the amendment to the Recast goes even further in that it arguably provides a basis for jurisdiction over third state defendants for damage arising as a result of an infringement of a European patent validated outside the EU even when the defendant has not acted with-

in the EU, provided the defendant is alleged to infringe a European patent validated in a Contracting Member State.

While the Member States' national rules have been interpreted similarly to the rules in the Brussels I Regulation, it is possible that the scope of jurisdiction in relation to third state defendants might encompass similar infringements of parallel IP rights taking place in other Member States and third states. This is because the forum Member State cannot "trust" that the other Member States or third states will exercise jurisdiction over a claim against third state defendants and the forum may consider its own national interests. Thus, the forum Member State's interest in the proper administration of justice might lead to a more expansive jurisdiction than would be permissible under the Brussels I Regulation.

In the U.S., jurisdiction may not be based on the potential for IP impairing effects alone; the defendant must have some purposeful contact with the forum state to comport with Due Process. While Due Process will clearly be satisfied if the defendant targets the forum state, it is not clear whether Due Process will be satisfied if the defendant can reasonably foresee that its activities can cause damage in the forum state and indirectly benefits from the forum state's laws. The purposeful contact requirement enables the defendant to foresee that it may be subject to jurisdiction and provides the forum with a legitimate adjudicatory interest. Assuming Due Process is satisfied, however, it is unclear whether the scope of the court's jurisdiction would encompass similar infringements of parallel IP rights taking place in other states. This is because the principle of territoriality of IP law might be found to limit the legitimate adjudicatory interest of the forum state to exercise jurisdiction against foreign defendants with respect to infringements of U.S. IP rights only, and not against foreign defendants acting outside the U.S. to infringe foreign rights.

It is arguable that under the Recast and the Member State's national rules, damage arising from the infringements of moral rights might be localised at the author's residence or principal place of business (e.g. centre of interests) as this serves the proper administration of justice. This is not likely the case under U.S. law because damage (even reputational damage) arises in the state where the defendant commits the tort, and not where its effects are felt by the victim. It is the purposeful commission of the tort that serves as the purposeful contact with the forum state for the purpose of jurisdiction in the U.S.

Party autonomy in favour of forum state

In the *European Union*, any parties, regardless of domicile, may agree in writing or by some other prescribed form on the jurisdiction of the court of a Member State, thereby giving that Member State court jurisdiction to adjudicate a dispute under the Recast.¹⁰⁶⁵ The Recast removed the requirement that at least one of the parties must be domiciled in a Member State for jurisdiction to be established under EU law.¹⁰⁶⁶ For example, if two U.S. companies agree in writing to the jurisdiction of a Swedish court for the resolution of their private law dispute, the Swedish court is required to hear the dispute under the Recast. The Recast reflects the EU's view that party autonomy should be respected if the parties choose the courts of a Member State even though neither party nor the facts of the case have any connection to the Member State or the EU.¹⁰⁶⁷ The Recast does not give any weight to any possible foreign state interest in adjudicating disputes involving their own residents or subject matters of concern to them. Nor does the Recast give weight to any possible Member State interest in not overburdening its judicial system with disputes wholly unconnected with it. In fact, opening up the Member State judicial systems to foreign residents might in fact have a positive effect on the EU economy due to the need to hire local lawyers and use local resources.¹⁰⁶⁸ The EU prioritises the parties' interest in deciding upon the proper forum to resolve their dispute and the interest of the international system in legal certainty and predictability.¹⁰⁶⁹ This is also the philosophy

¹⁰⁶⁵ Article 25 Regulation 1215/2012. See also Strömholm 2001 p. 108 (observing that jurisdiction based on prorogation agreements is not usually implicated in transborder IP infringement disputes unless the parties have a pre-existing relationship such as a licence agreement, and that a common question is whether the scope of the prorogation agreement encompasses infringement claims related to a licence agreement).

¹⁰⁶⁶ Compare article 23 Regulation 44/2001 with article 25 Regulation 1215/2012.

¹⁰⁶⁷ Queirolo 2012 p. 184 (stating that the view in Europe is that choice of court agreements no longer should be subordinated to enforcing public policy but should realise the private interests of the parties).

¹⁰⁶⁸ See Report on Choice of Court Convention 2013 p. 81 (stating that some states welcome foreign nationals and residents to make use of their courts whereas other states are of the opinion that this imposes an undue burden on their judicial systems). The EU belongs to the former category as it did not make any declaration limiting jurisdiction when the dispute was wholly unconnected to the EU apart from the prorogation agreement. Council decision of 4 December 2014 on the approval, on behalf of the European Union, of the Hague Convention of 30 June 2005 on Choice of Court Agreements, 2014/887/EU. See also COM (2014) 46 final para. 3.2.1 (stating that the EU did not intend to make any declaration limiting jurisdiction when the dispute was wholly unconnected to the EU apart from the prorogation agreement).

¹⁰⁶⁹ See recital 2 Council Decision of 4 December 2014 on the approval, on behalf of the European Union, of the Hague Convention of 30 June 2005 on Choice of Court Agreements, 2014/887/EU (discussing need for legal certainty and predictability in international transactions).

underlying the 2005 Hague Choice of Court Convention to which the EU is a contracting party.¹⁰⁷⁰

If the parties fail to comply with the prescribed form requirements in the Recast and jurisdiction is therefore not established under the Recast, the forum Member States' national jurisdictional rules on prorogation agreements may arguably be used to establish jurisdiction over a third state defendant. Hartley observes that the national rules might have different, less restrictive, form requirements than those in the Recast.¹⁰⁷¹ As the aim of the Brussels I Regulation is to protect only EU defendants from exorbitant bases of jurisdiction, there is no reason why these national rules should not apply in relation to third state defendants. For example, assume that a Swedish company and a U.S. company agree to the jurisdiction of the UK courts, and the Swedish company brings proceedings in the UK. Even if their agreement does not fulfil the prescribed form requirements in the Recast, the UK court may possibly have jurisdiction under its national rules if the agreement fulfils those form requirements.

Pursuant to the Recast, a defendant may also tacitly consent to jurisdiction of a Member State court by making an appearance and failing to contest jurisdiction.¹⁰⁷² It is not clear whether the Recast requires the defendant to be domiciled in the EU or whether this rule applies even if both parties are from third states.¹⁰⁷³ This is significant because if the Recast rules apply, there is

¹⁰⁷⁰ See COM (2014) 46 final, para. 1.3 (“The Brussels I Regulation (recast) thus prepares the ground for the EU to proceed with the approval of the Convention.”). See also article 5(2) Hague 2005 Choice of Court Convention (“A court that has jurisdiction under paragraph 1 shall not decline to exercise jurisdiction on the ground that the dispute should be decided in a court of another State.”). A contracting party may make a Declaration limiting jurisdiction when the dispute has no connection to its territory but the EU has not done so. See article 19 Hague 2005 Choice of Court Convention (“A State may declare that its courts may refuse to determine disputes to which an exclusive choice of court agreement applies if, except for the location of the chosen court, there is no connection between that State and the parties or the dispute.”).

¹⁰⁷¹ Hartley 2013:2 p. 316-317.

¹⁰⁷² Article 26 Regulation 1215/2012.

¹⁰⁷³ Some authors take the view that the Recast rule applies only if the defendant is domiciled in an EU Member State. This view is based on the fact that article 6 of the Recast establishes that if the defendant is not domiciled in a Member State, the jurisdiction of the courts of each Member State shall be determined by the national law of that Member State subject to the Recast rules on weaker party contracts, exclusive jurisdiction, and prorogation agreements, but the exceptions do not include the Recast rule on making an appearance jurisdiction. Thus, the argument is that the Member States may apply their own rules on jurisdiction in relation to third states defendants who make an appearance. See Bogdan 2014 p. 113. Other authors take the view that the Recast rule applies regardless of the domicile of the parties. The view is based on the fact that the literal text of article 26 Regulation 1215/2012 does not include a requirement that a party be domiciled in a Member State and neither did the previous corre-

no discretion to decline jurisdiction unless one of the Recast rules on declining jurisdiction is applicable. If the Recast rule does not apply, however, the forum Member State's national rule on tacit consent applies, including the national rules on declining jurisdiction, which may allow the forum court to decline a dispute that has no connection to the Member State.¹⁰⁷⁴

If the UPC Agreement comes into effect, the Recast rules on prorogation agreements and on tacit consent will apply with respect to the UPC.¹⁰⁷⁵ The EUTMR also contains rules on jurisdiction based on prorogation agreements and on tacit consent to European trademark and design courts.¹⁰⁷⁶

Jurisdiction based on a prorogation agreement or on tacit consent pursuant to the Recast cannot override the exclusive jurisdiction of another Member

sponding articles in Regulation 44/2001 or in the Brussels Convention. See Article 26(1) Regulation 1215/2012 ("Apart from jurisdiction derived from other provisions of this Regulation, a court of a Member State before which a defendant enters an appearance shall have jurisdiction. This rule shall not apply where appearance was entered to contest the jurisdiction, or where another court has exclusive jurisdiction by virtue of Article 24."). There are also some *dicta* by the CJEU interpreting the Brussels Convention that suggests that the domicile of the parties is not relevant. See Case C-412/98, Group Josi, para. 44-45 ("Admittedly, under Article 18 of the Convention [now article 26 Recast], the voluntary appearance of the defendant establishes the jurisdiction of a court of a Contracting State before which the plaintiff has brought proceedings, without the place of the defendant's domicile being relevant. However, although the court seised must be that of a Contracting State that provision does not further require that the plaintiff be domiciled in such a State."). This view focuses on party interests and maintains that the parties can reasonably foresee the exercise of jurisdiction by the forum Member State as the plaintiff filed its claim there and the defendant actively appeared before the court there. In addition, in light of the fact that the EU legislator expressly removed the domicile requirement for prorogation agreements in the Recast, one might argue that there is no reason to imply one in article 26 of the Recast on making an appearance because tacit consent is another mechanism for party autonomy. A third view holds that at least one of the parties must be domiciled in an EU member state for the Recast rule to apply. This argument was based on an analogous application of the former domicile requirement in Regulation 44/2001 and the Brussels Convention, which however has now been removed in the Recast. See e.g. *Transocean Towage Co Ltd v Hyundai Construction Co Ltd*, Supreme Court of the Netherlands, February 1, 1985, [1987] E.C.C. 282, 1985 WL 310671 (stating that even though article 18 of the Brussels Convention does not expressly stipulate that one of the parties must be domiciled in the EU, article 18 has to be interpreted in the light of Article 17, which does impose this requirement). The domicile of at least one of the parties in the EU provides the EU with an interest in the adjudication of the dispute, above and beyond any possible positive effects of the litigation on the EU economy. See generally Magnus & Manowski 2016 p. 680-681 (discussing controversy surrounding the scope of application of article 26 but concluding that the rule does not contain any requirement that a party be domiciled in a Member State).

¹⁰⁷⁴ Bogdan 2014 p. 113 (stating that a Swedish court will apply by analogy the Swedish national rules on prorogation agreements if the defendant is domiciled in a third state).

¹⁰⁷⁵ De Miguel Asensio 2014:1 p. 875.

¹⁰⁷⁶ Article 97(4)(a) Regulation 207/2009, amended by Regulation 2015/2424.

State.¹⁰⁷⁷ As further discussed below, the situation is different if jurisdiction is based on the Hague Convention.

In the *United States*, jurisdiction will usually be established if a foreign defendant consents to jurisdiction. Indeed, a defendant may waive its Due Process right to be sued in a forum with which it has minimum contacts by consenting to jurisdiction.¹⁰⁷⁸ The defendant's Due Process right is satisfied if the defendant has consented to suit by a forum selection agreement (prorogation agreement).¹⁰⁷⁹ In the interest of foreseeability for the parties, the facilitation of international commerce and international comity, forum selection agreements in international relations are generally enforceable under both federal and state law unless "enforcement would be unreasonable and unjust, or that the clause was invalid for such reasons as fraud or overreaching."¹⁰⁸⁰ There is no indication that foreign and U.S. defendants are treated differently in making this determination. Due Process is also satisfied if the defendant has consented to suit by making an appearance without contesting jurisdiction.¹⁰⁸¹

Apart from complying with Due Process, there must also be a statutory basis for jurisdiction. Rule 4(k)(2) of the Federal Rules of Civil Procedure pro-

¹⁰⁷⁷ See article 24, 25(4) & 26(1) Regulation 1215/2012. See also Case C-4/03, GAT, para. 24 (stating that parties may not derogate from the rule on exclusive jurisdiction with respect to proceedings concerning registration or invalidity of registered IP rights by an agreement or by the defendant's voluntary appearance).

¹⁰⁷⁸ *Ins. Co. of Ireland v Compagnie Des Bauxites*, 456 U.S. 694, 703 (1982) ("Because the requirement of personal jurisdiction represents first of all an individual right, it can, like other such rights, be waived."); *Zenger-Miller, Inc. v Training Team, GmbH*, 757 F.Supp. 1062, 1069 (N.D. Cal. 1991) (observing that "the court need not embark on a 'minimum contacts' analysis where the defendants have consented to California jurisdiction").

¹⁰⁷⁹ See *Burger King Corp. v Rudzewicz*, 471 U.S. 462, 472 (1985) (stating that where forum-selection agreements have been freely negotiated and are not unreasonable and unjust, their enforcement does not offend Due Process). A common question is whether the scope of the forum selection agreement encompasses infringement and invalidity claims related to a licence agreement. See e.g. *T Altvater Gessler-J.A. Baczewski Intern. (USA) Inc. v Sobieski Destylarnia S.A.*, 572 F.3d 86 (2nd Cir. 2009) (holding that licensor's claims of unfair competition, trademark dilution, trademark infringement, deceptive trade practices, and unjust enrichment were not covered by forum selection clauses contained in licensing agreements specifying venue in Poland for all claims "resulting from" the licensing agreements because claims did not sound in contract and were not based on rights originating from the agreements).

¹⁰⁸⁰ See *The Bremen v Zapata Off-Shore Co.*, 407 U.S. 1, 9 (1972) ("We cannot have trade and commerce in world markets and international waters exclusively on our terms, governed by our laws, and resolved in our courts."). See also Born 2011 p. 487-528; Dubai 2011 p. 11-18, 25-29; Heiser 1993 (stating that the Bremen doctrine is followed by the state courts).

¹⁰⁸¹ *Ins. Co. of Ireland v Compagnie Des Bauxites*, 456 U.S. 694, 703 (1982) (stating that regardless of the power of the state to serve process, an individual may submit to the jurisdiction of the court by making an appearance).

vides a statutory basis for claims against foreign defendants arising under federal law. For example, assume that pursuant to a forum selection agreement, a Swedish company sues another Swedish company in a federal court in Texas for the infringement of a U.S. patent. The federal court in Texas will have jurisdiction even if the parties do not have any contacts with Texas.

If the claim does not arise under federal law, the plaintiff will need to rely on a state statutory basis of jurisdiction. This may be a problem in a few states whose long arm statutes do not allow a forum selection clause alone to serve as an independent basis for personal jurisdiction over the parties.¹⁰⁸² In the interest of conserving state judicial resources, some states require that the dispute have some connection to the state apart from the forum selection agreement.¹⁰⁸³

If a court has jurisdiction pursuant to a forum selection agreement, it must still have subject matter jurisdiction to hear the case.¹⁰⁸⁴ U.S. and foreign state interests may play a role in the subject matter jurisdiction analysis. In addition, jurisdiction may still be declined pursuant to the doctrine of *forum non conveniens* if the public interest factors weigh against the enforcement of the agreement. The forum selection agreement means however that the court “must deem the private-interest factors to weigh entirely in favour of the preselected forum.”¹⁰⁸⁵ The application of the doctrine on *forum non conveniens* to forum selection agreements is not compatible with the 2005 Hague Choice of Court Convention.¹⁰⁸⁶ If the U.S. should decide to ratify the Convention, it will need to accommodate this disharmony.¹⁰⁸⁷

Summing up, under the Recast, a Member State court has jurisdiction if the parties to the dispute have agreed on such jurisdiction by complying with the prescribed form requirements up to the limits of exclusive jurisdiction. Jurisdiction is established even if the Member State has no other connection to the dispute. The Recast rules favour the parties’ and the international system’s interest in predictability and legal certainty over individual Member

¹⁰⁸² Dubai 2011 p. 7; Heiser 1993 p. 586-590.

¹⁰⁸³ Dubai 2011 p. 31 (discussing Florida and New York’s long arm statutes).

¹⁰⁸⁴ Zenger-Miller, Inc. v Training Team, GmbH, 757 F.Supp. 1062, 1069 (N.D. Cal. 1991).

¹⁰⁸⁵ See Atlantic Marine Construction Co., Inc. v United States District Court of the Western District of Texas, 134 S.Ct. 568 (2013) (“When parties agree to a forum-selection clause, they waive the right to challenge the preselected forum as inconvenient or less convenient for themselves or their witnesses, or for their pursuit of the litigation.”).

¹⁰⁸⁶ See Report on Choice of Court Convention 2013 p. 31 (stating that the designated court “cannot refuse to hear it [the dispute] on the ground that a court of another State is more appropriate (forum non conveniens) or that such a court was seised first (lis pendens).”).

¹⁰⁸⁷ See generally Burbank 2013; Dubai 2011.

State or third state interests. In the U.S., while party autonomy in international transactions is generally respected, the interest of the forum U.S. state in conserving its judicial resources or of the competing foreign state in preserving its jurisdiction with respect to disputes involving their own residents or subject matters of special concern to them may outweigh the interests of the parties and of the international system.

Jurisdiction Limiting and Mandating Factors: The Nationality of the IP Right

This section investigates and compares whether the nationality of the IP right under which the claim arises plays a role in limiting or enabling (or mandating) jurisdiction in the EU and U.S. legal systems, and whether party autonomy has any effect on this.

Foreign IP rights

In the *European Union*, if a Member State court has jurisdiction under the Brussels I Regulation, it is required to exercise that jurisdiction even over disputes concerning harmful acts committed and infringements arising in other Member States or third states, provided the Regulation's rules on exclusive jurisdiction or declining jurisdiction are not implicated.¹⁰⁸⁸ The CJEU made clear in *Owusu* that jurisdiction under the Brussels I Regulation was mandatory even when the subject matter of the dispute occurred in a third state.¹⁰⁸⁹ The Brussels I Regulation applies because the defendant is domiciled in the EU, which means that the attribution of jurisdiction to the Member States is made pursuant to the Brussels I Regulation rules.

This basic premise was challenged by a Court of Appeals in the UK in *Lucasfilm Ltd v Ainsworth*, where it ruled that a copyright infringement claim arising under the law of a third state against a defendant domiciled in a

¹⁰⁸⁸ See e.g. Strömholm 2001 p. 102 (stating that the rules in the Brussels Convention are mandatory unless another rule is expressly provided in the Convention); Pålsson 2001 p. 132 (stating that the Brussels Convention applies even when the subject matter of the dispute concerns a third state); van Engelen 2010 p. 4-5 (concluding that cross border jurisdictions exist at the defendant's domicile); Drexl 2005 p. 161 (stating that the state where the dispute is brought, is not necessarily the country of protection); Petz 2012 p. 304-05 (stating that a Member State court that has jurisdiction based on the defendant's domicile has jurisdiction to rule on the existence of unregistered IP rights protected in third states); Pearce v Ove Arup Limited and others, England and Wales Court of Appeal, IIC 1999, 30(7), 825-840 (finding that Brussels Convention mandates the UK court exercise jurisdiction over a claim of copyright infringement arising under Dutch law when the defendant is domiciled in the UK).

¹⁰⁸⁹ Case C-281/02, *Owusu*, para. 24-26.

Member State fell outside the scope of the Brussels I Regulation because the exercise of jurisdiction in this situation did not have an effect on the functioning of the internal market. The court dismissed the claim because under English private international law the dispute was not justiciable.¹⁰⁹⁰ While the UK Supreme Court reversed this ruling, the UK Supreme Court did not address the question whether a UK court was required to accept jurisdiction by virtue of Brussels I Regulation.¹⁰⁹¹ Instead, the UK Supreme Court ruled that as a matter of English private international law, there were no policy reasons that weighed against exercising jurisdiction over proceedings concerning foreign copyright claims because states had a common interest in the international recognition and enforcement of their copyrights.¹⁰⁹²

Notwithstanding the UK Supreme Court's circumspect holding, the CJEU has clearly stated that the rules on jurisdiction in Brussels I Regulation apply "to all disputes in civil and commercial matters with the exception of certain matters expressly mentioned in that regulation."¹⁰⁹³ The rules on jurisdiction form "a unified system, which apply not only to relations between different Member States but also to relations between a Member State and a third State."¹⁰⁹⁴ An aim of the Regulation is to unify the rules on jurisdiction of the Member States, not only for disputes within the European Union but also for those with an external element, with the objective of eliminating obstacles to

¹⁰⁹⁰ *Lucasfilm Ltd v Ainsworth*, England and Wales Court of Appeal, [2009] EWCA Civ 1328.

¹⁰⁹¹ *Lucasfilm Ltd v Ainsworth*, UK Supreme Court, [2011] UKSC 39, [2012] 1 AC 208, para. 112-114.

¹⁰⁹² *Lucasfilm Ltd v Ainsworth*, UK Supreme Court, [2011] UKSC 39, [2012] 1 AC 208, para. 110 ("There are no issues of policy which militate against the enforcement of foreign copyright. States have an interest in the international recognition and enforcement of their copyrights, as the Berne Convention on the International Union for the Protection of Literary and Artistic Works shows. Many of the points relied on by the Court of Appeal to justify the application of the *Moçambique* rule in this case as a matter of policy would apply to many international cases over which the English court would have jurisdiction and would in principle exercise it, especially the suggestion that questions of foreign law would have to be decided. It was also said by the Court of Appeal that enforcement of foreign intellectual property law might involve a clash of policies such that a defendant may be restrained by injunction from doing acts in this country which are lawful in this country. But such an injunction will be granted only if the acts are anticipated to achieve fruition in another country, and there is no objection in principle to such an injunction. Nor is there any objection in principle, as the Court of Appeal thought, to a restraint on acts in another country. Extra-territorial injunctions are commonly granted here against defendants subject to the *in personam* jurisdiction. The Court of Appeal also thought that it was relevant that there was no international regime for the mutual recognition of copyright jurisdiction and of copyright judgments, but this is no reason for the English court refusing to take jurisdiction over an English defendant in a claim for breach of foreign copyright.").

¹⁰⁹³ Case C-154/11, *Mahamdia*, para. 38.

¹⁰⁹⁴ Case C-154/11, *Mahamdia*, para. 40.

the functioning of the internal market that may derive from disparities between national legislations on the subject.¹⁰⁹⁵ A unified system of jurisdiction furthers the Recast's aim of maintaining and developing an area of freedom, security and justice, and the broader aim of European integration.

True, the Brussels I Regulation does not unify the procedural rules of the Member States, only those rules on jurisdiction. The CJEU draws a distinction between jurisdiction and procedural rules such as conditions governing the admissibility of an action.¹⁰⁹⁶ Each forum Member State court may apply its own procedural rules, provided they do not have the effect of restricting the application of the rules of jurisdiction laid down in the Brussels I Regulation.¹⁰⁹⁷ The CJEU has held that this would be the case with rules limiting admissibility on the ground that a party over who jurisdiction is sought resides or is domiciled in a Member State other than the forum Member State.¹⁰⁹⁸ By analogy, it seems that the Member States' national procedural rules that limit admissibility of a claim based on the fact that the claim arises under a foreign IP right (such as the UK rules on subject matter jurisdiction) would interfere with a uniform operation of the Brussels I Regulation.¹⁰⁹⁹ This would have the effect of restricting the application of the Brussels I Regulation in situations where the Brussels I Regulation applies, which includes disputes where the defendant is domiciled in the EU and the subject matter of the dispute occurred in a third state.¹¹⁰⁰ Thus, it is generally accepted today that a Member State that has jurisdiction pursuant to a rule in the Regulation (e.g. because the defendant is domiciled in the Member State) must exercise jurisdiction over infringement disputes arising under IP rights registered or protected in third states.

A debated question is however how a Member State court should proceed when it has jurisdiction pursuant to a rule in the Regulation but the proceedings concern a subject matter which would fall within the exclusive jurisdiction of a Member State court had the subject matter been located in the EU,

¹⁰⁹⁵ Case C-154/11, *Mahamdia*, para. 39.

¹⁰⁹⁶ Case C-365/88, *Hagen / Zeehaghe*, para. 17.

¹⁰⁹⁷ Case C-68/93, *Shevill and others / Presse Alliance*, para. 35-36; Case C-365/88, *Hagen / Zeehaghe*, para. 18-20 (stating that the application of national procedural rules may not impair the effectiveness of the Brussels Convention).

¹⁰⁹⁸ Case C-365/88, *Hagen / Zeehaghe*, para. 21.

¹⁰⁹⁹ See *Torremans 2011:2* p. 817 ("Any deviation from the conclusion based on art.2 [now article 4] would then have to be based in the Regulation."); *IIC 2012* p. 83 (maintaining that article 4 BR "plainly envisages that actions may be brought in Member States for infringement of foreign intellectual property rights, including copyright"); *Fawcett & Torremans 2011* p. 204. But see *van Engelen 2010* p. 4-5 (suggesting that the Dutch procedural rules could but did not limit jurisdiction over foreign rights).

¹¹⁰⁰ Case C-281/02, *Owusu*, para. 34-35.

such as the validity or registration of a right registered in a third state.¹¹⁰¹ When it comes to proceedings concerned with the registration or validity of an IP right registered in another Member State, article 24(4) BR stipulates the exclusive jurisdiction of the Member State of registration.¹¹⁰² Moreover, the Brussels I Regulation requires the Member State courts to declare of its own motion that it has no jurisdiction over proceedings principally concerned with the registration or validity of an IP right registered in a Member State.¹¹⁰³ The rule in article 24(4) on exclusive jurisdiction applies “irrespective of whether the issue is raised by way of an action or as a defence.”¹¹⁰⁴ This text was added in the Recast and codifies the CJEU’s ruling in GAT.¹¹⁰⁵

In the GAT case, the CJEU observed that the rule on exclusive jurisdiction aims to protect the EU’s interest in the sound administration of justice by ensuring that jurisdiction rests only with courts closely linked to the proceedings in fact and law.¹¹⁰⁶ In addition, the CJEU noted that the rule is justified by the fact that the issue of patents necessitates the involvement of the national administrative authorities.¹¹⁰⁷ Although the CJEU did not explicitly rely on sovereignty as a justification, it referenced the Jenard Report on the

¹¹⁰¹ See e.g. Hartley 2013:1 p. 90-96; Crawford & Carruthers 2013 p. 80-82; Goodwin 2013 p. 317-320; Magnus & Mankowski 2016 p. 562-563, 766-777; Fawcett & Torremans 2011 p. 39-42; Fentiman 2008:1 p. 164-176; Study on Residual Jurisdiction 2007 p. 82; Pålsson 2008 p.196-198 (discussing reflexive effect in relation to the exclusive jurisdiction rule on rights *in rem* in immovable property); Briggs 1991; Case C-281/02, Owusu, para. 47-52 (declining to answer the question concerning jurisdiction with respect to subject matters closely connected to third states because it was not necessary for the adjudication of the dispute at hand).

¹¹⁰² Article 24(4) Regulation 1215/2012 (“The following courts of a Member State shall have exclusive jurisdiction, regardless of the domicile of the parties: in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, irrespective of whether the issue is raised by way of an action or as a defence, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of an instrument of the Union or an international convention deemed to have taken place. Without prejudice to the jurisdiction of the European Patent Office under the Convention on the Grant of European Patents, signed at Munich on 5 October 1973, the courts of each Member State shall have exclusive jurisdiction in proceedings concerned with the registration or validity of any European patent granted for that Member State.”).

¹¹⁰³ Article 27 Regulation 1215/2012 (“Where a court of a Member State is seised of a claim which is principally concerned with a matter over which the courts of another Member State have exclusive jurisdiction by virtue of Article 24, it shall declare of its own motion that it has no jurisdiction.” A judgment given in violation of the provisions of Article 24(4) shall not be recognised and enforced by the other Member States. Article 45(1)(e)(ii) Regulation 1215/2015.

¹¹⁰⁴ Article 24(4) Regulation 1215/2012.

¹¹⁰⁵ Case C-4/03, GAT, para. 25.

¹¹⁰⁶ Case C-4/03, GAT, para. 21. See also Case C-288/82, Duijnste, para. 21.

¹¹⁰⁷ Case C-4/03, GAT, para. 23.

Brussels Convention, where it expressly states that a reason for the rule is that “the grant of a national patent is an exercise of national sovereignty.”¹¹⁰⁸

In light of these aims and justifications, the CJEU held that the rule on exclusive jurisdiction must apply “whatever the form of proceedings in which the issue of a patent’s validity is raised, be it by way of an action or a plea in objection, at the time the case is brought or at a later stage in the proceedings.”¹¹⁰⁹ The CJEU reasoned that to allow a Member State court seised with an infringement claim (or a claim for non-infringement) to indirectly (e.g. as an incidental matter) establish the validity of a patent registered in another Member State would undermine the binding nature of the exclusive jurisdiction rule, multiply the heads of jurisdiction, undermine the predictability of the rules of jurisdiction, undermine the principle of legal certainty, and increase the risk of conflicting decisions.¹¹¹⁰ The CJEU rejected the argument that these concerns could be assuaged if the effect of the invalidity finding was given only *inter partes* effect. The CJEU stated that because some Member States give a decision to annul a patent *erga omnes* effect under their national laws, it would be necessary to exclude the jurisdiction of these Member States to indirectly rule on the validity of a foreign patent, which would lead to distortions, thereby undermining the equality and uniformity of rights and obligations under the Convention (now Regulation).¹¹¹¹ The CJEU’s ruling leaves open the question how the courts of the Member States should proceed if the invalidity question is raised in the defendant’s answer after the court is already seised with the infringement proceedings.¹¹¹² The preferred solution seems to be to stay the case.¹¹¹³

¹¹⁰⁸ Case C-4/03, GAT, para. 23 (referring to the Jenard Report); Report on the Convention by Mr Jenard, OJ 1979 C 59, p. 1, at p. 36 (“Since the grant of a national patent is an exercise of national sovereignty, Article 16 (4) of the Judgments Convention provides for exclusive jurisdiction in proceedings concerned with the validity of patents.”).

¹¹⁰⁹ Case C-4/03, GAT, para. 25.

¹¹¹⁰ Case C-4/03, GAT, para. 26-29.

¹¹¹¹ Case C-4/03, GAT, para. 30.

¹¹¹² The Advocate General suggested in his opinion that the Member State court seised with the infringement claim could transfer the case completely, stay the proceedings until the court of the Member State with exclusive jurisdiction rules upon the validity of the patent, or it can deal with the case itself where a defendant acts in bad faith. See Opinion of Advocate General Geelhoed, 16 September 2004, Case C-4/03, GAT. The question can be raised whether these suggestions are compatible with the Brussels I Regulation.

¹¹¹³ Report on Regulation 44/2001 2009 p.7; Hess et al. 2007 p. 336; Fawcett & Torremans 2011 p. 371. But see *Anan Kasei Co., Ltd & Rhodia Operations S.A.S. v Molycorp Chemicals & Oxides (Europe)*, England and Wales High Court, [2016] EWHC 1722 (Pat) (holding that the court had no jurisdiction once invalidity was raised and rejected right holder’s attempt to reformulate its infringement claim so as to exclude the invalidity issue).

While the CJEU has not ruled on whether article 24(4) BR applies even when invalidity is raised in a breach of contract claim, the view in the legal doctrine is that these disputes fall within its scope.¹¹¹⁴ In interpreting another rule in article 24 BR that confers exclusive jurisdiction with respect to proceedings concerning the validity of decisions of companies to the courts of the Member State in which the company has its seat, the CJEU held that the exclusive jurisdiction rule does not apply to “proceedings in which a company pleads that a contract cannot be relied upon against it because a decision of its organs which led to the conclusion of the contract is supposedly invalid on account of infringement of its statutes.”¹¹¹⁵ In that case, however, the CJEU distinguished its ruling in the GAT case on the basis that the validity of the patent was an essential premise, in particular in an infringement action.¹¹¹⁶ It is not completely clear however whether the validity of a patent that is licensed or assigned is an essential premise in a breach of contract action. Still, the fact that the text of the Recast now explicitly provides that the rule of exclusive jurisdiction applies to all such proceedings “irrespective of whether the issue is raised by way of an action or as a defence” may make it more difficult to distinguish between different types of actions where validity is raised.¹¹¹⁷ This suggests that if the validity of an IP right registered in another Member State is raised in an assignment or licence agreement dispute, the forum Member State court will need to declare of its own motion that it has no jurisdiction.¹¹¹⁸

Moreover, it makes no difference if the assignment or licence agreement contains a choice of court clause because an agreement by the parties under article 25 BR may not oust the exclusive jurisdiction of a Member State under article 24 BR.¹¹¹⁹ The situation is different however if the 2005 Hague

¹¹¹⁴ Hartley 2013:1 p. 300-301 (stating that if invalidity is raised in an IP licence dispute, the proceedings will need to be suspended so that the Member State of registration can rule on validity); Fawcett & Torremans 2011 p. 100-101 (submitting that the principles that apply in infringement cases where the defence of validity is raised should be applied by way of analogy in cases where there is a claim of the payment of royalties); Petz 2012 p. 329.

¹¹¹⁵ Case C-144/10, BVG.

¹¹¹⁶ Case C-144/10, BVG, para. 46 (“Since the validity of the patent concerned is an essential premiss, in particular in any infringement action, it is in the interests of the sound administration of justice that exclusive jurisdiction to adjudicate upon any dispute in which the patent’s validity is contested is accorded to the courts of the Member State in which deposit or registration of the patent has been applied for or has taken place, they being best placed to adjudicate upon the dispute.”).

¹¹¹⁷ Article 24(4) Regulation 1215/2012.

¹¹¹⁸ Article 27 Regulation 1215/2012.

¹¹¹⁹ See article 24, 25(4) and 26 Regulation 1215/2012. See also Case C-4/03, GAT, para. 24 (stating that parties may not derogate from the rule on exclusive jurisdiction with respect to proceedings concerning registration or invalidity of registered IP rights by an agreement or by the defendant’s voluntary appearance); Janssens 2012 p. 399 (implying that article 24(4)

Choice of Court Convention applies. Under the Hague Convention a designated Contracting state court is not permitted to decline jurisdiction if the invalidity of a registered IP right is raised as a defence in connection with a contractual dispute.¹¹²⁰ For example, if a Mexican company and a Swedish company agree on the exclusive jurisdiction of a Spanish court to resolve disputes arising under a worldwide licence of patent rights, the Spanish court would have jurisdiction to adjudicate the validity of the patents rights including those rights registered in other Member States as an incidental matter in connection with the contractual dispute.¹¹²¹

The literal wording of article 24(4) BR refers only to rights registered in Member States, not third states. Thus, the question arises whether a Member State court must exercise jurisdiction when the dispute raises the question of the registration or validity of an IP right registered in a third state.¹¹²² One view holds that the exclusive jurisdiction of the third states over the validity

applies to validity issues raised in contractual claims, and that it follows from article 25(4) that the parties cannot waive exclusive jurisdiction by choice of forum clause).

¹¹²⁰ The Hague Convention applies if one of the parties to the choice of court agreement is a resident of a contracting state to the 2005 Hague Choice of Court Convention that is not also an EU state (as of March 2016, it is only Mexico). See Article 26(6) 2005 Hague Convention ("This Convention shall not affect the application of the rules of a Regional Economic Integration Organisation that is a Party to this Convention, whether adopted before or after this Convention a) where none of the parties is resident in a Contracting State that is not a Member State of the Regional Economic Integration Organisation;"); Hartley 2013:1 p. 121-124; COM (2014) 46 final, para. 1.3 (discussing how the 2005 Hague Convention relates to the Brussels I Regulation).

¹¹²¹ Under these circumstances, the Member State court must apply the Hague Convention's rule on choice of court agreements instead of article 25 in the Recast, provided the dispute falls within the scope of the Convention. The scope of the Hague Convention covers business to business exclusive choice of court agreements in civil or commercial matters. Although it excludes proceedings concerning the infringement and validity of registered IP rights, infringement proceedings that are brought or could have been brought for a breach of contract between the parties fall within the scope of the Convention. Also, a designated Contracting state court is not permitted to decline jurisdiction if the invalidity of a registered right is raised as an incidental matter or as a defence in connection with a contractual dispute. See article 1, 2(1)(a), 2(2)(n-o) and 2(3) 2005 Choice of Court Convention; Report on Choice of Court Convention 2013 p. 45-47. Observe that a preliminary ruling on validity is not entitled to recognition under the Convention. Article 10(3) 2005 Choice of Court Convention. The Hague Convention permits the Contracting parties to make declarations that it will not apply the Convention with respect to specific subject matters, but the EU did not make any such declarations with respect to IP contracts. The EU made a declaration with respect to insurance contracts. See recital 7, article 3 and annex I Council decision of 4 December 2014 on the approval, on behalf of the European Union. This means that if the Hague Convention applies, the chosen Member State may not decline jurisdiction under article 24(4) BR even though the proceedings concern the validity of IP rights registered in another Member State. Hartley 2013:1 p. 304.

¹¹²² Article 22(4) LC extends the rule to IP rights registered in Iceland, Norway, and Switzerland.

of their domestic IP rights should be respected. One basis for this view is that the Brussels I Regulation must be given “reflexive effect” as if it applied to third states.¹¹²³ While there are few national court decisions where the doctrine of reflexive effect has been applied, in particular with respect to the exclusive jurisdiction of third states over the validity of their domestic IP rights, there is some support for the doctrine in some Member States.¹¹²⁴ A different basis for this view is that the issue concerning the superior jurisdiction of third states is outside the scope of the Brussels I Regulation, and the Member States may apply their own rules of national law to decline jurisdiction.¹¹²⁵ There is some support for this view with respect to prorogation agreements in favour of third states that raise similar issues as do subject matters closely connected to third states.¹¹²⁶

Some authors advocating that the exclusive jurisdiction of the courts of third states be respected view the issue primarily as a conflict among states.¹¹²⁷

¹¹²³ The term reflexive effect or “effet réflexe” was coined by G. Droz, *Compétence judiciaire et effets des jugements dans le marché commun*, in *Dalloz* 1972 para. 164-169. See Takahashi 2012 p. 8 fn 32. The reflexive effect argument is also made in relation to article 25 on prorogation agreements to Member States.

¹¹²⁴ See Crawford & Carruthers 2013 p. 79 (stating that the authorities discussing the doctrine of reflexive effect are few, fragmentary, and inconclusive). See also Petz 2012 p. 301-310; Study on Residual Jurisdiction 2007, National Report for Cyprus p. 11 (“As the matter has not yet been raised before or troubled the Cyprus courts, it would be difficult to answer the question with any degree of certainty or precision.”); Study on Residual Jurisdiction 2007, National Report for Austria p. 14 (citing Burgstaller/Neumayr, *Internationelles Zivilprozessrecht* art EuGVO, Rz, 6f for a discretionary reflexive effect doctrine based on national rules); Study on Residual Jurisdiction 2007, National Report for Belgium p. 18 (citing legal doctrine and some case law); Study on Residual Jurisdiction 2007, National Report for Spain p. 15.

¹¹²⁵ Magnus & Mankowsky 2016 p. 771-773; Fentiman 2008:1 p. 166-168.

¹¹²⁶ See COM (2014) 46 final, para. 1.3 (“The Brussels I Regulation does not however govern the enforcement in the Union of choice of court agreements in favour of third State courts.”); Case C-387/98, *Coreck Maritime*, para. 19 (“As to the second condition, Article 17 [now article 25 BR] of the Convention does not apply to clauses designating a court in a third country. A court situated in a Contracting State must, if it is seised notwithstanding such a jurisdiction clause, assess the validity of the clause according to the applicable law, including conflict of laws rules, where it sits (Report by Professor Schlosser on the Convention of 9 October 1978 on the Accession of the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland to the Convention on Jurisdiction and the enforcement of judgments in Civil and Commercial matters and to the Protocol on its interpretation by the Court of Justice, OJ 1979 C 59, p. 71, paragraph 176).”). The natural implication of this statement is that if the prorogation clause is valid, the Member State court would be able to dismiss the case under its national rules.

¹¹²⁷ See Hare 2006 p. 175 (stating an “overriding concern [of reflexive effect] is to show due deference to the superior jurisdictional claim of a non-Convention State.”); Briggs 1991 p. 181 (discussing how dismissing a case where the subject matter arises in a third state would be possible if one views the Brussels Convention as dealing with conflicts of jurisdiction as opposed to providing legal certainty with respect to where parties can sue and be sued).

One author claims that it would be “repugnant to comity” and the sovereignty of the third state of registration if a Member State court made a determination as to the validity of an IP right registered in a third state.¹¹²⁸ Another argument is that the EU should recognise the same sphere of exclusive jurisdiction for the benefit of third states that it recognises for itself because it contributes to a harmonious allocation of jurisdiction among states.¹¹²⁹ It also ensures that jurisdiction rests with the courts of the state that are best placed to adjudicate the dispute. In addition, because judgments concerning the validity of third state IP rights are not likely to be respected in the granting state, declining jurisdiction ensures that potentially unenforceable judgments are not rendered in the first place.

Arguments in favour of respecting the exclusive jurisdiction of third states are also raised in the interests of the parties. The argument is made that respecting the exclusive jurisdiction of third states protects the interests of EU defendants who could not be expected to foresee that they could be sued in their Member State of domicile for matters within the exclusive jurisdiction of a third state, as exclusive jurisdiction over certain very specific subject matters is widely recognised in most legal systems.¹¹³⁰ Moreover, some argue that respecting the exclusive jurisdiction of third states over such matters would not affect the uniform application of the Brussels I Regulation or undermine legal certainty and predictability because such principles are recognised in the Brussels I Regulation and known in all Member States.¹¹³¹

A competing view is that jurisdiction is mandatory where there is a rule in the Brussels I Regulation attributing jurisdiction to the Member State unless there is another rule in the Regulation that obligates or allows the Member State court to decline jurisdiction such as the rules on *lis pendens* and related actions, even if the proceedings fall within the exclusive jurisdiction of a

¹¹²⁸ Takahashi 2012 p. 9.

¹¹²⁹ Magnus & Mankowski 2016 p. 562.

¹¹³⁰ *Ferrexpo AG v Gilson Investments Limited & Ors*, England and Wales High Court, [2012] EWHC 721 (COMM), 2012 WL 1067825, para. 140 (concerning the exclusive jurisdiction over proceedings which have as their object the validity of the decisions of the organs of legal persons with their seat in a third state).

¹¹³¹ *Catalyst Investment Group v Lewinsohn*, England and Wales High Court, [2009] EWHC 1964 (Ch), para. 94, 95 (“To enable the court to give effect to such an [choice of court] agreement in the case of a non-Regulation state does not compromise the legal certainty and uniform application of the jurisdictional rules, which are at the heart of the Regulation. Rather it enhances legal certainty by holding the parties to their agreement. So, too, there are different, but equally compelling, reasons for allowing a court to stay proceedings in order to enable disputes with very specific subject matter, widely acknowledged as such, to be litigated in the courts of the relevant jurisdiction.”); *Usunier* 2007 p. 574-575.

third state.¹¹³² The CJEU's opinion on the competence of the European Community to conclude the new Lugano Convention suggests that the literal interpretation of article 22(4) (now article 24(4)) BR is the correct one.¹¹³³ The CJEU observed that in the absence of the Lugano Convention, the courts of the Member States in which a defendant is domiciled would have jurisdiction even though the proceedings concerned matters typically falling within the exclusive jurisdiction of the contracting state to the Lugano Convention (e.g. proceedings concerning the validity of rights registered in Iceland, Norway, and Switzerland).¹¹³⁴ It is only as a consequence of the Lugano Convention that the EU Member States are obligated to decline this jurisdiction and respect the exclusive jurisdiction of Iceland, Norway, and Switzerland with respect to proceedings concerning the validity of rights registered within their territories. This respect is given in return for mutual obligations with respect to jurisdiction and the recognition and enforcement of judgments. In addition, in another decision concerning prorogation agreements to third states that raise similar issues, the CJEU held that the possibility of a third state court exercising jurisdiction does not exclude the jurisdiction of the Member State courts conferred on the basis of the Brussels I Regulation.¹¹³⁵

This view gains support also by the fact that the Recast introduces new discretionary rules on declining proceedings in relation to third states including situations where the third state court has exclusive jurisdiction. These rules aim to improve the functioning of the Regulation in the international legal order.¹¹³⁶ Pursuant to the new rules, if jurisdiction is based on a rule of gen-

¹¹³² See e.g. Pocar Report 2009, para. 93 (setting forth that if the defendant is domiciled in the EU but the property that is the subject matter of the dispute is situated outside the EU, article 4 of the Convention, and possibly the rules on special jurisdiction still apply); Jenard & Möller Report 1990, para. 54 ("Article 16 (1) applies only if the property is situated in the territory of a Contracting State. The text is sufficiently explicit on this point. If the property is situated in the territory of a third State, the other provisions of the Convention apply, e.g. Article 2 if the defendant is domiciled in the territory of a Contracting State, and Article 4 if he is domiciled in the territory of a third State, etc.").

¹¹³³ Hartley 2013:1 p. 92-95.

¹¹³⁴ Opinion 1/03, of 7 February 2006 on the exclusive jurisdiction of the EU to enter into the 2007 Lugano Convention with third states, para. 153 ("Thus, where the new Lugano Convention contains articles identical to Articles 22 and 23 of Regulation No 44/2001 and leads on that basis to selection as the appropriate forum of a court of a non-member country which is a party to that Convention, where the defendant is domiciled in a Member State, in the absence of the Convention, that latter State would be the appropriate forum, whereas under the Convention it is the non-member country.").

¹¹³⁵ Case C-154/11, Mahamdia, para. 65 ("Furthermore, it does not follow either from the wording or from the purpose of Article 21 of Regulation No 44/2001 that such an agreement may not confer jurisdiction on the courts of a third State, provided that it does not exclude the jurisdiction conferred on the basis of the articles of the regulation.").

¹¹³⁶ Recast Proposal 2010 p. 8.

eral or special jurisdiction in the Regulation (e.g. domicile or harmful act) and proceedings are pending before a court of a third State at the time when a court in a Member State is seised of an action involving the same cause of action and between the same parties as the proceedings in the court of the third State, the court of the Member State may stay the proceedings if (a) it is expected that the court of the third State will give a judgment capable of recognition and, where applicable, of enforcement in that Member State; and (b) the court of the Member State is satisfied that a stay is necessary for the proper administration of justice.¹¹³⁷ If the actions are related, the action may be stayed under the same circumstances with an additional requirement that it must be expedient to hear and determine the related actions together to avoid the risk of irreconcilable judgments resulting from separate proceedings.¹¹³⁸ A recital to the Recast states that when determining whether a stay is necessary for the proper administration of justice, the Member State court should assess all the circumstances of the case including connections between the facts of the case and the parties and the third State concerned.¹¹³⁹ Notably, the recital specifically states that the Member State court may take into consideration whether the court of the third State has exclusive jurisdiction in the particular case in circumstances where a court of a Member State would have exclusive jurisdiction.¹¹⁴⁰ If the Member State courts already had discretion to decline jurisdiction, the new rules on *lis pendens* and related actions in relation to third states seem superfluous. The new rules suggest that jurisdiction is mandatory where there is a rule in the Brussels I Regulation attributing jurisdiction to the Member State, unless there is another rule in the Regulation that obligates or allows the court to decline jurisdiction.¹¹⁴¹

¹¹³⁷ If the parties and causes of actions are identical (i.e. *lis pendens*), the court of the Member State shall dismiss proceedings in the event the third State proceedings are concluded and have resulted in a judgment capable of recognition and, where applicable, of enforcement in that Member State. Article 33 Regulation 1215/2012.

¹¹³⁸ If the parties and causes of actions are related, the court of the Member State may dismiss proceedings in the event the third State proceedings are concluded and have resulted in a judgment capable of recognition and, where applicable, of enforcement in that Member State. Article 34 Regulation 1215/2012.

¹¹³⁹ Recital 24 Regulation 1215/2012 (“When taking into account the proper administration of justice, the court of the Member State concerned should assess all the circumstances of the case before it. Such circumstances may include connections between the facts of the case and the parties and the third State concerned, the stage to which the proceedings in the third State have progressed by the time proceedings are initiated in the court of the Member State and whether or not the court of the third State can be expected to give a judgment within a reasonable time.”).

¹¹⁴⁰ Recital 24, second paragraph Regulation 1215/2012 (“That assessment may also include consideration of the question whether the court of the third State has exclusive jurisdiction in the particular case in circumstances where a court of a Member State would have exclusive jurisdiction.”).

¹¹⁴¹ Goodwin 20013 p. 320 (stating that under the Recast “it is now beyond argument that the responsibility for deciding when English courts may stay their proceedings seems destined to

The new rules on *lis pendens* and related actions are such rules that allow a Member State court to stay proceedings or decline jurisdiction in certain limited circumstances.

It is submitted however that Member State courts would not have jurisdiction to declare a third state IP right invalid *erga omnes*. This follows from the generally recognised rule of public international law that one state will not invalidate the public law acts of another state.¹¹⁴² EU law is generally interpreted consistently with international law. Moreover, as the courts and the authorities of the third state of registration do not have to (and are not likely to) enforce a judgment purporting to invalidate an IP right registered in their territories with *erga omnes* effect, the exercise of jurisdiction to grant this wide ranging relief would be in vain.¹¹⁴³

Apart from being consistent with the actual text and system of the Regulation, this interpretation is more in line with the EU's interest facilitating access to justice for EU citizens and in the functioning of the internal market, which the EU prioritises over the interests of third states. Notwithstanding that the third state of registration may be best placed to deal with questions concerning the registration of its own IP rights, there is no guarantee that the issue will be resolved efficiently and fairly (or at all) by the third state court of registration, in particular if the parties are unconnected to the third state. This could create legal uncertainty and may impair access to justice for EU citizens. In addition, leaving the question to the discretion of the individual Member States would affect uniform application of the rules of jurisdiction, undermine legal certainty and negatively impact of the internal market.

Unlike the situation with respect to Member State IP rights, the exercise of jurisdiction over invalidity and registration questions concerning third states' rights does not jeopardise the free movement of judgments in the EU. There

lie in the hands of a European regime.”); Torremans 2011 p. 354 (“The idea that the absence of a *lis pendens* provision in situations that do not simply involve courts of Member States does not give rise to a (subject-matter) limitation on art.2 jurisdiction in cases where a foreign right or court is involved is reinforced by the suggestion by the Commission to introduce a sort of voluntary *lis pendens* provision for that kind of case when the Brussels I Regulation is recast. There was no need to do so if the Regulation did not cover those scenarios in the first place.”). But see Crawford & Carruthers 2013 p. 83 (“The draft text does not clarify the permitted or intended reflexive effect of the Regulation.”).

¹¹⁴² See Akehurst 1972-73 p. 250 (“Since states are independent of one another, it would be a breach of international law for a court of one state . . . to annul an act of another state.”); Bogdan 1980 p. 274 (stating that as a general rule, Swedish courts may not invalidate or alter decisions of foreign authorities).

¹¹⁴³ See Austin 1999 p. 45 (referring to the general principle that a court will not entertain an idle cause of action); Dinwoodie 2009 p. 739 (stating that private international law has always been concerned with practical questions of enforcement).

is no risk of conflicting decisions with another Member State as no other Member State would have jurisdiction over such questions apart from the rules in the Brussels I Regulation whereby the rules on *lis pendens* operate. Moreover, the enforceability of an *inter partes* ruling on the invalidity of a third state right would not be a problem as the parties are subject to the Member State forum's jurisdiction. For example, a Member State judgment on the validity of a third state right might arise as a defence to an infringement claim brought in the forum Member State, and the resulting judgment (e.g. damages or court costs) could be recognised and enforced in the EU without difficulty. The validity of a third state right might also arise as an independent claim for a declaration that a third state patent or trademark is invalid *inter partes*. This judgment could also be recognised in the EU Member States and would ensure that a third state judgment ruling that one of the parties had infringed the patent or trademark would not be enforced in the EU. Indeed, a Member State judgment must be recognised in all the Member States, which prevents another Member State from recognising a later irreconcilable third state judgment on infringement or invalidity pursuant to a treaty or international comity.¹¹⁴⁴

To the extent that the rule on exclusive jurisdiction is motivated by respect for the sovereignty of the Member State of registration, it seems that the EU is only prepared to take third state interests into account within the framework of an international convention or international law. Thus, although the matter cannot be regarded as entirely settled, there is a strong possibility that the Recast does not permit the Member States courts to decline jurisdiction in favour of the third state court of registration apart from the rules set out in the Recast on international *lis pendens* and related actions. It is arguable that the Member State courts must adjudicate questions concerning the invalidity of third state rights, provided the ruling is limited *inter partes*.

Hence, the new rules on international *lis pendens* arguably provide the only (and limited) possibility for a Member State court to stay or decline proceedings concerning the registration or invalidity of a third state right. In practice, the right holder often brings proceedings for infringement first, which triggers the alleged infringer to challenge the validity of the patent or trademark. Under the Recast's international *lis pendens* doctrine, a Member State court is precluded from staying an infringement dispute arising under a third state right in favour of the third state court second seised (or not yet seised) even though in many cases, this may better further the sound administration of justice and respect comity among states.¹¹⁴⁵ In addition, a (unilateral) in-

¹¹⁴⁴ Article 45(1)(d) Regulation 1215/2012 *e contrario*.

¹¹⁴⁵ See Mills 2013 p. 469-470 (discussing a mismatch between the rules of the Brussels I Regulation, which are focused on internal market problems, and its scope, which includes

ternational *lis pendens* minimises risk for conflicting judgments with third states but does not avoid them altogether.

However, if the parties have agreed to the jurisdiction of a Member State court pursuant to a *valid prorogation agreement*, the discretionary rules on declining jurisdiction described above are not applicable.¹¹⁴⁶ The Member State courts must respect parties' agreement to litigate patent, trademark, and copyright infringement disputes, even if the proceedings concern the registration or validity of rights registered in a third state.¹¹⁴⁷

As noted, the competence of the EU trademark courts is limited to certain claims arising under an *European trademark*. However, to the extent that an EU trademark court in its capacity as a national court also adjudicates claims arising under foreign law, the rules in the Brussels I Regulation as discussed above apply.

With respect to *European patents*, if the UPC Agreement comes into effect, proceedings concerning the registration or validity of European patents that fall within the scope of the UPC's competence but which have been validated in non-Contracting EU Member States (e.g. Poland) and in Lugano contracting states (e.g. Iceland) will fall within the rules on exclusive jurisdiction in the Recast and the Lugano Convention.¹¹⁴⁸ European patents validated in third states (e.g. Turkey) fall outside the rule on exclusive jurisdiction, and there is a strong possibility that the Recast requires the UPC to exercise jurisdiction over these proceedings with *inter partes* effect.

Turning to the *national rules in the EU Member States*, if the defendant is domiciled in a third state, these rules will determine whether a Member State court has jurisdiction over disputes arising out of or implicating IP rights

non-internal market questions, and which inappropriately allocates regulatory authority and creates conflicts between Member States and third states).

¹¹⁴⁶ The rules on declining jurisdiction apply only "Where jurisdiction is based on Article 4 or on Articles 7, 8 or 9" of the Regulation. Article 34-34 Regulation 1215/2012.

¹¹⁴⁷ Hartley 2013:1 p. 300, 288 (stating that if the state of the IP registration is outside the EU or Lugano states, a choice of law agreement will have legal effect even if it applies to the validity of the IP right); Recital 19 Regulation 1215/2012 ("The autonomy of the parties to a contract, other than an insurance, consumer or employment contract, where only limited autonomy to determine the courts having jurisdiction is allowed, should be respected subject to the exclusive grounds of jurisdiction laid down in this Regulation."); Case C-159/97, Castelletti, para. 48-50 (stating that "the choice of court in a jurisdiction clause may be assessed only in the light of considerations connected with the requirements laid down by Article 17 [now article 25] which dispenses with any objective connection between the relationship in dispute and the court designated.").

¹¹⁴⁸ De Miguel Asensio 2014:1 p. 875.

registered or protected in other Member States and third states.¹¹⁴⁹ These rules may vary with respect to procedural rules on admissibility and with respect to the discretion granted to the court to determine whether to hear the case. On the one hand, the Member States courts may be more likely to hear such claims against third state defendants than they are required to do under the Recast in relation to EU defendants because the forum Member States may give priority to their own national interests. On the other hand, the Member State courts may be less likely to hear such claims because under these circumstances where neither the defendant nor the IP right alleged infringed are connected to the forum Member State, the Member State may be less interested in providing a forum. When jurisdiction is not based on the Brussels I Regulation, there is nothing that prevents the Member States courts from applying national procedural rules on admissibility based on the subject matter of the dispute.¹¹⁵⁰ In Ireland and the UK, infringement claims arising under foreign IP rights have traditionally been held to be non-justiciable.¹¹⁵¹ While this position has been abandoned in the UK as far as infringement claims are concerned, it may still hold purchase when it comes to infringement claims where the invalidity of a third state registered right is implicated.¹¹⁵² In some Member States, there are statutory limitations that prevent a court from exercising jurisdiction over disputes that relate to the validity or registration of an IP right registered abroad.¹¹⁵³ Also, in those

¹¹⁴⁹ Article 6 Regulation 1215/2012.

¹¹⁵⁰ See Case C-365/88, Hagen / Zeehaghe, para. 18-20 (stating that the application of national procedural rules may not be applied when the Brussels Convention applies if they impair the effectiveness of the Brussels Convention).

¹¹⁵¹ See e.g. Tyburn Productions Ltd v Conan Doyle, England and Wales High Court, [1990] 3 W.L.R. 167; Duhan v Radius Television Production Ltd., Irish High Court, 18 July 2007, [2007] IEHC 292 (Ireland) (finding that questions of the existence of a third state copyright were not justiciable under Irish private international law).

¹¹⁵² Lucasfilm Ltd v Ainsworth [2011] UKSC 39, [2012] 1 AC 208, para. 105-110 (holding that the English rules of private international law did not prevent the courts from adjudicating a copyright infringement claim arising under the law of a third state). The Supreme Court held that “Tyburn Productions Ltd v Conan Doyle was wrongly decided.” Ibid. para. 110; Converse Inc. v Conley Ltd., England and Wales High Court, [2012] EWPC 24 (allowing the plaintiff to amend its complaint to add infringement claims arising under South African Trademark law following the Supreme Court’s precedent that these claims were justiciable under English private international law); Satyam Computer Services Ltd. v Unpaid Systems Ltd., England and Wales High Court, [2008] EWHC 31 (Comm), para. 90-104 (holding English rules of private international law did not prevent the courts from adjudicating a patent infringement claim arising under the law of a third state provided the English court did not have to investigate whether the patent was valid).

¹¹⁵³ See Janssens 2012 p. 391 (stating that pursuant to article 86 Belgium Code of Private International Law, 16 July 2004 the Belgian courts are required to decline jurisdiction, even *ex officio*, when the dispute relates to the validity or registration of an intellectual property right registered abroad); Study on Residual Jurisdiction 2007, National Report for Belgium p. 17 (same); Study on Residual Jurisdiction 2007, National Report for Hungary p. 23 (stating that pursuant to Sections 62/C to 62/E, Subsection f of IPL-Decree-Law, Hungarian courts

Member States that apply the doctrine of *forum non conveniens*, reasons of convenience and inappropriateness may lead to the court declining claims against third state defendants that arise under foreign Member State and third state rights, at least unless the dispute also implicates domestic rights.¹¹⁵⁴ In some Member States, even if specific rules do not exist and the doctrine of *forum non conveniens* is not applied, the view is held that the courts would be reluctant to be involved in disputes that are closely related to a third state.¹¹⁵⁵ Of course, when it comes to IP rights registered in a Member State, article 24(4) BR stipulates the exclusive jurisdiction of the Member State of registration, which applies regardless of whether the parties are domiciled in a Member State or in a third state.¹¹⁵⁶ In other words, it applies even if the Member State court's jurisdiction is based on its national rules.

If jurisdiction is based on national rules supporting *prorogation agreements* (i.e. if the parties fail to comply with the Recast's prescribed form requirements and the national rules can apply), the question whether the Member State courts will respect parties' agreement to litigate claims against third

shall not have jurisdiction over proceedings in connection with registration, extent, and termination of foreign industrial property rights); Study on Residual Jurisdiction 2007, National Report for Slovenia p. 14, 16 (stating that pursuant to Par. 2 of Art. 51 of the PILPA the Slovenian courts have no jurisdiction over disputes in connection with the registration and validity of foreign inventions and distinguishing marks).

¹¹⁵⁴ See e.g. Fawcett & Torremans 2011 p. 284-288; Study on Residual Jurisdiction 2007, National Report for Cyprus p. 11 (stating that if the entire subject matter of the action is an IP right registered in a non-EU state, the Cyprus courts will in all likelihood decline to exercise their jurisdiction under *forum non conveniens*); Actavis Group HF v Eli Lilly, England and Wales High Court, [2012] EWHC 3316 (Pat) (refusing to dismiss under *forum non conveniens* claim against U.S. company for declaration for non-infringement of French, German, Italian and Spanish EPC patents brought together with a claim based on the UK EPC patent because defendant did not demonstrate the existence of more appropriate forum that could hear all claims together), *aff'd* Court of Appeal, May 21, 2013, [2013] R.P.C. 37. See also Celltech R&D Ltd. v Medimmune Inc., England and Wales Court of Appeal, [2004] EWCA Civ 1331 (refusing to stay proceedings under the doctrine of *forum non conveniens* for the breach of a patent licence agreement concerning a U.S. patent in favour of proceedings already pending in the U.S. regarding the patent's validity because the parties had agreed to the jurisdiction of the UK courts with knowledge that questions of validity would be litigated in the U.S.). As discussed above however if the Recast's rule on prorogation agreements is applicable, the court would not have any discretion under its national law to stay the case.

¹¹⁵⁵ Study on Residual Jurisdiction 2007 p. 79. See e.g. Study on Residual Jurisdiction 2007, National Report for Spain p. 15 ("According to academic legal opinion, Spanish courts should also decline jurisdiction in the absence of an international convention in cases analogous to those for which Spanish courts have exclusive jurisdiction, to the extent that the foreign State claims such exclusive jurisdiction. In these cases, the most probable place of enforcement of a Spanish judgment will be the territory of the State claiming exclusive jurisdiction and therefore such judgment would become unenforceable.").

¹¹⁵⁶ Article 24(4) Regulation 1215/2012 ("The following courts of a Member State shall have exclusive jurisdiction, regardless of the domicile of the parties . . .").

state defendants arising under other Member States or third state IP rights or implicating the validity of rights registered in third states will depend on whether the Member States' national rules respect the exclusive jurisdiction of other states and the reason therefore.¹¹⁵⁷ If the justification is to protect the interests of parties in the sound administration of justice and in foreseeable and predictable rules on jurisdiction and enforceable judgments, the Member States courts may recognise that these interests are adequately protected by respecting the parties' choice of forum. On the other hand, if the reason for respecting the exclusive jurisdiction of other states is to preserve comity among states or to protect the interests of the forum Member State in not furthering policies of another state, it may be questionable whether these interests can be overcome by the parties' agreement.

In Sweden, for example, there is no case law with respect to proceedings against third state defendants concerning the infringement or invalidity of third state IP rights. Also, most of the doctrine that discusses Swedish court jurisdiction in relation to third state rights was written before Sweden was even bound by the Brussels I Regulation. The doctrine is based on the premise that the defendant is domiciled in Sweden or that the parties have agreed on Swedish jurisdiction; it does not discuss jurisdiction over foreign defendants in relation to foreign rights in the absence of a prorogation agreement. Still the basic principles are the same in that Swedish international civil jurisdiction depends on whether there is a Swedish interest in jurisdiction in light of the parties' or the subject matter's ties to Sweden and the enforceability of the dispute on Swedish territory. When it comes to disputes involving IP rights protected in third states, there is some support for the view that the interests of foreign states should also be taken into consideration, even in the absence of an international obligation to do so.¹¹⁵⁸ There is some support for the view however that third states interests should be given less weight than the interests of party autonomy.¹¹⁵⁹

¹¹⁵⁷ While the Study on Residual Jurisdiction does not give a complete answer to the question, differences among Member States can be detected. Compare Study on Residual Jurisdiction 2007, National Report for Slovakia p. 13 (In case the matter brought before a Slovak court is closely related to a non-EU State, we believe the Slovak courts would decline their jurisdiction in favour of the non-EU court, unless the parties have chosen the jurisdiction of Slovak courts as an exclusive jurisdiction.") with Study on Residual Jurisdiction 2007, National Report for Latvia p. 14 ("There are no special provisions providing for a right to refuse jurisdiction if the subject-matter is closely related to a non-EU country, but the parties have nominated Latvian courts as being competent to resolve the dispute. However, the general idea is that Latvian courts would not examine claims over intellectual property, real estate or other registered rights in another country.").

¹¹⁵⁸ Denmark 1961 p. 114-134, in particular p. 119-120.

¹¹⁵⁹ Hjerger 1963 p. 196.

The prevailing view is that Swedish courts should not exercise jurisdiction over proceedings to declare an IP right registered in third states invalid.¹¹⁶⁰ Denmark observes that Sweden should respect third state interests in maintaining exclusive jurisdiction over invalidity proceedings involving rights registered in their own states, in particular, in light of the importance of patents to a state's economy.¹¹⁶¹ In his view, foreign state interests should be given more weight than the interests of the parties.¹¹⁶² Bogdan acknowledges that respect for the interest of third states is one of several arguments against exercising jurisdiction over such disputes, along with the difficulty in applying foreign IP law, the fact that the judgment would not be recognised by the foreign state of registration, and the territorial nature of IP rights. In his opinion, none of these arguments are indisputable and without weakness, but the combined weight of these arguments leads to the conclusion that it would not be suitable for a Swedish court to exercise jurisdiction over questions concerning the validity of registered rights.¹¹⁶³ In Hjerger's view, a state's interest in its patents is exaggerated in light of the fact that the patent holder can deregister the patent, tolerate infringements and submit patent claims to arbitration. He submits therefore that Swedish jurisdiction should be established even in relation to the validity of the third state right if the parties agree or even perhaps if the defendant tacitly consents to jurisdiction.¹¹⁶⁴

Denmark maintains that Swedish courts should not exercise jurisdiction over a declaratory action concerning the existence of a copyright protected in a third state also out of respect for the interests of the third states.¹¹⁶⁵ This view seems out of date today. Strömholm does not seem to find any difficulties with a Swedish court hearing claims arising under foreign copyright law in general, although he does observe that if a dispute does not have any reasonable connection to Sweden (such as Swedish nationals or domiciliaries, or Swedish interests), a Swedish court might dismiss the case as *forum non conveniens*.¹¹⁶⁶

¹¹⁶⁰ Bogdan 2014 p. 125 (with further references); Maunsbach 2005 p. 251; Bogdan 1980 p. 274-275; Hjerger 1963 p. 196; Denmark 1961 p. 115-120.

¹¹⁶¹ Denmark 1961 p. 115-120, in particular p. 119 (on patents), 127-128 (on registered trademarks).

¹¹⁶² Denmark 1961 p. 285-286 (maintaining that exclusive jurisdiction cannot be overcome by prorogation agreement).

¹¹⁶³ Bogdan 1980 p. 274-275. A practical effect of such a judgment is that it would ensure the non-recognition of a third state infringement judgment on the infringement of the patent in the EU.

¹¹⁶⁴ Hjerger 1963 p. 196.

¹¹⁶⁵ Denmark 1961 p. 134.

¹¹⁶⁶ Strömholm 2001 p. 108, 179-181. While Strömholm raises the *forum non conveniens* discussion with respect to the Swedish forum rules on prorogation agreements and tacit consent, it has relevance for other possible bases of Swedish jurisdiction. It should be observed

While the prevailing view is that the Swedish courts have jurisdiction over claims for damages arising under the infringement of IP rights protected in third states, the views are divided on how a Swedish court should proceed if the invalidity of a right registered in a third state is raised by the alleged infringer as a plea in objection.¹¹⁶⁷ Denmark suggests that the infringement claim can proceed before the Swedish courts, but out of respect for the interests of the third state of registration, the Swedish courts should not question the validity of the third state right as long as it continues to be validly registered in the third state.¹¹⁶⁸ Bogdan submits that if invalidity is raised as an objection plea to the infringement claim, the case should be stayed.¹¹⁶⁹ Hjernner, Maunsbach and Pålsson suggest that if the Swedish courts exercise jurisdiction over the infringement claim implicating third state right, they should be prepared to adjudicate the invalidity issue as would the court in the state of registration.¹¹⁷⁰ This would mean that Sweden under its national rules in relation to third state defendants would treat invalidity questions involving third state rights the same as it is arguably required to do so under the Recast in relation to EU defendants.

In the *United States*, the existence of a connecting factor that could serve as a basis of personal jurisdiction alone is not enough for the exercise of jurisdiction; the court must have subject matter jurisdiction over the claim. In light of the fact that infringement claims arising under U.S. federal rights are almost exclusively litigated in federal and not state court, it is understandable that right holders claiming infringements of foreign rights would also want to bring such claims in U.S. federal rather than state court. An unexplored question is whether the constitutional grant of federal question jurisdiction is sufficiently broad to encompass the adjudication of IP questions arising under foreign law.¹¹⁷¹ The purpose of the limited subject matter juris-

that the Swedish national rules on prorogation agreements have lost most of their effect since the new Recast rule does not require that any of the parties are domiciled in a Member State.

¹¹⁶⁷ Bogdan 2014 p. 125; Maunsbach 2005 p. 251-253, 181-193; Bogdan 1980 p. 276-279; Denmark 1961 p. 120-127.

¹¹⁶⁸ Denmark 1961 p. 126-127.

¹¹⁶⁹ Bogdan 1980 p. 278.

¹¹⁷⁰ Hjernner 1963 p. 197; Maunsbach 2005 p. 251-253, 181-193 (discussing the question in relation to the Brussels I Regulation before the GAT case, maintaining that invalidity should be determined as an incidental matter, and concluding that the Swedish national rules should be interpreted in the same way because it is unsuitable to maintain two different sets of rules for transborder problems); Pålsson 2001 p. 134-135 (discussing the question in relation to the Brussels I Regulation before the GAT case and concluding that invalidity should be determined as an incidental matter).

¹¹⁷¹ See Article III, section 2 U.S. Constitution (extending federal court jurisdiction to “all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;”).

diction of the federal courts was to preserve the U.S. states' jurisdiction over questions that did not implicate federal interests. The adjudication of claims arising under foreign IP

rights arguably concerns the federal interest in foreign relations and in international comity and not any U.S. state interests.¹¹⁷² This suggests that it would be constitutionally permissible for a federal court to exercise such jurisdiction even when diversity jurisdiction is not claimed (e.g. between two U.S. citizens from the same U.S. state). However, even assuming that the adjudication of foreign infringement claims in federal court is constitutionally permissible, it is a separate question whether the U.S. legislature has statutorily granted the federal courts this jurisdiction.

The Supreme Court has not yet had the opportunity to interpret the statutory bases of federal court jurisdiction in relation to claims arising under or implicating foreign IP rights. The Court has however recently interpreted the scope of the Alien Tort Claims Act (ATCA), which supplies a statutory basis of federal court jurisdiction over tort claims raised by foreign defendants committed in violation of customary international law or a U.S. treaty.¹¹⁷³ Applying the presumption against extraterritoriality, the Court held that the ATCA did not grant the federal courts subject matter jurisdiction over claims arising from torts committed abroad.¹¹⁷⁴ The Court held that there was nothing in the text, history or purposes of the federal ATCA or the circumstances of the claim at hand to rebut the presumption against the extraterritorial application of federal statutes.¹¹⁷⁵

It seems unlikely that federal court jurisdiction over foreign IP infringement claims could be based on the specific statutory grant of federal question ju-

¹¹⁷² See *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 905 (Fed. Cir. 2007) (Newman dissenting) (observing that the question of federal court jurisdiction over foreign patents is not related to federalism and the federal/state relationship); Born 1987 p. 27-34 (discussing more generally the federal interest in international cases).

¹¹⁷³ 28 U.S.C. § 1350 (“The district courts shall have original jurisdiction of any civil action by an alien for a tort only, committed in violation of the law of nations or a treaty of the United States.”).

¹¹⁷⁴ *Kiobel v Royal Dutch Petroleum Co.*, 133 S.Ct. 1659 (2013) (holding that the Alien Tort Claims Act, which gives the federal courts subject matter jurisdiction over “any civil action by an alien for a tort only, committed in violation of the law of nations or a treaty of the United States” did not apply to torts committed abroad).

¹¹⁷⁵ *Kiobel v Royal Dutch Petroleum Co.*, 133 S.Ct. 1659, 1664 (2013) (stating that “The presumption [against extraterritoriality] serves to protect against unintended clashes between our laws and those of other nations which could result in international discord.”) (internal quotations omitted). Four justices who concurred in the judgment wrote separately to state that jurisdiction under the statute should be established if the defendant was a U.S. national or if an important U.S. national interest is substantially and adversely affected. See *Kiobel v Royal Dutch Petroleum Co.*, 133 S.Ct. 1659 (2013) (Breyer opinion).

risdiction for civil actions arising under federal IP laws.¹¹⁷⁶ Such an argument seems to contradict the plain meaning of the statute.¹¹⁷⁷ An argument might be made that the international IP conventions ratified by the U.S. are “Acts of Congress” within the meaning statutory grant, and thus any foreign IP claims that arise under the conventions are within the statutory grant.¹¹⁷⁸ A difficulty with this argument is that the courts have generally found the international IP conventions not to be self-executing.¹¹⁷⁹ For the same reason, the general grant of federal question jurisdiction for all civil actions arising under the U.S. Constitution, federal laws, or U.S. might face the face obstacle.¹¹⁸⁰

With respect to the diversity jurisdiction statute, the federal courts have always had subject matter jurisdiction over transitory tort claims arising outside the U.S.¹¹⁸¹ However, the situation is not as clear with respect to claims arising under foreign IP rights. Actions arising under IP rights are generally classified as local actions because they grant a right to exclude others from carrying out certain activities within the territory of the granting state, not

¹¹⁷⁶ 28 U.S.C. § 1338(a) (“The district courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents, plant variety protection, copyrights and trademarks. No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents, plant variety protection, or copyrights.”).

¹¹⁷⁷ See *Bridgeman Art Library, Ltd. v Corel Corp.*, 25 F.Supp.2d 421, 430 (S.D.N.Y. 1998), *amended on other grounds on reh'g*, 36 F.Supp.2d 191 (1999) (finding that copyright claims arising under the laws of Canada and the UK “obviously” do not arise under an Act of Congress); Nicolas 1999 p. 344-345 (“Although this provision unquestionably provides subject matter jurisdiction for claims arising under U.S. intellectual property law, its plain language belies any effort to extend its coverage to claims arising under foreign intellectual property laws:”).

¹¹⁷⁸ See Nicolas 1999 p. 344-345.

¹¹⁷⁹ See e.g. *Vanity Fair Mills, Inc. v T. Eaton Co.*, 234 F.2d 633, 640-641 (2nd Cir. 1956), 352 U.S. 871 (1956) (holding that the Paris Convention is not self-executing). The U.S. Copyright Act expressly states that the Berne Convention is not to be given direct effect. See 17 U.S.C. §104(c).

¹¹⁸⁰ See Nicolas 1999 p. 344-345; *Bridgeman Art Library, Ltd. v Corel Corp.*, 25 F.Supp.2d 421, 430 (S.D.N.Y. 1998), *amended on other grounds on reh'g*, 36 F.Supp.2d 191 (1999) (“Although federal question jurisdiction includes claims arising under treaties, the Berne Convention is not self-executing”). See also 28 U.S.C. §1331.

¹¹⁸¹ Alford 2014 p. 1768 (stating that it is uncontroversial that “federal courts may exercise foreign diversity jurisdiction over tort claims by aliens against U.S. citizens for acts occurring outside the United States.”); *Bellia Jr. & Clark* 2014 p. 1639 (stating that it was well established already in 1789 that an alien could bring a tort or contract claim arising in one nation in the courts of the defendant's home nation because such actions were transitory, not local); *Cuba R. Co. v Crosby*, 222 U.S. 473 (1912) (exercising jurisdiction over tort committed in Cuba); *Voda, M.D. v Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007) (Newman dissenting) (federal courts have always had the authority to decide questions that require application of foreign law).

unlike real property rights.¹¹⁸² A local action classification is usually reserved for registered rights.¹¹⁸³ Copyright more often than not has been classified as transitory as it arises without a state act.¹¹⁸⁴ Still, most federal courts assume that the diversity jurisdiction statute in principle supports subject matter jurisdiction over foreign IP rights, although a separate inquiry may be made into whether that jurisdiction should be declined under the doctrine of *forum non conveniens*.¹¹⁸⁵

¹¹⁸² An Australian case is the leading case for the proposition that actions arising under foreign IP rights are classified as local actions. See *Potter v The Broken Hill Proprietary Co.*, 1906 VLR 292, Australian High Court.

¹¹⁸³ See *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 901 (Fed. Cir. 2007) (stating that local action doctrine counsels against the exercise of jurisdiction over foreign patent claims because it could prejudice the rights of the foreign governments); *Packard Instrument Co. v Beckman Instruments, Inc.*, 346 F.Supp. 408, 409 fn 1 (N.D. Ill., E.D. 1972) (“However inappropriate it may be to categorize all foreign patent claims as local and thereby raise an inflexible jurisdictional barrier, it would be equally doctrinaire to refuse to give weight to the considerations underlying the local-transitory dichotomy in a case in which they are pertinent.”); *Vanity Fair Mills, Inc. v T. Eaton Co.*, 234 F.2d 633, 647 (2nd Cir. 1956), *cert. denied*, 352 U.S. 871 (1956) (“Were this merely a transitory tort action in which disputed facts could be litigated as conveniently here as in Canada, we would think the jurisdiction of the district court should be exercised. But we do not think it the province of United States district courts to determine the validity of trade-marks which officials of foreign countries have seen fit to grant”).

¹¹⁸⁴ See *London Film Prod., Ltd. v Intercontinental Comm, Inc.*, 580 F.Supp. 471 (S.D.N.Y. 1984); *Frink America v Champion Road Machinery Ltd*, 961 F.Supp. 398 (N.D.N.Y. 1997); *Armstrong v Virgin records*, 91 F.Supp. 628 (S.D.N.Y. 2000); *Carell v Shubert Organ*, 104 F.Supp.2d 236 (S.D.N.Y. 2000). See also *Nimmer 1996 § 17.03* (maintaining that copyright is a transitory cause of action unlike patent and trademark). But see *ITSI T.V. Productions, Inc. v Calif. Authority of Racing Fairs*, 785 F.Supp. 854 (E.D. Calif 1992), *aff’d in part and rev’d in part on other grounds*, 3 F.3d 1289 (9th Cir. 1993); *Patry 2000 p. 467-469* (arguing that copyright infringement is not a transitory tort and that *Nimmer* was wrong); *Toraya 1985 p. 1182-1188* (arguing against a bright line test and in favour of a flexible approach that gives due consideration to a foreign state’s local interest in enforcing its copyrights).

¹¹⁸⁵ See *Boosey & Hawkes Music Publishers v Walt Disney Co.*, 145 F.3d 481 (2nd Cir. 1998) (implicitly accepting that district court had subject matter jurisdiction over foreign copyright infringement claims and reversing district court’s decision to dismiss the foreign copyright claims under doctrine of *forum non conveniens*); *Mars Inc. v Kabushiki-Kaisha Nippon*, 24 F.3d 1368 (Fed. Cir. 1994) (implicitly accepting that court would have jurisdiction if the plaintiff pleads diversity to support claims for infringement of foreign patents, but stating that the case would be dismissed under *forum non conveniens*); *Ortman v Stanray*, 371 F.2d 154, 159 (7th Cir. 1967) (concurring opinion by Judge Fairchild) (suggesting that the district court had diversity jurisdiction to adjudicate the claims for infringement of foreign patents but finding that the jurisdiction should not be exercised under *forum non conveniens*); *Vanity Fair v Eaton*, 234 F.2d 633 (2nd Cir 1956), *cert. denied*, 352 U.S. 871 (1956) (finding diversity jurisdiction satisfied but upholding district court’s decision to decline jurisdiction over a Canadian trademark infringement claim); *Fairchild Semiconductor Corp.*, 589 F.Supp.2d 84 (D. Maine 2008) (diversity subject matter jurisdiction is not discretionary and includes foreign patent claims); *Baker-Bauman v Walker*, 2007 WL 1026436 (S.D. Ohio 2007) (refusing to dismiss case for lack of jurisdiction because when Congress enacted the diversity jurisdiction statute, it did not include an exception for claims predicated upon foreign patents, but observ-

There is also support for the proposition that the federal courts have subject matter jurisdiction over transitory foreign tort claims (e.g. foreign copyright claims) under the supplemental jurisdiction statute, although the same question arises in relation to local actions (e.g. foreign patent claims).¹¹⁸⁶ However, even assuming that foreign IP claims are not *per se* excluded from the statutory grant, the foreign IP claims must also satisfy the requirement that the related claims form part of the “same case or controversy” as the U.S. IP claims.¹¹⁸⁷ Moreover, even if this criterion is satisfied, the supplemental jurisdiction statute gives the court the discretion to decline jurisdiction if the related claim “raises a novel or complex issue” of law, “substantially predominates” over the federal claim or where the federal claim has been dismissed, or “in exceptional circumstances, there are other compelling reasons for declining jurisdiction.”¹¹⁸⁸

In *Voda, M.D. v Cordis Corp.*, the Federal Circuit held that the federal courts could not exercise supplemental jurisdiction over the foreign patent claims because considerations of comity, judicial economy, convenience, fairness and other exceptional circumstances constituted compelling reasons

ing that defendant did not seek dismissal under *forum non conveniens* even though the Federal Circuit has observed that it could be a basis for dismissing such claims).

¹¹⁸⁶ *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 894 (Fed. Cir. 2007) (stating that because the inherent powers of state courts permit them to entertain transitory causes of action arising under the laws of foreign sovereigns, supplemental jurisdiction appears to include foreign law claims).

¹¹⁸⁷ 28 U.S.C. § 1367(a) (“the district courts shall have supplemental jurisdiction over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution.”). The Federal Circuit has suggested that the fact that U.S. and foreign patents are separate, independent rights created and governed under different national laws, and which are normally “adjudicated by the courts within the jurisdiction where such patents are created”, means that foreign patent claims would always fail the same case or controversy test. See *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 894-897 (Fed. Cir. 2007). Other courts have applied the test stringently but left room for the possibility that it could be satisfied. See *Mars Inc. v Kabushiki-Kaisha Nippon*, 825 F.Supp. 73 (D. DE 1993), *aff’d on other grounds*, 24 F.3d 1368 (Fed. Cir. 1994) (finding case or controversy test not satisfied because the U.S. and foreign patents were different, the accused devices were different, the alleged acts of infringement were different, and the governing laws are different); *Ideal Instruments, Inc. v Rivard Instruments, Inc.*, 434 F.Supp.2d 598 (N.D.Iowa 2006) (finding case or controversy test not satisfied because the respective patents are different, the accused devices are different, the alleged acts are different, and the governing laws are different so that the assertion of supplemental jurisdiction over the foreign infringement claim would in effect result in the court having to conduct two separate trials at one time). See also *Ortman v Stanray Corp.*, 163 U.S.P.Q. 331, 334 (N.D. Ill. 1969), *rev’d on other grounds*, 437 F.2d 231 (7th Cir. 1971) (finding “case or controversy test” satisfied).

¹¹⁸⁸ 28 U.S.C. § 1367(c).

for declining jurisdiction under the supplemental jurisdiction statute.¹¹⁸⁹ The Federal Circuit reasoned that the exercise of jurisdiction could undermine the obligations of the U.S. under the international patent and IP agreements because they did not authorise jurisdiction over foreign patent claims.¹¹⁹⁰ In addition, it found that comity dictated that the court decline jurisdiction because there was no evidence that the other sovereign states were willing to have U.S. courts exercise jurisdiction over their patent rights.¹¹⁹¹ Moreover, the court found that judicial economy and convenience dictated against the exercise of jurisdiction due to the difficulty of applying different patent laws, the cost of obtaining and translating evidence, and the fact that there was no obligation on the part of foreign sovereigns to enforce a U.S. judgment relating to foreign patents.¹¹⁹² Finally, the court found that the exercise of jurisdiction would be unfair to the defendant because the act of state doctrine could prevent the court from inquiring into the validity of the foreign patent.¹¹⁹³ While the ruling was made on narrow statutory grounds, the reasons given indicate how the Federal Circuit might rule on the broader question whether foreign patent claims are *per se* excluded from the scope of the supplemental or diversity jurisdiction statutes, as well as how it will interpret the lower courts' discretion to retain foreign patent claims when faced with a *forum non conveniens* motion.¹¹⁹⁴

The Federal Circuit's ruling in *Voda* has severely limited the district courts' discretion to hear foreign patent claims. While the Federal Circuit's ruling is not binding on the other circuits, some district courts outside its jurisdiction have followed its reasoning and declined to exercise supplemental jurisdiction over foreign trademark claims.¹¹⁹⁵ Even before *Voda*, however, regard-

¹¹⁸⁹ *Voda, M.D. v Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007).

¹¹⁹⁰ *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 898-900 (Fed. Cir. 2007) (observing that the international patent agreements maintain the independence of each country's patents and their systems for adjudicating those patents, and did not authorise "one jurisdiction to adjudicate the patents of another").

¹¹⁹¹ *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 901-903 (Fed. Cir. 2007). The court stated that the exercise of jurisdiction would "require U.S. to define the legal boundaries of a property right granted by another sovereign and then determine whether there has been a trespass to that right." It reasoned that the local action doctrine demonstrated that exercising jurisdiction over foreign patent rights violated U.S. norms on what sovereign states expect. The court found patent rights were analogous to land because "a patent right to exclude only arises from the legal right granted and recognised by the sovereign within whose territory the right is located." Finally, the court noted that the foreign sovereigns, like the U.S., have established special systems to maintain the uniformity of the application of their patent laws.

¹¹⁹² *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 903-904 (Fed. Cir. 2007).

¹¹⁹³ *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 904 (Fed. Cir. 2007).

¹¹⁹⁴ See Leaffer 2014 p. 36 (stating that the Federal Circuit "has long displayed a wariness, if not outright hostility to foreign patent law.").

¹¹⁹⁵ *Levi Strauss & C. v Papikian Enterprises, Inc.*, 2011 WL 3739550 (N.D. Cal. 2011) (declining supplemental jurisdiction over foreign trademark claims); *Levi Strauss & Co. v*

less of whether jurisdiction over foreign patent and trademark claims may be included within the diversity and supplemental jurisdiction statutes, the courts have declined to exercise jurisdiction under the doctrine of *forum non conveniens* and international abstention due to respect for international comity.¹¹⁹⁶ The federal courts have not had the same reluctance to exercise jurisdiction when the claim arises under contract law even though the dispute concerns the exploitation of foreign patent or trademark rights under a licence agreement, and the validity of the foreign registered rights is not implicated.¹¹⁹⁷ In the past, the federal courts have not had the same reluctance

AmericanJeans.com, Inc., 2011 WL 1361574 (N.D. Cal. 2011) (same); Benihana of Tokoyo, Inc. v Benihana, Inc., 828 F.Supp.2d 720 (D.Delaware 2011) (same). But see New Name, Inc. v Walt Disney Co., 2007 WL 5061697 (C.D.Cal. 2007) (refusing to decline supplemental jurisdiction over plaintiff's foreign trademark claims brought together with foreign copyright claim because "[n]othing in the Complaint suggests that applying Canadian laws to the facts of this case will call into question the legislative, executive or judicial acts of Canada.").

¹¹⁹⁶ Mars Inc. v Kabushiki-Kaisha Nippon, 24 F.3d 1368 (Fed. Cir. 1994) (stating that foreign patent infringement claims would be dismissed under *forum non conveniens*); Ortman v Stanray, 371 F.2d 154, 159 (7th Cir. 1967) (concurring opinion by Judge Fairchild) (stating that the jurisdiction over foreign patent infringement claims should be declined under *forum non conveniens*); Vanity Fair Mills v T. Eaton Co., 234 F.2d 633 (2nd Cir 1956), cert. denied, 352 U.S. 871 (1956) (upholding district court's decision to abstain from jurisdiction over a Canadian trademark infringement where crucial issue in the case was the validity of the defendant's Canadian trademark because of risk of conflict with authorities of another country). The Second Circuit also held the doctrine of *forum non conveniens* supported dismissal but it was unnecessary for the court to rely solely on that ground); Packard Instrument Co. v Beckman Instruments, Inc., 346 F.Supp. 408 (N.D. Ill, E.D. 1972) (abstaining from exercising jurisdiction over claims for infringement of foreign patents when the validity of those patents will be put at issue because a determination that the patents were invalid would raise serious issues of comity); Goldberg v Cordis Corp., 203 U.S.P.Q 717 (N.D. Ill, E.D. 1976)(same). The Federal Circuit in Voda explicitly declined to make any holding regarding abstention. Voda, M.D. v Cordis Corp., 476 F.3d 887 (Fed. Cir. 2007) ("Because we resolve the district court's jurisdiction on statutory grounds, we do not discuss or make any holdings regarding abstention here."). Some of these older cases referred to the act of state doctrine as a reason for declining jurisdiction. Even assuming that the act of state doctrine is applicable to the grant of foreign IP rights, it is no longer viewed as an abstention doctrine, but a choice of law rule which requires that the foreign act of state be treated as valid. Kirkpatrick & Co, Inc. v Environmental Tectonics Corp., 493 U.S. 400 (1990) (the act of state doctrine is not "some vague doctrine of abstention but a principle of decision binding on federal and state courts like.").

¹¹⁹⁷ See e.g. Fairchild Semiconductor Corp. v Third Dimension (3D) Semiconductor, Inc., 589 F.Supp.2d 84 (D.Me. 2008) (exercising jurisdiction over contract dispute concerning licence of Chinese patent where there was "no challenge to the Chinese patent's validity"); Bravo Co. v Chum, Ltd., 60 F.Supp.2d 52 (E.D.N.Y. 1999) (exercising jurisdiction over trademark licence dispute where the action does not implicate the validity of or the defendant's right to the trademark under foreign law but rather seeks to determine defendant's rights to such marks under the contract); Forbo-Giubiasco v Congoleum Corp., 516 F.Supp. 1210 (S.D. N.Y. 1981) (exercising jurisdiction over licensee's claim for damages and refund of royalties on account of licensor's alleged failure to comply with the laws of foreign countries in obtaining the foreign patents where the court was "not asked to determine the validity of a foreign patent but to determine whether the foreign patents were obtained through inequitable con-

to exercise jurisdiction over claims arising under U.S. antitrust law even though the claim implicates foreign patent rights.¹¹⁹⁸ The exercise of U.S. antitrust jurisdiction, in particular over foreign nationals with respect to foreign patents, has led to conflicts with other states.¹¹⁹⁹

Arguments based on international comity have not been as persuasive with respect to jurisdiction over foreign copyright claims. Even after *Voda*, some federal courts have accepted and retained supplemental jurisdiction over related foreign copyright claims.¹²⁰⁰ In addition, when jurisdiction is based on diversity, the fact that a claim arises under foreign copyright has not automatically resulted in a *forum non conveniens* dismissal.¹²⁰¹ Indeed, foreign copyright infringement claims, at least those that do not raise invalidity and

duct.”); *Dahlgren Manufacturing Co. v Harris Corp.*, 399 F.Supp. 1253 (D.C. Tex 1975) (exercising jurisdiction over action to refrain patent holder from using foreign patents in violation of cross licensing agreement where “issuance of the decree would in no way affect the validity of the foreign patent”); *Velsicol Chemical Corp. v Hooker Chemical Corp.*, 230 F.Supp. 998 (N.D. Ill, E.D. 1964) (exercising jurisdiction over contract action involving licence of foreign patents where “[t]he question, however, is not one of infringement, but rather is whether or not defendant retained a license to sell under Velsicol’s foreign chlorendic patents by virtue of Article 7(c) of the contract” and observing that the court has no authority to rule upon their validity).

¹¹⁹⁸ See e.g. *Zenith Radio Corp. v Hazeltine Research*, 395 U.S. 100 (1969) (upholding district court’s injunction barring patent holder from conspiring with others in violation of U.S. antitrust law to use its Canadian patents to prevent Zenith from entering Canadian market); *Mannington Mills, Inc. v Congoleum Corp*, 595 F.2d 1287 (3rd Cir 1979) (exercising jurisdiction over U.S. antitrust action based on obtainment of foreign patents by fraud); *Rohm and Haas Co. v Dawson Chemical Co.*, 557 F.Supp. 739 (D.C. Tex 1983), *rev’d on other grounds*, 722 F.2d 1556 (C.A. Fed. 1983), *cert. denied*, 469 U.S. 851 (1984) (exercising jurisdiction over dispute involving question whether licensing agreements involving foreign patents violated U.S. antitrust laws).

¹¹⁹⁹ See *U.S. v Imperial Chemical Industries, Ltd.*, 105 F.Supp. 215 (S.D.N.Y. 1952) (voiding cross licensing agreements relating to foreign patents and ordering compulsory licensing of British patents under U.S. antitrust law); *British Nylon Spinners Ltd. v I.C.I. Ltd.*, [1952] 2 All E.R. 780 Court of Appeal & [1954] 3 All E.R. 88 Chancery Division (ordering UK defendant not to comply with U.S. court order concerning the British patents).

¹²⁰⁰ *Rundquist v Vapiano*, 798 F.Supp.2d 102 (D.D.C. 2011) (refusing to decline supplemental jurisdiction over plaintiff’s foreign copyright claim); *New Name, Inc. v Walt Disney Co.*, 2007 WL 5061697 (C.D.Cal. 2007) (refusing to decline supplemental jurisdiction over plaintiff’s foreign copyright claim because adjudicating a foreign copyright claim does not offend the interests of comity as there is no need to pass upon the validity of acts of foreign government).

¹²⁰¹ See e.g. *Boosey & Hawkes Music Publishers, Ltd. v Walt Disney Co.*, 145 F.3d 481 (2nd Cir. 1998) (reversing district court’s order to dismiss as *forum non conveniens* 18 foreign copyright claims); *Frink America, Inc. v Champion Road Machinery Ltd*, 961 F.Supp. 398 (N.D. N.Y. 1997) (denying motion to dismiss foreign copyright claim under *forum non conveniens*); *World Film Services, Inc. v RAI Radiotelevisione Italiana, S.p.A.*, 1999 WL 47206 (S.D.N.Y.) (same); *Irwin v ZDF Enterprises GMBH*, 2006 WL 374960 (S.D.N.Y.) (declining to dismiss complaint alleging infringement of U.S., German and UK copyright).

existence issues, are not understood to acutely concern the interests of the protecting state.¹²⁰² The fact that the claim is based on foreign copyright law is merely one public interest factor that needs to be considered in a *forum non conveniens* motion along with the other public and private interest factors.¹²⁰³ In practice, however, foreign copyright claims are still seldom litigated before U.S. courts.¹²⁰⁴ The risk of a *forum non conveniens* dismissal may lead prospective plaintiffs, in particular foreign ones, not to raise foreign law claims in general including foreign copyright claims.¹²⁰⁵ In addition, as discussed below, the expansive territorial scope of application of U.S. copyright law may lead plaintiffs to attempt to reconfigure the foreign law claim into a U.S. claim.

The federal courts' reluctance to hear IP claims arising under foreign law has led some commentators to speculate that these claims might be brought in the U.S. state courts.¹²⁰⁶ This prediction does not seem to have been proven true. One reason may be because the doctrines applied by the federal courts to decline jurisdiction over foreign IP claims have their equivalent in state court doctrines.¹²⁰⁷ Some states apply the local action doctrine with respect to real property, which might be extended to foreign IP rights. While many courts and legislatures have restricted the local action rule to actions that directly affect title to property in another U.S. state in an effort to facilitate

¹²⁰² *Boosey & Hawkes Music Publishers v Walt Disney Co*, 145 F.3d 481, 492 (2nd Cir. 1998) (rejecting the district court's conclusion that strong national interests of each state in its own copyright law required a dismissal); *London Film Prod., Ltd. v Intercontinental Comm, Inc.*, 580 F.Supp. 471 (S.D.N.Y. 1984) (denying motion for *forum non conveniens* over foreign copyright claims where "[t]he litigation will determine only whether an American corporation has acted in violation of a foreign copyright, not whether such copyright exists, nor whether such copyright is valid."). But see *Crane v Poetic Products Ltd.*, 351 Fed. Appx. 516 (2nd Cir. 2009) (affirming district court's decision to decline jurisdiction over declaration of non-infringement under UK copyright law on grounds of international comity).

¹²⁰³ See e.g. *Flowerserve U.S. Inc. v ITT Corp*, 68 F.Supp.3d 646, 662 (N.D. Texas 2014) (finding that the fact that the copyright infringement took place in Russia and Russian copyright law would apply as a public interest factor in favour of dismissing under *forum non conveniens* an action between two U.S. parties); *Evolution Online Systems, Inc. v Koninklijke PTT Nederland N.V.*, 41 F.Supp.2d 447 (S.D. N.Y. 1999) (dismissing foreign copyright claim under doctrine of *foreign non conveniens* "since the infringing acts all occurred in the Netherlands.").

¹²⁰⁴ See *Halo Creative & Design Ltd. v Comptoir Des Indes Inc.*, 816 F.3d 1366 (Fed. Cir. 2016) (stating that the application of foreign copyright law has remained an anomaly and is unrealised in practice, with rare exception) (citation omitted).

¹²⁰⁵ See *Bookman 2015* p. 1095 (citing studies by Chris Whytock and Donald Childress that suggest that federal courts are more likely than not to grant *forum non conveniens* motions in cases involving foreign plaintiffs or foreign law).

¹²⁰⁶ *Chan 2008* p. 45; *Bookman 2015* p. 1108.

¹²⁰⁷ *Bookman 2015* p. 1108 (stating that while the avoidance doctrines practiced by the federal courts may lead to litigation being brought in state court, many of the federal avoidance doctrines have their equivalent in state court).

commerce among the U.S. states and achieve justice for the parties, different considerations might apply if the property is situated in a foreign state.¹²⁰⁸ In light of the fact that the U.S. state courts have very little experience with infringement claims at all, it would not be surprising that they would be unwilling to exercise jurisdiction over foreign IP rights. Regardless of possible subject matter jurisdiction limitations, the state courts apply the doctrine of *forum non conveniens*.

Unlike personal jurisdiction, subject matter jurisdiction may not be waived.¹²⁰⁹ Thus, a *prorogation agreement* by the parties to litigate foreign IP claims before a U.S. court that lacks subject matter jurisdiction cannot cure that defect. If the court has subject matter jurisdiction however the fact that the parties agreed on the U.S. forum means that in considering a motion for dismissal under *forum non conveniens*, the court “must deem the private-interest factors to weigh entirely in favor of the preselected forum.”¹²¹⁰ Only public interests factors that weigh against the enforcement of the agreement may be considered.

While Supreme Court precedent supports party autonomy in international cases generally, it is unclear whether it can override the foreign state interests in the adjudication of disputes arising under their registered rights and the U.S. interest in international comity. At least one federal court has refused to decline jurisdiction under *forum non conveniens* when the parties have agreed on the federal forum, and the dispute, which arose under a licence agreement for Chinese patents, would require the court to interpret the scope of the Chinese patent.¹²¹¹ The court made clear however that its decision was limited solely to the licence’s scope and interpretation and was not intended to be determinative of any later infringement issue between these or

¹²⁰⁸ See Entman 2004 p. 254, 265 fn 70 (stating that some states have restricted the local action doctrine); ReasorHill Corp. v Harrison, 249 S.W.2d 994, 995-996 (Ark. 1952) (abolishing the local action rule with respect to actions for damages to property situated in another U.S. state but noting that the local action rule should apply in relation to property situated in foreign states). But see In re Marriage of Kowalewski, 163 Wash.2d 542 (Supreme Court of Washington 2008) (refusing to apply local action doctrine over action to settle parties personal interest in real property in Poland).

¹²⁰⁹ Zenger-Miller, Inc. v Training Team, GmbH, 757 F.Supp. 1062, 1069 (N.D. Cal. 1991).

¹²¹⁰ See Atlantic Marine Construction Co., Inc. v United States District Court of the Western District of Texas, 134 S.Ct. 568 (2013) (“When parties agree to a forum-selection clause, they waive the right to challenge the preselected forum as inconvenient or less convenient for themselves or their witnesses, or for their pursuit of the litigation.”).

¹²¹¹ Fairchild Semiconductor Corp. v Third Dimension (3D) Semiconductor, Inc., 589 F.Supp.2d 84, 96-97 (D.Me. 2008) (“If there is concern that this court’s decision somehow could “prejudice the rights of the foreign governments,” it can be made clear that this court’s decision is limited solely to license scope and interpretation and is not intended to be determinative of any later infringement issue between these or other parties.”).

other parties. Thus, the court observed that its decision would not “prejudice the rights of the foreign governments.”¹²¹² In light of the Voda ruling that makes a strong statement about the state interest in the adjudication of infringement disputes arising under domestic patents, it is unclear whether the interest in facilitating international transactions and the parties’ interest in foreseeability would be given precedence.

Summing up, jurisdiction under the Recast in relation to exercising jurisdiction over disputes against EU defendants involving third state rights is broad. While the issue is not completely settled, it seems that if a Member State court has jurisdiction under the Recast, it is required to exercise that jurisdiction even if the claim arises under or implicates the validity of third state IP rights, unless a rule in the Regulation requires or permits it to decline jurisdiction. This interpretation follows from the EU’s interest in the sound administration of justice and in legal certainty, which *inter alia* facilitates the proper functioning of the internal market and access to justice for EU citizens. The same holds true for third state parties who choose the jurisdiction of a Member State court under a valid prorogation agreement to litigate disputes arising under or implicating the validity of third state IP rights.

When a dispute involves a third state defendant and jurisdiction is based on the Member States’ national rules, the Member States have discretion to adopt their own national solutions with respect to jurisdiction over foreign rights (provided they respect the exclusive jurisdiction of the other Member States). Traditionally, the Member States courts have been reluctant to exercise jurisdiction over IP infringement claims arising under other Member States or third states right. This may be changing in step with the liberalisation of the EU rules and in response to the needs of the parties and the international system.

In the U.S., the courts have been reluctant to exercise jurisdiction over infringement claims arising under foreign registered rights in the interest of international comity out of respect for the interests of the state of registration. The courts have declined jurisdiction under the doctrine of *forum non conveniens* or international abstention. It makes no difference whether the defendant is a U.S. defendant sued “at home” or a foreign defendant. The federal courts have not had the same reluctance to exercise jurisdiction when the claim arises under contract law even though the dispute concerns the

¹²¹² Fairchild Semiconductor Corp. v Third Dimension (3D) Semiconductor, Inc., 589 F.Supp.2d 84, 96-97 (D.Me. 2008) (“If there is concern that this court’s decision somehow could “prejudice the rights of the foreign governments,” it can be made clear that this court’s decision is limited solely to license scope and interpretation and is not intended to be determinative of any later infringement issue between these or other parties.”).

exploitation of foreign patent or trademark rights under a licence agreement, provided the validity of the foreign registered rights are not questioned. Arguments based on international comity have not been as persuasive with respect to jurisdiction over foreign copyright claims. The fact that a claim arises under foreign copyright law is only one factor to be considered in a *forum non conveniens* analysis.

Domestic IP rights

In the *European Union*, if the proceedings concern the registration or invalidity of a domestic IP right, the courts of the Member State where the right is registered are required to exercise jurisdiction.¹²¹³ Jurisdiction is mandatory. In these situations, the rules on declining jurisdiction in relation to other Member States do not apply because there is no concurrent jurisdiction between the different Member States. The jurisdiction is exclusive to one Member State, and any judgment handed down by another Member State court concerning these questions will not be recognised or enforced.¹²¹⁴ The rules on declining jurisdiction in relation to third states do not apply here either.¹²¹⁵ In fact, the rule of exclusive jurisdiction also applies when the defendant is domiciled in a third state but the IP right whose registration or validity is challenged is registered in a Member State.¹²¹⁶ For example, assume that a third state company sues another third state company in their joint third state of domicile for the infringement of a patent registered in a

¹²¹³ Article 24(4) Regulation 1215/2012.

¹²¹⁴ Case C-438/12, *Weber*, para. 39-47 (“before staying its proceedings under the *lis pendens* rule, the court second seised must examine whether, by reason of a failure to take into consideration the exclusive jurisdiction laid down in Article 22 [now 24], a decision on the substance by the court first seised will be recognised by other Member States in accordance with Article 35(1) [now article 45(1)(e)(ii)]”).

¹²¹⁵ Articles 33-34 Regulation 1215/2012 (limiting its application to when jurisdiction is based on articles 4, 7-9 of the Regulation).

¹²¹⁶ See e.g. Case C-281/02, *Owusu*, para. 28 (“[T]he rules of the Brussels Convention on exclusive jurisdiction or express prorogation of jurisdiction are also likely to be applicable to legal relationships involving only one Contracting State and one or more non-Contracting States. That is so, under Article 16 of the Brussels Convention [the predecessor to Art. 22 of the Regulation], in the case of proceedings which have as their object rights in rem in immovable property or tenancies of immovable property between persons domiciled in a non-Contracting State and relating to an asset in a Contracting State.”); Commission Staff Working Paper Document Accompanying the Proposal for a Council Decision on the signing by the European Community of the Convention on Choice-of-Court Agreements, Impact Assessment Com (2008) 538 final p. 8 (stating that jurisdiction under article 22(4) (now 24(4)) is exclusive even in relation to third states). But see *Choudhary v Bhattar*, England and Wales Court of Appeal, [2009] EWCA Civ. 1176 (holding that UK was not obligated to exercise jurisdiction under art 24(2) against an Indian defendant when the subject matter of the exclusive jurisdiction was within its own state); *Fawcett & Torremans* 2011 p. 17 (stating that the decision in *Choudhary* “must be regarded as being wrong.”).

Member State. While the third state proceedings are ongoing, the defendant in those proceedings starts proceedings in the Member State of registration against the third state right holder for a declaration of non-infringement of the Member State patent on the ground of its invalidity. The third state right holder requests the Member State court to stay the case in favour of the prior third state proceedings. Pursuant to article 24(4) BR, the Member State court must exercise its jurisdiction over the dispute (assuming the conditions for admissibility of declaratory actions are fulfilled under national law).¹²¹⁷

If the proceedings do not fall within a Member State court's exclusive jurisdiction, and a Member State court has jurisdiction pursuant to a rule in the Brussels I Regulation (e.g. the defendant is domiciled in the Member State), the Member State court may stay or decline the case in favour of a Member State or a third state only in accordance with the rules on declining jurisdiction in the Regulation.¹²¹⁸ As noted the Recast provides for a limited possibility to stay and decline a dispute in favour of a third state only if third state proceedings concerning an identical or related dispute are already pending. Even if this requirement is fulfilled, the fact that the dispute arises under a domestic IP right may make it less likely that the dispute will be stayed or declined.

One requirement for the application of the rules on declining jurisdiction is that it is expected that the court of the third state will give a judgment capable of recognition and, where applicable, of enforcement in that Member State.¹²¹⁹ In those Member States that recognise and enforce third state judgments, such judgments will not be recognised if they violate the exclusive jurisdiction of the Member State.¹²²⁰ In some Member States, the scope of exclusive jurisdiction under the national rules may be broader than that recognised under article 24 BR.¹²²¹ For example, under the Bulgarian national rules, the Bulgarian courts have exclusive jurisdiction over actions arising under industrial property rights issued or registered in the Republic of Bulgaria.¹²²² This means that the Bulgarian courts would not be permitted to stay

¹²¹⁷ See Case C-133/1, *Folien Fischer and Fofitec* (distinguishing conditions for admissibility of a negative declaratory action under national procedural law and requirements for jurisdiction under the Regulation).

¹²¹⁸ See articles 29-30 Regulation 1215/2012 (regarding declining jurisdiction in relation to another Member State) & articles 33-34 1215/2012 (regarding declining jurisdiction in relation to a third state).

¹²¹⁹ Articles 33(1)(a), 34(1)(b) 1215/2012.

¹²²⁰ Study on Residual Jurisdiction 2007 p. 69.

¹²²¹ Study on Residual Jurisdiction 2007 p. 69.

¹²²² Bulgarian Private International Law Code: Jurisdiction in Matters Relating to Intellectual Property Rights: Article 13 (2) The Bulgarian courts shall have exclusive jurisdiction over actions on items of industrial property, where the patent has been issued or the registration has been effected in the Republic of Bulgaria.

or dismiss a dispute involving the infringement of a Bulgarian patent or trademark in favour of already pending third state proceedings concerning the same dispute because the third state judgment could not be capable of recognition and enforcement in Bulgaria.¹²²³

Another requirement for deferring to prior pending third state court proceedings is that the court of the Member State is satisfied that a stay is necessary for the proper administration of justice.¹²²⁴ The fact that a domestic right is alleged infringed will weigh against a stay because a Member State court is “best placed” to ascertain whether IP rights protected by the Member State have been infringed.¹²²⁵ Indeed, the fact that the Member State court will be able to apply its own domestic law whereas the third state court will be expected to apply foreign law may weigh against a stay. Another factor weighing against deferring to a third state court is if the third state court is not likely to apply the Member State’s mandatory rules of law.¹²²⁶ Finally, if the defendant and the IP right alleged infringed are connected to the EU, there are likely to be fewer connections between the facts of the case and the third state concerned.¹²²⁷

It is possible that a stay may be more likely if the third state court proceedings are related (not identical) and concern the scope of a licence agreement concerning a domestic Member State IP right and not the infringement of the IP right itself.¹²²⁸ Assume, for example, that an EU company sues a third state company in a third state court for a declaration that a licence agreement between the parties gives it the right to use the licensed IP right in the Member State. The licence agreement is governed by the third state law. Thereafter, the third state company sues the EU company for the infringement of the

¹²²³ See Bulgarian Private International Law Code: Jurisdiction in Matters Relating to Intellectual Property Rights: Article 117(1); Study on Residual Jurisdiction 2007, National Report on Bulgaria p. 8.

¹²²⁴ Articles 33(1)(b), 34(1)(c) 1215/2012.

¹²²⁵ See Case C-523/10, Wintersteiger, para. 28; Case C-170/12, Pinckney, para. 46.

¹²²⁶ See Strömholm 2001 p. 108-110 (making similar argument with respect to whether to respect a prorogation agreement to a third state).

¹²²⁷ Recital 24 Regulation 1215/2012 (“When taking into account the proper administration of justice, the court of the Member State concerned should assess all the circumstances of the case before it. Such circumstances may include connections between the facts of the case and the parties and the third State concerned, the stage to which the proceedings in the third State have progressed by the time proceedings are initiated in the court of the Member State and whether or not the court of the third State can be expected to give a judgment within a reasonable time.”).

¹²²⁸ See Case C-98/06, Freeport (suggesting that a contractual claim and a non-contractual claim concerning the same underlying facts could be related under article 6(1) of Regulation No 44/2001 (now 8(1) Recast), which applies the same definition of related actions as article 34 Recast).

Member State right in the Member State of protection. Under these circumstances, it is more likely the third state judgment is capable of recognition and enforcement because possible issues of exclusive jurisdiction concerning IP rights will not arise, and the proper administration of justice may weigh in favour of adjudication by the third state under whose law the contract is governed rather than by the Member State of protection.

A debated question is how a Member State court should proceed when it has jurisdiction pursuant to a rule in the Regulation (e.g. because the defendant is domiciled in the Member State) but the parties have a *prorogation agreement* in favour of the courts of a third state (that is not a contracting state to the 2005 Hague Convention).¹²²⁹ The rule in the Brussels I Regulation on prorogation agreements refers only to agreements with respect to the courts of a Member State, not third states.¹²³⁰ The same arguments discussed above with respect to whether the Member States courts may respect the exclusive jurisdiction of third states over subject matter that are closely connected (e.g. validity of registered rights) are relevant here. An additional argument in support of the view that the Brussels I Regulation rules apply even when the parties have agreed on the exclusive jurisdiction of a third state is the fact that the EU has ratified the 2005 Hague Convention, which obligates the Member States to respect choice of court agreements in favour of the other 2005 Hague Convention contracting states. This may suggest that the EU is not willing to apply the same courtesy toward non-contracting states in order to give these states an incentive to ratify the Hague Convention.¹²³¹ Thus, it is arguable that it is only possible to defer to the jurisdiction of a third state court under the rules set out in the Regulation discussed above.¹²³² The fact that the parties have agreed to the exclusive jurisdiction of a third state court is a circumstance that will be taken into consideration however by the Member State court when it determines whether a stay is necessary for the proper administration of justice.¹²³³

¹²²⁹ If the 2005 Hague Convention applies and the parties have agreed on the jurisdiction of a Contracting state court (that is not also a Member State court), a non-designated Member State court that otherwise has jurisdiction is obligated to suspend or dismiss proceedings (even if it is first seised). Article 6 Hague Choice of Court Convention. A non-designated Member State court must decline jurisdiction over such disputes even though they arise under its own law and implicate the validity of a right registered within its territory.

¹²³⁰ Article 25 Regulation 1215/2012.

¹²³¹ Takahashi 2012 p. 9-10 fn 37 (stating however that this incentive may not work with as many states as expected and that it is not the sovereign interests of states that are affected but the private interests of the parties).

¹²³² Hartley 2013:1 p. 95 (stating that the matter cannot be regarded as entirely settled but that there is a strong possibility that the Regulation does not permit the Member States courts to decline jurisdiction in favour of the chosen third state court apart from the rules set out in the Regulation).

¹²³³ Recital 24, second paragraph Regulation 1215/2012.

The rules on exclusive jurisdiction and international *lis pendens* in the Recast discussed above apply to claims arising under an *EUTM*.¹²³⁴ Likewise, if the UPC Agreement comes into effect, the rules in the Recast as discussed above will to apply to claims arising under *European patents* before the UPC.¹²³⁵

Turning to the *national rules of the EU Member States*, if the defendant is domiciled in a third state, the national rules will determine whether a dispute arising under a domestic IP right (that does not raise invalidity or registration issues) may be stayed or declined in favour of a third state court. The most significant difference among the Member States is between those that apply the doctrine of *forum non conveniens* and those that do not. In those Member States that do not apply the doctrine, there is no or little possibility to decline jurisdiction in favour of a third state apart from rules on *lis pendens* or respect for a choice of forum agreement.¹²³⁶ In those Member States that do apply the doctrine, it would be possible to dismiss a dispute over which jurisdiction has been established and that concerns the infringement of a domestic right, provided another available fora exists.¹²³⁷ However, the fact that the IP right is domestic will be an important factor weighing against a finding that a foreign forum is more appropriate.¹²³⁸

If the parties have agreed on the jurisdiction of a third state court, the national rules will determine whether a choice of a third state court will be respected. In general, the national rules of all the Member States respect choice of court agreements designating the courts of a third State.¹²³⁹ In most Member States, it is not necessary that the court of the chosen third State will give a judgment capable of recognition and, where applicable, of enforcement in

¹²³⁴ See article 94(1) Regulation 207/2009, amended by Regulation 2015/2424 (stating that the rules in the Recast generally apply to disputes concerning EUTM and not making exception for article 24(4) on exclusive jurisdiction and articles 33-34 on international *lis pendens* and related actions); Pålsson 2008 p. 202 (maintaining that the text "an instrument of the Union" in article 22(4) (now 24(4)) refers *inter alia* to EU trademarks); Commission Staff Working Document Accompanying the Proposal for a Council Decision on the signing by the European Community of the Convention on Choice-of-Court Agreements, Impact Assessment COM (2008) 538 final p. 8 (stating that exclusive jurisdiction in the CTMR is also in relation to third states).

¹²³⁵ Article 71b (2) Regulation 1215/2015, as amended by Regulation 542/2014.

¹²³⁶ Study on Residual Jurisdiction 2007 p. 73.

¹²³⁷ Fawcett & Torremans 2011 p. 282-290.

¹²³⁸ Fawcett & Torremans 2011 p. 285.

¹²³⁹ Study on Residual Jurisdiction 2007 p. 73 (stating that respect for choice of court agreements is based in private international law, on the principle of party autonomy and, in contract law, on *pacta sunt servanda*).

that Member State, only that parties have access to a fair trial.¹²⁴⁰ In many Member States, party autonomy is respected provided it does not conflict with the rules on the exclusive jurisdiction of the domestic courts.¹²⁴¹

In Sweden, for example, the courts generally respect choice of court agreements in favour of third state courts unless the plaintiff shows that the chosen court refuses to adjudicate the dispute.¹²⁴² This raises the question whether the third state court must be willing to adjudicate every possible claim. For example, assume that the parties to a patent licence agreement concerning a Swedish patent choose the exclusive jurisdiction of a third state court for all contractual and non-contractual claims arising out of the licence agreement. Notwithstanding this choice, one party brings proceedings against the other third state party in Sweden for patent infringement, and the other party raises the choice of court agreement. The moving party argues that the choice of court agreement should not be enforced because the chosen third state court will not adjudicate the Swedish patent infringement claim due to lack of jurisdiction over the subject matter. If the third state court is willing to hear the breach of contract claim, there does not seem to be any reason why the Swedish courts should not enforce the agreement, at least between commercial parties.

The Swedish courts might refuse to respect a choice of court agreement designating a third state court if there was a risk that mandatory Swedish law for the protection of authors would not be applied. Strömholm gives as an example where a copyright infringement dispute arises between a company and a freelance author.¹²⁴³ Even if the alleged infringement takes place in Sweden, Strömholm submits that the tendency for courts to apply their own domestic law (homeward trend) is particularly strong in infringement disputes, and the risk that a third state court may fail to apply the protection that is afforded under Swedish copyright law may cause a Swedish court to refuse to enforce the choice of court agreement.

In the *United States*, the fact that the federal courts have federal jurisdiction over claims arising under the federal IP rights does not mean that jurisdiction is mandatory and must be exercised under all circumstances. The Ninth Circuit has expressly ruled that a claim brought under the federal copyright act

¹²⁴⁰ Study on Residual Jurisdiction 2007 p. 75.

¹²⁴¹ Study on Residual Jurisdiction 2007 p. 75.

¹²⁴² See Denmark 1961 p. 327-330; Göta Hovrätt, Case nr Ö 1132/95, 19 March 1996, RH 1997:100 (placing burden on plaintiff to show that the chosen foreign court was not competent to hear case and dismissing the case when this was not proven).

¹²⁴³ Strömholm 2001 p. 108-110.

is not exempt from a possible *forum non conveniens* dismissal.¹²⁴⁴ Other courts seem to have implicitly accepted this conclusion as they have considered motions for *forum non conveniens* dismissal in relation to disputes brought under U.S. patent, trademark, and copyright laws.

A prerequisite for a *forum non conveniens* dismissal is the existence of an adequate alternative forum. In order to be adequate, the alternative forum must permit litigation of the subject matter of the dispute.¹²⁴⁵ The fact that the alternative forum does not offer the same remedies or will apply a different substantive law does not make it inadequate, as long as the plaintiff will not “be deprived of any remedy or treated unfairly.”¹²⁴⁶

The fact that some states with reference to the principle of territoriality do not exercise jurisdiction over infringement claims arising under foreign IP laws may lead to the conclusion that the alternative forum is inadequate.¹²⁴⁷ However, in order for an alternative forum to be adequate, the alternative forum does not need to be willing to adjudicate the federal IP infringement claim as such as long as a remedy can be sought under another theory of

¹²⁴⁴ See *Creative Technology, Ltd. v Aztech System PTE, Ltd.*, 61 F.3d 696 (9th Cir. 1995) (dismissing U.S. copyright infringement claim under *forum non conveniens*). The U.S. legislature could remove the discretionary power of the federal court to apply the doctrine of *forum non conveniens* to actions arising under the federal IP laws, although it has not expressly done so in the case of IP. Even in the absence of an express statutory directive, the federal courts have sometimes held that claims arising under federal law that contained a special jurisdiction statute were exempt from the *forum non conveniens* doctrine. See Hoffman & Rowley 2000 p. 1141.

¹²⁴⁵ *Piper Aircraft C. v Reyno*, 454 U.S. 235, 247 fn. 22 (1981).

¹²⁴⁶ *Piper Aircraft C. v Reyno*, 454 U.S. 235, 254 (1981).

¹²⁴⁷ *Halo Creative & Design Ltd v Comptoir Des Indes Inc.*, 816 F.3d 1366 (Fed. Cir. 2016) (“Territoriality is always of concern in intellectual property disputes. It cannot be assumed that a foreign court would adjudicate an intellectual property dispute where the alleged infringement occurred elsewhere, and the case otherwise has little or no connection to the chosen forum.”). See e.g. *Photothera, Inc. v Oron*, 2009 WL 734282 (S.D.Cal. 2009) (“Israel does not provide an adequate alternative forum because Plaintiff’s claims could not be resolved fully there and an Israeli decision regarding U.S. patent rights would be unenforceable in this country.”); *Heriot v Byrne*, 2008 WL 4874297 (N.D. Ill 2008) (stating that because an Australian court may be limited to adjudicating copyright infringement in Australia alone, it may not be an adequate forum to adjudicate claim of copyright infringement in the U.S.); *Jose Armando Bermudez & Co. v Bermudez Int’l*, 2000 WL 1225792 (S.D.N.Y.) (“[T]he Dominican courts are unlikely to be able to grant an adequate remedy to plaintiff, because plaintiff’s claims are primarily governed by U.S. trademark and copyright law and are based on infringing acts in the United States.”); *Greenlight Capital, Inc. v GreenLight (Switzerland) S.A.*, 2005 WL 13682 (S.D.N.Y. Jan. 3, 2005) (“[T]here is no evidence that Greenlight Capital will be able to fully litigate its U.S. trademark rights in Switzerland because trademark rights are largely territorial.”).

recovery such as foreign IP law or contract law.¹²⁴⁸ In a Ninth Circuit decision, the court found that Singapore was an adequate forum even though there was no evidence that it would adjudicate the plaintiff's U.S. copyright claim concerning the sale of infringing goods in the U.S. because a Singapore court could adjudicate the claim under Singapore law and grant injunctive relief where the infringing products were made thereby "shutting off the pipeline of infringing goods at the source."¹²⁴⁹

Assuming an alternative foreign forum exists, the court still needs to weigh various private and public interest factors. There is some indication that the fact that a claim arises under federal patent and trademark laws may be a strong public interest factor that weighs in favour of retaining jurisdiction.¹²⁵⁰ In contrast, the courts do not seem to consider the fact that the dispute arises under the U.S. Copyright Act to be an important public interest factor that weighs in favour of retaining jurisdiction.¹²⁵¹ In general, the courts are more

¹²⁴⁸ See e.g. *Murray v British Broadcasting Corp.*, 81 F.3d 287 (2nd Cir. 1996) (finding the UK to be an adequate forum when claims arose under UK and U.S. copyright law and the UK copyright law claim dominated the case); *Lockman Foundation v Evangelical Alliance Mission*, 930 F.2d 764, 768-769 (9th Cir. 1991) (finding Japan to be an adequate forum even if Japan would not adjudicate federal trademark claim because plaintiff's recovery on the contract and tort claims would not be inadequate); *Elcomsoft, Ltd. v Passcovery Co. Ltd.*, 2013 WL 6705188 (E.D. VA 2013) (stating that even if the Russian court declines to adjudicate plaintiffs' federal patent claims, the plaintiff could obtain relief there under its breach of contract and unjust enrichment claims); *Fluoroware, Inc. v Dainichi Shoji K.K.*, 999 F.Supp 1265 (D. Minn 1997) (holding that the fact that the plaintiff will not be able to bring federal trademark claim in a multi-count complaint does not render an alternative forum inadequate); *Lana Intern. Ltd. v Boeing Co.* 1995 WL 144152 (S.D.N.Y. 1995) (finding Canada was an adequate forum even though plaintiff's federal trademark claim was not cognizable in Canadian court because plaintiff could obtain a remedy for its claims of common law fraud, breach of warranty, breach of contract, interference with contractual relations).

¹²⁴⁹ *Creative Technology, Ltd. v Aztech System PTE, Ltd.*, 61 F.3d 696, 702 (9th Cir. 1995) (finding that the Singapore forum was adequate, even though it might not be able to grant relief as satisfactory as the relief available in a U.S. forum).

¹²⁵⁰ See *American Rice, Inc. v Arkansas Rice Growers Co-op. Ass'n*, 701 F.2d 408 (5th Cir. 1983) (stating that the fact that relief was sought under the federal trademark law was a public interest factor that weighed in favour of retaining jurisdiction); *Voda v Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007) (stating that "Foreign courts exercising jurisdiction over claims based on U.S. patents would destroy Congress's intent to foster uniformity and to preclude forum shopping."). See also *Gates Learjet Corp. v Jensen*, 743 F.2d 1325 (9th Cir. 1984) (stating that Arizona has an interest in protecting its companies from trademark infringement abroad to preserve the state's economic vitality where Arizona law was applicable to contract dispute).

¹²⁵¹ See *Creative Technology, Ltd. v Aztech System Pte., Ltd.*, 61 F.3d 696 (9th Cir. 1995) (stating that there is no public interest in the application of federal copyright law as it protects private property rights of copyright owners); *Indusoft, Inc. v Taccolini*, 2014 WL 1047065 (5th Cir 2014) ("Whether the United States copyright laws are applied, however, bears on the private interest of the litigants, not the interests of the public"); *Murray v British Broadcasting Corp.*, 81 F.3d 287 (2nd Cir. 1996) ("We therefore see little chance that the United States'

likely to dismiss cases arising under federal copyright law than they are with respect to cases arising under federal patent or trademark law.

Even assuming that the U.S. might have an interest in the adjudication of IP claims arising under its laws, the interest in party autonomy may outweigh this interest.¹²⁵² In *The Bremen v Zapata Off-Shore Co*, the Supreme Court rejected the traditional parochial view that forum selection agreements violated public policy by ousting the jurisdiction of the U.S. courts.¹²⁵³ Indeed, the Court indicated that the U.S. does not have any particular interest in the resolution of private international law disputes unless a strong public policy of the forum is implicated.¹²⁵⁴ This liberal trend in the U.S. with respect to choice of forum in international transactions had its genesis with the Supreme Court decisions permitting the arbitration of claims arising under federal antitrust and securities laws.¹²⁵⁵ The federal courts have also upheld agreements to arbitrate infringement and invalidity claims concerning federal IP rights.¹²⁵⁶ True, a difference between arbitration and adjudication by a foreign court is that there is a specific federal policy in favour of international arbitration as evidenced by the Federal Arbitration Act.¹²⁵⁷ Nevertheless, the federal courts have enforced forum selection agreements contained in

interest in the application of its laws would be ill-served by a lawsuit in an English forum.”). See also *SAS Institute, Inc. v World Programming Ltd*, 468 Fed. Appx. 264 (4th Cir. 2012) (dismissing under *forum non conveniens* federal copyright claim); *Overseas Media, Inc. v Skvortsov*, 277 Fed. Appx. 92 (2nd Cir. 2008) (same).

¹²⁵² *Omron Healthcare, Inc. v Maclaren Exports Ltd.*, 28 F.3d 600, 604 (7th Cir. 1994) (stating that the U.S. interest in the application of its trademark law cannot be so dominant that it must be protected from parties' voluntary bargains).

¹²⁵³ *The Bremen v Zapata Off-Shore Co.*, 407 U.S. 1, 12 (1972) (“It appears to rest at core on historical judicial resistance to any attempt to reduce the power and business of a particular court, and has little place in an era when all courts are overloaded and when businesses, once essentially local, now operate in world markets. It reflects something of a provincial attitude regarding the fairness of other tribunals.”).

¹²⁵⁴ *The Bremen v Zapata Off-Shore Co.*, 407 U.S. 1, 15 (1972).

¹²⁵⁵ See *Mitsubishi Motors Corp. v Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614, 629 (1985) (holding that “concerns of international comity, respect for the capacities of foreign and transnational tribunals, and sensitivity to the need of the international commercial system for predictability in the resolution of disputes require that we enforce the parties' agreement, even assuming that a contrary result would be forthcoming in a domestic context.”); *Scherk v Alberto-Culver Co.*, 417 U.S. 506 (1974); Lowenfeld 1996 p. 212-23.

¹²⁵⁶ *Deprenyl Animal Health, Inc. v University of Toronto Innovations Foundation*, 297 F.3d 1343 (Fed. Cir. 2002) (“Nothing prevents patent-related disputes such as this one from being resolved in binding foreign arbitration.”); See also *McMahan Securities Co. L.P. v Forum Capital Markets L.P.*, 35 F.3d 82, 88 (2nd Cir. 1994) (“Nor do we find persuasive plaintiffs' argument that its copyright claims are “unsuitable” for arbitration . . . While it is unclear from the current record whether the validity of plaintiffs' copyright will be at issue in this dispute, we find no bar to arbitrating plaintiffs' copyright claim in any event.”).

¹²⁵⁷ 9 U.S.C. § 201-208 (incorporating the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards of June 10, 1958).

licence agreements even when they require issues of substantive federal patent, trademark, and copyright law to be litigated in foreign forums.¹²⁵⁸ It is not clear whether the courts would enforce a choice of forum clause however if the validity of the U.S. patent was an issue in the dispute.¹²⁵⁹ The mechanism for enforcing a forum selection agreement referring to a foreign forum is through the doctrine of *forum non conveniens*.¹²⁶⁰ This means that the forum court can take into consideration the state interests implicated in the specific dispute at hand.

Summing up, if a Member State court has jurisdiction under the Recast over a dispute arising under domestic IP law, the courts have no possibility to decline jurisdiction apart from the rules on *lis pendens* and related actions. While the issue is not completely settled, it appears that the existence of a prorogation agreement to a third state is only a factor to be taken into consideration in the *lis pendens* or related action analysis. It seems unlikely that this doctrine would lead to a Member State court staying a dispute involving the infringement of a domestic right in light of the fact that the proper administration of justice will in most cases be better served if the dispute is adjudicated by the court where the right is protected. In addition, the fact that third state judgments concerning the infringement of Member State rights

¹²⁵⁸ See e.g. *Warner & Swasey Co. v Salvagnini Transferica S.p.A.*, 806 F.2d 1045 (Fed. Cir. 1986) (affirming district court's dismissal of patent infringement claim on the grounds that forum selection clause in patent licence agreement required plaintiff licensee to bring suit in Italy); *Production Resource Group, L.L.C. v Martin Professional, A/S*, 907 F.Supp.2d 401 (S.D.N.Y. 2012) (enforcing forum selection clause requiring patent infringement claim related to licence agreement to be litigated in England and Wales); *Direct Mail Production Services Ltd. v MBNA Corp.*, 2000 WL 1277597 (S.D.N.Y. 2000) (enforcing forum selection agreement requiring infringement claims related to licence agreement but arising under federal and English copyright laws to be litigated in the UK); *Rosehoff Ltd. v Cataclean Americas LLC*, 2013 WL 2389725 (W.D.N.Y. 2013) (enforcing forum selection clause requiring infringement claims related to licence agreement but arising under federal patent and trademark laws to be litigated in the UK).

¹²⁵⁹ See *Warner & Swasey Co. v Salvagnini Transferica S.p.A.*, 633 F.Supp. 1209, 1214 *aff'd*, 806 F.2d 1045 (Fed. Cir. 1986) (stating that "it is unlikely that an Italian court would be required to delve into issues of patent validity, since the defendants, as ultimate owners of the patents, would be unlikely to argue that they are invalid."). The Federal Circuit has upheld an agreement to arbitrate infringement and invalidity claims concerning a U.S. patent, although when it comes to arbitration there is a specific federal statute enunciating a strong federal policy in favour of arbitration. See *Deprenyl Animal Health, Inc. v University of Toronto Innovations Foundation*, 297 F.3d 1343 (Fed. Cir. 2002) ("Nothing prevents patent-related disputes such as this one from being resolved in binding foreign arbitration. . . . Parties may agree to arbitrate patent infringement and validity issues, and such agreements bind the parties.").

¹²⁶⁰ *Atlantic Marine Construction Co., Inc. v United States District Court of the Western District of Texas*, 134 S.Ct. 568 (2013) ("[T]he appropriate way to enforce a forum selection clause pointing to a state or foreign forum is through the doctrine of *forum non conveniens*.").

are not always enforceable in the Member State of protection will make the possibility of staying jurisdiction in favour of third states unlikely.

The Member State courts have greater flexibility to decline jurisdiction under their national rules, although the amount of flexibility depends on each Member State's national rules. As a general rule, the Member States respect party autonomy.

The U.S. courts have flexibility to decline jurisdiction over disputes arising under domestic IP law under the doctrine of *forum non conveniens*. In practice, this rarely results in the dismissal of infringement claims arising under U.S. patent and trademark law, and if so, only if another theory of recovery is possible in the alternative forum. It is more common for the courts to dismiss claims arising under U.S. copyright law. Party autonomy is respected provided a strong U.S. public policy is not implicated. It is unclear whether the validity of a U.S. registered right would implicate a strong U.S. public policy as such or whether it would depend on the specific facts of the dispute at hand.

Comparative Analysis on Jurisdiction

The objective of this chapter has been to investigate and compare the interpretation and operation of the principle of territoriality of IP law in international civil jurisdiction in the EU and the U.S. legal systems. More specifically, the chapter investigated and compared the role of physical, tangible criteria and/or effects (IP impairing effects or otherwise) to support or resist the EU and the U.S. claims of adjudicative jurisdiction when jurisdiction is based on factors related to the underlying dispute. In addition, the chapter investigated and compared whether, in light of the important state interests underlying IP rights, the territoriality principle operates in an affirmative manner, enabling or mandating the exercise of jurisdiction, or in a restrictive manner, limiting the exercise of jurisdiction. This section summarises the findings, explores the possible reasons for the similarities and differences, and offers some critical commentary.

Jurisdiction based on tangible criteria

The territoriality principle operates affirmatively *under EU law* at the level of jurisdiction in that jurisdiction is established where a harmful act takes place that leads to the infringement of forum IP rights or IP rights protected by other states. This rule exists under the Recast to establish jurisdiction over foreign EU defendants. It also exists under the national Member States' rules in relation to third state defendants. As the national rules are interpreted sim-

ilarly to (albeit possibly more broadly than) the Recast rules, the forum Member State's jurisdiction might encompass foreign infringement claims against third state defendants that are related to, although do not strictly arise from, the harmful act. If the UPC Agreement comes into effect, a harmful act committed in a Contracting Member State will provide a basis for jurisdiction over third state defendants alleged to infringe European patents validated in non-Contracting Member States and in third states. Jurisdiction based on a harmful act also supplies a subsidiary rule that allocates jurisdiction within the EU for EU and third state defendants alleged to infringe EUTMs. Aside from declaratory actions for the non-infringement of a EUTM, the harmful act that leads to the alleged infringement might be committed by the plaintiff who is the would-be infringer in a negative declaratory action.

The reason for the attribution of jurisdiction at the place of the harmful act is the proximity to the evidence and the witnesses with a view toward the efficient conduct of the proceedings. As evidence and witnesses found at the location of the harmful act may be relevant to foreign infringement claims arising from the domestic harmful act, these infringement claims are within the scope of the forum Member State's jurisdiction. This connecting factor serves the EU's and the Member States' interest in the sound administration of justice.

The territoriality principle operates affirmatively *under U.S. law* at the level of jurisdiction in that jurisdiction is established if the defendant commits a harmful act in the U.S. that leads to the infringement of an IP right protected in the U.S. The commission by the defendant of a harmful act from which the claim relates or arises fulfils the requirement of minimum contacts necessary to establish jurisdiction. Minimum contacts is a vague, nebulous concept that cannot be precisely defined in a black letter rule. It seems clear however that a harmful act in the forum state that gives rise to a domestic infringement will satisfy the requirement of minimum contacts. It is unclear however whether the court's jurisdiction would extend to foreign infringements arising from or related to the domestic harmful act. In a negative declaratory action however jurisdiction will not be established even though a harmful act alleged to infringe a U.S. right takes place in the U.S. In order for jurisdiction to be established, the defendant right holder must commit a wrongful (harmful) act in the U.S. to restrain the plaintiff from using the work, invention or sign.

The reason for the U.S. requirement of minimum contacts is that it protects the defendant's Due Process right not to be subject to an arbitrary exercise of jurisdiction. While the threshold for minimum contacts is not especially high, it protects the defendant's individual liberty interest from unreasonable

and unfair exercises of jurisdiction. The requirement of minimum contacts such as a harmful act from which the claim arises or relates also provides the U.S. forum with a legitimate adjudicatory interest in the dispute. While it is not clear, the scope of a U.S. court's jurisdiction may be limited to infringement claims arising under U.S. rights. This is because in light of the sovereignty tension underlying Due Process, a court might find that it is outside the legitimate adjudicatory interest of the forum state to hear foreign IP claims raised against a foreign defendant. Under such circumstances, a foreign defendant's Due Process right might be violated if the foreign defendant had to answer before a U.S. court for the infringement of foreign rights. However, even if minimum contacts are established and the claim arises from or is related to the foreign defendant's U.S. conduct, jurisdiction may not be exercised if it would be unreasonable with a view toward the interests of foreign states, in their nationals and in their substantive policies.

Jurisdiction based on IP impairing effects

The territoriality principle operates also affirmatively *under EU law* at the level of jurisdiction in that infringement jurisdiction is always established in the Member State where the potential for IP impairing effects within the domestic territory may arise. Under the Recast, jurisdiction is established over EU defendants alleged to infringe Member State IP rights in the Member State where the right is registered, or protected and alleged damaged. The forum Member State court's jurisdiction is limited to infringements of its domestic IP rights (or with respect to copyright, damage arising in the forum Member State).

The EU employs the same connecting factor to the limited extent that the EU has established jurisdictional rules with respect to infringement claims against third state defendants. That is, jurisdiction over infringement claims against third state defendants arising under a EUTM is always established before an EUTM court somewhere in the EU. If the UPC Agreement comes into effect, jurisdiction over infringement claims arising under European patents will be established before the UPC if the third state defendant is alleged to infringe a European patent validated in a Contracting Member State. The supplemental rule in the amendment to the Recast goes even further. It arguably provides a basis for jurisdiction over damage arising as a result of an infringement of a European patent validated outside the EU even when the third state defendant has not acted within the EU but is alleged to infringe a European patent validated in a Contracting Member State to the UPC Agreement. However, the supplemental rule adds the additional requirement *inter alia* that the third state defendant owns property located in a Contracting Member State to the UPC Agreement.

As noted, there are indications that the Member States' national rules applicable to third state defendants are and will be interpreted similarly to, albeit more broadly than, the EU rules. This suggests that like EU defendants, third state defendants can be sued before a Member State court for the alleged infringement of a forum IP right even if the defendant has no contacts with the forum Member State. In addition, it is possible that the scope of the court's jurisdiction might include foreign infringement claims that are related to the domestic claim.

Negative declaratory actions are treated in the same way. That is, jurisdiction over negative actions will be established in the Member State (or the EU) where the IP right is registered, or protected and alleged damaged.

The use of the IP right itself as a connecting factor (albeit for copyright with the caveat that it is alleged damaged in the forum Member State) serves the sound administration of justice because the Member State of protection is best placed to ascertain whether a domestic IP right has been infringed, not least because it will apply its own domestic IP law. In addition, attributing jurisdiction to the forum Member State that protects the IP right favours the EU's interest in legal certainty, because jurisdiction will always exist in that forum Member State without the need to look at the substance of the case. It also facilitates access to justice for EU right holders who will always be able to bring an infringement claim in the Member State of protection, which in many cases will coincide with the right holder's home state.

It is also possible that respect for individual Member State interests plays a role here. Basing jurisdiction on the existence of a domestic right alleged infringed, that is, the potential for IP impairing effects in the Member State's territory, ensures the right of each Member State to exercise jurisdiction over infringement claims arising under its domestic IP rights (and at least with respect to copyright, alleged to cause damage within their domestic territories). Given that the EU is comprised of a Union of sovereign national states, the importance of accommodating the individual Member States interests in their own rights, even if the jurisdiction is not exclusive, should not be underestimated. The EU's interest in the sound administration of justice, legal certainty, access to justice and maintaining mutual trust among the Member States is given more weight than an individual EU defendant's interest in avoiding being sued in a Member State with which it has had little or no contact. On the other hand, the principle of mutual trust means that the Member States have to trust each other's legal systems and judicial institutions to protect the interests of other EU defendants.

Likewise, the use of the IP right itself as a connecting factor to establish jurisdiction over third state defendants before the EUTM courts also serves

the sound administration of justice, legal certainty and access to justice for EU citizens. When it comes to unitary rights, the EU does not need to accommodate the individual Member States' interest in exercising jurisdiction over unitary rights having IP impairing effects in their territories. Here, it is a common interest that jurisdiction is established somewhere in the EU. The specific location is determined by considerations of convenience to the parties and proximity to evidence and witnesses.

The EU's far reaching supplemental rule with respect to jurisdiction over third state defendants alleged to infringe a European patent may be explained by the EU's interest in the sound administration of justice in having related claims heard before one forum and to provide access to justice for EU citizens to have all their European patent claims against third state defendants adjudicated in one European forum.

The individual Member States' national rules reflect the forum state's interest in providing a forum for its nationals and residents, furthering its regulatory interests as well as the forum's concern about litigational convenience, fairness and justice. As noted, the Member States' national rules applicable to third state defendants appear to be interpreted similarly, albeit more broadly, to the EU rules as concerns about litigational convenience, fairness and justice play out differently in relation to third state defendants. The Member States are not obligated to consider the interests of third state defendants as they are in relation to foreign EU defendants.

In the U.S., the principle of territoriality of IP law does not operate affirmatively at the level of jurisdiction to establish infringement jurisdiction based on the potential for IP impairing effects in the U.S. In order for infringement jurisdiction to be established, the defendant must have minimum contacts with the forum state. Even if the defendant has not had any physical contact with the forum state, the requirement of minimum contacts may be satisfied if the defendant purposefully directs its activities toward the forum state from which the infringement claim arises or relates. In a negative declaratory action, the requirement of minimum contacts may be satisfied if the defendant takes some enforcement or defence effort directed toward the forum state in an effort to restrain the plaintiff from using the work, invention or sign. It is unclear whether the court's jurisdiction would extend to foreign infringement claims that are related to the domestic infringement claim.

As noted, the U.S. requirement of minimum contacts protects the defendant's Due Process interests not to be subject to an arbitrary exercise of jurisdiction. The fact that a claim arises under U.S. federal IP law is not solely sufficient to establish infringement jurisdiction in the U.S. The U.S. interest in the adjudication of claims arising under its own IP law and potentially

having IP impairing effects in its territory does not eliminate the limitation on adjudicative jurisdiction against foreign defendants who do not have minimum contacts with the U.S. Moreover, even if jurisdiction exists over a foreign defendant with respect to the U.S. claim, it might be considered outside the legitimate adjudicatory authority of a U.S. forum to exercise jurisdiction over related claims based on foreign rights.

The EU and the U.S. both use the occurrence of a harmful act and IP impairing effects within their territories to establish jurisdiction, but in the U.S. the act and/or effects must be purposefully committed or caused by the defendant. The difference between the EU and the U.S. system is exemplified by comparing the CJEU's holding in *Pinckney* and the U.S. Supreme Court's holding in *Asahi*. In both cases, the defendant had sold an infringing or defective product in one state where it was purchased by a third party or possibly a chain of third parties, one of which subsequently made the product available in the forum state where it allegedly caused damage to the right holder or victim. Under EU law, the existence of a right that was alleged to have been damaged in the forum state was sufficient for the exercise of jurisdiction over the defendant even in the absence of any connection between the defendant and the forum state. Under U.S. law, jurisdiction could not be established because the connection between the defendant and the forum was so weak, and in light of the other circumstances of the case, the exercise of jurisdiction was not reasonable.

The EU's use of the IP right itself as a connecting factor, that is, the potential for IP impairing effects in the territory where there is nothing to connect the third state defendant to the forum state, might be criticised on both fairness and international comity grounds. The burden on a third state defendant who is sued in the EU is much heavier than the burden of an EU defendant who is sued in a foreign Member State. Apart from greater geographical distances and legal cultural differences, there is no principle of mutual trust between the Member States courts and third state courts competing for jurisdiction. Third state defendants do not benefit from certain mechanisms in the Brussels I Regulation that protect the rights of EU defendants, such as requiring the Member State court to verify jurisdiction where a defendant does not enter an appearance and to stay the proceedings so long as it is not shown that the defendant who fails to appear has been able to receive the document instituting the proceedings. True, because there is no mutual trust between an EU Member State and a third state, the third state is under no obligation to recognise and enforce the judgment. The judgment can be enforced however in any of the EU Member States and Lugano Contracting States in which the third state defendant has assets. Extending the solutions adopted within the EU to the EU's external relations with third states is not always a good fit.

Jurisdiction limiting and mandating factors

In the EU, the principle of territoriality operates both restrictively and mandatorily but in a limited and unilateral fashion. The rule on exclusive jurisdiction in the Recast mandates and protects the exclusive jurisdiction of the Member State courts over proceedings concerning the registration and validity of rights registered in Member States and the unitary rights such as the EUTM. The Member States are obligated to exercise jurisdiction with respect to these questions concerning their own registered IP rights and the Member State courts exercising this function for the EU are obligated to exercise jurisdiction with respect to these questions concerning unitary rights such as the EUTM.

Apart from the limited exclusive jurisdiction of the Member States, the principle of territoriality of IP law does not exclude the international jurisdiction of the Member States' courts over transborder IP infringement proceedings implicating other Member States and third states' rights. Provided there is a basis for jurisdiction under the Recast, claims arising under foreign Member State and third state IP rights must be adjudicated unless there is a mechanism under the Regulation for declining jurisdiction such as rules in the Recast on international *lis pendens* and related actions. Although the matter cannot be regarded as entirely settled, there is a possibility that the Member State courts are required to adjudicate, with *inter partes* effect, questions concerning the registration and invalidity of third state rights, if the Member State court's jurisdiction is established under the Recast.

Traditionally, some Member States have interpreted the territoriality principle as limiting jurisdiction over disputes arising under foreign IP rights. It can be expected however that the liberalisation of the EU rules in relation to EU defendants with respect to disputes implicating foreign rights will be reflected in the Member State' national rules in relation to third state defendants. This suggests that third state defendants might be sued under the Member States' national laws for claims arising under foreign IP rights (e.g. foreign Member States and third state rights).

A reason for exclusive jurisdiction in the Member States for registration and validity questions is the EU's interest in the sound administration of justice by ensuring that jurisdiction over these questions rests only with courts closely linked to the proceedings in fact and law in light of the fact that the grant of registered right necessitates the involvement of the national administrative authorities. Another ostensible justification is the Member States' interest in the existence and validity of rights granted for their territories reflecting the limits of mutual trust among Member States. These same interests support the EU's exclusive jurisdiction over proceedings concerning

the registration and validity of its unitary rights like the EUTM. Even if the EU cannot enforce this exclusive jurisdiction in relation to third states, it can still assert its exclusive jurisdiction by mandating its exercise.

The limited possibility for a Member State court to decline jurisdiction established under the Recast rules, even possibly with respect to registration and invalidity questions arising under third state rights, serves the EU's interest in legal certainty, the sound administration of justice and access to justice for EU citizens. These interests are given more weight than the interests of third states in exercising exclusive jurisdiction over proceedings concerning the validity of their own IP rights.

In the U.S., the principle of territoriality of IP law operates restrictively at the level of jurisdiction in that the U.S. courts will not adjudicate claims arising under foreign registered rights, even if both parties are at home in the U.S. The territoriality principle operates through the possible limitations on subject matter jurisdiction, international abstention or *forum non conveniens*. The reluctance to exercise jurisdiction over foreign registered rights is respect for international comity in light of the foreign state's purported interest in the adjudication of disputes arising under its own sovereign grants of IP rights with the expectation that foreign states will show the same courtesy to the U.S. Another ostensible reason is the public law taboo and a general disinclination to apply foreign law that furthers foreign regulatory interests. Here, the U.S. and foreign state interests in the adjudication of disputes arising under registered IP rights weigh more than the U.S. interest in providing a forum for its own nationals and residents and the parties' interest in a forum. In the same way, the U.S. interest in the adjudication of disputes arising under its own domestic registered IP rights and the purported disinclination of other states to adjudicate such disputes explains why claims arising under federal patent and trademark law are not likely to be dismissed on *forum non conveniens* grounds, at least unless another theory of recovery such as breach of contract is possible.

The purported state interests do not apply in equal strength to claims arising under copyright law. In light of the fact that the right arises without a state grant, a state is not understood to have a particular interest in the adjudication of disputes arising under its copyright law. As copyright infringement is generally held to be a transitory cause of action, the federal courts should have subject matter jurisdiction over foreign copyright claims under the diversity and supplemental jurisdiction statutes. From a U.S. perspective, a state's interest in adjudicating disputes arising under its own copyright law is arguably no greater than a state's interest in adjudicating disputes arising under its contract or tort law. This interest is therefore only one of several public interest factors that will be considered along with private interest fac-

tors if a motion for *forum non conveniens* is made. Likewise, claims arising under U.S. copyright law are not immune to a *forum non conveniens* dismissal. Notwithstanding the utilitarian purpose underlying the U.S. copyright act for the benefit of the greater public, the right once it arises is understood to predominantly concern the right holder's private interest.

The difference between the EU and the U.S. system is exemplified by comparing the CJEU's holding in *Wintersteiger* with the Federal Circuit's holding in *Voda*. In *Wintersteiger*, the CJEU made clear that the attribution of jurisdiction even with respect to infringement claims based on foreign registered rights is based on the sound administration of justice and efficacious conduct of proceedings. The principle of territoriality does not limit the international jurisdiction of the Member State courts. Jurisdiction over a foreign defendant can be based on a harmful act in the forum Member State that gives rise to an infringement in another state because of the proximity to the evidence that may be relevant to proving the foreign infringement claim. In contrast, the *Voda* court viewed the attribution of jurisdiction in terms of international comity with an aim toward a harmonious allocation of jurisdiction among sovereign states. Jurisdiction over infringements arising under foreign patents could not be established even in a dispute between two U.S. parties.

While one might welcome the possibility for the Member State courts to exercise jurisdiction over disputes concerning the alleged infringement of third state rights even when invalidity is raised, the doctrine of *lis pendens* functions less well in an international context than among Member States where exclusive jurisdiction is respected and which are otherwise united by mutual trust. *Lis pendens* does not allocate proceedings to the most appropriate forum but only minimises the risk for irreconcilable judgments between Member States and third states. In practice, the right holder often brings proceedings for infringement first which triggers the alleged infringer to challenge the validity of the patent or trademark. Under the Recast's *lis pendens* doctrine, a Member State court is precluded from staying an infringement dispute arising under a third state right in favour of the third state court second seised (or not yet seised) even though in many cases, this may better further the sound administration of justice and comity among states. *Lis pendens* will encourage a race to the courthouse to obstruct or enable the possible application of the doctrine.

On the other hand, with the growing interdependence among nation-states today, the U.S. courts' reluctance to adjudicate claims arising under foreign IP rights on international comity grounds seems outdated and isolationist. Even if the U.S. reluctance is not as categorical when it comes to infringement claims based on unregistered rights, the *forum non conveniens* doctrine

as applied in the U.S. might lead to *de facto* discrimination of foreign right holders, because it will usually be presumed to be less convenient for a foreign right holder to litigate in a U.S. forum.

Prorogation agreements

Regardless of the domicile of the parties, a prorogation agreement conferring jurisdiction on a *EU Member State court* provides a basis for jurisdiction over the disputes concerning the infringement of foreign rights, arguably even jurisdiction to determine, with *inter partes* effect, questions concerning the registration and invalidity of third state rights. However, apart from the rules in the 2005 Hague Convention on Choice of Court (so far only the EU and Mexico have ratified), a prorogation agreement cannot override the rule protecting the exclusive jurisdiction of the Member States over proceedings concerning registration and validity of their registered rights.

In addition, apart from the 2005 Hague Convention rules, it is far from clear that prorogation agreements to third states may be respected by the Member State courts, if there is a basis for jurisdiction under the Recast. While it is not completely clear, it is possible that a prorogation agreement to a third state is only one circumstance that a Member State court may consider in its determination to decline jurisdiction in favour of a third state under the Recast rules on international *lis pendens* and related actions. The EU does not appear to be willing to respect prorogation agreements to third states outside the context of an international treaty if there is an EU interest in the adjudication of the dispute at home. The EU rules on international *lis pendens* allow the Member States to enforce the prorogation agreement to the third state when it is in the interest of the parties. As noted, however, the strict *lis pendens* rules will encourage a race to the courthouse.

In the U.S., notwithstanding the purported state interests in their IP rights, choice of forum clauses, at least those contained in licence agreements, are generally enforced. This is the case even when they require issues of U.S. substantive patent, trademark and copyright law to be litigated in foreign forums or require issues of substantive foreign patent, trademark and copyright law to be litigated in a U.S. forum. It is unclear however whether the U.S. courts would respect party autonomy with respect to infringement claims arising outside of a licence agreement and in situations where the validity of a registered right is implicated. The U.S. respects choice of court agreements in the interest of foreseeability for the parties, the facilitation of international commerce, and international comity even when not bound to do so by treaty.

The EU and the U.S. increasingly liberal positions on the possibility of the parties to choose the most appropriate forum to litigate their IP disputes is applauded. In light of the fact that the right holder can deregister its right and the party challenging the validity of an IP right is under no obligation to do so, it is difficult to understand why the commercial parties should not have the freedom to choose the appropriate forum to litigate their disputes, even for registration and validity questions with *inter partes* effect. To this end, the EU's decision to ratify the 2005 Hague Choice of Court Convention is a step in the right direction, and it is hoped the U.S will soon follow suit. Respect for party autonomy should be encouraged however even outside the scope of treaty obligations with a view toward the parties' interests in legal certainty but also the international system's interest in the facilitation of international commerce.

General remarks

Perhaps surprisingly, it appears that the possibility to exercise adjudicative jurisdiction over transborder IP infringement disputes is broader under EU and the Member States' national laws than under U.S. law. This seems to go against popular belief that the U.S. widely exercises extraterritorial jurisdiction. One explanation for the differences is the historical, social, and political contexts in which the rules developed and now operate. The continental European states have traditionally viewed the adjudication of private law disputes as separate from the public law function of the state. Their rules on jurisdiction developed originally in the context of tightly knit city-states and provinces where it would not be inconvenient to adjudicate a dispute before a court away from home. Historically, however, the courts of some continental European states were not open for foreign nationals for the adjudication of their private law claims. Thus, the focus of international civil jurisdiction has been more on fairness to the plaintiff or access to justice.

The continental legal rules on jurisdiction follow the classical conception of law as a logical system based on clear and concise categories. Thus, the rules are based on clearly defined legal categories (e.g. tort, property) and the connecting factors are also clearly defined (e.g. harmful act, location of property). These rules are understood to be autonomous in that the political, social, and economic consequences were already considered by the legislator. The civil law judges apply these rules to the relevant facts without exercising judicial discretion, which ensures legal certainty and justice by the adjudication of private rights in a politically neutral manner.

From the EU's perspective, the protection of private rights is undertaken with a broader view toward European integration. Predictable and uniform rules on jurisdiction ensure legal certainty and access to justice for EU citi-

zens, which facilitates the internal market and the development of an area of freedom, security and justice for EU citizens. The EU rules on jurisdiction are based on clear categories, chosen to further the sound administration of justice and maintain mutual trust among Member States. Jurisdiction once established is mandatory with few possibilities to dismiss the case. The EU treats the adjudication of transborder IP disputes largely like the adjudication of any other private law dispute. As the exercise of jurisdiction over private law disputes is not predominantly viewed as a public law function, the EU rules do not give the interests of foreign states much weight unless the EU is required to do so by treaty.

In the U.S., the exercise of adjudicative jurisdiction is traditionally viewed as an exercise of state sovereignty. From a U.S. perspective, the exercise of jurisdiction is a public function carried out by the sovereign and limited by its sovereignty. The U.S. rules were inherited from the UK, where jurisdiction was originally used as a mechanism for dismissing disputes that could not be resolved conveniently or practically by the UK courts. The U.S. adopted these rules with the aim of avoiding jurisdictional conflict among newly independent U.S. states and between the state and federal systems.

As the interdependence among the U.S. states increased, the notion of absolute sovereignty over persons and things within the territory gave way to minimum contacts. This enables U.S. courts to hear claims against U.S. non-resident and foreign defendants that have purposefully availed themselves of the benefits of doing business in the forum state or purposefully directed tortious activity into the forum state. Still, in light of the highly litigious U.S. society, the protection afforded by the Due Process clause is an important safeguard for foreign defendants who risk being hauled before a U.S. forum. Even though Due Process is today understood to protect the defendant's liberty (as opposed to the interests of foreign states), the defendant's liberty interest is understood in relation to the sovereign exercising jurisdiction, and is violated if the U.S. forum is acting outside the limits of its sovereignty.

Subject matter jurisdiction limitations can also be explained by the U.S. perspective on the public function of the exercise of jurisdiction. They were originally introduced to help preserve the U.S. federal system by avoiding inter-state and state-federal conflicts. Due to the increasing interdependence among the U.S. states, many states have abolished or reduced the local actions rules in order to facilitate commerce among the U.S. states and achieve justice for the parties. Subject matter jurisdiction limitations intended to preserve the state-federal relationship have no place with respect to limiting federal court jurisdiction over claims arising under foreign IP rights. Nevertheless, subject matter jurisdiction such as the local actions doctrine has sometimes been invoked because it informs that sovereign nations claim

exclusive jurisdiction over matters concerned with their registered IP rights. More often however the courts employ the discretionary doctrine of international abstention and *forum non conveniens* to decline jurisdiction. Like the minimum contacts requirement, international abstention and *forum non conveniens* call for an *en casu* determination that reflects the U.S. common law legal tradition and favours flexibility over legal certainty. It gives the judge discretion to make pragmatic determinations based on the needs of the parties or policy determinations based on the needs of the system, which a civil law judge would be reluctant to make.

Chapter Four: Prescriptive Jurisdiction: Choice of Law

This chapter investigates and compares the interpretation and operation of the principle of territoriality of IP law on choice of law in the EU and the U.S. legal systems. More specifically, the chapter investigates and compares the role of physical, tangible criteria and/or effects (IP impairing effects or otherwise) to support the forum's claim to prescriptive jurisdiction or its decision to assign prescriptive jurisdiction to another state. In addition, the chapter investigates and compares whether, in light of the important state interests underlying IP rights, the territoriality principle operates in an affirmative manner, enabling or mandating the exercise of prescriptive jurisdiction, or in a restrictive manner, limiting the exercise of prescriptive jurisdiction.

The chapter begins with an introduction to the EU and U.S. rules on choice of law. Thereafter, the chapter investigates and compares the connecting factor (or factors) employed in the two legal systems to determine the choice of law over transborder IP infringement disputes. More specifically, this section of the chapter investigates whether the connecting factor that determines the applicable law is based on a tangible act in a state and/or effects in a state, whether the same connecting factor that triggers the choice of domestic law can also trigger the choice of foreign law, and the scope of the applicable law. Thereafter, the chapter investigates and compares whether the parties may agree on the application of one state's law even though the choice of law rules point to the application of another state's law. Finally, the dissertation investigates and compares under what circumstances the forum law mandatorily claims applicability or the otherwise applicable law is displaced.

When mapping out the above rules in the compared legal systems, the chapter seeks to explain why the legal systems function as they do. Does the explanation lie in the different legal traditions upon which the legal systems are based, the character of the legal system (e.g. federal or supranational), the different interests that are taken into consideration (e.g. state interests in their own domestic rights or in their own nationals), respect for other states' interests (international comity), or more traditional private international law in-

terests in justice for the parties and facilitating international commerce? Do these interests vary depending on the characteristics and functions of the IP rights themselves?

European Union: Introduction

The TFEU grants the *European Union* the competence to enact rules on choice of law in civil matters having cross-border implications.¹²⁶¹ The EU legislator has enacted a number of regulations that harmonise at the EU level certain choice of law rules.¹²⁶² These regulations are directly applicable and result in the application of the same choice of law rule by the Member State courts regardless of where a dispute is adjudicated.¹²⁶³ The enactment of choice of law rules at the EU level is not comprehensive however and some areas are still regulated at the Member State level.

The regulation relevant for the purpose of this dissertation is the Regulation on the law applicable to non-contractual obligations (Rome II), which includes a choice of law rule for non-contractual obligations arising from an infringement of an IP right.¹²⁶⁴ The principle aim of the Rome II Regulation is to contribute to the EUs “objective of maintaining and developing an area of freedom, security and justice” by facilitating “the proper functioning of the internal market.”¹²⁶⁵

¹²⁶¹ See article 81 TFEU (“The Union shall develop judicial cooperation in civil matters having cross-border implications, . . . particularly when necessary for the proper functioning of the internal market, aimed at ensuring: . . . (a) the mutual recognition and enforcement between Member States of judgments . . . (c) the compatibility of the rules applicable in the Member States concerning conflict of laws and of jurisdiction.”). See also Regulation 662/2009 establishing a procedure for the negotiation and conclusion of agreements between Member States and third states on particular matters concerning the law applicable to contractual and non-contractual obligations. Pursuant to the Regulation, the Member States may only negotiate and conclude such agreements under the supervision and authorisation of the Commission. Article 7 & 8 Regulation 662/2009.

¹²⁶² See e.g. Regulation 593/2008 on the law applicable to contractual obligations (Rome I); Regulation 864/2007 on the law applicable to non-contractual obligations (Rome II).

¹²⁶³ Pursuant to Protocol 21 TFEU on the Position of the United Kingdom and Ireland in Respect of the Area of Freedom, Security and Justice and Protocol 22 TFEU on the Position of Denmark, these Member States do not participate in the adoption of measures concerning judicial cooperation in civil matters.

¹²⁶⁴ The Rome II Regulation is binding on all Member States with the exception of Denmark. See recital 40 Regulation 864/2007. The UK and Ireland have opted in and are bound by the Rome II Regulation. See Recital 39 Regulation 864/2007.

¹²⁶⁵ Recital 1 Regulation 864/2007. See generally de Boer 2009; Drexl 2005 p. 159-160 (suggesting that the aim of the Rome II Regulation is broader than facilitating the internal market but to make life easier for European citizens so that they can move freely throughout the EU and have access to justice).

The proper functioning of the internal market creates a need, in order to improve the predictability of the outcome of litigation, certainty as to the law applicable and the free movement of judgments, for the conflict-of-law rules in the Member States to designate the same national law irrespective of the country of the court in which an action is brought.¹²⁶⁶

The uniform choice of law rules also aim to avert the risk of distortion of competition among EU litigants, which can lead to forum shopping.¹²⁶⁷ The Rome II rules aim to balance both legal certainty and justice in individual cases by providing for the “most appropriate” connecting factors that strike a reasonable balance between the interests at stake.¹²⁶⁸

In general, the choice of law rules in the Rome II Regulation follow the classical European private international law method.¹²⁶⁹ The choice of law rules in the Regulation are multilateral, and do not generally favour forum Member State law or EU law over foreign law. The Rome II Regulation has universal application so the law referenced by the Regulation must be applied even if it is the law of a non-Member State.¹²⁷⁰

The Rome II Regulation rejects *renvoi*, stating explicitly that the application of the law of any country specified by the Regulation means the application of the rules of law in force in that country “other than its rules of private international law.”¹²⁷¹ The Regulation does not define the concept of rules of private international law or attempt to distinguish them from spatially limited rules of substantive law.¹²⁷² Even within legal systems rejecting *renvoi*,

¹²⁶⁶ Recital 6 Regulation 864/2007. See also Michaels 2008:2 p. 1624 (stating that every choice of law rule in the Rome II Regulation is an instrument of EU substantive policy).

¹²⁶⁷ Recital 13 Regulation 864/2007; COM (2003) 427 final p. 7.

¹²⁶⁸ Recital 14, 16, 19 Regulation 864/2007. See Hellner 2014 p. 124 (stating that this aim is reflected in the general tort choice of law rule, its exception and its escape clause).

¹²⁶⁹ Kramer 2008 p. 420 (“[T]he Rome II Regulation mostly carries on the European private international law tradition, the methodology of which relies primarily on Von Savigny, though a little topping from what may originate from conflict of laws in the U.S. is undeniable.”); von Hein 2008 p. 1667-1668.

¹²⁷⁰ Article 3 Regulation 864/2007. See COM (2003) 427 p. 20 (explaining that universal application of law leads to equal treatment for Community litigants and is more practical to apply); Hausmann 2003 p. 282 (stating that as Brussels I Regulation is not limited to intra-EU situations, Rome II seeks to harmonise collision rules where the connections are to a third state and not to another Member State).

¹²⁷¹ Article 24 Regulation 864/2007.

¹²⁷² See Hellner 2004 p. 211-212 (stating that a distinction between unilateral choice of law rules and spatially limited rules may be difficult to define and is not recognised in all the Member States); Jänterä-Jareborg 1995 p. 376-378 (suggesting that a choice of law rule declares that the laws of the forum are applicable in general to a given set of circumstances whereas a spatially limited rule defines the territorial applicability of certain provisions of a law).

spatially limited rules of foreign law are applied in accordance with their spatial limitations.¹²⁷³

The Rome II Regulation allows a preference for forum law where the forum law contains overriding mandatory provisions of law.¹²⁷⁴ These provisions of forum law may be directly applied in situations where they claim applicability, thereby bypassing the normal choice of law process. In general, overriding mandatory rules are often characterised by the fact that they may not be derogated from by agreement, they aim to protect the weaker party or they are necessary to ensure the operation of undistorted competition in the market.¹²⁷⁵ The application of an overriding mandatory rule of a Member State may be limited in internal EU conflicts when the legal relationship is already governed by the law of another Member State that is essentially

¹²⁷³ Basedow 2013 p. 331 (stating that in European private international law it is settled that overriding mandatory rules are to be applied according to their own scope rules); De Nova 1966 p. 1570 (“Applying a foreign “self-limiting” substantive law on its own terms—namely, only when the case at hand perfectly fits its schema—is not paying obeisance to foreign rules of private international law, which is the essence of *renvoi*. It is simply applying that substantive law of the competent legal order which fits the facts of the given case—as those facts are seen by that legal order. Consequently, legal materials operative outside that order are not used as they are under remission or transmission, or the “open offer” formula, in a word, under *renvoi*. Here one stays within the applicable legal order and chooses among its substantive provisions the one that most closely fits the factual situation.”); Bogdan 2014 p. 42-45 (explaining that pursuant to the loyal application principle, foreign law should be applied as it would be in the foreign country); Guedj 1991 p. 668-669.

¹²⁷⁴ See article 16 and recital 32 Regulation 864/2007; Joined cases C-369/96 and C-376/96, *Arblade*, para. 34 (defining the concept of overriding mandatory provisions of law as “national provisions compliance with which has been deemed to be so crucial for the protection of the political, social or economic order in the Member State concerned as to require compliance therewith by all persons present on the national territory of that Member State and all legal relationships within that State.”). This definition has been incorporated into the definition of overriding mandatory rules in Rome I. See article 9(1) and recital 37 Regulation 593/2008 (“provisions the respect for which is regarded as crucial by a country for safeguarding its public interests, such as its political, social or economic organisation, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to the contract under this Regulation.”). It is important to distinguish overriding mandatory provisions of law from domestic mandatory rules prohibiting the application of foreign law in what is commonly described as a purely “domestic” context. See e.g. article 3(3) Regulation 593/2008.

¹²⁷⁵ Case C-381/98, *Ingmar GB*, para. 22-24. See also Hellner 2004 p. 209-210. The definition and effect of overriding mandatory rules is generally clear but it is more difficult to identify which rules constitute overriding mandatory rules and which do not, at least apart from where the legislator or a court has declared a rule to be mandatory. Typical examples of overriding mandatory law are rules dealing with export or import control or monetary rules and rules to protect the weaker party in the field of consumer protection, labour, and agency and distributorship relationships. See generally Bermann 2007; Kessedjian 2007.

comparable, as regards the objective of safeguarding the political, social or economic order.¹²⁷⁶

In addition, the Rome II Regulation allows a preference for forum law over foreign law in situations where the application of foreign law is manifestly incompatible with the public policy of the forum.¹²⁷⁷ The EU Member States may determine whether the public policy exception applies taking into account the circumstances of the case and the legal order of the Member State seised with the dispute. The limit of the public policy exception is however a matter of EU law and the concept may be limited in order to achieve the Regulation's aims of predictability and legal certainty as to the applicable law.¹²⁷⁸

The Rome II Regulation does not prejudice the application of the international conventions to which one or more Member States were parties at the time when the Regulation was adopted and which lay down conflict-of-law rules relating to non-contractual obligations.¹²⁷⁹ In some Member States, in particular, in France, the view is held that article 5(2) Berne Convention is a choice of law rule, and as such, would take precedence over Rome II.¹²⁸⁰ This will be a question for the CJEU if France interprets article 5(2) BC differently than the Rome II Regulation. In addition, some courts and commentators have understood the EPC to contain a choice of law rule designating the national patent law of the EPC contracting state for which the patent has

¹²⁷⁶ Case C-184/12, Unamar, para. 51-52; Joined cases C-369/96 and Case C-376/96, Arblade, para. 80.

¹²⁷⁷ Article 26 and recital 32 Regulation 864/2007.

¹²⁷⁸ See by analogy e.g. Case C-302/13, flyLAL-Lithuanian Airlines, para. 47.

¹²⁷⁹ Article 28(1) Regulation 864/2007. It follows from article 28(1) Regulation 864/2007 that the Regulation does not prejudice the choice of law rule in the EPC with respect to employee inventions. See article 60(1) EPC ("The right to a European patent shall belong to the inventor or his successor in title. If the inventor is an employee, the right to a European patent shall be determined in accordance with the law of the State in which the employee is mainly employed; if the State in which the employee is mainly employed cannot be determined, the law to be applied shall be that of the State in which the employer has the place of business to which the employee is attached.").

¹²⁸⁰ See Ancel 2012 p. 545 (stating that the general tendency is to consider article 5(2) Berne Convention as a choice of law rule although doctrine is divided on its scope); Société D'Informatique Service Realisation Organisation (SISRO) v Ampersand Software BV (unreported), French Supreme Court, March 5, 2002, IIC 2003, 34(6), 701 (stating that the applicable law under article 5(2) BC is the law of the countries in which the infringing acts have taken place). The CJEU has indicated in *dicta* that it does not consider national treatment to establish a choice of law rule. See Case C-28/04, Tod's and Tod's France, para. 32 ("As is apparent from Article 5(1) of the Berne Convention, the purpose of that convention is not to determine the applicable law on the protection of literary and artistic works, but to establish, as a general rule, a system of national treatment of the rights appertaining to such works.").

been granted.¹²⁸¹ Article 64(3) of EPC explicitly states that infringements of a European patent are to be dealt with by national law. Pertegás-Sender argues convincingly that this rule was intended as a reference to the forum EPC contracting state's legal system as a whole including its choice of law rules.¹²⁸² She observes that this provision merely points out that infringements of European patents are to be dealt with by national law as opposed to EPC law in light of the fact that the EPC does not contain substantive law rules on infringements. As the scope of the EPC is limited to the harmonisation of substantive patent law up to the granting of the patent, it would be odd for the EPC to include a rule on the harmonisation of choice of law rule with respect to patent infringement. Indeed, the post-grant life of the European patent is left to the discretion of the EPC contracting states.

United States: Introduction

In the United States, the U.S. legislature has not enacted any general choice of law rules for civil and commercial matters at the federal level.¹²⁸³ Choice of law rules are almost exclusively regulated by the common law of the individual U.S. states as developed by their state courts.¹²⁸⁴ When a dispute is brought in federal court, the federal courts apply the state choice of law rule in the state in which the federal courts sits.¹²⁸⁵ This follows from the Erie doctrine where the U.S. Supreme Court held that a federal court hearing a state law claim on the basis of diversity jurisdiction may not develop an independent body of federal common law, but must apply the substantive law of a U.S. state.¹²⁸⁶ The Erie doctrine is a product of the federal system,

¹²⁸¹ See e.g. Case C-539/03, *Roche Nederland and others*, para. 30 (stating that it is apparent from article 64(3) of the EPC that any action for infringement of a European patent must be examined in the light of the relevant national law in force in each of the States for which it has been granted).

¹²⁸² See Pertegás-Sender 2002 p. 231-232.

¹²⁸³ The U.S. Constitution provides the U.S. legislature with the competence to enact federal choice of law rules, but it has not utilised this power. See Basedow 2008 p. 2126 (stating that Congress has the power to create federal legislation on interstate conflicts binding on both the federal and state courts pursuant to the Full Faith and Credit Clause of the 14th Amendment, which empowers Congress to enforce by appropriate legislation the Due Process Clause, the Equal Protection Clause and the guarantee of equal privileges and immunities enshrined in that amendment); Trautman 1992 p. 1726 ("Congress might legislatively federalize choice of law."); Hay 1980-1981 p. 1674.

¹²⁸⁴ Basedow 2007-8 p. 2125-29. Louisiana and Oregon have general statutory choice of law rules. See generally Nafziger 2010.

¹²⁸⁵ See *Klaxon v Stentor Electric*, 313 U.S. 487 (1941) (holding that a federal court hearing a state law claim must apply the state choice of law rules in the state it sits).

¹²⁸⁶ See *Erie Railroad Co. v Tompkins*, 304 U.S. 64 (1938) (holding that federal court hearing a state law claim must apply the substantive law of the state and not federal common law).

whereby the federal courts respect the discretion of the individual U.S. states to pursue different state policies. The Erie doctrine and its deference to state law is applied not only to substantive state law but also to state choice of law rules developed to resolve conflicts between the different U.S. state laws.¹²⁸⁷ The U.S. Supreme Court has applied the Erie doctrine also to international conflicts of law when the choice is between the law of a U.S. state and that of a foreign state.¹²⁸⁸

The Erie doctrine is not applicable however when the choice of law is between federal and foreign law.¹²⁸⁹ This is because such disputes do not implicate the law and interests of any of the individual U.S. states, but implicates federal law and federal interests.¹²⁹⁰ Thus, the choice of law question between federal and foreign law must be decided by federal choice of law rules.¹²⁹¹ This is the case even if the basis for federal court jurisdiction rests

¹²⁸⁷ See *Klaxon v Stentor Electric*, 313 U.S. 487 (1941) (holding that a federal court hearing a state law claim must apply the state choice of law rules in the state it sits).

¹²⁸⁸ *Day & Zimmerman, Inc. v Challoner*, 423 U.S. 3 (1975). This decision has been criticised by a number of legal scholars who maintain international choice of law implicates foreign relations and that the Erie doctrine should not be applicable. See generally Childress III 2011; Trautman 1992; Chow 1988. See also *D'Oench, Duhme & Co., Inc. v FDIC*, 315 U.S. 447 (1942) (Justice Jackson concurring) (“the common law doctrines of conflict of laws worked out in a unitary system to deal with conflicts between domestic and truly foreign law may not apply unmodified in conflicts between the laws of the states within our federal system which are affected by the full faith and credit or other relevant clause of the Constitution.”).

¹²⁸⁹ See *Banco Nacional de Cuba v Sabbatino*, 376 U. S. 398 (1964) (stating that the Erie doctrine is inapplicable where some uniquely federal interest is at stake and it is necessary to avoid a conflict between state and federal policies); *Sola Electric Co. v Jefferson Electric Co.*, 317 U.S. 173 (1942) (stating that the Erie doctrine is not applicable where policy is dominated by federal statutes); 28 U.S.C. § 1652 (providing that federal courts must apply state law except where otherwise required by the United States Constitution, the laws of the United States or treaties).

¹²⁹⁰ See *TianRui Group Co. Ltd. v International Trade Com'n*, 661 F.3d 1322 (Fed. Cir. 2011) (stating that the question under the federal law prohibiting unfair methods of competition and unfair acts in the importation of articles was “not whether the policy choices of a particular state's legislature or those reflected in a particular state's common law rules should be vindicated, but whether goods imported from abroad should be excluded because of a violation of the congressional policy of protecting domestic industries from unfair competition, which is a distinctly federal concern as to which Congress has created a federal remedy.”).

¹²⁹¹ *Corbello v DeVito*, 844 F.Supp.2d 1136 (D.Nev. 2012), rev'd on other grounds, 777 F.3d 1058 (9th Cir. 2015) (“when the underlying cause of action at issue is federal, a federal court applies federal common law choice-of-law rules.”). See also Trautman 1992 p. 1719 (stating that “it is settled and uncontroversial that choice of law questions arising in the context of the assertion of federal claims are a matter of federal law”); Brilmayer 1987 p. 36 (stating that courts should use federal choice of law rules to determine the scope of federal law and state choice of law rules to determine the scope of state law); Cheatham & Maier 1968-69 p. 56 (“If the choice is between federal law and foreign law, the choice is determined by federal law.”).

on diversity (and not federal question) as it is the source of the right, not the basis for federal jurisdiction, that determines the controlling choice of law rules.¹²⁹² To the extent that the U.S. legislature has not enacted any statutory choice of law rules, the choice of law rules are developed by the federal courts.

The predominant federal choice of law method for disputes raising a federal question is a unilateral method that involves an interpretation of the spatial (personal and territorial) scope of the substantive federal statute, and whether the federal law applies to the facts of the case. If the law expressly states its spatial scope, the court must follow the dictates of the statute. However, when the scope of statute is not clear, the federal courts employ a canon of statutory construction presuming that U.S. law applies only within the territorial jurisdiction of the U.S. unless a contrary expression is clearly indicated.¹²⁹³ Another canon of statutory construction holds that a federal statute should never be “construed to violate the law of nations if any other possible construction remains.”¹²⁹⁴ These canons of construction have been justified on separation of powers grounds because the courts are in an inferior position compared with the political branches to determine difficult domestic and foreign policy questions.¹²⁹⁵ In addition, the canons serve to protect against unintended clashes between U.S. federal laws and those of other nation-states, which could result in international discord.¹²⁹⁶

Some lower federal courts have developed specialised federal common law bilateral choice of law rules to resolve transborder disputes raising a federal question.¹²⁹⁷ The justification for the development of these rules is the existence of a federal question and the federal interest in international disputes. The ground-breaking case for the development of federal common law

¹²⁹² See e.g. *Maternally Yours, Inc. v Your Maternity Shop, Inc.*, 234 F.2d 538 (2nd Cir. 1956) (“the Erie doctrine is inapplicable to claims or issues created and governed by federal law, even if the jurisdiction of the federal court rests on diversity of citizenship”).

¹²⁹³ See e.g. *Microsoft Corp v AT&T Corp*, 550 U.S. 437, 454-456 (2007) (applying presumption against extraterritorial application of the U.S. patent law).

¹²⁹⁴ *Murray v The Charming Betsy*, 6 U.S. (2 Cranch) 64 (1804). See also *Microsoft Corp v AT&T Corp*, 550 U.S. 437, 455 (2007) (“As a principle of general application, moreover, we have stated that courts should assume that legislators take account of the legitimate sovereign interests of other nations when they write American laws.”) (internal citations omitted).

¹²⁹⁵ *Bookman* 2015 p. 1100-1101; *Bradley* 1997 p. 550-562. See *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 269 (2010) (stating that if Congress has intended an extraterritorial application it would have addressed the subject itself).

¹²⁹⁶ *Kiobel v Royal Dutch Petroleum Co.*, 133 S.Ct. 1659, 1664 (2013).

¹²⁹⁷ See *Friendly* 1964 p. 405 (coining the term “specialized federal common law”); *Born* 2011 p. 794-5 (stating that the federal courts have developed federal common law choice of law rules in various contexts where federal question jurisdiction exists); *Brecher* 2014 p. 1186 (stating that today there is judicial reluctance to craft federal common law).

choice of law rules for copyright is *Itar-Tass Russian News Agency v Russian Kurier, Inc.*¹²⁹⁸ The case involved the alleged infringement in the U.S. of works created by Russian nationals for publication in Russian newspapers and distribution in Russia and Israel. The court observed that the federal Copyright Act itself contained no choice of law rules, and as noted above, there are no general federal choice of law rules. In addition, the court observed that the Berne Convention did not contain any choice of law rules with respect to infringement disputes, and that national treatment requires only that eligible foreign nationals are included in the Copyright Act's spatial scope.¹²⁹⁹ Consequently, the court proceeded to "fill the interstices of the Act by developing federal common on the conflicts issue."¹³⁰⁰ The court drew its inspiration for conflicts rules from general principles on the conflict of laws contained in federal, state, and international customary law.¹³⁰¹

Due Process has not played a significant role in limiting choice of law. The Supreme Court has held however that a U.S. state may constitutionally apply its law only if it has "a significant contact or significant aggregation of contacts, creating state interests, such that choice of its law is neither arbitrary

¹²⁹⁸ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82 (2nd Cir. 1998).

¹²⁹⁹ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 89-90 (2nd Cir. 1998) ("[T]he Convention's principle of national treatment simply assures that if the law of the country of infringement applies to the scope of substantive copyright protection, that law will be applied uniformly to foreign and domestic authors." and "Whether U.S. copyright law directs U.S. courts to look to foreign or domestic law as to certain issues is irrelevant to national treatment, so long as the scope of protection would be extended equally to foreign and domestic authors."). See also *Subafilms, Ltd. v MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994) (observing that the Berne Convention does not expressly discuss choice of law rules). But see Geller 2004 p. 328 ("A key principle of the Berne/TRIPs regime, national treatment, compels governing infringement claims by the law of the country where infringement is alleged as occurring."); Nimmer 1996 § 17.05 (stating pursuant to the national treatment provisions in the BC and UCC, the applicable law is the copyright law of the state in which the infringement occurred, not that of the state of which the author is a national, or in which the work is first published."). However, even if the international conventions did contain a choice of law rule, the federal courts would not be compelled to apply it because the federal courts have held that the international IP conventions are not self-executing. See e.g. *Vanity Fair Mills, Inc. v T. Eaton Co.*, 234 F.2d 633, 640-641 (2nd Cir. 1956), *cert. denied*, 352 U.S. 871 (1956) (holding that the Paris Convention is not self-executing). The U.S. Copyright Act expressly states that the Berne Convention is not to be given direct effect. 17 U.S.C. §104(c) ("No right or interest in a work eligible for protection under this title may be claimed by virtue of, or in reliance upon, the provisions of the Berne Convention, or the adherence of the United States thereto. Any rights in a work eligible for protection under this title that derive from this title, other Federal or State statutes, or the common law, shall not be expanded or reduced by virtue of, or in reliance upon, the provisions of the Berne Convention, or the adherence of the United States thereto.").

¹³⁰⁰ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998).

¹³⁰¹ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998). See Patry 2000 p. 416-420.

nor fundamentally unfair.”¹³⁰² While the bar is considered to be low, the Court has struck down the application of state law where the U.S. state had no interest in its application and it was in conflict with another U.S. state law claiming applicability, finding it was sufficiently arbitrary and unfair as to violate Due Process.¹³⁰³ The federal courts have applied the same standard to the application of federal (primarily) criminal law to transborder crimes under the 5th Amendment Due Process clause.¹³⁰⁴ No federal court has ever invalidated the extraterritorial application of U.S. IP law on Due Process grounds.

Connecting Factors

This section investigates what connecting factor (or factors), e.g. the tangible act in a state and/or effects in a state, in the compared legal systems determine the choice of law over transborder IP infringement disputes. Initially, the section discusses the characterisation of the dispute or issue as a transborder IP infringement dispute. Thereafter, the section investigates and compares the connecting factors employed to determine the applicable law, and whether the same connecting factor that triggers the choice of domestic law can also trigger the choice of foreign law. Finally, this section investigates and compares the scope of the applicable law, in particular, whether the same law that determines whether an act is infringing determines whether the IP right exists and what remedies are available.

In the *European Union*, the Rome II Regulation contains a special rule designed specifically for non-contractual obligations arising from the infringement of IP rights.¹³⁰⁵ Article 8 establishes that the applicable law is

¹³⁰² Allstate Ins Co v Hague, 449 U.S. 302 (1981).

¹³⁰³ Phillips Petroleum Co. v Shutts, 472 U.S. 797, 822 (1985) (“Given Kansas’ lack of “interest” in claims unrelated to that State, and the substantive conflict with jurisdictions such as Texas, we conclude that application of Kansas law to every claim in this case is sufficiently arbitrary and unfair as to exceed constitutional limits.”).

¹³⁰⁴ See e.g. U.S. v Davis, 905 F.2d 245, 248-49 (9th Cir. 1990); U.S. v Yousef, 327 F.3d 56, 111 (2nd Cir. 2003); Colangelo 2014 p. 1323-1326; Brilmayer & Norchi 1992 (arguing that “the Fifth Amendment Due Process Clause limits federal actions in much the same manner that the Fourteenth Amendment Due Process Clause limits state actions”).

¹³⁰⁵ See article 8 Regulation 864/2007. The rule in the Regulation is understood to encompass actions for a declaration of non-infringement even though this is not explicit in the text. See Hellner 2014 p. 182; Dickinson 2008 p. 458-59; Actavis UK Ltd. v Eli Lilly, England and Wales High Court, [2014] EWHC 1511 (Pat) (applying art 8 Rome II to determine the law applicable to declarations of non-infringement of UK, French, Italian, and Spanish patents although holding that the rules for obtaining such a declaration in the first place were procedural and therefore outside the scope of Rome II so the *lex fori* applied).

“the law of the country for which protection is claimed.”¹³⁰⁶ Before the forum Member State court can apply this choice of law rule, it needs to characterise the dispute as falling within the specific legal category of non-contractual obligations arising from an infringement of an IP right.¹³⁰⁷ EU law autonomously defines the concept of a non-contractual obligation arising from the infringement of an IP right that is not dependent on the definition given under the forum Member State’s own national IP law.¹³⁰⁸

The Rome II Regulation autonomously defines the concept of IP rights broadly to include *inter alia* copyright, related rights, the *sui generis* right for the protection of databases and industrial property rights.¹³⁰⁹ In light of the broad definition, questions may arise with regard to whether quasi-IP rights such as the right of publicity and non-original writings can be characterised as IP rights under article 8.¹³¹⁰ Disclosure of trade secrets and passing off, which are often associated with IP rights, are more likely to be characterised as unfair competition disputes and would fall under the special rule in article 6 on unfair competition and acts restricting free competition.¹³¹¹ In addition, the Rome II Regulation explicitly excludes from its material scope “non-contractual obligations arising out of violations of privacy and rights

¹³⁰⁶ Article 8 Regulation 864/2007.

¹³⁰⁷ Savigny’s hope and belief that an international consensus would develop on the characterisation of legal relationships has not been realised. In reality, the courts of most states characterise a claim (e.g. infringement claim, unfair competition claim, contract claim) from the perspective of the *lex fori*. Nussbaum 1943 p. 80-81. Franz Kahn and Bartin demonstrated that uniformity of result could not be achieved even if all states followed the same private international law rules because there would still be differences in the way states characterised legal transactions. See Lorenzen 1940-41 p. 743-746; Lorenzen 1920.

¹³⁰⁸ See Garcia-Castrillón 2014 p. 446 (stating that the Rome II Regulation employs an autonomous concept of non-contractual obligations that comprises IP infringements); Bogdan 2014 p. 57 (stating that EU regulations shall generally be interpreted autonomously). Before the Rome II Regulation was enacted, the Member States characterised the concept of infringement by the *lex fori*. See e.g. Spielbankaffaire (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227 (holding that German law as the *lex fori* must determine the conflict-of-law question whether a specific act may be deemed to be an infringement of copyright with the result that German law refers to the law of the country of protection for its starting point); Strömholm 2001 p. 148 (stating that characterisation of a dispute as an infringement of copyright must be done according to the *lex fori* in Sweden and the court would be guided by the Swedish catalogue of infringing acts and the Swedish categories of protectable subject matter).

¹³⁰⁹ Recital 26 Regulation 864/2007 (defining IP rights to mean “for instance, copyright, related rights, the *sui generis* right for the protection of databases and industrial property rights.”).

¹³¹⁰ See Fawcett & Torremans 2011 p. 804-5 (stating that the common denominator is that IP rights are exclusive rights); van Engelen 2005 p. 441-442.

¹³¹¹ See Hellner 2014 p. 181; Illmer 2011 p. 233; Fawcett & Torremans 2011 p. 805; Dickinson 2008 p. 452; COM (2003) 427 p. 16 (listing disclosure of business secrets and passing off as actions falling under article 6).

relating to personality, including defamation.”¹³¹² It is not clear whether infringements of moral rights are to be characterised as copyright and thus fall within the scope of article 8, or personality rights and are thus excluded from Rome II altogether.¹³¹³

The Rome II Regulation also contains a broad autonomous definition of the concept of non-contractual obligations.¹³¹⁴ The rule in article 8 also applies to claims arising under unjust enrichment, *negotiorum gestio* and *culpa in contrahendo* arising from the infringement of an IP right.¹³¹⁵ While the Regulation does not define the concept of an infringement, an autonomous definition of the concept can be based on the various infringing acts set out in the international IP conventions and the EU Directives harmonising EU IP law. It seems likely that the concept of an infringement entails some form of unauthorised exploitation of the IP right.¹³¹⁶ It is not likely to cover unauthorised licensing of a work to third parties except to the extent it is alleged that

¹³¹² Article 1(2)(g) Regulation 864/2007. These issues were excluded toward the end of the legislative process because it was not possible to reach a consensus; Kramer 2008 p. 416. See generally article 1(1-3) Regulation 864/2007 (concerning the regulation’s substantive scope).

¹³¹³ See Xalabarder 2015 p. 182 (discussing how some Member States protect moral rights under the copyright statute while others protect them under personality rights, unfair competition, defamation); Boschiero 2007 p. 101 (stating that from a choice of law perspective moral rights could be characterised as personality rights).

¹³¹⁴ Article 2 & Recital 11 Regulation 864/2007. The concept non-contractual obligation is to be interpreted consistently with the Brussels I Regulation. See Recital 7 Regulation 864/2007 (“The substantive scope and the provisions of this Regulation should be consistent with Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (5) (Brussels I) and the instruments dealing with the law applicable to contractual obligations.”). See also Case C-189/87, *Kalfelis / Schröder and others*, para. 17 (holding that matters relating to tort, delict or quasi-delict within the meaning of Article 5(3) Regulation 44/2001 covers all actions which seek to establish the liability of a defendant and which do not concern ‘matters relating to a contract’ within the meaning of Article 5(1)(a) Regulation 44/2001).

¹³¹⁵ See article 13 Regulation 864/2007; Hellner 2014 p. 181 (stating that in some Member States legal systems, infringement claims are based on unjust enrichment such as when the right holder claims a reasonable licensee payment for the infringement).

¹³¹⁶ See *Spielbankaffaire* (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227 (holding that “a disposition over copyright as such cannot, by virtue of its nature, be treated as an infringement of copyright according to conflict-of-law rules. The disposition of copyright powers by an unauthorised party does not represent a use of the work; it does not as such infringe the relationships between the author and his work.”); Dickinson 2008 p. 455 (stating that it may be doubted whether the right to receive a sum of money on a particular event (e.g. resale right) can be characterised as an infringement under the Regulation). See also Strömholm 2001 p. 163-166 (discussing the question with what degree of precision concepts should be defined for the purpose of characterisation).

the licensor contributes to the unauthorised exploitation of the IP right by a third party.¹³¹⁷

Once the forum Member State court has characterised the dispute as concerning non-contractual obligations arising from the infringement of IP rights, article 8 establishes that the connecting factor that determines the applicable law is “the country for which protection is claimed.”¹³¹⁸ The text of article 8(1) Rome II is very similar to the text of article 5(2) of the Berne Convention, which refers to “the laws of the country where protection is claimed.” The EU legislator’s intention with the special choice of law rule for IP infringements was that it be consistent with the Member States’ and the EU’s obligations under the international IP conventions.¹³¹⁹ As noted, it has been long debated whether the international IP conventions lay down any specific choice of law rule, and if so the precise content of the rule. The Rome II rule is consistent with a prevailing interpretation of the Berne Convention to establish *lex protectionis*. The connecting factor in Rome II should not be confused with the law of the country in which the legal action is brought (*lex fori*). While article 5(2) of the Berne Convention may be interpreted to refer to the *lex fori*, the EU legislator made a conscious decision to substitute the words “for which” in place of the word “where” to make clear that the rule in the Rome II Regulation did not refer to the *lex fori*.¹³²⁰

The rule in Rome II for IP infringements deviates from the general tort choice of law rule in article 4 of the Regulation, which refers to the law of the country in which the (direct) damage occurs (*lex loci damni*).¹³²¹ The general tort rule was considered to be incompatible with the specific re-

¹³¹⁷ See *Spielbankaffaire* (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227 (“The disposition of financial copyright powers by an unauthorized party can only be regarded as an infringement of copyright in the form of a possible participation in an unauthorized exploitation caused that it occasions.”).

¹³¹⁸ Article 8 Regulation 864/2007.

¹³¹⁹ Recital 26 Regulation 864/2007 (stating that “the universally acknowledged principle of *lex loci protectionis* should be preserved.”); COM (2003) 427 p. 20 (“The treatment of intellectual property was one of the questions that came in for intense debate during the Commission’s consultations. Many contributions recalled the existence of the universally recognised principle of the *lex loci protectionis*, meaning the law of the country in which protection is claimed on which e.g. the Bern Convention for the Protection of Literary and Artistic Works of 1886 and the Paris Convention for the Protection of Industrial Property of 1883 are built.”).

¹³²⁰ See Frohlich 2009 p. 885 (stating that with the new language the drafters of Rome II intended to avoid the common confusion that resulted from the ambiguous language in article 5(2) BC); Fawcett & Torremans 2011 p. 808; Hahn & Tell 2005 p. 14 (stating that the German proposed text would be changed to reflect “for which” and not “where”); Hellner 2014 p. 182 (stating that the Swedish language version unfortunately does not reflect this change despite the fact that the mistake was pointed out several times during the negotiations).

¹³²¹ Article 4 Regulation 864/2007.

quirements in the field of IP.¹³²² This is because the infringing act, not damage, constitutes the element of an infringement claim. Moreover, pursuant to the territoriality principle, the damage cannot arise unless an IP right is infringed in that state. There was a concern that a *lex loci damni* rule would mistakenly lead to the application of the law of the country where the right holder was established because for traditional torts, the direct damage would usually arise in the country of the victim's establishment.¹³²³

The exception in the general tort choice of law rule for when the parties have a common habitual residence allowing for the application of that country's law was also considered inappropriate for IP infringements because it undermined the territoriality principle of IP law.¹³²⁴ The common residence exception aims to serve justice in the individual case by meeting the legitimate expectations of the parties in the application of their "home" law.¹³²⁵ The rationale of the territoriality principle is to respect the decision of each sovereign state to regulate acts affecting its national market.¹³²⁶ One can conclude that a choice of law rule based on the territoriality principle was understood to either override or coincide with the legitimate expectations of the parties.¹³²⁷

The connecting factor "the law of the country for which protection is claimed" should also not be understood as a reference to the law of the country where the harmful act occurred (*lex loci delicti commissi*), even though these connecting factors will usually coincide in practice.¹³²⁸ As noted, *lex protectionis* and *lex loci delicti* have often been used interchangeably.¹³²⁹

¹³²² COM (2003) 427 p. 20 (stating that the general tort rule "does not appear to be compatible with the specific requirements in the field of intellectual property.")

¹³²³ Drexl 2005 p. 154-155 (stating that the direct damage in IP infringement disputes does not arise at the right holder's establishment or habitual residence); van Engelen 2005 p. 443-444.

¹³²⁴ See van Engelen 2005 p. 444.

¹³²⁵ Recital 14, 18 Regulation 864/2007; COM (2003) 427 p. 12 (stating that the common domicile rule "reflects the legitimate expectations of the two parties.").

¹³²⁶ Drexl 2005 p. 155.

¹³²⁷ Symeonides 2008:1 p. 194 (stating that one can infer that the reason for the exclusion of the common habitual residence rule is an implicit recognition that infringement cases implicate broader societal interests that go beyond the interests of the parties).

¹³²⁸ Drexl 2005 p. 154 (stating that *lex protectionis* is fundamentally different from *lex loci delicti commissi*); Fawcett & Torremans 2011 p. 805-810; Hellner 2014 p. 182; Illmer 2011 p. 241.

¹³²⁹ The explanatory memorandum in the Commission's Rome II proposal adds to this confusion because it states "in copyright cases the courts apply the law of the country where the violation was committed", which might be read to suggest that the Member State courts may determine where the infringement has occurred in order to determine the applicable law (e.g. objective connecting factor). See COM (2003) 427 p. 20. See also Hamburg Group 2002 p. 22 (stating that "the *lex loci protectionis* refers to the law of the country in which the act of infringement was committed.").

Before the Rome II Regulation came into effect, some Member States applied the *lex loci delicti* rule to IP infringement cases.¹³³⁰ Under a *lex loci delicti* rule, the forum objectively identifies and localises the infringing act pursuant to its own conflict rules.¹³³¹ In the unusual case, this may lead to the application of a law of a country different from the one for which the right holder plaintiff claims protection, and result in the application of a law that does not protect the right holder plaintiff.¹³³² The use of the word “claimed” in article 8 however makes clear that the rule uses a subjective connecting factor whereby the plaintiff steers the choice of law by its claims.¹³³³ The wording in article 8(1) Rome II can be contrasted with the wording used in article 8(2) Rome II, which refers to the “law of the country in which the act of infringement was committed.”¹³³⁴ This is an objective connecting factor that requires the forum Member State court to make a preliminary assessment of what the act of infringement is and where it is localised for the purpose of determining the applicable law. The difference in wording indicates that when the EU legislator intended to specify a *lex loci delicti commissi* rule, it knew how to do so.

A subjective connecting factor is consistent with the Regulation’s aim of legal certainty. As the application of the referenced IP law depends on the

¹³³⁰ See Ancel 2012 p. 546-47 (stating the connecting factor for copyright infringement in France has been where the tortious acts have occurred but has sometimes been abandoned in favour of the law with the closest connection); Frohlich 2009 p. 875-876 (stating that France applied *lex loci delicti* to copyright infringements); Fawcett & Torremans 2011 p. 677 (stating that the Cour de Cassation in France has applied the *lex loci delicti*) & p. 805-6 (stating that some national laws in Europe applied the law of the place of the tort to IP infringement cases); Société D’Informatique Service Realisation Organisation (SISRO) v Ampersand Software BV (unreported), French Supreme Court, March 5, 2002, IIC 2003, 34(6), 701 (stating that pursuant to art 5(2) of the Berne Convention, the law of the country in which the infringement took place applies and not the country where the harm was suffered, and applying each countries’ copyright law to infringing acts taking place in each respective country).

¹³³¹ See Bogdan 2014 p. 59 (stating that the connecting factor is interpreted in accordance with the *lex fori*); Strömholm 2001 p. 151 (stating that a Swedish court must localise the infringing act in accordance with Swedish conflicts rules); Hellner 2000 p. 97 (stating that the connecting factor must be also be characterised usually in accordance with the *lex fori*).

¹³³² See Société des Auteurs des Arts Visuels et de l’Image Fixe (SAIF) v Google Inc., Paris Court of First Instance, 3rd ch, 1st sec., no. 05/12117, 20 May 2008 (applying *lex loci delicti* leading to the application of U.S. copyright law, a fair use defence, and resulting in a finding of no infringement). This decision was reversed on appeal. See Société des Auteurs des Arts Visuels et de l’Image Fixe (SAIF) v Google Inc., Paris Court of Appeal, 26 January 2011.

¹³³³ See Advocate General opinion in Case C-170/12, Pinckney, para. 47 (stating that the *lex protectionis* rule in article 8 Rome II is “based on a subjective connection which initially leaves the choice of applicable law to the claimant”); Hellner 2014 p. 182; Illmer 2011 p. 241; Dickinson 2008 p. 458. See e.g. Scanpix v Google, Stockholm District Court, Case nr T 2409-12, May 13, 2013 (stating that the wording of article 8(1) does not allow for a *lex loci delicti commissi* interpretation).

¹³³⁴ Article 8(2) Regulation 864/2007.

plaintiff's claim for protection, this leads to legal certainty as to the applicable law at least at the litigation stage. Indeed, the plaintiff decides the country for which protection is claimed whereas the parties and the court, in particular courts of different Member States, can be expected to have different views on what the act of infringement is and where it is localised.¹³³⁵ *Lex protectionis* is a pragmatic solution to finding a common denominator among the Member States without a need to determine at the choice of law level the specific element (e.g. tangible conduct or IP impairing effects) that justifies the application of a country's law.¹³³⁶ In addition, as the applicable law is not dependent on the localisation of the infringement by the forum Member State, but takes as its starting point the referenced law's own claim to applicability, parties can predict the outcome of litigation regardless of in which Member State proceedings are brought.¹³³⁷ Legal certainty and the uniformity of results facilitates the free movement of judgments, which facilitates the sound operation of the internal market and the maintenance and development of an area of freedom, security and justice.

The connecting factor "the country for which protection is claimed" might give rise to interpretative difficulties where the plaintiff claims a right under the law of one country but seeks protection against alleged infringements taking place in the territory of another country.¹³³⁸ Assume, for example, that a plaintiff states in its statement of claim that it has a registered U.S. trademark that it claims is being infringed by the sale of goods on the UK market with the U.S. trademark.¹³³⁹ What is "the country for which protection is claimed"? Is it the country for which the plaintiff claims to have an IP right that protects it against infringements (e.g. the U.S. where the trademark is registered) or the country for which the plaintiff seeks protection against alleged infringements (e.g. the UK where the goods are being sold under the mark)?

¹³³⁵ Fawcett & Torremans 2011 p. 807 (stating that the law of the country for which protection is sought is easy to ascertain unlike the *lex loci delicti*); Pertegás Sender 2002 p. 240-241.

¹³³⁶ Dickinson 2008 p. 458 (stating that the *lex protectionis* rule may owe more to pragmatism than to sovereignty).

¹³³⁷ Dickinson 2008 p. 458 (stating that *lex protectionis* does not specify what element of activity connected with the territory of a country justifies the application of that country's law but instead allows each prescribing state to determine its own set of unilateral connecting factors describing the required connection to the territory).

¹³³⁸ See Ancel 2012 p. 564 (noting the interpretation problem in article 8 Rome II where the country for which the plaintiff claims to have a registered IP right and the country for whose territory the plaintiff requests protection are in different states).

¹³³⁹ The example is not as unlikely as it sounds. Rome II is of universal application and can lead to the law of any country whether or not it is the law of a Member State. See article 3 Regulation No 864/2007. Moreover, the U.S. Trademark Act claims extraterritorial application under some circumstances. See *Steele v Bulova Watch Co*, 344 U.S. 280 (1952).

The CJEU has not yet interpreted the concept “the country for which protection is claimed.”¹³⁴⁰ Notwithstanding the fact that the recital to the Rome II Regulation claims that the principle of the *lex loci protectionis* is universally acknowledged, there does not seem to be an exact definition of what the principle entails.¹³⁴¹ Indeed, the text of the Member States’ national rules purporting to establish *lex protectionis* are not uniform.¹³⁴² In addition, the case law in the Member States purporting to apply *lex protectionis* points in different directions. For example, in an Austrian case, an Austrian music publishing company assigned the exclusive right to certain works for the territory of the Federal Republic of Germany to a German music publishing company.¹³⁴³ The German company then entered into negotiations with some television companies who planned to transmit the works via direct satellite from Germany to a public in Germany and Austria. This prompted the Austrian company to enter into negotiations with the same television companies and offer them licences for the direct satellite transmission of the works from Germany into the territory of Austria. Thereafter, the German music publishing company brought proceedings against the Austrian music publishing company claiming that the Austrian company’s actions were an encroachment upon its exclusive broadcasting right for the German territory. The Austrian court stated that the infringement question had to be determined in

¹³⁴⁰ To date, there is no case law from the CJEU interpreting article 8 Regulation 864/2007. In dicta, the CJEU stated that article 8 Rome II “confirms that it is relevant to know whether . . . the acts took place in the United Kingdom, the Member State in which [the plaintiffs] claim protection”). Case C-173/11, *Football Dataco and others*, para. 32. The CJEU does not explain whether it is relevant to know this for choosing the applicable law or for determining whether the acts fall within the territorial scope of the applicable law.

¹³⁴¹ See Recital 26 Regulation 864/2007.

¹³⁴² See article 23 of the Estonian Private International Law Act, (RT I 2002, 35, 217), entered into force 1 July 2002 (“Intellectual property and the creation, content, extinguishment and protection thereof shall be governed by the law of the state for the territory of which protection of the property is applied for.”); article 93(1) of the 2004 Belgium Private International Law Act (“Intellectual property rights are governed by the law of the state for whose territory protection is claimed.”); Janssens 2012 p. 403 fn 350 (stating that article 93(1) of the Belgium law means “the country where the rights are exploited (and infringed) and where the relief will have its effect” and that it “is entirely in line with Art 8 of the Rome II.”); article 54 of the Italian Private International Law Act (“the rights on intangible property are ruled by the law of the State of exercise”); Boschiero 2007 p. 100 (stating that the Italian rule establishes *lex protectionis*); Pertegás Sender 2002 p. 256-57 (stating that it is unclear whether the Italian rule refers to the *lex protectionis* or the *lex loci delicti*); *Spielbankaffaire* (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227 (finding that *lex protectionis* was the law of the country for which the plaintiff claims it holds the television exploitation rights); article 34 of the Austrian law of June 15, 1978 (“the existence, content and extinction of intellectual property rights shall be in accordance with the laws of the state of exploitation or infringement.”); article 48 of the Portuguese 1966 Civil Code (“industrial property is governed by the law of the State where it was registered.”).

¹³⁴³ *Direct Satellite Broadcast III* (unreported), Austrian Supreme Court, IIC 1993, 24(5), 665-668.

accordance with “the laws of the country for whose territory protection is claimed (the so-called country-of-protection theory).”¹³⁴⁴ According to the Austrian Court:

On the basis of the broadcasting right assigned to it for the territory of the Federal Republic of Germany (only), the plaintiff claims the right to broadcast direct satellite television programs from the Federal Republic of Germany into the territory of Austria, and the authority to grant broadcasting permission for such purposes. The plaintiff considers the defendant's actions to be an encroachment upon the exclusive broadcasting right granted to the plaintiff by the defendant. According to the country-of-protection principle, the question of whether this amounts to an infringement is to be determined according to Austrian law.

The court clearly did not interpret *lex protectionis* to mean the country for which the plaintiff claimed to have a right. Indeed, the plaintiff claimed protection under its German copyright; it did not have any rights in Austria. If German law gave the plaintiff the exclusive right to transmit from the Germany territory into the Austrian territory, the Austrian company's actions would have been an encroachment of that right. Instead, it seems that the court understood the plaintiff to seek protection for the territory of Austria.¹³⁴⁵

In contrast, in a German case with somewhat similar facts, the court interpreted *lex protectionis* to mean the country for which the plaintiff claims to have a right.¹³⁴⁶ In this case, a right holder who claimed the exclusive rights for Luxembourg sued another right holder who claimed the exclusive rights for Germany and West Berlin for copyright infringement after the latter right holder granted a licence to a third party to transmit a work from Luxembourg into cable systems in the Federal Republic of Germany and West Berlin.

¹³⁴⁴ See article 34 of the Austrian Private International Law Act of June 15, 1978 (“the existence, content and extinction of intellectual property rights shall be in accordance with the laws of the state of exploitation or infringement.”); Pertegás Sender 2002 p. 165-66 (stating that while this rule reads more like a *lex loci delicti* rule, it has been interpreted in the Austrian doctrine and case law as establishing the *lex protectionis* rule).

¹³⁴⁵ Another interpretation is that the court applied an objective connecting factor, identified the alleged encroachment i.e. defendant's offer of licences, localised it to Austria, and consequently applied Austrian law. Indeed, as the plaintiff's statement of claim alleged that its copyright was being infringed in Germany from where the work was being transmitted, it is not obvious that the court let itself be guided by the plaintiff's claim. Curiously, however, even though the court applied Austrian law, it concluded that there “has been no infringement of German broadcasting rights as alleged by the plaintiff.” It is difficult to understand how the court can conclude that German rights have not been infringed without looking at the content of those rights under German law.

¹³⁴⁶ Spielbankaffaire (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227. See also Matulionyte 2012 p. 265 (stating that in Germany, *lex protectionis* is understood as the country that grants the protection).

The German court held that *lex protectionis* was the proper choice of law rule in a transborder copyright dispute.¹³⁴⁷ It concluded that *lex protectionis* led to the application of Luxembourg and not German law. The Court stated:

The plaintiff based its claim only on the fact that the defendant had infringed the exclusive television exploitation rights in the feature “Spielbankaffaire” to which the plaintiff was entitled for the territory of Luxembourg. Consequently, the country of protection is in this case Luxembourg. The plaintiff does not claim that it also holds the television exploitation rights for the territory of the Federal Republic of Germany.

The legal doctrine similarly does not paint a clear picture.¹³⁴⁸ Fawcett & Torremans maintain that the “law of the country for which protection is claimed” means “the law of the country for which protection is sought.”¹³⁴⁹ They submit that it refers to the country for which the availability of protection is being denied (in the right holder’s subjective view) because a third party is ignoring the existence of IP protection by infringing the right. Fawcett & Torremans state that this connecting factor is equally applicable to registered rights as well as to unregistered rights. Pursuant to this view, the territoriality principle operates restrictively at the choice of law level because the plaintiff is required to specify the countries for whose territories it claims protection.¹³⁵⁰ As the plaintiff will only claim protection for a country where it holds an IP right, this requirement ensures the existence of a territorial connection between the country that protects the right and the country for which the plaintiff seeks protection.¹³⁵¹ It is up to the referenced substan-

¹³⁴⁷ Spielbankaffaire (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227 (“The tort law principle of the application of the law of the place of the offense, i.e., the place of the action or the outcome, is not applicable to infringements of copyright powers [citations omitted].”).

¹³⁴⁸ Leistner 2009 p. 1001-101 (observing the ambiguity of the *lex protectionis* rule).

¹³⁴⁹ Fawcett & Torremans 2011 p. 807. See also Janssens 2012 p. 381 (stating that article 8 Rome II refers to the law of the country for which protection is sought, which is the country where the rights are exploited (and infringed) and where the relief will have its effects); Dickinson 2008 p. 458-59 (“The *lex loci protectionis* rule allows claimants to choose the IPR (or bundle of IPRs) that best serves their interests and objectives, subject only to the requirement that the protection that they seek must pertain to the territory of the country whose law it is sought to apply. In other words, the national IPR relied on must apply to the facts relied on as establishing an infringement on the basis of a connection to the territory . . .”).

¹³⁵⁰ Petz 2012 p. 253 (stating that under this approach, the principle of territoriality operates at the choice of law level); Gottschalk 2009 p. 208; Kur 2005:1 p. 963 (stating that the “country for which protection is sought” requires the court, guided by the plaintiff’s claims, to actually identify and specify the country or countries in regard to which the verdict shall become legally binding); Kur 2005:2 p. 183-184 fn 28.

¹³⁵¹ See Fawcett & Torremans 2011 p. 808 (maintaining that the law of the country for which protection is sought “results each time in the application of the law of the State that created the intellectual property right as a tool of its economic policy” and that “no protection can [] be sought in a country where the right holder did not register the right.”).

tive law however to determine whether the infringing act alleged to occur within its territory in fact falls within the scope of its substantive law.¹³⁵² In this respect, the referenced law defines its own substantive territorial scope within the flexible framework of the territoriality principle, and is not dependant on the localisation of the infringing act pursuant to the *lex fori*.¹³⁵³

In contrast, other commentators understand “the country for which protection is claimed” to be the country for which the plaintiff claims to hold an IP right, and would allow this law to determine its own territorial scope without the necessity of any territorial connection between the country that protects the right and the country for which the plaintiff seeks protection.¹³⁵⁴ Pursuant to this view, the principle of territoriality operates in an affirmative manner in that the law of each state of registration or protection determines any alleged infringements of the IP right. The principle of territoriality operates as a limiting principle only on the substantive law level.¹³⁵⁵

The interpretation of the connecting factor “the country for which protection is claimed” should further the Regulation’s aim to facilitate the predictability of the outcome of litigation, certainty as to the law applicable and the free movement of judgments. Even though the connecting factor “the country for which protection is claimed” is indiscriminately applicable to both registered and unregistered IP rights, it is possible that the CJEU will interpret the concept slightly differently in relation to the registered and unregistered rights as it appears to have done with jurisdiction.¹³⁵⁶ Indeed, for the purpose of jurisdiction, the CJEU held that the damage arising from an infringement of a registered trademark arises in the Member State where the trademark is reg-

¹³⁵² Fawcett & Torremans 2011 p. 808 fn 55 (“One claims protection under a national law by alleging one has an intellectual property right there that is infringed. The court will then apply that national law to determine whether or not the right has effectively been infringed.”).

¹³⁵³ See Ulmer 1978 p. 14 (stating that the law under which the plaintiff claims protection determines its own scope of application).

¹³⁵⁴ Hellner 2014 p. 182; Petz 2012 p. 255 (stating that the principle of territoriality does not impose a limitation on the conflict rule); Peukert 2011 p. 202 (maintaining that the court applies the law of the countries that protects the IP rights the plaintiff alleges to be infringed); Drexl 2005 p. 154; Plender & Wilderspin 2015 p. 677 fn 43 (observing that the UK had proposed “the law of the country where the right subsists” but for reasons not explained but presumably because the formulation departed from art 5(2) BC, the proposal was not accepted).

¹³⁵⁵ Kono 2010 p. 255; Hellner 2014 p. 182 (stating that the real question is the territorial scope of the substantive law).

¹³⁵⁶ This is also consistent with the explanatory memorandum in the Commission’s Rome II proposal. See COM (2003) 427 p. 20 (stating that “in copyright cases the courts apply the law of the country where the violation was committed” but “an industrial property right is governed by the law of the country in which the patent was issued or the trade mark or model was registered.”).

istered, and that the court of registration has jurisdiction to determine all the damage allegedly caused to the proprietor of the protected right because of its infringement.¹³⁵⁷ Just as this connecting factor serves the aim of legal certainty and foreseeability for the purpose of jurisdiction, it serves the aim of legal certainty and foreseeability for the purpose of choice of law. The law under which a plaintiff claims to hold a registered right is easily ascertained in the plaintiff's statement of claim, which furthers legal certainty. Both the plaintiff and the defendant can be expected to predict the application of this law and the outcome of litigation. In addition, the perception of registered rights as predominantly state granted artificial rights operates strongly at the substantive law level to limit the territorial application so that the countries for which the right holder claims to hold an IP right will in all but exceptional cases coincide with the country for which protection is sought.¹³⁵⁸ In exceptional cases, flagrant extraterritorial claims of application can be resolved by the application of the public order exception.

In contrast, the CJEU held that for the purpose of jurisdiction, damage arising from an infringement of a copyright arises in the Member State that "protects the copyrights relied on by the plaintiff and that the harmful event alleged may occur within the jurisdiction of the court seised."¹³⁵⁹ The reason the CJEU made a distinction between registered and unregistered rights was the fact that copyright arises automatically and is therefore protected in every Member State (and in every Berne contracting state).¹³⁶⁰ Thus, a specific connection to one or a determinate number of protecting states is lacking in the case of copyright.¹³⁶¹ By analogy, the CJEU might interpret the law of the country for which protection is claimed with respect to copyright to be the law of the country for which the plaintiff claims to hold a copyright and in whose territory the plaintiff claims to have suffered damage. The principle of territoriality does not operate as strongly on the substantive law level with respect to unregistered rights so there is a greater need for the territoriality principle to operate at the choice of law level. If the applicable substantive copyright law unilaterally determines its own territorial scope without a requirement of any territorial connection, this might increase the need to resort

¹³⁵⁷ Case C-523/10, *Wintersteiger*, para. 28 ("Those courts have the power to determine all the damage allegedly caused to the proprietor of the protected right because of an infringement of it and to hear an application seeking cessation of all infringements of that right.").

¹³⁵⁸ See Case C-523/10, *Wintersteiger*, para. 25 ("the protection afforded by the registration of a national mark is, in principle, limited to the territory of the Member State in which it is registered, so that, in general, its proprietor cannot rely on that protection outside the territory.").

¹³⁵⁹ Case C-170/12, *Pinckney*, para. 43.

¹³⁶⁰ See Case C-170/12, *Pinckney*, para. 39.

¹³⁶¹ See *Strömholm* 2001 p. 139-140 (stating that it is the infringement that connects copyright to one or another legal system).

to mandatory rules and the public policy exception to curb the applicable law's exorbitant extraterritorial claims to applicability.

However, assuming the concept shall be given a uniform interpretation for both registered and unregistered rights, it is submitted that the text seems more consistent with the interpretation leading to the law of the *country for whose territory* protection is claimed rather than the law of the country for which the plaintiff claims to hold an IP right. Indeed, article 8 seeks to connect the infringement with a "country", not with a law or a legal system.¹³⁶² This is consistent with Ulmer's classic definition of the *lex protectionis*.¹³⁶³ This interpretation is also consistent with the intent of the EU legislator to enable "each country to apply its own law to an infringement of an intellectual property right which is in force in its territory."¹³⁶⁴ Giving the territoriality principle a limiting effect at the choice of law level better respects international comity because it minimises the risk that one country's law is applied to determine the legality of acts of infringements taking place in another country's territory. Respect for state interests is particularly important when it comes to the individual Member States' interests in the application of their IP laws on their territories. Indeed, notwithstanding harmonisation at the EU level, copyright law is still an area where the Member States' national laws reflect cultural and economic diversity.¹³⁶⁵ Respect for the interests of the Member States in the application of their laws on their own territories as intended by their own legislators fosters mutual trust and facilitates the free movement of judgments.¹³⁶⁶

The Rome II Regulation does not set out any special connecting factor for ubiquitous infringements, that is, infringements alleged to occur in a multi-

¹³⁶² See Fentiman 2008:2 p. 2040 (making a similar argument with respect to article 4 Rome II).

¹³⁶³ See Ulmer 1978 p. 99 (defining the law of the protecting country as the "law of the State for whose territory protection is claimed.").

¹³⁶⁴ COM (2003) 427 p. 20. Although as Boscherio points out, this statement is itself ambiguous as it might lead one to conclude that the *lex fori* applies. Boscherio 2007 p. 113. The Commission must be understood however to mean that *lex protectionis* ensures that each country's own law is applied to an infringement of an IP right which is in force in its territory.

¹³⁶⁵ See e.g. article 5 Directive 2001/29/EC (allowing the Member States certain discretion with respect to what exceptions and limitations to incorporate in their national laws); COM (2015) 626 final p. 4 fn 14 (observing that there is no unitary EU copyright but 28 national Member States copyrights).

¹³⁶⁶ See Kaminsky 2010 p. 81-82 (discussing how mutual trust among the Member States may mean not inquiring into each other's policies); COM (2003) 427 p. 2 ("The fact that the courts of the Member States apply the same conflict rules to determine the law applicable to a practical situation reinforces the mutual trust in judicial decisions given in other Member States and is a vital element in attaining the longer-term objective of the free movement of judgments without intermediate review measures.").

tude of countries or on a global scale. Unlike many other articles in the Rome II Regulation, article 8 does not contain any alternative connecting factors. Article 8 does not contain any exception allowing for the application of a law that has a manifestly closer connection, which is possible under the general tort rule in article 4 Rome II.¹³⁶⁷ Even article 6(3)(b) Rome II on the law applicable to a non-contractual obligation arising out of a restriction of competition contains an alternative connecting factor.¹³⁶⁸ Article 6(3)(b) Rome II allows the law of the forum Member State to apply to claims arising from restrictions of competition in several countries if the forum Member State was “directly and substantially affected” and the anchor defendant is domiciled there.¹³⁶⁹ The exception in article 6 may be motivated by the EU’s interest in facilitating the internal market (and not separate national Member State markets) and on grounds of efficiency resulting from the application of one single law.¹³⁷⁰ While this rule will most likely have its primary application with respect to non-contractual obligations arising from restrictions on competition in the Member States, the rule may also lead to the application of the forum Member State’s competition law to non-contractual obligations arising from the restriction on competition in third states. Here, the EU’s interest in the internal market and in efficiency seem to be given more weight than the interests of individual Member States and third states in the

¹³⁶⁷ Article 4(3) Regulation 864/2007. See Hellner 2014 p. 180 (stating that the rule on the manifestly closer connection is excluded in article 8); van Engelen 2005 p. 444. But see Ancel 2012 p. 566-68 (stating that there is some support in France for the view that article 8 is not applicable to complex infringements, such as ubiquitous infringements, and in such case it may be possible to fall back on article 4 Rome II); *Google Inc. v Copiepresse*, Brussels Court of Appeals (Cour d’Appel de Bruxelles), 2007/AR/1730, 5 May 2011, para. 18 (looking to article 4(3) Rome II to determine the applicable law in a copyright infringement case over internet); Kono 2012 p. 153 (stating that the CJEU has not clarified application of article 8 to ubiquitous infringements, and whether the connecting factor could be applied in the same way or whether a targeting, country of origin, or closest connection could be read into the article).

¹³⁶⁸ See Basedow 2013 p. 433 (calling competition law a “prime example” of overriding mandatory rules).

¹³⁶⁹ Article 6(3)(b) Regulation 864/2007 (“When the market is, or is likely to be, affected in more than one country, the person seeking compensation for damage who sues in the court of the domicile of the defendant, may instead choose to base his or her claim on the law of the court seised, provided that the market in that Member State is amongst those directly and substantially affected by the restriction of competition out of which the non-contractual obligation on which the claim is based arises; where the claimant sues, in accordance with the applicable rules on jurisdiction, more than one defendant in that court, he or she can only choose to base his or her claim on the law of that court if the restriction of competition on which the claim against each of these defendants relies directly and substantially affects also the market in the Member State of that court.”). See also article 8(1) Regulation 1215/2012 (on joinder of other EU defendants).

¹³⁷⁰ Michaels 2008:2 p. 1622-24 (stating that article 6(3)(b) Rome II facilitates the EU’s interest in the establishment of a common market as opposed to local ones); de Boer 2009 p. 324 fn 79 (stating that article 6(3)(b) aims to mitigate the complexities of the application of different laws).

application of their own competition laws. In other areas of law, the EU more boldly pursues EU substantive law policies. For example, article 7 Rome II on the law applicable to a non-contractual obligation arising out of environmental damage allows the injured party to choose which is more favourable: the law of the country in which the event giving rise to the damage occurred or the law of the country where the direct damage arises, in a concentrated effort to raise the general level of environmental protection.¹³⁷¹

Unlike competition and possibly environmental law, where EU policy dominates the laws of the individual Member States, there is greater scope for the Member States to pursue their own diverse cultural and economic policies with respect to their IP laws.¹³⁷² In addition, even if the exact content of the obligations in the international IP conventions is somewhat unclear, a basic premise is that each state enjoys sovereign authority to determine its own IP policies within its borders.¹³⁷³ The absence of any alternative connecting factors or a single law solution in article 8 suggests that respect for state interests, especially those of the individual Member States to determine the extent of IP protection within their territories, was given greater weight than the EU's interest in substantive policy goals or the EU or the parties' interest in efficiency.¹³⁷⁴ Consequently, it seems unlikely that a direct and substantial effects approach such as used for violations of competition law can be read into article 8 in order to limit the number of applicable IP laws.¹³⁷⁵ If protection is claimed for several countries, article 8 leads to a mosaic application

¹³⁷¹ See article 7 Regulation 864/2007; COM (2003) 427 p. 19 (stating that the choice of law rule for environmental damage aims to raise the general level of environmental protection); Michaels 2008:2 p. 1622-1623 (stating that the EU explicitly pursues its own environmental policies established in article 191 TFEU in providing a high level of protection, incentives not to pollute and polluter must pay principle).

¹³⁷² See article 3(1)(b) TFEU (giving the EU exclusive competence to establish the competition rules necessary for the functioning of the internal market); article 4(2)(e) TFEU (outlining the shared competence with respect to the environment between the EU and Member States); article 191-193 (outlining the EU policy on the environment to aim at a high level of protection).

¹³⁷³ See Drexl 2005 p. 157 (stating that the use of the word "preserve" in the recital to the Rome II Regulation gives the impression that the Commission understood the international IP conventions to contain choice of law rules); recital 26 Regulation 864/2007 (stating that "the universally acknowledged principle of *lex loci protectionis* should be preserved.").

¹³⁷⁴ See Kaminsky 2010 p. 81-82 (discussing that comity among Member States may mean not inquiring into each others' policies); Drexl 2005 p. 155 (stating that the rationale behind the territoriality principle is state interests). But see van Engelen 2005 p. 444 (stating that the absence of an exception in article 8 is because the values of predictability and legal certainty weighed more than sensible, rationale and fair decisions in individual cases).

¹³⁷⁵ Petz 2012 p. 269.

of all the claimed countries' laws. The solution to the problem of many applicable laws is in practice addressed at the level of substantive law.¹³⁷⁶

In the case of *unitary EU IP rights*, the choice of law rule is also the *lex protectionis*.¹³⁷⁷ The general rule in article 8(1) Rome II applies equally to non-contractual obligations arising from the infringement of a unitary right. The difference here is that the protecting territory (*locus protectionis*) is not any particular Member State but the EU as a whole. Thus, if a right holder alleges that a unitary EU right has been infringed, the court applies the relevant EU instrument that creates the unitary right, such as the EUTMR or the Community Design Regulation (CDR).¹³⁷⁸ These Regulations contain rules on substantive trademark and design law (e.g. existence of the right, validity, scope, the rights conferred, limitations, exhaustion and injunctions), and the EUTMR and the CDR instruct the forum Member State court to apply the provisions of the Regulations.¹³⁷⁹ Not all questions of substantive trademark law or substantive design law are regulated by the EUTMR and the CDR (e.g. damages, claims for disclosure of information relating to infringing activities, destruction of infringing goods and implements) and the gaps need to be filled in by the Member States' national laws.¹³⁸⁰

Pursuant to the recent amendments to the EUTMR, the forum Member State court is to apply the applicable national law to all trademark law matters not covered by the Regulation.¹³⁸¹ With respect to sanctions, the amendment states that the forum Member State court may apply measures or orders

¹³⁷⁶ Fawcett & Torremans 2011 p. 918 (stating that a *de minimis* rule applied at the substantive law level is compatible with article 8 Rome II); van Engelen 2005 p. 443.

¹³⁷⁷ Hellner 2014 p. 183; Illmer 2011 p. 230, 239; Fawcett & Torremans 2011 p. 813 ("The Community instrument that created the right takes the place of the law of the country for which protection is sought."); Drexl 2005 p. 174.

¹³⁷⁸ See Regulation 207/2009, amended by Regulation 2015/2424; Regulation 6/2002 on Community Designs. See also Regulation 2100/94 on Community Plant Variety Rights.

¹³⁷⁹ Article 101(1) Regulation 207/2009, amended by Regulation 2015/2424; article 88(1) Regulation 6/2002.

¹³⁸⁰ Article 14 Regulation 207/2009, amended by Regulation 2015/2424 ("Complementary application of national law relating to Infringement 1. The effects of Community trade marks shall be governed solely by the provisions of this Regulation. In other respects, infringement of a Community trade mark shall be governed by the national law relating to infringement of a national trade mark in accordance with the provisions of Title X. 2. This Regulation shall not prevent actions concerning a Community trade mark being brought under the law of Member States relating in particular to civil liability and unfair competition. 3. The rules of procedure to be applied shall be determined in accordance with the provisions of Title X."). See also article 101(3) Regulation 207/2009, amended by Regulation 2015/2424; article 88(3) Regulation 6/2002 (The forum Member State court applies its own rules of procedure).

¹³⁸¹ Article 101(2) Regulation 207/2009, amended by Regulation 2015/2424 ("On all trade mark matters not covered by this Regulation, the relevant EU trade mark court shall apply the applicable national law.").

available under the applicable law which it deems appropriate in the circumstances of the case.¹³⁸² In other words, a distinction is made on the one hand between trademark law matters where the forum court shall apply the applicable law, and on the other hand sanctions where the forum has discretion whether or not to apply the provisions of the applicable law.

A distinction between IP law matters (e.g. civil liability) and sanctions (e.g. the destruction of goods) existed even before the recent amendments to the EUTMR came into effect and still exists in the Design Regulation.¹³⁸³ Pursuant to the current provisions in the Design Regulation (and the old provisions of the Trademark Regulation before its recent amendment), the forum Member State court is instructed to “apply its national law, including its private international law” with respect to “all matters not covered by the Regulations.”¹³⁸⁴ With respect to sanctions, however, the forum court shall apply “the law of the Member State in which the acts of infringement or threatened infringement were committed, including the private international law.”¹³⁸⁵

The reason for distinguishing sanctions from other IP law matters not covered by the Regulations may be that the EU legislator did not see any difficulty with the law of one Member State applying to determine the civil liability arising from acts of infringement in another Member State.¹³⁸⁶ With respect to sanctions, however, it might be a sensitive matter if the forum Member State’s rules of private international law lead to the application of the law of one Member State to enable the destruction of infringing goods and implements owned by a defendant infringer domiciled in another Member State, especially if that sanction was not available under that Member State’s national law. It is arguably more conducive to mutual trust among Member States if each Member State’s law is applied to determine the sanctions that may be ordered to bring the disputed conduct on its own territory to an end. This ensures that measures such as the destruction of infringing goods and implements are regulated by the law of the Member State where

¹³⁸² Article 102(2) Regulation 207/2009, amended by Regulation 2015/2424 (“The EU trade mark court may also apply measures or orders available under the applicable law which it deems appropriate in the circumstances of the case.”).

¹³⁸³ See Case C-479/12, *H. Gautzsch Großhandel*, para. 51-55 (recognising a distinction between civil liability and sanctions that aim to prevent or cease an infringement in the Design Regulation, Regulation 6/2002).

¹³⁸⁴ Article 101(2) Regulation 207/2009 (before amendments in Regulation 2015/2424); article 88(2) Regulation 6/2002.

¹³⁸⁵ Article 102(2) Regulation 207/2009 (before amendments in Regulation 2015/2424); article 89(1)(d) Regulation 6/2002.

¹³⁸⁶ See Case C-479/12, *H. Gautzsch Großhandel*, para. 54 (stating that the Design Regulation explicitly states that it does not preclude the application of the laws of the Member States relating to civil liability to designs protected by Community designs).

those goods are sold on the market and where the implements are being used to make infringing goods.

In light of the specific connection to sanctions, it is possible that for the concept “act of infringement”, the EU legislator had in mind active conduct. Like the English language version, the German language version also refers to “act of infringement” (*verletzungshandlung*).¹³⁸⁷ However, as the territoriality principle informs that the act and the IP impairing effects must occur in the same state, it is far from certain that the EU legislator contemplated the possibility of an act of infringement that was not an infringement under the substantive law or the possibility of an infringement that did not coincide with an act (e.g. active conduct) in the same Member State. Indeed, in IP terminology, the act of infringement and the infringement are often used interchangeably.

As noted, the CJEU interpreted the concept “act of infringement” in the jurisdiction provision of the EUTMR to mean active conduct. It seems unlikely that the concept “act of infringement” in the choice of law provision of the same Regulation (as it existed before the amendments) would be interpreted any differently, as identical concepts in the same legal instrument should be interpreted in the same way. It seems likely that the concept “act of infringement” in the CDR in both the jurisdiction and choice of law provision will also be interpreted in the same way as in the EUTMR, that is, to mean active conduct.

After the Rome II Regulation came into effect harmonising the Member States’ rules on private international law, the provisions in the CDR (and in the EUTMR as it existed before the recent amendments) setting forth different choice of law rules for IP matters and sanctions, can no longer lead to the application of different laws. This is because both choice of laws rules include *renvoi* and direct the forum EU Member State court seised to apply its private international law rules, and in the case of sanctions, the private international law rules of the Member State where the act of infringement occurred, both of which lead to the Rome II Regulation.¹³⁸⁸ The Rome II Regulation contains only one choice of law rule to fill in all the gaps under the applicable EU regulation creating the unitary right. Thus, for all questions where the EUTMR and the CDR do not supply a substantive law rule, article

¹³⁸⁷ The Swedish language version refers ambiguously to “the infringement or those acts that threaten to infringe are committed” (*“intrånget eller de handlingar som skulle kunna innebära att intrång begicks.”*) (Author’s translation).

¹³⁸⁸ Illmer 2011 p. 236; Leistner 2009 p. 110-111. An exception is Denmark, because it is not bound by the Rome II Regulation.

8(2) of the Rome II Regulation states that the applicable law is the “law of the country in which an act of infringement was committed.”¹³⁸⁹

In contrast to the *lex protectionis* rule in article 8(1), article 8(2) provides for an objective connecting factor that requires the forum to identify and localise the act of infringement.¹³⁹⁰ It is not clear however whether the concept “act of infringement” used in article 8(2) is the act which gives rise to the infringement (implying active conduct) or whether it is the infringement as defined by substantive law, namely, the relevant EU instrument (e.g. the EUTMR), which does not always involve active conduct.¹³⁹¹ For example, the English version implies active conduct while the German and Swedish versions imply the infringement as defined under substantive law.¹³⁹² Also, as noted, the concepts “the act of infringement” and the “infringement” are often used interchangeably. The question is raised whether the EU legislator intended for the concept “act of infringement” in article 8(2) Rome II to have a different meaning than the concept “act of infringement” in article 97(5) EUTMR and article 102(2) EUTMR (as it existed before the amendments).¹³⁹³

As the text of article 8(2) is ambiguous, it should be interpreted by its context and purpose. Some commentators maintain that the concept “act of infringement” is to be defined by the relevant EU substantive law instrument.¹³⁹⁴ This interpretation would allow each Member State’s national law on e.g. damages and sanctions to apply to infringements localised within

¹³⁸⁹ Regulation 864/2007.

¹³⁹⁰ Illmer 2011 p. 246.

¹³⁹¹ See Hellner 2014 p. 184 (stating that the rule is a misfortunate mixture of substantive law and private international law questions). The question how the concept “act of infringement” in article 8(2) Regulation 864/2007 is to be interpreted has been referred to the CJEU. See Case C-24/16, Nintendo.

¹³⁹² See Kur 2015 p. 476-477 (stating that the German version refers to “verletzung”, which is the “place of the infringement” and not the “act of infringement”). The Swedish version refers to the “intrång”, which means infringement and not “intrångshandling”, which means act of infringement.

¹³⁹³ Compare Drexl 2005 p. 175 (stating that the rule in article 8(2) Regulation 864/2007 was based on article 98(2) Regulation 40/94 (the first Trademark Regulation), which refers to the “act of infringement”) with Tilmann 2005 p. 124-125 (interpreting article 8(2) Regulation 864/2007 to refer to the act of infringement, which thereby provides a different rule from article 98(2) Regulation 40/94 to refer to the infringement).

¹³⁹⁴ Fawcett & Torremans 2011 p. 815; Illmer 2011 p. 246; Dickinson 2008 p. 463. See also I ZR 33/05 (Home Depot), German Federal Court of Justice, 13 Sept 2007 (reversing decision of the Higher Regional Court Hamburg, Decision 5 U 36/04 of 27 January 2005, which had applied German law as the law with the most significant relationship in a case of multiple acts of infringement because the defendant managed the use of the trademark from Germany, because trademark management is not an act of infringement under article 9(2) Regulation 207/2009).

their territories, even when the infringements are not preceded by active conduct in the Member State. As noted, the EUTMR explicitly specifies certain acts or “uses” of a mark that may be infringing, not all of which require active conduct such as use of the mark in advertising, which may occur on a website located in another state.¹³⁹⁵ These authors submit that the merging of substantive law into the choice of law rule does not create any difficulties because the act of infringement is uniformly defined in the EUTMR. Thus, there is little or no risk that the courts of the different Member States will reach different conclusions as to what is the “act of infringement.” A drawback with this interpretation is however that it could lead to the application of several different Member States’ law.¹³⁹⁶ For example, a protected sign may be used in connection with goods put on the EU market in several EU states or advertising on a website might be directed to all Member States. In such case, there would be several acts of infringement and several laws would be applicable in addition to the EUTMR itself.¹³⁹⁷

Another possibility is that the concept “act of infringement” for the purpose of choice of law is interpreted independently from substantive IP law.¹³⁹⁸ As discussed above in Chapter 3 in relation to jurisdiction, in the *Coty Germany* decision, the CJEU stated that the “act of infringement” in the jurisdiction provision of the EUTMR was “the act that gives rise to the alleged infringement and requires active conduct on the part of the alleged infringer.”¹³⁹⁹ An advantage of this interpretation is that it would allow a EUTM court to identify one (and only one) “act of infringement” as the causal act that leads to a EU right being infringed in many different EU Member States. This would allow the court to apply one law as opposed to several laws for all the EU states where the infringement was committed.

Assume, for example, that a trader meets with a representative for a search engine at the trader’s establishment in Sweden and decides to purchase as a search term (e.g. an AdWords TM) the trademark of a competitor so that every time an internet user types in the search term, an ad for the trader ap-

¹³⁹⁵ Article 9(3) Regulation 207/2009, amended by Regulation 2015/2424.

¹³⁹⁶ See Schack Fawcett & Torremans 2011 p. 815 (maintaining that the application of a multiplicity of national laws destroys the unitary character of the right); 2009 p. 135 (“Problematic are rather acts committed in several Member States which each by themselves constitute an infringement of the IP right.”).

¹³⁹⁷ See e.g. Opinion of Advocate General Wathelet, Case C-479/12, H. Gautzsch Großhandel, para. 102 (assuming that article 8(2) Regulation 864/2007 leads to the mosaic approach to applicable law).

¹³⁹⁸ Plender & Wilderspin 2015 p. 689 (stating that it is possible that the CJEU will make a similar interpretation of “act of infringement” for choice of law as it did in the *Coty Germany* case).

¹³⁹⁹ Case C-360/12, *Coty Germany*, para. 34.

pears under sponsored links. The trader decides to target the French, German, and Italian markets. The competitor claims that this use of its mark infringes its EUTM and requests an injunction and damages. If the act of infringement is interpreted by the substantive law of the EUTMR, the acts of infringement might be found to occur in France, Germany, and Italy because the mark is used in advertising directed toward these markets.¹⁴⁰⁰ This would lead to the application of the laws of all these Member States to determine the damages. If the act of infringement in article 8(2) Rome II is given an independent definition and interpreted consistently with the Coty Germany case, the act of infringement might be found to be the active conduct that leads to an infringement, e.g. the purchase of the search term at the trader's establishment in Sweden. If that is the case, Swedish law will apply to determine the damages.

A difficulty with this interpretation is that if the act of infringement is not defined by the substantive law of the EUTMR, the act of infringement could arguably be localised in a third state, and might lead to the application of a law of a non-Member State.¹⁴⁰¹ The text of article 8(2) Rome II Regulation refers generally to the law of the “country” where the act of infringement occurred and not to the law of the “Member State” where the infringement occurred.¹⁴⁰² Schack maintains that this could not be a possible result because “a Community IP right not recognised there cannot be infringed there.”¹⁴⁰³ While this statement is true, it does not necessarily lead to the conclusion that for the purpose of choice of law, an act of infringement cannot be localised at the place of the causal act to determine the non-contractual obligations such as the assessment of damages if this serves the Regulation's aim of legal certainty and justice in individual cases by providing for the “most appropriate” connecting factors that strike a reasonable balance between the interests at stake. However, this interpretation would mean that the determination of damages arising from an infringement of a EUTM that is caused by a tangible act from outside the EU would be governed by the law of the third state, whereas national Member State trademarks that are infringed from outside the EU would be governed by the law of the Member State for which protection is claimed. It is unlikely that the EU legislator intended to treat the two similar situations differently. If the term “act of infringement” is interpreted to mean the place of the causal act, it is submitted that this must refer to a Member State. Indeed, the *lex protectionis*, i.e. EU law, applies

¹⁴⁰⁰ See Case C-324/09, L'Oréal and others.

¹⁴⁰¹ Kur 2015 p. 478 (observing this problem); Drexl 2005 p. 174-175.

¹⁴⁰² See Leistner 2009 p. 106 (maintaining that the text of article 8(2) was changed at the last minute to replace “Member State” with “country”, but that this change was merely linguistic in nature and without independent significance).

¹⁴⁰³ Schack 2009 p. 135.

even in relation to EUTMs, only that Member State law must act as a proxy for EU law where EU law is silent.¹⁴⁰⁴

An important difference however between national IP rights and unitary IP rights is that the Member States do not have a particular interest in the application of their laws to infringements of unitary rights on their territories. The EU's interest in maintaining the unitary character of EU trademarks and design rights and in facilitating the internal market (and not separate national Member State markets) suggests that any Member State's law having a close connection to the dispute could be applied to uniformly regulate all substantive law matters not covered by the EUTMR and the CDR. As a general rule, there is no reason to take into consideration the interests of the individual Member States. This is especially the case since the minimum requirements concerning the available sanctions and damages have been harmonised in the Member States under the Enforcement Directive.¹⁴⁰⁵ Moreover, the new amendments to the EUTMR give the EU trademark court discretion to apply the measures or orders available under the law where the act of infringement was committed that it deems appropriate in the circumstances of the case.¹⁴⁰⁶ Special circumstances might exist where no IP impairing effects are felt in the Member State where the effect of the measure otherwise would be felt.¹⁴⁰⁷ Special circumstances might also exist if such a measure did not exist under the laws of the other Member States where the effects of the measure would be felt.

With respect to *European patents*, if the UPC Agreement comes into effect, the legal situation may be complicated. As the UPC is a common court among the Contracting Member States, it is subject to EU law just like any

¹⁴⁰⁴ See Kur 2015 p. 478 (advocating for a unified approach to choice of law based on the causal act (act of infringement) except where the act takes place outside the EU or where the effects (the infringement) were not caused by the act).

¹⁴⁰⁵ Directive 2004/48/EC.

¹⁴⁰⁶ See article 102(2) Regulation 207/2007, amended by Regulation 2015/2424 ("The EU trade mark court may also apply measures or orders available under the applicable law which it deems appropriate in the circumstances of the case.").

¹⁴⁰⁷ See by analogy Case C-235/09, DHL Express France, para. 48 ("Accordingly, if a Community trade mark court hearing a case in circumstances such as those of the main proceedings finds that the acts of infringement or threatened infringement of a Community trade mark are limited to a single Member State or to part of the territory of the European Union, in particular because the applicant for a prohibition order has restricted the territorial scope of its action in exercising its freedom to determine the extent of that action or because the defendant proves that the use of the sign at issue does not affect or is not liable to affect the functions of the trade mark, for example on linguistic grounds, that court must limit the territorial scope of the prohibition which it issues.").

national Member State court.¹⁴⁰⁸ The UPC Agreement clearly reflects this.¹⁴⁰⁹ Consequently, the Rome II Regulation is directly applicable and binding on the UPC to determine the law applicable to non-contractual obligations arising from the infringement of European patents.¹⁴¹⁰ If a right holder alleges that a European patent has been infringed, article 8(1) Rome II directs the UPC to apply the law of the country for which protection is claimed (*lex protectionis*). For example if a right holder claims that the Swedish part of its European patent has been infringed, the UPC should apply Swedish law, and if a right holder claims that the Turkish part of its European patent has been infringed, the UPC should apply Turkish law.¹⁴¹¹

The UPC Agreement contains its own list on sources of law, namely EU law, the UPC Agreement, the EPC, other international agreements applicable to patents, and other national law.¹⁴¹² The UPC Agreement establishes that the applicable national law shall be determined, firstly, by EU rules on private international law, and subsidiarily, by private international law rules contained in international instruments, and thereafter, national rules on private international law as determined by the UPC.¹⁴¹³ In addition, the UPC Agreement establishes that the law of non-contracting states shall apply when designated by the application of the rules of private international law, in particular in relation to the rights and limitations conferred under a European patent, the burden of proof, corrective measures in infringement proceedings, damages, and the period of limitations.¹⁴¹⁴

The UPC Agreement itself contains however substantive law provisions on the rights conferred and limitations under a European patent.¹⁴¹⁵ It also contains substantive law provisions on remedies including corrective measures and damages as well as rules on the burden of proof and the period of limita-

¹⁴⁰⁸ De Miguel Asensio 2014 p. 154; article 1, para. 2 UPC Agreement (“The Unified Patent Court shall be a court common to the Contracting Member States and thus subject to the same obligations under Union law as any national court of the Contracting Member States.”).

¹⁴⁰⁹ See article 20 UPC Agreement (“Primacy of and respect for Union law: The Court shall apply Union law in its entirety and shall respect its primacy.”); article 24(1) UPC Agreement (“Sources of law: (1) In full compliance with Article 20, when hearing a case brought before it under this Agreement, the Court shall base its decisions on: (a) Union law . . .”).

¹⁴¹⁰ Lembke 2014 p. 381.

¹⁴¹¹ See Lembke 2014 p. 389.

¹⁴¹² See article 24(1)(a-e) UPC Agreement.

¹⁴¹³ See article 24(2) UPC Agreement.

¹⁴¹⁴ See article 24(3) UPC Agreement (“The law of non-contracting States shall apply when designated by application of the rules referred to in paragraph 2, in particular in relation to Articles 25 to 28, 54, 55, 64, 68 and 72.”).

¹⁴¹⁵ See articles 25-26 UPC Agreement (defining the rights conferred under a patent); articles 27-29 (defining the limitations).

tions.¹⁴¹⁶ This raises the question whether national law as referenced under Rome II or the rules in the UPC Agreement should come first in the hierarchy of sources of law.

Lembke maintains that because EU law is supreme, the UPC must first apply EU law including national law referenced by the Rome II.¹⁴¹⁷ In his view, the UPC Agreement may apply only to the extent that EU law and the national law referenced under EU law do not provide an answer. When it comes to the Contracting Member States, their national law arguably includes the UPC Agreement as it is binding on them as an international treaty. Difficulties may possibly arise if Rome II references the law of a Contracting Member State that has not implemented the provisions of the UPC Agreement into its national law and whose constitution does not allow giving international law direct effect.¹⁴¹⁸ With respect to alleged infringements of European patents validated in non-contracting Member States, e.g. Spain, and in EPC states outside of the EU, e.g. Turkey, Lembke maintains that the UPC must apply the law of the country for which protection is claimed as referenced under Rome II, e.g. Spanish or Turkish law.¹⁴¹⁹ Indeed, an agreement by Member States such as the UPC Agreement cannot replace the choice of law rules in Rome II.¹⁴²⁰

In contrast, Tilmann maintains that national law may only be applied to the extent that there is no provision applicable under the law enumerated in the hierarchy in article 24(1) UPC Agreement.¹⁴²¹ He maintains that there is little room to apply national law to infringement cases because the UPC Agreement contains all the necessary tort law provisions to determine the infringement claims.¹⁴²² In his view, national law only has limited application to the extent that the defendant raises a defence to an infringement claim,

¹⁴¹⁶ See articles 56 -72 UPC Agreement (defining the powers of the Court); articles 54-55 UPC Agreement (burden of proof); article 72 (period of limitations).

¹⁴¹⁷ Lembke 2014 p. 389-390 (“Article 8 Rome II therefore lifts certain areas of national law from the bottom of the list in Article 24 UPCA [UPC Agreement] to the top, just under substantive Union law.”).

¹⁴¹⁸ See Lembke 2014 p. 392 fn 160 (“UPCA does not, as UPR affect national law, but states might have to incorporate it to uphold legal certainty.”).

¹⁴¹⁹ Lembke 2014 p. 381 (“The last paragraph in Article 24 confirms the recognition of the principle of territoriality regarding European patent originating outside the UPCA area. National law in each state shall be respected when deciding infringements of these patents.”).

¹⁴²⁰ Lembke 2014 p. 389 (“UPCA can hence not change the designation of law in Rome II.”); Art 28(2) Regulation 864/2007.

¹⁴²¹ Tilmann 2016 p. 548.

¹⁴²² Tilmann 2016 p. 548.

and a rule providing the defence cannot be found in EU law, the UPC Agreement, the EPC, or the international patent treaties.¹⁴²³

If a right holder alleges that its European patent with unitary effect has been infringed, article 8(1) Rome II directs the UPC to apply the Unitary Patent Regulation, which is the *lex protectionis*. The Unitary Patent Regulation however, unlike the EUTMR, does not define the rights conferred and limitations on the right. Instead, the Unitary Patent Regulation refers to the national law of the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property.¹⁴²⁴ This law defines the “acts against which the patent provides protection” and the “applicable limitations”. As 25 of the 26 participating Member States in the enhanced cooperation agreement on the Unitary Patent are also Contracting Member States to the UPC Agreement, the national laws of these Member States arguably include the substantive law provisions in the UPC Agreement, in particular those defining the rights conferred and limitations.¹⁴²⁵ In practice, the UPC will likely apply articles 25-29 of the UPC Agreement.¹⁴²⁶ Poland is a participating Member State in the enhanced cooperation agreement but not a Contracting Member State to the UPC Agreement. Thus, as the UPC Agreement is not part of Polish national law, the rights and limitations governing a Unitary Patent governed by Polish law will diverge from the rights and limitations governing other unitary patents. Still, Polish law will be applied in the territory of all the participating Member States in which a patent governed by Polish law has unitary effect.¹⁴²⁷ It has been suggested however that Poland has a legal obligation to ratify the

¹⁴²³ Tilmann 2016 p. 549 (stating that article 32(1)(a) UPC Agreement allows the defendant to raise “all related defences”).

¹⁴²⁴ See article 5(3) Regulation 1257/2012 (establishing a choice of law rule that refers to the law of the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with article 7 Regulation 1257/2012).

¹⁴²⁵ Brinkhof & Ohly 2014 p. 212 (stating that in most cases a reference to national law in article 5(3) Regulation 1257/2012 is a reference to international treaties such as the UPC Agreement in accordance with the participating Member States respective constitutional provisions); Tilmann 2016 p. 546-547. Difficulties may possibly arise if Regulation 1257/2012 references the law of a participating Member State that has not implemented the provisions of the UPC Agreement into its national law and whose constitution does not allow giving international law direct effect.

¹⁴²⁶ Lembke 2014 p. 388.

¹⁴²⁷ See Case C-146/13, Spain / Parliament and Council, para. 49 (“Notwithstanding the fact that the contested regulation contains no list of the acts against which an EPUE provides protection, that protection remains uniform in so far as, regardless of the precise extent of the substantive protection conferred by an EPUE by virtue of the national law which is applicable, under Article 7 of the contested regulation, that protection will apply, for that EPUE, in the territory of all the participating Member States in which that patent has unitary effect.”).

UPC Agreement in order to give effect to the Unitary Patent Regulation pursuant to the EU principle of sincere cooperation.¹⁴²⁸

With respect to questions not regulated by the Unitary Patent Regulation, the question may arise whether the national law as referenced under article 8(2) Rome II or the rules in the UPC Agreement should come first in the hierarchy of sources of law.¹⁴²⁹ Pursuant to article 8(2) Rome II, any gaps in the Unitary Patent Regulation, which must be understood to mean after its reference to national law pursuant to its article 5(3), are to be filled in by the law of the participating Member State where the act of infringement occurred.¹⁴³⁰ As discussed above in relation to the EUTMR, the national law of a participating Member State where “the act of infringement was committed” serves as a proxy for the *lex protectionis* where the *lex protectionis* itself does not regulate the issue. Recital 9 of the Unitary Patent Regulation states however that for any matters not governed by the Unitary Patent Regulation, the provisions of the EPC, the UPC Agreement, including its provisions defining the scope of that right and its limitations, and national law, including rules of private international law, should apply.¹⁴³¹ This may give rise to legal uncertainty if the law referenced under article 8(2) Rome II would differ from the provisions of the UPC Agreement. In a cryptic statement, the CJEU stated that pursuant to recital 9, the rights and limitations under a Unitary patent

¹⁴²⁸ See Tilmann 2015 p. 548 (suggesting that under the EU principle of sincere cooperation, Poland has a legal obligation to ratify the UPC Agreement); Opinion of Advocate General Bot, Case C-146/13, Spain / Parliament and Council, para. 94 (same); Recital 25 Regulation 1257/2012 (“Establishing a Unified Patent Court to hear cases concerning the European patent with unitary effect is essential in order to ensure the proper functioning of that patent, consistency of case-law and hence legal certainty, and cost-effectiveness for patent proprietors. It is therefore of paramount importance that the participating Member States ratify the Agreement on a Unified Patent Court in accordance with their national constitutional and parliamentary procedures and take the necessary steps for that Court to become operational as soon as possible.”).

¹⁴²⁹ Compare Brinkhof & Ohly 2014 p. 211-212 (maintaining that the national Member State law referenced under Rome II will apply only if the UPC Agreement itself, the EPC, and other international treaties do not provide an answer Tilmann 2016 p. 458-459 with Lembke 2014 p. 389 (stating that article 8(2) Rome II is a fallback provision that will designate law for all matters not covered by Regulation creating the right or other substantive Union law).

¹⁴³⁰ Lembke 2014 p. 389 (maintaining that the Unitary Patent Regulation and its designation on national law for object, effect and limitations are *lex specialis* in relation to Article 8(2) of Rome II).

¹⁴³¹ Recital 9 Regulation 1257/2012 (“In matters not covered by this Regulation or by Council Regulation (EU) No 1260/2012 of 17 December 2012 implementing enhanced cooperation in the area of unitary patent protection with regard to the applicable translation arrangements, the provisions of the EPC, the Agreement on a Unified Patent Court, including its provisions defining the scope of that right and its limitations, and national law, including rules of private international law, should apply.”).

would apply but the CJEU did not elaborate on how the rights and limitations should be defined.¹⁴³²

Turning to the scope of article 8 Rome II Regulation, it is limited to just non-contractual obligations arising from the infringement of an IP right. This follows from its wording and also from the fact that the Regulation itself defines its scope of application as limited to non-contractual obligations in civil and commercial matters.¹⁴³³ The history leading up to the Rome II Regulation and its companion regulation, the Rome I Regulation on the law applicable to contractual obligations, indicate that the EU legislator did not intend to unify choice of law rules relating to property issues including IP issues as such.¹⁴³⁴

Article 15 of the Regulation defines the issues to which the law referenced under the Regulation shall govern.¹⁴³⁵ As applied to non-contractual obligations arising from the infringement of an IP right, it is clear that the law referenced under article 8 governs what remedies are available to prevent or end an infringement (e.g. injunctions, seizure and destruction of infringing goods) and to compensate the right holder (e.g. damages).¹⁴³⁶ This follows from article 15(c-d) Rome II, which states that the applicable law shall govern “the existence, the nature and the assessment of damage or the remedy claimed” and “the measures which a court may take to prevent or terminate injury or damage or to ensure the provision of compensation” within the limits of powers conferred on the court by its procedural law.¹⁴³⁷ This is gen-

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¹⁴³³ Article 1 Regulation 864/2007.

¹⁴³⁴ See Guiliano-Lagarde Report p. 10 (“First, since the Convention is concerned only with the law applicable to contractual obligations, property rights and intellectual property are not covered by these provisions.”).

¹⁴³⁵ See article 15 Regulation 864/2007 (“The law applicable to non-contractual obligations under this Regulation shall govern in particular: (a) the basis and extent of liability, including the determination of persons who may be held liable for acts performed by them; (b) the grounds for exemption from liability, any limitation of liability and any division of liability; (c) the existence, the nature and the assessment of damage or the remedy claimed; (d) within the limits of powers conferred on the court by its procedural law, the measures which a court may take to prevent or terminate injury or damage or to ensure the provision of compensation; (e) the question whether a right to claim damages or a remedy may be transferred, including by inheritance; (f) persons entitled to compensation for damage sustained personally; (g) liability for the acts of another person; (h) the manner in which an obligation may be extinguished and rules of prescription and limitation, including rules relating to the commencement, interruption and suspension of a period of prescription or limitation.”).

¹⁴³⁶ Hellner 2014 p. 185; Petz 2012 p. 243-246; Fawcett & Torremans 2011 p. 810-812; Illmer 2011 p. 253-254; Dickinson 2008 p. 455; Scott 2009 p. 72-74.

¹⁴³⁷ Article 15(c-d) Regulation 864/2007. See Hellner 2011 p. 185-186 (stating that it would not be possible under the Swedish procedural rules to grant a measure where infringing goods are to be donated to charity once the infringing trademark is removed).

erally understood to also include the quantification of damages.¹⁴³⁸ General procedural issues such as requirements of pleading, evidence and technical matters are governed by the *lex fori*.¹⁴³⁹ The dividing line between substantive and procedure can sometimes be difficult to draw.¹⁴⁴⁰

There is also wide agreement that the law referenced under article 8 governs the unlawfulness of the infringing act (i.e. the rights conferred under an IP right and the available limitations).¹⁴⁴¹ This follows from article 15(a) Rome II, which states that the applicable law shall govern “the basis and extent of liability”, which may be understood to encompass whether an activity infringes an IP right. Also, article 15(b) Rome II states that the applicable law shall govern “the grounds for exemption from liability, and limitation of liability and any division of liability”, which may be interpreted as covering the question of the limitations and exemptions. It is generally assumed that the applicable law referenced under article 8 applies also to determine whether another individual is contributory liable to the infringements of another.¹⁴⁴² By way of comparison, article 110(2) of the 1987 Swiss Code on Private International Law, which is similarly worded, is usually understood to exclude the unlawfulness issue from its scope.¹⁴⁴³ Such a limited interpretation of article 8 however would not be consistent with the system of the Rome II Regulation. Leaving the unlawfulness question outside the scope of article 8 would mean that IP infringements would be treated differently from

¹⁴³⁸ Kaminsky 2010 p. 80; Dickinson 2008 p. 575 (stating that the Rome II Regulation departs from the view taken in common law that the quantification of damages is procedural). See *Harding v Wealands*, UK House of Lords, [2006] UKHL 32 (holding that quantification of damages is procedural under the English Private International Law (Miscellaneous Provisions) Act 1995 as it was under common law).

¹⁴³⁹ Article 1(3) Regulation 864/2007 (“This Regulation does not apply to evidence and procedure, without prejudice to Articles 21 and 22.”); Illmer 2011 p. 254.

¹⁴⁴⁰ See e.g. *Actavis UK Ltd. v Eli Lilly*, England and Wales High Court, [2014] EWHC 1511 (Pat) (holding that the conditions for obtaining a negative declaration were procedural but the question whether the proposed acts would infringe the patent was substantive patent law).

¹⁴⁴¹ Hellner 2014 p. 185; Petz 2012 p. 243-246; Fawcett & Torremans 2011 p. 810-812; Illmer 2011 p. 253-254; Dickinson 2008 p. 455; Scott 2009 p. 72-74.

¹⁴⁴² Article 15(g) Regulation 864/2007 (stating that the referenced law governs “liability for the acts of another person;”); Savola 2014 p. 310 (stating that the law where the primary infringement occurs governs indirect and secondary liability); Kur 2015 p. 474; Petz 2012 p. 261-262; Fawcett & Torremans 2011 p. 810. This question is now subject to a reference to the CJEU. See Case C-24/16, *Nintendo*. Contributory liability was assumed to be governed by the same law that governs the direct infringement even before the Rome II came into effect. See *Strömholm* 2001 p. 162; *Spielbankaffaire* (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227.

¹⁴⁴³ Article 110(2) 1987 Swiss Code on Private International Law (“In the case of claims arising out of infringement of intellectual property rights, the parties may always agree, after the act causing damage has occurred, that the law of the forum shall be applicable.”); Gottschalk 2009 p. 218 (with further references); de Boer 2007 p. 26 fn 26.

torts in general for which it is not questioned that the applicable law under article 4 encompasses the question whether the act is tortious in the first place.¹⁴⁴⁴

It is unclear however whether the law referenced under article 8 governs the proprietary aspects of the IP right when these questions arise as preliminary questions in an infringement dispute.¹⁴⁴⁵ Indeed, ownership, existence and questions concerning the scope of the IP right as such can arise in connection with an infringement dispute and directly affect the obligations between the parties. At least one commentator submits all preliminary questions in an infringement claim are governed by article 8.¹⁴⁴⁶ A court cannot determine the parties' non-contractual obligations without determining whether an infringement has occurred, which requires that it determine the existence and scope of the right, and who has the rights to it.¹⁴⁴⁷ Most commentators hold however that initial ownership, as well as questions concerning the existence, validity and scope of the right (including its transferability) are outside Rome II's scope because these questions concern the right "as such" and not the obligations between the parties.¹⁴⁴⁸ To the extent that these questions fall

¹⁴⁴⁴ This is clear not least from article 17 Regulation 864/2007, which allows a court to consider as a matter of fact the rules on safety and conduct in force at the place where the act giving rise to liability occurred. There would be no need for this rule if the tortious character of the act was outside the scope of the Regulation.

¹⁴⁴⁵ See e.g. *Boschiero* 2007 p. 102-103. Preliminary questions are related to the problem of characterisation. Preliminary questions arise when the solution of the main question in dispute involves other subsidiary questions. The question arises whether the forum will apply the same choice of law issue to the subsidiary question, or will it apply a different choice of law rule that specifically addresses the subsidiary question. See *Bogdan* 2014 p. 92-95.

¹⁴⁴⁶ *Illmer* 2011 p. 251-256. There is arguably some support in the Regulation that article 8 covers the existence and scope of an IP right, as article 15(a) states generally that the applicable law shall govern "the basis and extent of liability, including the determination of persons who may be held liable for acts performed by them." Also, article 15(f) states that the chosen law's scope includes "persons entitled to compensation for damage sustained personally", which might arguably cover initial ownership.

¹⁴⁴⁷ *Illmer* 2011 p. 252 (maintaining that the interdependence of the question whether a particular act constitutes an infringement (e.g. the unlawfulness) with the question of the existence and scope of an IP right weigh in favour of including also the latter questions within article 8's scope if the former are included); *Leistner* 2009 p. 104 (discussing the inextricable unity of the infringement, content and extent of the right in IP cases); *de Boer* 2007 p. 26 (discussing that these issues of the scope and infringement should not be separated).

¹⁴⁴⁸ *Hellner* 2014 p. 185-186 (the scope of article 8 does not include incidental or preliminary questions concerning the existence and validity of the right); *Petz* 2012 p. 243-246 (stating the property issues are outside article 8); *Fawcett & Torremans* 2011 p. 810-812 (stating that article 8 does not determine the initial ownership, validity, scope, transferability of a right); *Scott* 2009 p. 72-74 (stating that the existence, incidents and nature of IP rights are outside the scope of Rome II); *Dickinson* 2008 p. 455 (stating that these questions are logically prior to any infringement claim). One of the strongest arguments in favour of interpreting Regulation 864/2007 to exclude proprietary issues from its scope is that including these issues would

outside the scope of article 8, the courts of the Member States will apply their own domestic rules on choice of law.

At least as far as registered rights are concerned, the choice of law rules in the Member States defining the IP right as such use similar connecting factors as used in article 8. Some Member States use the connecting factor “the state of registration”¹⁴⁴⁹, “the state for which protection is applied for”¹⁴⁵⁰, “the state for whose territory protection is claimed”,¹⁴⁵¹ “the state of exercise”¹⁴⁵², “the country providing protection”¹⁴⁵³, “the state of exploitation or infringement.”¹⁴⁵⁴ Spain has a unilateral choice of law rule stating that IP rights “will be protected within the Spanish territory according to Spanish law.”¹⁴⁵⁵ These connecting factors follow from the fact that registered trademarks and patents are conceptualised as a bundle of national rights existing solely according to the law that creates the right. In most cases, these connecting factors lead in practice to the same result as under article 8 Rome II

result in an upheaval in some Member States’ conflicts laws, and it is unlikely the EU legislator intended such a result without any discussion of the issue. See Petz 2012 p. 243-246; Boschiero 2007 p. 102-103.

¹⁴⁴⁹ Article 48 of the Portuguese 1966 Civil Code (“industrial property is governed by the law of the State where it was registered”). See also Pertegás Sender 2002 p. 236; Ancel 2012 p. 547 (“The application of the law of the title or, more precisely, of the country for which the protection has been granted, is firmly established in French positive law.”).

¹⁴⁵⁰ Article 23 of the Estonian Private International Law Act, (RT1 I 2002, 35, 217), entered into force 1 July 2002 (“Intellectual property and the creation, content, extinguishment and protection thereof shall be governed by the law of the state for the territory of which protection of the property is applied for.”).

¹⁴⁵¹ Article 93(1) of the 2004 Belgium Private International Law Act (“Intellectual property rights are governed by the law of the state for whose territory protection is claimed.”). See also Janssens 2012 p. 403 fn 350 (stating that it means “the country where the rights are exploited (and infringed) and where the relief will have its effect” and that it “is entirely in line with Art 8 of the Rome II.”).

¹⁴⁵² Article 54 of the Italian Private International Law Act (“the rights on intangible property are ruled by the law of the State of exercise.”).

¹⁴⁵³ *Spielbankaffaire* (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227.

¹⁴⁵⁴ Article 34 of the Austrian law of June 15, 1978 (“the existence, content and extinction of intellectual property rights shall be in accordance with the laws of the state of exploitation or infringement.”).

¹⁴⁵⁵ Article 10(4) Spanish Civil Code (approved by Royal Decree of July 24, 1889) (“Intellectual and industrial property rights shall be protected within Spanish territory in accordance with Spanish law, without prejudice to the provisions of international treaties and conventions to which Spain is a party.”). See De Miguel Asensio 2012 p. 990, 993 (“It is widely accepted that article 10(4) should be interpreted as a bilateral choice of law rule establishing the *lex protectionis*.”); Pertegás Sender 2002 p. 259-260 (stating that the rule was based on the assumption in Spain that the territorial nature of IP rights limits the jurisdiction of courts to claims arising under only domestic law).

because the right holder will claim protection for the country for which it has a protected right.¹⁴⁵⁶

The situation with copyright is different. True, many Member States conceptualise copyright as a bundle of rights just like registered rights, and follow *lex protectionis* for the proprietary aspects of copyright including whether a work attracts copyright protection in the first place (copyrightability).¹⁴⁵⁷ Other Member States conceptualise copyright as a coming into existence under the law of one country that is subsequently recognised as a property right in other countries.¹⁴⁵⁸ These states follow a *lex originis* approach to determine proprietary aspects.¹⁴⁵⁹ A *lex originis* approach allows a Member State to extend the extraterritorial application of its own law to protect domestic authors and works that are infringed outside of its own territory. When it comes to foreign authors and works, however, a *lex originis* approach often leads to a foreign author and work being given less protection

¹⁴⁵⁶ See Hellner 2014 p. 186 (stating that these questions will nevertheless be decided on the basis of *lex protectionis* only, not on the basis of article 8 Rome II but on this basis of national rules); Dickinson 2008 p. 455.

¹⁴⁵⁷ Garcia-Castrillón 2014 p. 430; Kono 2012 p. 139-140; See e.g. Peer International Corp. v Termidor Music Publishers Ltd, England and Wales Court of Appeal, [2003] EWCA Civ 1156 (expressing the rule with regard to copyright ownership to be “that generally property in England is subject to English law and to none other”); Campbell Connelly & Co. v Noble, England and Wales High Court, [1963] 1 W.L.R. 252, [1963] 1 All E.R. 237 (applying U.S. law as the law of the protecting country to determine whether the second U.S. copyright term could be assigned and UK law as the law of the contract to determine whether it had been assigned); Spielbankaffaire (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227 (“according to German international private law, the claims to which the holder of an exclusive copyright power is entitled in the event of an infringement of such rights are determined according to the law of the country providing protection [citations omitted].”). This leads to equality of treatment between foreign authors and works and national authors and works within the same territory.

¹⁴⁵⁸ See van Eechoud 2003 p. 99-103.

¹⁴⁵⁹ See article 67 Greek Law No. 2121/1993 on Copyright, Related Rights and Cultural Matters (“Copyright in a published work shall be governed by the legislation of the State in which the work is first made lawfully accessible to the public. Copyright in an unpublished work shall be governed by the legislation of the State in which the author is a national. . . [and that this law shall determine] the subject, object, content, duration and limitations of the right”); article 48 of the Portuguese 1966 Civil Code (copyright is governed by the law of first publication of the work and if not published, the personal law of the author); Garcia-Castrillón 2014 p. 430; Ancel 2012 p. 545 (stating the doctrine is divided on whether the proprietary aspects of copyright including the conditions for protection is governed by *lex originis*); Matulionyte 2012 p. 265 (stating that Portugal, Romania, and Greece have adopted a universal approach to copyright protection); Boschiero 2007 p. 101-102 (stating that the prevailing view in the French doctrine is that the Rideau de fer decision by the French Cour de Cassation establishes that issues of existence, originality, and initial ownership are governed by the *lex originis*); Schack 2009 p. 132 (stating that Greece, Portugal and Romania submit copyright to the law of the country of origin); van Eechoud 2003 p. 101.

than a domestic author and work. With respect to Member State authors and works having a Member State as their country of origin, this unequal treatment would violate the EU prohibition against discrimination on grounds of nationality laid down in the TFEU because a work's country of origin will coincide in practice with the right holder's nationality.¹⁴⁶⁰ The situation is not as clear however with respect to third state authors and works in light of the fact that the scope and interpretation of the principle of national treatment in the international IP conventions is subject to different interpretations.¹⁴⁶¹ However, even if national treatment is given a broad interpretation, the Berne Convention makes certain exceptions from national treatment that allows a contracting state to require material reciprocity as a requirement for protection in certain circumstances.¹⁴⁶²

With respect to initial ownership of industrial property rights, some Member States' conflict rules use the connecting factor "closest connection" or the *lex contractus*.¹⁴⁶³ The EUTMR contains some substantive rules on EU trademarks as objects of property, and otherwise refers to the national rules.¹⁴⁶⁴ The *lex contractus* governs ownership rights arising under contract.¹⁴⁶⁵ At least in some Member States, standing is characterised as an issue concerning the IP right as such and governed by the *lex protectionis*.¹⁴⁶⁶

¹⁴⁶⁰ Case C-28/04, *Tod's and Tod's France* (holding that the general principle of non-discrimination on grounds of nationality in the EC treaty, had to be interpreted as meaning that the right of an author to claim in a Member State the copyright protection afforded by the law of that state could not be subject to a distinguishing criterion based on the country of origin of the work).

¹⁴⁶¹ Compare e.g. Garcia-Castrillón 2014 p. 430 (maintaining that the national treatment rules in the international IP conventions limit the possible applicability of *lex originis* to initial ownership and authorship) with Patry 2000 p. 391-410 (maintains that copyrightability falls outside the scope of national treatment of the Berne Convention, and that the contracting states are free to adopt *lex originis* as a choice of law rule).

¹⁴⁶² Article 2(7) BC, article 14ter BC, article 6(1) BC, article 7(8) BC.

¹⁴⁶³ See e.g. Article 93(1) of the 2004 Belgium Private International Law Act ("the determination of the *initial owner of industrial property right is governed by the laws of the State which has the closest connections to the intellectual activity*. When this activity takes place within the framework of contractual relations, it is presumed, unless proved otherwise, that this state is one whose law is applicable to this relationship.") (emphasis added). See generally Kono 2012 p. 138-140.

¹⁴⁶⁴ Articles 16-24 Regulation 207/2009, amended by 2015/2424.

¹⁴⁶⁵ See generally Regulation 593/2008 on the law applicable to contractual obligations (Rome I). See also Fawcett & Torremans 2011 p. 750-751 (discussing the problems arising depending on how the choice of law concerning assignments of IP rights is characterised as a copyright or a contract issue).

¹⁴⁶⁶ See Alf (unreported), German Federal Court of Justice, 17 June 1992, IIC 1993, 24(4), 539-542 ("The legal power of a creator and of the licensee of a copyright exploitation right belong to the scope of protection granted . . . [and are governed by the law of] the country in which protection is claimed, . . . The substantive authorisation, derived from an industrial property right or from a license, to take legal action against infringements of rights is also

In the *United States*, the federal courts generally follow a unilateral choice of law method with respect to transborder IP infringement disputes, which favours the application of forum (U.S. federal) IP law over foreign IP law.¹⁴⁶⁷ The unilateral method is largely a consequence of the basis for federal court subject matter jurisdiction. For practically all infringement disputes litigated in federal court, the plaintiff alleges that its federal patent, copyright or trademark has been infringed, which provides a basis for federal question jurisdiction.¹⁴⁶⁸ Indeed, federal question jurisdiction exists for claims arising under federal IP law. Claims arise under federal IP law if federal IP law creates the cause of action, such as claims for the infringement or non-infringement of a federal IP right.¹⁴⁶⁹ U.S. state (e.g. New York) tort and contract claims concerning federal IP rights do not arise under federal law.¹⁴⁷⁰ To characterise a claim as arising under the federal patent, copyright or trademark law, the courts apply the “well-pleaded complaint rule”, whereby the determination is made from what appears in the plaintiff’s statement of claim (i.e. complaint).¹⁴⁷¹ It is sufficient for the plaintiff’s complaint to allege a non-frivolous claim for infringement (or non-infringement) of a federal right for federal court jurisdiction to be established.¹⁴⁷² A frivo-

included in this scope.”); *Scientology decision*, District Court of The Hague (Rechtbank Den Haag), 9 June 1999, [2000] E.C.D.R. 83 p. 88 (applying Dutch law as *lex protectionis* to determine standing to sue and U.S. law as *lex contractus* to determine what rights had been assigned).

¹⁴⁶⁷ *Brilmayer & Norchi* 1992 p. 1232 (“Federal choice of law takes a unilateral approach to jurisdiction . . . The unilateral approach means that, in deciding whether to apply federal law, a court looks only at the federal law in deciding whether or not it is applicable. If it is not applicable, the case is dismissed”); *Garnett* 2005:3 (discussing the unilateral application of the ACPA to protect U.S. trademarks); *Dinwoodie* 2009 p. 226-227 (stating that the interpretation of the substantive provisions of the U.S. Copyright Act, although not explicitly analysed as such, operate essentially as choice of law rules).

¹⁴⁶⁸ See 28 U.S.C. § 1338(a).

¹⁴⁶⁹ *Christianson v Colt Indus.*, 486 U.S. 800, 807-813 (1988).

¹⁴⁷⁰ See *Gunn v Minton*, 133 S.Ct. 1059 (2013) (holding that a state law tort claim alleging legal malpractice, in failing to raise experimental-use argument in patent case, was not one “arising under” federal patent law although resolution of federal patent question was necessary to client’s case, because question was not substantial, and adjudication by state courts would not undermine development of uniform body of patent law); *Bonzel v Pfizer, Inc.*, 439 F.3d 1358 (Fed. Cir. 2006) (“The nature of this contract action does not change because the contract is a patent license and the assertedly failed contract obligation is the obligation to notify of patent infringement and share payment for infringement. . . . Indeed, should it come to pass that the court, in deciding whether the contract conditions were met, deems it appropriate to apply the law of patent infringement, that of itself does not change the complaint into one arising under the patent law.”).

¹⁴⁷¹ *Christianson v Colt Indus.*, 486 U.S. 800, 807-813 (1988).

¹⁴⁷² See *Lauritzen v Larsen*, 345 U.S. 571 (1953) (“A cause of action under our law was asserted here, and the court had power to determine whether it was or was not well founded in law and in fact.”); *Hartford Fire Ins. Co. v California*, 509 U.S. 764 (1993) (Scalia dissenting)

lous claim is a claim made solely for the purpose of obtaining federal court jurisdiction or where such a claim is wholly insubstantial.¹⁴⁷³ Federal question jurisdiction would presumably be established even if the plaintiff does not allege all the essential elements of an infringement claim. An example would be if the plaintiff's complaint alleges the infringement of its federal patent under section 271(a) of the federal patent act, but does not allege that the infringing act took place "in the United States", which is an element under the patent infringement claim.¹⁴⁷⁴

Once subject matter jurisdiction is established, the federal court then applies the federal IP law that establishes its subject matter jurisdiction. As federal law is supreme over U.S. state law, the federal courts automatically apply the federal law without the need to consider the individual U.S. state interests. This method persists for infringements of the federal patent and trademark laws even in relation to foreign patent and trademark law. This can be seen as a unilateral variant of the *lex protectionis* rule because the applicable law is federal IP law if the plaintiff claims protection for an IP right protected under U.S. law.¹⁴⁷⁵ The connecting factor for the purpose of choice of law is

("Respondents asserted nonfrivolous claims under the Sherman Act, and 28 U.S.C. § 1331 vests district courts with subject-matter jurisdiction over cases "arising under" federal statutes. As precedents such as *Lauritzen v Larsen*, 345 U.S. 571 (1953), make clear, that is sufficient to establish the District Court's jurisdiction over these claims."); *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353, 1361 (Fed. Cir. 2008) ("Accordingly, there can be no question that *Litecubes'* allegations, which state a claim under the patent laws, are sufficient to create general federal question jurisdiction.").

¹⁴⁷³ *Steel Co. v Citizens for Better Environment*, 523 U.S. 83, 89 (1998) (holding that jurisdiction may not be established only if the federal claim pled is "immaterial and made solely for the purpose of obtaining jurisdiction" or "wholly insubstantial and frivolous" and that dismissal for lack of subject matter jurisdiction on the grounds that the federal claim asserted is not colourable is "proper only when the claim is so insubstantial, implausible, foreclosed by prior decisions of this Court, or otherwise completely devoid of merit as not to involve a federal controversy.").

¹⁴⁷⁴ *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353, 1361 (Fed. Cir. 2008) ("Indeed even if, unlike here, the complaint fails to allege a cause of action upon which relief can be granted, this failure to state a proper cause of action calls for a judgment on the merits and not for a dismissal for want of jurisdiction.").

¹⁴⁷⁵ See e.g. *Microsoft Corp. v AT&T Corp.*, 550 U.S. 437 (2007) (applying U.S. patent law as the law under which the claim was alleged but concluding that the acts fell outside the territorial scope of the Patent Act because they occurred abroad); *Steele v Bulova Watch Co*, 344 U.S. 280 (1952) (applying U.S. trademark law as the law under which the claim was alleged and concluding that the acts fell within the territorial scope of the Trademark Act); *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353 (Fed. Cir. 2008) (applying U.S. copyright law as the law under which the claim was alleged and concluding that the acts fell within the territorial scope of the Copyright Act); *Federal Treasury Enterprise Sojuzplodoimport v SPI Spirits Ltd.*, 726 F.3d 62 (2nd Cir. 2013) ("Although the Marks were developed in Russia and are used around the world, plaintiffs' claims in this suit derive from the Marks' registration in the United States. Therefore, United States law provides the relevant

the federal IP right granted or protected under U.S. law. On the substantive law level, the federal court determines whether the alleged infringement falls within the substantive (e.g. territorial) scope of the federal IP, and denies recovery if it does not.¹⁴⁷⁶ This is the prevailing choice of law method for infringements of patents and trademarks.

As noted, the federal courts have begun to develop federal common law choice of law rules for copyright infringements having a foreign element. In the ground breaking *Itar-Tass* case, the court held that the law applicable to determine copyright infringement issues (i.e. the unlawfulness of the infringing act such as the rights conferred and the limitations) was the *lex loci delicti* rule.¹⁴⁷⁷ In that case, the court held that U.S. copyright law applied because the place of the tort was plainly the U.S. where the defendant had made and distributed copies of the works. The court drew support from a Supreme Court case dealing with federal maritime tort law, observing that “the solution most commonly accepted as to torts in our municipal and in international law is to apply the law of the place where the acts giving rise to the liability occurred.”¹⁴⁷⁸ The *Itar-Tass* court noted however that the result would be the same even under a broader interest approach to choice of law because the U.S. had a greater interest in the application of its copyright law than Russia did in the application of Russian copyright law because the infringing act clearly took place in the U.S. and the defendant whose conduct was being regulated was a U.S. corporation.¹⁴⁷⁹ In addition, it is generally

framework for addressing whether plaintiffs are entitled to bring suit under the Lanham Act.”); *Twentieth Century Fox Film Corp. v iCraveTV*, 53 U.S.P.Q. 2d 1831, 2000 WL 255989 (W.D. Pa. 2000) (“Defendants have submitted a declaration of a Canadian law professor, Michael Geist, which argues that defendants’ activities are permissible under Canadian law. However, because plaintiffs seek relief under U.S. law for infringements of the U.S. Copyright Act, there is no need for this Court to address any issue of Canadian law.”).

¹⁴⁷⁶ See *Brilmayer* 1980:2 p. 423 (“A substantive finding that the federal law’s substantive purposes do not mandate recovery does not make that law any less dispositive.”).

¹⁴⁷⁷ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82 (2nd Cir. 1998).

¹⁴⁷⁸ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 91 (2nd Cir. 1998) (citing *Lauritzen v Larsen*, 345 U.S. 571 (1953)). See also *Entral Group v Honey Café* 2006 WL 3694584 (E.D.N.Y. 2006) (“Because the alleged infringement occurred in the United States, United States law determines whether those copyrights have been infringed in the United States and, if so, what remedies are available.”) (internal quotations omitted); *Capitol Records, Inc. v Naxos of America*, 372 F.3d 471 (2nd Cir. 2004) (concerning the alleged infringement of common law copyright) (“The District Court and the parties have assumed, correctly in our view, that the relevant state law is that of New York, the jurisdiction where the alleged infringement occurred.”); *Dinwoodie* 2009 p. 729 fn 65, 774 (stating that acts of copyright and patent infringement consist traditionally in particular conduct that was reserved to the exclusive preserve of the right holder, which results in the application of the place of conduct).

¹⁴⁷⁹ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 91 (2nd Cir. 1998). See also *Dish Network, LLC v Net TV Net Solutions LLC*, 2014 WL 6685351 (M.D. Fla.

assumed that the law applicable to the alleged acts of direct infringement also governs any claim of contributory infringement even though the contributory infringer did not act within the same state as the direct infringer.¹⁴⁸⁰

A *lex loci delicti* rule employs an objective connecting factor that requires the forum to identify and localise the act of infringement, which is presumably done pursuant to U.S. law as *lex fori*. There is no indication that the courts will apply a *lex protectionis* rule in a bilateral fashion and allow the foreign copyright law to determine its own territorial scope. A district court within the Seventh Circuit adopted the Itar-Tass court's holding that the law applicable to infringement issues was "that of the country where the alleged infringement occurred."¹⁴⁸¹ The court refused to apply Italian law and dismissed the plaintiff's claim alleging an infringement under Italian copyright law because the court found that the plaintiff's statement of claim did not contain "any reference to any act of infringement that occurred in Italy." The court rejected the plaintiff's allegation that an infringement had occurred in Italy where the plaintiff's server was located from which the defendants had downloaded electronic copies of protected works. In refusing the application of Italian law, the court gave the territoriality principle a limiting effect from the perspective of the forum at the choice of law level. The court's rejection of the plaintiff's subjective claim for protection is consistent with a *lex loci delicti* approach whereby the court objectively identifies and localises the infringing act, and does not allow the foreign law invoked by the plaintiff to determine its own territorial application.

In practice, when the federal courts have applied the *lex loci delicti* rule to copyright infringement cases, it has almost always led to the application of U.S. copyright law. There are very few cases where the *lex loci delicti* rule

2014) ("Where, as here, the alleged infringement occurred domestically, the United States has the most significant relationship to the infringement, and therefore, United States law will govern that issue. [citation omitted] Dish Network alleges that GTV and Mr. Halabi infringed on Dish Network's copyrights by distributing the programming on Channels "to customers in the United States by way of IPTV and Internet during the time that [Dish Network's] exclusive rights were in effect." [citation omitted] Thus, the infringement occurred domestically, and United States law also governs the infringement element of the copyright claim."). See also Dinwoodie 2009 p. 730 (stating that it was unsurprising that the Itar-Tass court articulated a choice of law rule that admits greater flexibility on the infringement question but without formally jettisoning respect for the claims of the *lex loci delicti*); Frohlich 2009 p. 862 (the court embedded its application of the *lex loci delicti* in a broader interest analysis). The interest approach is followed by most U.S. states for torts in general after having abandoned the strict territorial approach. Symeonides 2009 p. 346.

¹⁴⁸⁰ See Dinwoodie et al. 2009 p. 214 ("the prevailing assumption of intellectual property scholars has been that the law governing the claim of contributory infringement should follow that applicable to the alleged acts of direct infringement.").

¹⁴⁸¹ Remy, Inc. v Tecnomatic S.P.A., 2014 WL 2882855 (S.D. Ind. 2014).

has referenced foreign law, and most of these cases have settled before trial.¹⁴⁸² In addition, so far, these cases have involved traditional alleged acts of infringement where the act and its IP impairing effects are both clearly localised in the same state.

In the *Itar-Tass* case, the act and the IP impairing effects were both clearly located in the U.S. so the court had no reason to consider how the *lex loci delicti* rule would apply to transborder infringements where the tangible act takes place in one state but the IP impairing effects arise in another. With respect to transborder torts in general however Symeonides has found that the courts tend to apply the law of the state of conduct with respect to the tort rules whose primary purpose is to deter injurious conduct (i.e. “conduct-regulating rules”) if its application favours the plaintiff.¹⁴⁸³ According to Symeonides, this is a false conflict because under those circumstances only one state has an interest in the application of its law. The conduct state has an interest in applying its law to govern conduct occurring within its territory and violating its law, even if the injury occurs outside its borders, whereas the state of injury has no clear interest in applying its more lenient conduct-regulating rules because they are designed to protect conduct within, not outside, the state.

Symeonides has also found that the courts tend to apply the law of the state of injury if it favours the injured party, provided the tortfeasor intended or at least could foresee the occurrence of injury in that state.¹⁴⁸⁴ The requirement of foreseeability protects the defendant from unfair surprise.¹⁴⁸⁵ Symeonides states that this situation represents a true conflict because both states have an interest in the application of their laws. The conduct state has an interest in protecting conduct that occurs within its territory and is lawful there, while

¹⁴⁸² See e.g. *Levitin v Sony Music*, 101 F.Supp.3d 376 (S.D.N.Y. 2015) (stating that questions of infringement would be decided by the location of the alleged infringements, which took place in United Kingdom, Italy, Germany, Mexico, Spain, Canada, Australia, France and South Korea); *Corbello v DeVito*, 844 F.Supp.2d 1136 (D.Nev. 2012), rev'd on other grounds, 777 F.3d 1058 (9th Cir. 2012) (“The present motion is a motion against allegations of overseas infringement, however, and *Itar-Tass* therefore counsels in favor of applying foreign copyright law to infringement issues.”). See also *Dinwoodie* 2009 p. 742 (stating that although the U.S. courts have departed from exclusive jurisdiction in copyright cases, the cases have typically settled prior to trial of the foreign claims).

¹⁴⁸³ Symeonides 2009 p. 353-354.

¹⁴⁸⁴ Symeonides 2009 p. 367, 391 (stating all the cases that applied the law of the state of injury found that the tortfeasor intended or should have foreseen the occurrence of the injury in that state and, thus, the possibility that its law might be applied).

¹⁴⁸⁵ Symeonides 2009 p. 373; *Rheinstein* 194:2 p. 196 (maintaining that it would be incompatible with the principle of the protection of justified expectations if a state applied the place of harm rule to govern conduct that was permissible in the state where it was carried on and could not reasonably have been foreseen to produce harmful effects in the date of damage).

the state of injury has an interest in preventing injuries within its territory caused by conduct considered unlawful there.¹⁴⁸⁶ Symeonides explains that a bias in favour of the injured party is due to the fact that it is more fair to place the burden on the actor who is in a better position to prevent the loss.¹⁴⁸⁷ Applying the injury state's law to determine the lawfulness of conduct taking place abroad may raise comity issues. The Supreme Court has indicated however that the state of injury must limit the scope of its law to effects arising within its own state, and may not attempt to deter or put an end to such effects in other states where they are legal.¹⁴⁸⁸

When it comes to IP infringement disputes, it is not clear that the interests play out in the same way as they do with regular torts. It is possible that a true conflict will arise regardless of whether the act or IP impairing effects takes place in a state that favours the injured party, e.g. the right holder. The conduct state generally has an interest in regulating conduct that occurs within its territory because the conduct in its territory usually leads to IP impairing effects in its territory. The effectiveness of its rules arguably requires that they are applied generally to all conduct on the territory. Moreover, when it comes to IP disputes, there is a strong tradition of applying the law of the country where the conduct takes place.¹⁴⁸⁹

At the same time, the injury state, that is, the state where the IP impairing effects arise, always has an interest in regulating foreign conduct that has IP impairing effects in its territory, regardless of whether their law favours the right holder or not (e.g. provides a high or low level of protection). This is because the level of protection established in a state's territory is not only designed to protect the right holder and provide incentives for the creation and investment in new works and inventions but also to ensure a proper balance so that the public can access them. Thus, just like the true conflict addressed above in relation to regular torts, the injury state that maintains stricter rules has an interest in the application of its law so that the effectiveness of its rules on protection are not undermined. But in contrast with the

¹⁴⁸⁶ Symeonides 2009 p. 366-367.

¹⁴⁸⁷ Symeonides 2009 p. 391 ("By definition, tort conflicts involve conflicting value judgments of at least two states as to who should bear the social and economic losses caused by injurious conduct that at least one state considers tortious. In the final analysis, of the two actors involved in the conflict, the tortfeasor is the one who is in a better position to prevent the loss. All other factors being equal, it is not unfair to place this burden on the actor who was in a better position to prevent the loss.")

¹⁴⁸⁸ See *BMW of North America, Inc. v Gore*, 517 U.S. 559, 572 (1996) ("We think it follows from these principles of state sovereignty and comity that a State may not impose economic sanctions on violators of its laws with the intent of changing the tortfeasors' lawful conduct in other States.")

¹⁴⁸⁹ Dinwoodie 2009 p. 729 fn 65, 774 (stating that copyright infringement traditionally results in the application of the place of conduct).

situation with respect to other regular torts, the injury state that maintains more lenient IP rules also has an interest in the application of its rules in order to ensure that its residents have access to IP content within its territory. It seems likely that in these cases of true conflict, there will be a homeward trend in favour of the forum state (i.e. U.S. law).

The federal courts have yet to develop federal common law choice of law rules for ubiquitous copyright infringements. However, as the courts are not bound by statutory choice of law rules, it will be possible to fashion a flexible rule leading to a single applicable law under the modern choice of law approaches taking into consideration various state and party interests.¹⁴⁹⁰ It is not unlikely that the ALI principles on choice of law can be used as a persuasive source of law when developing specialised federal common law in this area. This would enable courts to openly engage in evaluating the various state and party interests affected in the choice of law determination, instead of bringing a transborder dispute within the control of a single law through the mechanism of localisation under substantive law.¹⁴⁹¹

When it comes to *the scope of the choice of law rule*, the Itar-Tass court did not make any specific analysis of the choice of law rule applicable to remedies, but stated merely that U.S. law determines what remedies are available.¹⁴⁹² It seems likely that the court assumed that the law governing the unlawfulness of the infringing act also governed the remedies. Before the U.S. conflicts revolution, the vested rights doctrine informed that the law of the state that governed the tortious nature of the act also governed the legal consequences arising from the tort as a logical consequence of that state's prescriptive jurisdiction.¹⁴⁹³ After the conflicts revolution however courts began to distinguish loss-allocating rules from conduct-regulating rules. While territorial contacts (i.e., the places of conduct and injury) remain relevant for conduct-regulating conflicts, both territorial and personal contacts (e.g. the parties' domiciles) are relevant in loss-allocating conflicts.¹⁴⁹⁴ This distinc-

¹⁴⁹⁰ See e.g. Restatement (Second) Conflicts of Law § 6(2) in particular § 6(2)(g) ("ease in the determination and application of the law to be applied.").

¹⁴⁹¹ See Dinwoodie 2009 p. 727 & fn 55 (stating that localisation is the classic tool by which courts bring a multistate dispute within the control of single law and that explicit engagement with principles of private international law is rare).

¹⁴⁹² *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 8, 84 (2nd Cir. 1998) ("United States law determines whether those copyrights have been infringed in the United States and, if so, what remedies are available.").

¹⁴⁹³ See *Slater v Mexican National R. Co.*, 194 U.S. 120, 126 (1904) ("Therefore we may lay on one side as quite inadmissible the notion that the law of the place of the act may be resorted to so far as to show that the act was a tort, and then may be abandoned, leaving the consequences to be determined according to the accident of the place where the defendant may happen to be caught.").

¹⁴⁹⁴ See Symeonides 2009 p. 348.

tion seems less appropriate for IP infringement disputes. When it comes to regular torts, the harm will be felt in the injured person's domicile in terms of medical expenses, lost wages, pain and suffering. In contrast, IP damages generally arise at the location of the infringement as a result of the defendant's usurpation of the right holder's exclusive market.¹⁴⁹⁵

When it comes to remedies, a difficult question is which issues are characterised as substantive and governed by the applicable substantive law and which are characterised as procedural and governed by the *lex fori*.¹⁴⁹⁶ The Supreme Court has held that the line between substance and procedure should be drawn with a view to avoiding forum shopping and the inequitable administration of the laws.¹⁴⁹⁷ The U.S. courts have generally followed the common law rule that heads of damage are substantive but quantum of damage is procedural.¹⁴⁹⁸ This classification has been called into question by a Supreme Court ruling holding that a statutory cap on damages is substantive law for Erie purposes and the federal court must apply the applicable state law and not federal procedural law.¹⁴⁹⁹

The *Itar-Tass* court applied a different choice of law rule for questions characterised as property issues.¹⁵⁰⁰ In the *Itar-Tass* case, a contentious question was whether the authors of the articles or the newspapers for which they

¹⁴⁹⁵ Austin 1999 p. 46 ("In a copyright infringement case, damages are most often sought for lost economic opportunities as a result of the defendant's usurpation of particular markets resulting from the infringement of the plaintiff's property rights.").

¹⁴⁹⁶ See Nussbaum 1943 p. 36; Cook 1933 p. 343-344 ("If we admit that the "substantive" shades off by imperceptible degrees into the "procedural", and that the "line" between them does not "exist", to be discovered merely by logic and analysis, but is rather to be drawn so as best to carry out our purpose, we see that our problem resolves itself substantially into this: How far can the court of the forum go in applying the rules taken from the foreign system of law without unduly hindering or inconveniencing itself?").

¹⁴⁹⁷ *Hanna v Plumer*, 380 U.S. 460 (1965). This ruling modified the "outcome-determination" test set out in *Guaranty Trust Co. v York*, 326 U.S. 99, 109 (1945).

¹⁴⁹⁸ Weintraub 2007 p. 312-313; Austin 1999 p. 45; Restatement (Second) of Conflict of Laws § 171 cmt. a, f.

¹⁴⁹⁹ Weintraub 2007 p. 313 (stating that the federal courts have not followed the implication of the Gasperini ruling that the quantification of damages is too important to be characterised as procedural); Austin 1999 p. 45; *Gasperini v Center for Humanities, Inc.*, 518 U.S. 415 (1996).

¹⁵⁰⁰ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998) ("The choice of law applicable to the pending case is not necessarily the same for all issues."). Depeage, where the laws of different states may be applied to different issues in the same dispute, is widely accepted in U.S. conflicts law. See Restatement (Second) of Conflict of Laws § 146 cmt.d (1971) ("The courts have long recognized that they are not bound to decide all issues under the local law of a single state."); Guedj 1991 p. 685 (stating that modern American U.S. conflict theories imply a systematic use of depeage). But see Lee 2005 p. 47 (stating that depeage is inappropriate for federal copyright claims because it interferes with the highly regulated bundle of rights and exceptions created by the copyright statute).

worked were the owners of the right to the articles, and if the newspapers had an ownership right, was it a right to the individual articles or only a right to their compilation.¹⁵⁰¹ The court held that for these issues the connecting factor was the law of the country with “the most significant relationship” to the property and the parties.¹⁵⁰² The court drew support from the property choice of law rule in the Second Restatement of the Conflicts of Law, which is followed by many U.S. states.¹⁵⁰³ In the case at hand, the court applied Russian law because Russia was the “country of origin” of these works created by Russian nationals and first published in Russia.¹⁵⁰⁴ It cautioned however against mechanically using the country of origin (*lex originis*) as the sole connecting factor.¹⁵⁰⁵ Indeed, the country with the most significant relationship can vary depending on the factual circumstances of the case. Other courts have claimed to apply the law of the country of origin to determine ownership issues, although there was no indication that a most significant relationship test would have yielded a different result.¹⁵⁰⁶

¹⁵⁰¹ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 91-92 (2nd Cir. 1998) (“The pending case is one that requires consideration not simply of who owns an interest, but, as to the newspapers, the nature of the interest that is owned.”).

¹⁵⁰² *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998). See also Lee 2005 p. 45-50 (criticising the *Itar-Tass* court on the ground that absent clear approval from the U.S. legislature, a court’s use of conflicts of law to decide parts of a domestic IP claim under foreign law should not be allowed).

¹⁵⁰³ See Restatement (Second) on the Conflicts of Law § 222 (“The interests of the parties in a thing are determined, depending upon the circumstances, either by the “law” or by the “local law” of the state which, with respect to the particular issue, has the most significant relationship to the thing and the parties under the principles stated in § 6.”). A country of origin rule is similar to section 104A of the Copyright Act on restored works which refers to the law of the source country of the work. Restored works are works of foreign origin that fell into the public domain in the U.S. for failure to comply with formalities such as notice and renewal. Pursuant to the statute, ownership in a restored work rests “initially in the author or initial right holder of the work as determined by the law of the source country of the work.” 17 U.S.C. § 104A. Although similar, the definition of source country is not identical to the definition of country of origin in article 5(4) BC. See Patry 2000 p. 410. The *Itar-Tass* court stated the choice of law rule in section 104A “should not be understood to state an exception to any otherwise applicable conflicts rule.” *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 fn 10 (2nd Cir. 1998).

¹⁵⁰⁴ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998).

¹⁵⁰⁵ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998) (stating that “country of origin” might not always be the appropriate country for purposes of choice of law concerning ownership.). See also Patry 2000 p. 420-428 (submitting that courts should “examine all possible connecting factors and assign to those factors the weight they are given in customary international copyright law; e.g., in the ‘domicile versus nationality’ debate, nationality over domicile.”).

¹⁵⁰⁶ *Saregama India Ltd. v Mosley*, 635 F.3d 1284, 1290-1292 (11th Cir. 2011) (holding that Indian law governs the determination of initial copyright ownership because the works were created in India); *Lahiri v Universal Music & Video Distrib., Inc.*, 513 F.Supp.2d 1172, 1176 fn 4 (C.D. Cal.2007) (“Initial ownership of a copyrighted work is determined by the laws in the work’s country of origin.”). But see Geller 2004 p. 358-364 (maintaining that the applica-

It is not completely clear whether the issue of copyrightability, i.e. whether a work attracts copyright protection, is characterised as an infringement or a property issue. In the *Itar-Tass* case, there was no question that the works individually and as a compilation attracted copyright protection. The questions whether they were eligible subject matter and original were never raised.¹⁵⁰⁷ The dispute was over who owned what, the authors or the newspapers. Nevertheless, the *Itar-Tass* court stated in *dicta* that it had in the past implicitly adopted the *lex loci delicti* rule to the copyrightability issue.¹⁵⁰⁸ Indeed, in *Hasbro Bradley, Inc. v Sparkle Toys, Inc.*, the court applied U.S. copyright law to determine whether a work of applied art of Japanese origin was copyrightable in the U.S. where it was alleged infringed even though works of applied art were not eligible for copyright protection in Japan.¹⁵⁰⁹ The court reasoned that this followed from the scheme for the protection of copyrightable works set up by the Copyright Act and the obligation for national treatment.¹⁵¹⁰ In doing so, the court implicitly adopted the *droit indépendants* theory to copyright whereby it vests independently in each state.¹⁵¹¹

tion of the law of the country of origin is inconsistent with the obligation of national treatment in the Berne Convention, which references the law of the country of origin only in expressly limited exceptions which do not include the definition of the term author, and maintaining that the law of the protecting country best defines the term author for the purpose of initially vesting copyright, although submitting that for hard cases, the initial allocation of rights may be made subject to the consensus of the parties to creation).

¹⁵⁰⁷ Patry 2000 p. 388 fn 23 (“*Itar-Tass* dealt with the question of ownership, not originality, and under facts where there was no dispute that the works were original.”). But see Torremans 2011:3 p. 184 (interpreting the *Itar-Tass* court to apply the law with the most significant relationship to the issue of copyrightability and scope).

¹⁵⁰⁸ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 92 (2nd Cir. 1998) (“We have implicitly adopted that approach to infringement claims, applying United States copyright law to a work that was unprotected in its country of origin.”).

¹⁵⁰⁹ *Hasbro Bradley, Inc. v Sparkle Toys, Inc.*, 780 F.2d 189 (2d Cir. 1985).

¹⁵¹⁰ See 17 U.S.C. § 104(b)(1-2) (“The works specified by sections 102 and 103, when published, are subject to protection under this title if— (1) on the date of first publication, one or more of the authors is a national or domiciliary of the United States, or is a national, domiciliary, or sovereign authority of a treaty party, or is a stateless person, wherever that person may be domiciled; or (2) the work is first published in the United States or in a foreign nation that, on the date of first publication, is a treaty party;”); 17 U.S.C. § 102(a)(5) (“Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated, either directly or with the aid of a machine or device. Works of authorship include the following categories: pictorial, graphic, and sculptural works;”). But see Patry 2000 p. 398 (submitting that the court confused standing under section 104 concerning who is entitled to bring suit with substance concerning whether or under what country’s law the plaintiff has a copyright).

¹⁵¹¹ Patry 2000 p. 398.

Shortly after the Itar-Tass case, a district court had to determine which country's law governed copyrightability where British works were alleged to have been infringed in the U.S.¹⁵¹² Following the Itar-Tass case, the district court applied the law of the country with the most significant relationship. The court applied this choice of law rule however not to determine which of the contending parties owned the works, but to determine whether the works existed in the first place. This ruling led to the application of UK law on the copyrightability issue, which could have potentially led to a situation where the British authors were protected in the U.S. for works for which domestic authors could not be given protection.¹⁵¹³ Following the entry of final judgment, the district court was "bombarded with additional submissions", which persuaded it to reconsider its original judgment.¹⁵¹⁴ The court amended its earlier judgment and applied U.S. law to determine copyrightability as "the exclusive source" of protection available to foreign authors, thereby eliminating a choice of law altogether.¹⁵¹⁵ Other lower courts have treated the issue as requiring a choice of law, but some have applied the *lex originis*¹⁵¹⁶ and others have applied the *lex loci delicti*.¹⁵¹⁷ Other courts assume that they need only look to the *lex originis* when the work is not registered under the U.S. copyright act.¹⁵¹⁸ The legal doctrine is divided as well.¹⁵¹⁹

¹⁵¹² *Bridgeman Art Library, Ltd. v Corel Corp.*, 25 F.Supp.2d 421 (S.D.N.Y. 1998), *amended on reh'g*, 36 F.Supp.2d 191 (S.D.N.Y. 1999).

¹⁵¹³ In the case at hand, the court ultimately found that the photos were not protected under U.S. or UK law. *Bridgeman Art Library, Ltd. v Corel Corp.*, 36 F.Supp.2d 191, 200 (1999).

¹⁵¹⁴ *Bridgeman Art Library, Ltd. v Corel Corp.*, 36 F.Supp.2d 191, 192 (1999).

¹⁵¹⁵ *Bridgeman Art Library, Ltd. v Corel Corp.*, 36 F.Supp.2d 191, 195 (1999) ("Thus, while the Copyright Act, as amended by the [Berne Convention Implementation Act], extends certain protection to the holders of copyright in Berne Convention works as there defined, the Copyright Act is the exclusive source of that protection."). The court stated that it was not necessary to answer such questions as whether Congress had the constitutional authority to protect works of foreign origin that did not meet the U.S. constitutional originality criteria or whether the Berne Convention contained a choice of law rule that led to this result because the BC was not self-executing. *Ibid.* 194-195.

¹⁵¹⁶ See *New Look Party Ltd v Louise Paris Ltd*, 2012 WL 251976 (S.D.N.Y. 2012) (interpreting Itar-Tass as requiring it to apply UK law as the country of origin to determine if the work is protected even though the work was alleged infringed in U.S.) ("But our inquiry must not be whether U.S. law would afford copyright protection to plaintiff's logo, but rather whether the law of the United Kingdom, where the work was created, would protect it.").

¹⁵¹⁷ See *Sadhu Singh Hamdad Trust v Ajit Newspaper Advertising, Marketing and Communications, Inc.* 503 F.Supp.2d 577 (E.D.N.Y. 2007) (interpreting Itar-Tass to require it to apply *lex loci delicti* to the question of copyrightability and noting "that United States courts have in the past found copyrights valid in the United States even when they were not subject to protection in their country of creation.>").

¹⁵¹⁸ See *Edmark Industries SDN. BHD. v South Asia Intern. (H.K.) Ltd.*, 89 F.Supp.2d 840 (E.D. Tex. 2000) ("Resort to Malaysian law is not necessary given that Edmark applied for and received copyright registrations from the PTO"); *Seoul Broadcasting System Int'l, Inc. v Young Min Ro*, 784 F.Supp.2d 611 (E.D. Virginia 2010) (observing that it is not clear whether the resort to the country of origin is necessary when the foreign work of origin is later

A most significant relationship or *lex originis* rule to determine the existence of a work (e.g. copyrightability) may lead to a foreign work being given less protection than a domestic work within the U.S. Of course, it may also lead to a U.S. work receiving less protection than it would have received under foreign law. In one case, the court applied a most significant relationship choice of law rule to determine existence of works created by U.S. nationals, and found that they were not protected against foreign infringements because the works were in the public domain in the U.S. regardless of the fact that the works might have been protected under the laws of the countries of exploitation.¹⁵²⁰ While this is not a problem with respect to U.S. works, it is not clear whether this may violate the principle of national treatment with respect to foreign works.¹⁵²¹ In contrast, characterising questions concerning the existence of a work including its copyrightability as an infringement issue governed by the *lex loci delicti* leads to equal treatment of U.S. and

registered in the U.S.); *Entral Group v Honey Café* 2006 WL 3694584 (E.D.N.Y. 2006) (“for those Works that are registered with the U.S. Copyright Office, the certificate of registration constitutes prima facie evidence of the validity of the copyright.”).

¹⁵¹⁹ Compare Patry 2000 p. 391-410 (Patry characterises the question of copyrightability, i.e. whether a work falls into a category of eligible subject matter that attracts copyright protection, as an ownership issue. He maintains that ownership falls outside the scope of national treatment of the Berne Convention, which is in his view not a choice of law rule in the first place. Thus, he maintains that the U.S. could adopt a choice of law rule on copyrightability referring to the country of origin. He maintains that Section 104 of the Copyright Act, by recognising a foreign copyright pursuant to one of the enumerated connecting factors, supports the theory that there is a single copyright that vests initially in a single country of origin, and which is subsequently recognised in other countries pursuant to treaty obligations) with Geller 2004 p. 335 (assuming that eligible subject matter that attracts copyright protection is governed by the *lex protectionis*); ALI § 301(1) (maintaining that the law applicable to determine the existence of copyright is determined by the law of each State for which protection is sought).

¹⁵²⁰ *Shaw v Rizzoli Intern. Pub., Inc.*, 1999 WL 160084 (S.D.N.Y. 1999) (rejecting the contention that the *lex loci delicti* must necessarily be applied in determining whether the plaintiffs have protectable copyrights and applying U.S. law as the country with the most significant relationship to the 105 photographs created in the U.S. by U.S. nationals to find that the photos were no longer protected).

¹⁵²¹ Compare e.g. *Garcia-Castrillón* 2014 p. 429-430 (suggesting that the national treatment rules in the international IP conventions limit the possible applicability of *lex originis* to define the right as such) with Patry 2000 p. 391-410 (maintaining that copyrightability falls outside the scope of national treatment of the Berne Convention, and that the contracting states are free to adopt *lex originis* as a choice of law rule). See Article 2(7) BC, article 14ter BC, article 6(1) BC, and article 7(8) BC for exceptions to national treatment. See also *Capitol Records, Inc. v Naxos of America*, 372 F.3d 471 (2nd Cir. 2004) (stating that if dealing with works protected by the Berne Convention or the Universal Copyright Convention, the rule of the shorter term might be applied while at the same time acknowledging that there was no such rule in the federal Copyright Act that permits this). This may implicitly suggest that a court could apply the shorter term if foreign law was chosen as the applicable law to determine whether the work was still protected.

foreign works infringed in the U.S. At the same time, it means that a foreign work that would not be protected in its home country, might enjoy protection in the U.S.¹⁵²²

Choice of law questions with respect to infringements of foreign registered IP rights have not arisen because the federal courts decline jurisdiction over such disputes. Assuming however that a U.S. court would exercise jurisdiction, the Federal Circuit has stated that the act of state doctrine would require that patents granted by a foreign state must be deemed valid, which eliminates the choice of law question with respect to validity.¹⁵²³ It seems likely that the law of the state of registration would apply to determine the scope and interpretation of a foreign patent or registered trademark.¹⁵²⁴

Questions of initial copyright ownership are characterised as property issues governed by the law of the country with “the most significant relationship” or the country of origin.¹⁵²⁵ This was a question at issue in the *Itar-Tass* case where the court held that Russian law applied to determine whether the newspaper had an ownership interest in the newspaper articles written by its employees, and if so what was the nature of the interest, that is, was it a right

¹⁵²² See Patry 2000 p. 399 (“Hasbro Bradley’s territorial approach is hard to defend on policy grounds: why should the United States prohibit its citizens from copying the work of a foreigner when the foreign country of origin denies protection, permitting its own citizens to copy it?”); *Ibid.* p. 427 (stating that a foreign work should not be protected in the U.S. if it is not protected in its country of origin, absent an international obligation to do so).

¹⁵²³ *Voda, M.D. v Cordis Corp.*, 476 F.3d 887, 904 (Fed. Cir. 2007). But see *Mannington Mills, Inc. v Congoleum Corp.*, 595 F.2d 1287, 1284 (3rd Cir. 1979) (“the grant of patents for floor coverings is not the type of sovereign activity that would be of substantial concern to the executive branch in its conduct of international affairs . . . the granting of patents per se, in substance a ministerial activity, is not the kind of government action contemplated by the act of state doctrine . . .”).

¹⁵²⁴ *Fairchild Semiconductor Corp. v Third Dimension (3D) Semiconductor, Inc.*, 589 F.Supp.2d 84 (D.Me. 2008) (“Both parties agree, as they must, that Chinese law governs the scope and interpretation of the Chinese patent claims.”).

¹⁵²⁵ *Saregama India Ltd. v Mosley*, 635 F.3d 1284, 1290-1292 (11th Cir. 2011) (holding that Indian law governs the determination of initial copyright ownership because the works were created in India); *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998); *Lahiri v Universal Music & Video Distrib., Inc.*, 513 F.Supp.2d 1172, 1176 fn 4 (C.D.Cal.2007) (“Initial ownership of a copyrighted work is determined by the laws in the work’s country of origin.”); *Rudnicki v WPNA* 1490 AM, 2009 WL 4800030 (N.D.Ill. 2009) (applying Polish law to determine ownership of works created by a Polish national while he was residing in Belgium, broadcast in Poland and intended for public consumption in Poland, and allegedly infringed in the United States because Poland was the country with the closest relationship to the works, and applying U.S. copyright law to infringement issues); *Sadhu Singh Hamdad Trust v Ajit Newspaper Advertising, Marketing and Communications, Inc.*, 503 F.Supp.2d 577 (E.D.N.Y. 2007) (“where the disputed work was created by Indian nationals and first published in India, the Court turns to Indian law to determine if plaintiff properly owned a copyright for the Ajit logo and masthead in India.”).

to the individual articles or only a right to their compilation. The courts have been divided on the proper choice of law rule to determine the nature of the initial ownership interest of co-owners. Two different district courts came to different conclusions with respect to the question whether a worldwide licence granted by one co-owner that is asserted as a defence in an infringement action brought by the other co-owner that did not grant a licence, should be characterised as a property issue governed by *lex originis* (U.S. law), which applies even in relation to foreign infringements, or as an infringement issue governed by the different foreign *lex loci delicti*.¹⁵²⁶

When it comes to questions of transferability, trademark assignment issues appear to be characterised as property issues governed by the law that created the property right.¹⁵²⁷ The bundle theory informs that a trademark has a separate legal existence under each country's law, and exists in each country solely according to that country's laws.¹⁵²⁸ The same must hold true for patents as well. The courts have not always been consistent with respect to the question how to characterise the transferability of copyright.¹⁵²⁹ Some courts, implicitly viewing copyright as *droit acquis*, seem to have characterised copyright assignments as a property issue governed by the law of the country of origin.¹⁵³⁰ Other courts seem to have characterised assignability as a copy-

¹⁵²⁶ Compare *Levitin v Sony Music*, 101 F.Supp.3d 376, 386 (S.D.N.Y. 2015) (“The question before the Court is not one of ownership, but rather of infringement. And the question of infringement is answered in accordance with the laws of the country of infringement.”) with *Corbello v DeVito*, 844 F.Supp.2d 1136, 1157 (D.Nev. 2012), rev'd on other grounds by 777 F.3d 1058 (9th Cir. 2015) (holding “for the purposes of an infringement action, licensing is more akin to ownership than infringement” and therefore governed by the law of the country with the most significant relationship to the work).

¹⁵²⁷ See *The Topps Co., Inc. v Cadbury Stani S.A.I.C.*, 526 F.3d 63 (2nd Cir. 2008) (applying Argentine trademark law to determine whether Argentine trademarks could be assigned in gross regardless of choice of law clause pointing to New York law); *Federal Treasury Enterprise Sojuzplodoimport v SPI*, 726 F.3d 62, 72 (2nd Cir. 2013) (applying U.S. law to determine validity of an assignment of a U.S. trademark regardless of the fact that the assignment was made abroad between foreign parties).

¹⁵²⁸ *The Topps Co., Inc. v Cadbury Stani S.A.I.C.*, 526 F.3d 63, 70 (2nd Cir. 2008) (“The principle of territoriality is fundamental to trademark law. A trademark has a separate legal existence under each country's laws, and trademark rights exist in each country solely according to that nation's laws.”).

¹⁵²⁹ The *Itar-Tass* court explicitly stated that it did not need to consider the law applicable to copyright assignments. See *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 91 fn 11 (2nd Cir. 1998) (“In deciding that the law of the country of origin determines the ownership of copyright, we consider only initial ownership, and have no occasion to consider choice of law issues concerning assignment of rights.”).

¹⁵³⁰ See *Saregama India Ltd. v Mosley*, 635 F.3d 1284, 1292 (11th Cir. 2011) (applying the law of the country of origin of the work (Indian law) to determine the validity of an assignment made abroad between foreign parties, of a work alleged infringed in the U.S., although noting that the result would be the same under U.S. law); *Fahmy v Jay-Z*, 788 F.Supp.2d 1072 (C.D. California 2011) (applying Egyptian law as the law of the country of origin to deter-

right issue governed by U.S. law if the work is exploited in the U.S.¹⁵³¹ In other cases, at least where the issue of the possible restraints on alienation under foreign copyright law was not explicitly raised, the courts have characterised copyright assignments as a contract issue governed by the law of the contract.¹⁵³² In any case, U.S. law governs whether a party that has been granted an assignment has acquired sufficient rights for standing to sue for infringement of the U.S. right.¹⁵³³ It is not clear whether this follows from the

mine whether the right to create derivative works could be transferred to determine whether U.S. licence was a defence to infringement of the work in the U.S.). In general, those advocating a *lex originis* approach to ownership and assignability prioritise the interest of the state where the work was created in regulating the conditions for the labour market as well as the interest in facilitating the international dissemination of the work. See Patry 2000 p. 432-438 (discussing the *laissez faire* approach to transferability in the U.S., which favours the international dissemination of works); Austin 2005:1 p. 919-921 (in favour of the most significant relationship test for copyright ownership because it is “sensitive to the role of nation states in determining the real life societal contexts in which intellectual property is created.”); Ginsburg 2000 p. 285 (in favour of the most significant relationship test for copyright ownership because it facilitates licensing and because that country has greatest interest in application of its law).

¹⁵³¹ See *Corcovado Music Corp. v Hollis Music, Inc.*, 981 F.2d 679, 861 (2d Cir. 1993) (applying U.S. law to determine the requirements for assignability of the U.S. copyright made abroad by Brazilian parties under a Brazilian contract); Torremans & Castrillón 2012 p. 86 fn 56 (interpreting the *Corcovado Music* court to classify the question of assignability of a copyright as a question of substantive copyright law governed by the *lex protectionis*); *Radio Television Espanola S.A. v New World Entertainment, Ltd.*, 183 F.3d 922, 926 fn 3 (9th Cir. 1999) (“Neither party disputes that United States law applies to this case because, even though the alleged transactions took place in Spain, the copyrights involved are United States copyrights.”); *Ibid.* (The court held that the assignment was invalid under U.S. law for failure to comply with the requirement of a written assignment); *Dish Network L.L.C. v TV Net Solutions, LLC*, 2014 WL 6685366 (M.D. Fla. 2014) (applying U.S. copyright law to determine the effectiveness and validity of an assignment of the U.S. copyright made abroad between foreign parties concerning foreign works because the U.S., as the country of exploitation, had the most significant relationship).

¹⁵³² See *Yount v Acuff Rose-Opryland*, 103 F.3d 830 (9th Cir. 1996) (characterising the assignment of foreign copyrights as “purely an issue of contract law.”); *Bartsch v Metro-Goldwyn-Mayer, Inc.*, 391 F.2d 150 (2d Cir. 1968) (characterising an assignment of the worldwide motion picture rights as a contract law question). See also Patry 2000 p. 430-438; Geller 2004 p. 366-374.

¹⁵³³ *Itar-Tass Russian News Agency v Russian Kurier, Inc.*, 153 F.3d 82, 90 (2nd Cir. 1998) (“Under United States law, an owner (including one determined according to foreign law) may sue for infringement in a United States court only if it meets the standing test of 17 U.S.C. § 501(b), which accords standing only to the legal or beneficial owner of an ‘exclusive right.’”); *Federal Treasury Enterprise Sojuzplodoimport v SPI*, 726 F.3d 62, 72 (2nd Cir. 2013) (holding that U.S. law determines whether The Russian Federation had granted FTE sufficient rights for it to be characterised as an “assign” or “legal representative” with standing to sue under the U.S. Trademark Act); *Saregama India Ltd. v Mosley*, 635 F.3d 1284, 1290-91 (11th Cir. 2011) (“[Plaintiff] still must meet the statutory standing requirement contained in the Copyright Act of 1976, 17 U.S.C. § 501(b), which provides that only the

fact that the issue is characterised as an infringement issue governed by the *lex protectionis* or the *lex loci delicti* or because it is characterised as procedural and the forum always applies its own procedural law.¹⁵³⁴ The most significant relationship rule or the country of origin rule may also be relevant to determine certain issues concerning the ownership of industrial property rights registered in the U.S. by a foreign party when the issue arises in an infringement action.¹⁵³⁵ Ownership of IP rights arising under contract is governed by state choice of law rules (e.g. New York) on contracts (*lex contractus*).¹⁵³⁶

Summing up, under EU law, the connecting factor to determine the applicable law to the non-contractual obligations arising from the infringement of IP rights is “the country for which protection is claimed.” This is a subjective connecting factor that depends on the plaintiff’s statement of claim and not on the forum’s localisation of the infringing act. It is not completely clear whether the connecting factor refers to the country for which the plaintiff claims to have an IP right that protects it against infringements (i.e. the country of registration or protection) or the country for whose territory the plaintiff seeks protection against alleged infringements. It is arguable that at least with respect to copyright, the plaintiff is required to specify the countries for

legal or beneficial owner of an “exclusive right” has standing to bring a copyright infringement action in a United States court.”).

¹⁵³⁴ Geller 2004 p. 358 fn 196 (“It is unsettled whether standing to sue on copyright is a procedural issue, typically subject to the law of the forum, or a substantive issue, subject to the law of the protecting country.”). But see Patry 2000 p. 431 (maintaining that standing is a procedural issue and falls outside the conflicts analysis); Itar-Tass Russian News Agency v Russian Kurier, Inc., 153 F.3d 82, 90 (2nd Cir. 1998) (“Selection of Russian law to determine copyright ownership is, however, subject to one procedural qualification.”). The question whether a licensee that would have the right to bring an infringement action under the foreign *lex loci delicti* but who would not have a right under the U.S. *lex fori*, would have standing to bring an action before a U.S. court for an infringement abroad has not been settled. See section 53b Swedish Copyright Act (1960:729) (stating that licensee may bring an action for an injunction to stop an infringement) with 17 U.S.C. 501(b) (stating that only the owner of an exclusive right under a copyright is entitled to institute an action for infringement).

¹⁵³⁵ See Federal Treasury Enterprise Sojuzplodoimport v SPI, 726 F.3d 62, 72 (2nd Cir. 2013) (“Itar–Tass supports plaintiffs’ view that Russian law may be relevant to this dispute. But Russian law is only relevant in helping to determine the relationship between [the Government chartered entity] and the Russian Federation [the registered owner] vis-a-vis the Marks.”). There is some support for the proposition that a country of origin rule may also determine who is considered to be an inventor. Chou v University of Chicago, 254 F.3d 1347, 1360 (Fed. Cir. 2001) (stating that “inventorship . . . normally follows the inventorship designation in the originating country.”).

¹⁵³⁶ See e.g. Jim Arnold Corp., 109 F.3d 1567 (Fed. Cir. 1997) (holding that the question who owns the patent rights and on what terms pursuant to an assignment agreement does not arise under the patent act but under state contract law); T. B. Harms Co. v ELISCU, 339 F.2d 823 (2nd Cir. 1964) (holding that the question whether copyright ownership had been assigned by contract was a question of contract interpretation under state contract law).

whose territory protection is claimed, giving the principle of territoriality restrictive effect at the choice of law level. In most cases, it will not make any difference in substance because of the territorial nature of IP rights. There are no alternative connecting factors or escape clauses, not even for ubiquitous infringements.

It is unclear whether preliminary questions concerning the existence (e.g. copyrightability) and scope of the IP right that arise in an infringement dispute are characterised as infringement issues and fall within the scope of the Rome II Regulation. This has significance primarily for copyright where some Member States employ the *lex origins* as a connecting factor instead of the *lex protectionis*. This is not permissible in relation to EU authors and works if it leads to less protection, but it might be possible in relation to third state authors and works.

Under U.S. law, the connecting factor traditionally used to determine the applicable law to the non-contractual obligations arising from the infringement of IP rights is the existence of a U.S. (federal) IP right that is alleged infringed. Pursuant to this choice of law method, the principle of territoriality has a limiting effect first at the substantive law level when the court determines the territorial scope of the U.S. IP law. This choice of law rule operates unilaterally in that it leads only to the application of U.S. and not foreign law.

The U.S. courts have developed bilateral choice of law rules for copyright infringement where the connecting factor is generally the *lex loci delicti*, although the rule is likely to be applied in the context of a broader interest analysis where the court evaluates the country with the greatest interest in the application of its copyright law. In the event of an ubiquitous infringement, the courts can fashion a flexible rule under the modern interest analysis methods taking into account the different state and private interests. It is unclear whether preliminary questions concerning the existence (e.g. copyrightability) and scope of the IP right that arise in an infringement dispute are characterised as infringement issues or property issues. If they are characterised as property issues, the connecting factor is the country with “the most significant relationship” or “country of origin”.

Party Autonomy

In the *European Union*, the choice of law rule for IP infringements in the Rome II Regulation does not allow for party autonomy, unlike the Regula-

tion's general tort rule.¹⁵³⁷ Article 8(3) specifically states that the law applicable under article 8 may not be derogated from by agreement of the parties. The Commission's proposal states that "Freedom of will is not accepted, [] for intellectual property, where it would not be appropriate."¹⁵³⁸ The Commission's position can be traced back to the Hamburg Group for Private International Law's submission on the Rome II proposal, which maintained that party autonomy should not be allowed because public interests are involved.¹⁵³⁹ The reason seems to be that substantive IP law serves important public goals, which in the Commission's view should not be subjected to an individual choice of law made by the parties.¹⁵⁴⁰ In addition, the spatial limitations on the rights conferred under IP law is used as an explanation why parties may not agree on choice of law, presumably because the rules governing infringements are assumed to be overriding mandatory rules of law.¹⁵⁴¹ The limitation on party autonomy in Rome II with respect to the non-contractual obligations arising from IP infringement has been criticised, in particular to the extent that it limits the parties from agreeing on the law that would apply to the damages.¹⁵⁴²

¹⁵³⁷ Article 8(3) and article 14 Regulation 864/2007.

¹⁵³⁸ COM (2003) 427 p. 20.

¹⁵³⁹ van Engelen 2005 p. 446; Boschiero 2007 p. 92-93. See also Hamburg Group 2002 p. 38 ("However, the parties' choice should be without effect where public interests are or may be involved. This concerns competition law, which always aims at the protection of certain markets, not only in the interest of the market actors, but also with a view to the public good. Similar considerations apply to the infringement of industrial and intellectual property rights due to their territorial scope and to the protection of the environment which usually pursues some public interests beyond the protection of the landowners who are directly affected.").

¹⁵⁴⁰ Plender & Wilderspin 2015 p. 690 (the reason for no party autonomy is presumably the public law nature of the rights involved); Hellner 2014 p. 186 (stating that states have strong interests in IP rights); Petz 2012 p. 248 (stating that the preservation of the varying policy considerations upon which different states grant IP rights weigh more than party autonomy); Fawcett & Torremans 2011 p. 817 ("National law has an interest in the intellectual property right and allowing the parties to choose another law would harm that interest and could potentially affect the right as such."); von Hein 2008 p. 1693 ("The obvious reason is that in these cases, the respective substantive laws are not only intended to ensure adequate compensation for the individual victim, but also to serve important public goals, such as maintaining free markets, which must not be subjected to an individual choice of law made by the parties.").

¹⁵⁴¹ See Hellner 2014 p. 186 (stating that it would be strange if parties could agree on the applicability of a country's IP law, which according to its own spatial limitations did not claim applicability); Hahn & Tell 2005 p. 12 (stating that parties should not be allowed to choose the law of a country in which the IP right at issue is not protected by the law of that country).

¹⁵⁴² See e.g. Kramer 2008 p. 422 (stating that "the principle of territoriality is somewhat outdated and an average IP infringement does not differ substantially from any other type of tort" and therefore party autonomy should be allowed); van Engelen 2005 p. 446 (arguing that public interests may be better served by restraining party autonomy only by competition law and public policy exceptions); de Boer 2007 p. 26 (stating that there are no good reasons why questions such as who can be liable, the limitation or division of liability or the nature and

In many Member States, the view seems to prevail in the legal doctrine that party autonomy to choose the law applicable to regulate the IP right as such is also excluded under the national Member State choice of law rules (as discussed, questions concerning the right as such may fall outside the scope of the Rome II Regulation).¹⁵⁴³ In Germany, the Supreme Court explicitly held in the *Spielbankaffaire* case that “the parties are not entitled to choose the legal system that determines the protective effect of intellectual property rights.”¹⁵⁴⁴ In Sweden, Strömholm rejects party autonomy over choice of law in copyright infringement disputes on the basis that it would violate Sweden’s obligation under the national treatment provision of the Berne Convention to apply domestic law to foreign nationals.¹⁵⁴⁵ In addition, he observes that many of the provisions on exceptions and limitations in the Swedish copyright act are overriding mandatory rules that may not be set aside by contract.¹⁵⁴⁶

However, the situation is not clear in all Member States. van Engelen reports that in a Dutch case prior to Rome II, Dutch parties were allowed to agree on application of Dutch law to infringements taking place in Netherlands and China.¹⁵⁴⁷ Ancel maintains that under French common law, party autonomy would be permissible with respect to the law applicable to the infringement, although she maintains that there is no known actual case where this has occurred.¹⁵⁴⁸ It is not clear however whether these authors mean that party autonomy would be permissible to determine the right as such or only the non-contractual obligations arising from the infringement, the latter of which is now clearly prohibited under article 8 Rome II. In light of the fact that

measure of damages should not be subject to party autonomy); Leistner 2009 p. 105-106 (submitting that the parties should be able to choose the law applicable to the remedies).

¹⁵⁴³ Petz 2012 p. 248 (stating that it seems generally accepted that party autonomy is excluded for the right as such under the Austrian PIL Act); De Miguel Asensio 2012 p. 993 (stating the Spanish IP choice of law rule is mandatory and party autonomy is not allowed); Hausmann 2003 p. 285 (stating that the territoriality principle bars party autonomy for IP disputes); Strömholm 2001 p. 219-221, 233 (finding that the strongest argument against party autonomy over choice of law in copyright infringement disputes is the national treatment obligation to apply domestic law to foreign nationals).

¹⁵⁴⁴ *Spielbankaffaire* (unreported), German Federal Court of Justice, 2 October 2 1997, IIC 1999, 30(2), 227.

¹⁵⁴⁵ Strömholm 2001 p. 220-221, 233.

¹⁵⁴⁶ Strömholm 2001 p. 220.

¹⁵⁴⁷ See van Engelen 2012 p. 866-67 (citing Dutch case prior to Rome II where Dutch parties were allowed to agree on application of Dutch law to infringements taking place in Netherlands and China. He states that this will not be available under Rome II, at least for questions falling within the scope of Rome II).

¹⁵⁴⁸ Ancel 2012 p. 567 (stating that in field of copyright (where national PIL rules apply) the possibility to choose the applicable law remains).

party autonomy is limited in the EU, the question whether parties may chose a law that is then applied outside of its territorial substantive scope of application does not seem to have arisen in the context of a transborder infringement dispute.¹⁵⁴⁹

In the *United States*, there appears to be only one U.S. district court decision that has specifically addressed the question whether parties may agree on the law applicable to copyright infringement.¹⁵⁵⁰ In that case, a U.K. company licensed the use of its copyrighted works to a U.S. company for use in the U.S. After the U.S. company exceeded the scope of the licence agreement, the U.K. company brought an infringement action in federal court under U.S. copyright law. The U.S. company objected to the application of U.S. copyright law because the parties had agreed on U.K. law in the licence agreement. The court upheld the choice of law clause in the licence agreement designating U.K. law, thereby precluding the right holder from bringing its claim under U.S. copyright law. The court followed the standard set out by the Supreme Court in *The Bremen v Zapata Off-Shore Co.* as interpreted by the Second Circuit with respect to choice of law clauses.¹⁵⁵¹ Applying this standard, the court upheld the choice of law clause because the right holder challenging the clause failed to demonstrate that U.K. law would not adequately vindicate the public interests underlying U.S. copyright law or that it would be deprived of any remedy.¹⁵⁵²

In *The Bremen v Zapata Off-Shore Co.*, the Supreme Court held that choice of forum agreements should be enforced in international transactions in the absence of a clear showing that its enforcement would contravene a strong U.S. public policy.¹⁵⁵³ The federal courts of appeal have applied this standard

¹⁵⁴⁹ See generally *De Nova* 1973-76 (regarding self-limiting rules and party autonomy).

¹⁵⁵⁰ *Metal Bulletin Ltd v Scepter, Inc.*, 2016 WL 3461331 (S.D.N.Y. 2016). See also Ginsburg 2000 p. 282 (“The U.S. courts have not addressed the question whether parties to a contract may opt out of territoriality, and into one particular municipal copyright law to govern non-contractual issues, although they have generally considered copyrightability and infringement issues to be especially territorial.”).

¹⁵⁵¹ See *The Bremen v Zapata Off-Shore Co.*, 407 U.S. 1 (1972); *Roby v Corporation of Lloyd’s*, 996 F.2d 1353 (2nd Cir. 1993).

¹⁵⁵² *Metal Bulletin Ltd v Scepter, Inc.*, 2016 WL 3461331 (S.D.N.Y. 2016) (“It is not enough for *Metal Bulletin* to establish that United States copyright law implicates important public policy interests or that enforcing the choice-of-law clause would result in forfeiture of certain statutory remedies. In addition, *Metal Bulletin* has to show that the remedies available to it under English law are inadequate to vindicate the public policy interests underlying United States copyright law or that there is a “danger that [it] ‘will be deprived of any remedy or treated unfairly.’””).

¹⁵⁵³ *The Bremen v Zapata Off-Shore Co.*, 407 U.S. 1 (1972). See also *Scherk v Alberto-Culver Co.*, 417 U.S. 506 (1974) (“[a] contractual provision specifying in advance the forum in which disputes shall be litigated and the law to be applied is ... an almost indispensable

to choice of law agreements in international transactions where the parties have agreed to the application of foreign law where U.S. federal law would otherwise apply.¹⁵⁵⁴ With respect to the federal securities law and the RICO Act, the federal courts have held that a choice of law agreement does not contravene a strong U.S. public policy, even if it leads to the non-application of U.S. law, provided the chosen law provides an adequate remedy and can vindicate U.S. interests.¹⁵⁵⁵ It is implicit however that a choice of law agreement would not be upheld if the foreign law did not offer any comparable protection because this would obstruct U.S. public policy.¹⁵⁵⁶ U.S. law does not demand mandatory application if the chosen foreign law serves U.S. interests. The U.S. courts have been willing to uphold choice of law agreements referring to foreign law even in the face of an explicit provision in the federal Securities Act that provides that all agreements that bind a person to waive compliance with the U.S. securities law are void.¹⁵⁵⁷

precondition to achievement of the orderliness and predictability essential to any international business transaction.”); *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614 (1985) (upholding agreement to arbitrate all claims arising under distributorship agreement including claims arising under U.S. antitrust laws).

¹⁵⁵⁴ Buxbaum 2007 p. 30-35 (discussing the Lloyd’s cases). See *Haynsworth v. The Corporation*, 121 F.3d 956 (5th Cir. 1997); *Richards v. Lloyd’s of London*, 135 F.3d 1289 (9th Cir. 1998); *Allen v. Lloyd’s of London*, 94 F.3d 923 (4th Cir. 1996); *Shell v. R.W. Sturge, Ltd.*, 55 F.3d 1227 (6th Cir. 1995); *Bonny v. Society of Lloyd’s*, 3 F.3d 156 (7th Cir. 1993); *Roby v. Corporation of Lloyd’s*, 996 F.2d 1353 (2nd Cir. 1993); *Riley v. Kingsley Underwriting Agencies, Ltd.*, 969 F.2d 953 (10th Cir. 1992), *cert. denied*, 506 U.S. 1021 (1992).

¹⁵⁵⁵ See e.g. *Richards v. Lloyd’s of London*, 135 F.3d 1289 (9th Cir. 1998) (“we are satisfied that several remedies in England vindicate plaintiffs’ substantive rights while not subverting the United States’ policies of insuring full and fair disclosure by issuers and deterring the exploitation of United States investors.”). See also Buxbaum 2002 p. 956-962 (stating that the focus is on the “substantive comparability of the relevant laws”); McConaughay 1999 p. 280-282 (observing that the choice of law is upheld so long as the substituted law “vindicates” similar rights and does “not subvert” the general policy of the displaced law).

¹⁵⁵⁶ See *Mitsubishi Motors Corp. v. Soler Chrysler-Plymouth, Inc.*, 473 U.S. 614, 637 fn 19 (1985) (“We merely note that, in the event the choice-of-forum and choice-of-law clauses operated in tandem as a prospective waiver of a party’s right to pursue statutory remedies for antitrust violations, we would have little hesitation in condemning the agreement as against public policy.”); *Richards v. Lloyd’s of London*, 135 F.3d 1289 (9th Cir. 1998) (stating that English law provides the Names with sufficient protection but that it would subject the choice clauses to another level of scrutiny if English law was so deficient that the Names would be deprived of any reasonable recourse).

¹⁵⁵⁷ See e.g. *Roby v. Corporation of Lloyd’s*, 996 F.2d 1353 (2nd Cir. 1993). See also Buxbaum 2007 p. 31 (stating that U.S. courts seem to be foregoing the application of forum mandatory rules, deferring instead to party-chosen law in international contract disputes); Guzman, 2002 p. 914 (suggesting that “parties should be permitted to choose from the law of any jurisdiction or even to agree on a set of custom rules to govern the transaction entirely through contract”).

The Supreme Court's standard in the Bremen case as applied to choice of law is congruent with the position under the Restatement (Second) of Conflict of Laws. Pursuant to the Restatement, the parties' choice of law will be respected unless it would be contrary to a fundamental policy of a state which has a materially greater interest than the chosen state and whose law would otherwise be applicable in the absence of an effective choice of law by the parties.¹⁵⁵⁸ In addition, the Restatement specifies that the choice of law will not be respected if "the chosen state has no substantial relationship to the parties or the transaction and there is no other reasonable basis for the parties' choice."¹⁵⁵⁹

While court practice suggests that the courts will take a liberal view towards choice of law agreements in IP disputes, there is reason to question whether it will extend to choice of law agreements encompassing the right as such, especially if it leads to greater protection than the otherwise applicable law.¹⁵⁶⁰ U.S. IP rights are created in the interest of the public.¹⁵⁶¹ IP rights can be contracted away but they cannot be created or their duration extended by contract.¹⁵⁶² This does not necessarily mean that a choice of law agreement governing the IP right as such would be invalid *per se*, especially where the parties' interest in legal certainty, predictability and efficiency may weigh more heavily than the states' interest in the application of their laws, such as in the case of ubiquitous infringements and worldwide licences.¹⁵⁶³ The fed-

¹⁵⁵⁸ Restatement (Second) of Conflict of Laws § 187(1-2).

¹⁵⁵⁹ Restatement (Second) of Conflict of Laws § 187(2)(a).

¹⁵⁶⁰ See ALI § 302(2), cmt. a & illus. 1 (stating that party agreement cannot create IP protection in jurisdictions where none exists); Baldia 2013 p. 37 ("While courts in many jurisdictions do recognize and enforce choice of law provisions with respect to resolving contract terms and obligations under *lex contractus* principles, disputed issues between contract parties that relate to the nature and scope of IP rights themselves (such as registration, existence, initial ownership, validity, attributes, transferability, duration, infringement, remedies, or effects against third parties of IP rights, whether or not registered) remain largely subject to the IP laws of implicated jurisdictions under *lex protectionis* principles because of the "territorial" legal nature of IP rights.").

¹⁵⁶¹ Patry 2000 p. 427 ("The decision whether to protect certain subject matter or assign ownership rights to one person versus another is a fundamental legislative policy that should not be subject to manipulation by the parties. Unlike other forms of property, copyright (at least in the United States) is not granted for the benefit of private parties; rather, as the Supreme Court has held, 'the limited grant is a means by which an important public purpose may be achieved'. This public, instrumental goal should not be defeated by contract.").

¹⁵⁶² See *Kimble v Marvel Entertainment, LLC*, 135 S.Ct. 2401 (2015) (holding that a contract provision that extends the term of patent protection beyond its date of expiration is unenforceable); *Deprenyl Animal Health, Inc. v University of Toronto Innovations Foundation*, 297 F.3d 1343 (Fed. Cir. 2002) ("As with other property rights, patent-related rights can be contracted away.").

¹⁵⁶³ See Restatement (Second) of Conflict of Laws § 187(2)(b) ("application of the law of the chosen state would be contrary to a fundamental policy of a state which has a materially

eral courts tend to favour a case-by-case resolution of the limits on party autonomy.¹⁵⁶⁴ Thus, the enforcement of the choice of law clause will likely depend upon the substantive content of the chosen law, and whether it furthers or obstructs the public policy of the state whose law would otherwise apply.

It is unclear whether parties would be allowed to choose the law applicable to a patent or trademark infringement dispute in light of the purported state interests in the dispute. This issue has almost never arisen in U.S. practice. In one case, however, where the issue was tangentially raised, the court stated that Chinese law must govern the scope and interpretation of the Chinese patent claims, and that to the extent that the choice of law clause in the licence agreement could be read to state otherwise, it was unenforceable.¹⁵⁶⁵

Assuming that parties agree on the application of U.S. federal copyright law to govern a dispute that would otherwise be governed by foreign copyright law, the question arises whether a federal court would have subject matter jurisdiction. In other words, can the dispute be said to arise under the federal Copyright Act for the purpose of establishing federal court jurisdiction? This is unlikely as parties cannot consent to subject matter jurisdiction.¹⁵⁶⁶ It is possible that the choice of law clause might not be enforced in the first place unless at least one infringing act can be localised in the U.S. territory because otherwise the U.S. has no substantial relationship with the transaction.¹⁵⁶⁷ However, if both parties are U.S. citizens and residents, U.S. law might be found to have a substantial relationship to the parties, thereby providing a reasonable basis for the parties' choice. In such an odd case, it is possible that the choice of law clause may be enforced. However, unless diversity jurisdiction exists, the dispute may have to be litigated in state court.

Summing up, under EU law, there is a categorical exception to party autonomy for non-contractual obligations arising from the infringement of IP rights in order to respect state interests in the application of their IP laws to

greater interest than the chosen state in the determination of the particular issue and which, under the rule of s 188, would be the state of the applicable law in the absence of an effective choice of law by the parties.”).

¹⁵⁶⁴ See Borchers 2008 p. 1647 (“Exceptions to party autonomy in the United States are generally not of the categorical type.”).

¹⁵⁶⁵ See *Fairchild Semiconductor Corp. v Third Dimension (3D) Semiconductor, Inc.*, 589 F.Supp.2d 84, 95 fn 76 (D.Me. 2008).

¹⁵⁶⁶ *Zenger-Miller, Inc. v Training Team GmbH*, 757 F.Supp. 1062, 1069 (N.D. Cal. 1991) (stating that subject matter jurisdiction cannot be consented to by the parties because it relates to the court's inherent power to hear and decide the case).

¹⁵⁶⁷ See Restatement (Second) of Conflict of Laws § 187(2)(a).

achieve public goals. In the U.S., party autonomy with respect to copyright infringements will likely depend on a case-by-case determination of whether the chosen law furthers or obstructs the public policy of the state whose law would otherwise apply.

Mandatory Application of Domestic Law and Displacing the Otherwise Applicable Foreign Law

In the *European Union*, the Rome II Regulation does not restrict the application of the overriding mandatory rules of the forum, even if another law would be applicable under the Regulation. It is often maintained that IP laws (or at least certain provisions thereof) may fall within the category of mandatory rules because of their importance for national economic, cultural and innovative policies.¹⁵⁶⁸ While not every rule of IP law is a rule of overriding mandatory law, it would seem that those provisions that define when an IP right granted or protected on the domestic territory has been infringed in the territory are mandatory because these provisions regulate competition on the domestic market.¹⁵⁶⁹ Moreover, these rules that regulate competition (e.g. the unlawfulness of the alleged infringing act) are typically explicitly or implicitly spatially limited to the domestic territory, which is a typical characteristic of overriding mandatory rules.¹⁵⁷⁰

Forum overriding mandatory rules have not played a significant role in transborder IP infringement dispute.¹⁵⁷¹ This is because for most IP disputes,

¹⁵⁶⁸ Fawcett & Torremans p. 666-667, 822-828 (stating that the concept of mandatory rules comes into play in IP cases because of the links between IP law and competition law and because IP law is spatially limited); Levin 2011 p. 193 (discussing mandatory rules in Swedish and EU law); Fentiman 2005 p. 132.

¹⁵⁶⁹ Fawcett & Torremans 2011 p. 824 (maintaining that if an UK IP right is alleged infringed in England, the UK statutory provisions on IP law will apply as mandatory law regardless of the fact that the choice of law rules might lead to another country's law); Cornish 1996 p. 288 (stating that the characterisation of IP rights as being purely territorial, giving rise to local rather than transitory actions, and their importance of national economic interests indicate that IP rules are mandatory rules); Strömholm 2001 p. 218-220 (stating that many provisions of the Swedish Copyright Act contain rules on social conduct and it would be inappropriate and unreasonable not to apply them in situations where they claim applicability).

¹⁵⁷⁰ Compare Hellner 2004 p. 208 (stating that most if not all spatially limited rules are internationally mandatory rules) with Guedj 1991 p. 668 (stating that not all spatially limited rules are necessarily mandatory rules).

¹⁵⁷¹ See Hellner 2014 p. 268 (stating that in tort cases the applicable law coincides with the country that can have an interest in the application of its mandatory rules); Fawcett & Torremans 2011 p. 822 (stating that there is a lack of authority in relation to mandatory rules of the forum in tort cases because under the English common law choice of law rules there was an automatic reference to English law).

the tangible act and the IP impairing effects take place in the same Member State, and the dispute is usually adjudicated in that Member State where the IP right is granted or protected and alleged infringed. In these cases, the forum law would be the applicable law as the country for which the right holder claims protection and in which the infringement allegedly occurs, which would coincide with the overriding mandatory rules of the forum Member State.

It is unclear whether forum overriding mandatory law would operate to deny recovery where a foreign right is alleged infringed as a result of a tangible act in a forum Member State. Assume that a right holder holds a patent registered in a third state for a communication system. The right holder brings an action before a Member State court claiming that its third state patent is being infringed in the third state because the defendant is using the patented invention in the third state where the defendant's customers benefit from the system. The right holder requests that the court order the defendant to cease using its invention in the third state and award damages. Pursuant to article 8 of Rome II, the law of the third state is the applicable law. Assume however that the defendant operates the accused system using tangible components (e.g. a server) in the forum Member State, and the infringing act under forum Member State patent law would be localised in the forum if the right holder held a patent in the forum Member State. Here the question arises whether these provisions of forum law would have overriding effect denying recourse to the otherwise applicable third state law.

The argument has been made that the forum law must apply as overriding mandatory law because otherwise there would be two IP rights competing in one state, which would be contrary to the principle of national treatment.¹⁵⁷² From a UK perspective, Fawcett and Torremans argue however against the mandatory application of forum (UK) law in such a case because the intent of the legislator is only that forum law apply when a forum right is infringed in the forum. They submit that the territorial link with the forum is not sufficient when a foreign right is alleged infringed in the forum to mandate the overriding application of forum law.¹⁵⁷³ It is submitted that the determining factor should be whether the application of foreign law would impair or frustrate the policy behind the forum law. If the court determines that the forum Member State's public interest is at stake because actors in the forum Member State market will be prohibited from carrying out activities in that market that are otherwise legal and which would affect competition on the Member State market, the forum Member State IP law should have overriding effect.

¹⁵⁷² Fawcett & Torremans 2011 p. 827 (referring to the view of Beatson, Supplementary Memorandum in HL paper 36 1995).

¹⁵⁷³ Fawcett & Torremans 2011 p. 827.

On the other hand, if the third state law can apply to prohibit the defendant from targeting the third state without having any effect on the Member State market, the Member State forum law should not have overriding effect.¹⁵⁷⁴

The opposite situation is whether forum overriding mandatory law would operate to deny recovery where a foreign IP right is alleged infringed pursuant to a tangible act in a third state whose law is otherwise applicable under the choice of law rules but where the exploitation of the IP right has IP impairing effects in the forum Member State. Assume that a lawful acquirer of a computer program stores a copy on a cloud server located in a third state that the lawful acquirer accesses in the forum Member State. The right holder claims to hold a copyright to the computer program protected under the law of the third state, which it claims is infringed in that third state where the lawful acquirer makes and uses a copy of the program. Pursuant to article 8 of Rome II, the law of the third state is the applicable law as the country for which protection is claimed. Assume that unlike forum Member State law, the law of the third state does not contain an exception for making a back-up copy or the right to use a copy to observe, study or test the functioning of the program.¹⁵⁷⁵ Assume also that pursuant to the forum Member State copyright law, the relevant copyright act (i.e. the copying) is localised in the forum Member State where the lawful user accesses the program. The question arises whether the exceptions contained in the forum Member State law would have overriding effect denying recourse to the otherwise applicable third state law. Here an argument can be made that allowing two IP rights to compete in the territory of the forum Member State would be contrary to the Member State public interest because it would affect competition on the forum Member State market.

It is also possible that the overriding mandatory rules of the forum Member State could operate to provide recovery even though this is not provided for under the applicable law. Fawcett and Torremans submit that the remedy of injunctive relief that is included in all Member States' IP laws pursuant to the Enforcement Directive and TRIPS is a basic minimum standard that would arguably be applied by a forum Member State court even if the sanction did not exist in the applicable law.¹⁵⁷⁶ Another possibility where the

¹⁵⁷⁴ See de Boer 2009 p. 323 (stating that a proper use of the doctrine underlying article 16 Rome II on mandatory rules precludes the application of the forum's overriding mandatory rules when the forum's public interests are not at stake).

¹⁵⁷⁵ See article 5(2) Directive 2009/24/EC (on the right to make a back-up copy); article 5(3) Directive 2009/24/EC (on the right to observe, study or test the functioning of the program); article 6 Directive 2009/24/EC (on decompilation); article 8 Directive 2009/24/EC (on the legal protection of computer programs, stating that "Any contractual provisions contrary to Article 6 or to the exceptions provided for in Article 5(2) and (3) shall be null and void.").

¹⁵⁷⁶ Fawcett & Torremans 2011 p. 818.

forum overriding mandatory law would provide for recovery not otherwise provided for under the applicable law is with respect to violations of moral rights. In the famous John Huston case concerning the TV broadcast in France of a colourised version of the epic film noir “The Asphalt Jungle”, the French Supreme Court treated the French provision on the protection of author’s moral rights as mandatory, thereby bypassing the choice of law process.¹⁵⁷⁷ The question can be raised whether the French court would have applied its provision on moral rights even if the TV broadcast had taken place outside of the French territory but the dispute had another connection to France such as a French work of origin or a French infringer.¹⁵⁷⁸

Observe however that if the dispute has a close relationship to another state (other than the forum Member State or the third state whose law is otherwise applicable under the forum’s choice of law rules), the Regulation does not authorise the forum Member State to apply the law of that state even though it mandatorily claims applicability and its application is crucial for safeguarding that state’s public interests.¹⁵⁷⁹ The Member State court will need to apply the applicable law as referenced under the Rome II Regulation.

The overriding mandatory rules of a Member State forum have played a more significant role with respect to IP contracts.¹⁵⁸⁰ Overriding mandatory provisions of IP law can have significance in a transborder IP infringement dispute where the defendant challenges the plaintiff’s right to bring an infringement claim on the ground that the plaintiff is not the right holder or a person with standing. The copyright laws of many Member States contain rules restricting the author’s ability to freely alienate his or her rights, which may not be set aside by contract, some of which may qualify as overriding

¹⁵⁷⁷ *Huston v La Société Turner Entertainment*, French Supreme Court, 28 May 1991, IIC 1992, 23(5), 702.

¹⁵⁷⁸ See Fawcett & Torremans 2011 p. 792 (stating that the grant of minimum moral rights is mandatory).

¹⁵⁷⁹ Article 16 Regulation 864/2007 does not (at least explicitly) allow the forum to take into consideration the mandatory rules of states that are not the *lex causae* or the *lex forum*. Hellner 2014 p. 270 (stating that it is not consistent with a uniform interpretation of the Rome II Regulation if some Member States applied mandatory rules of third states); de Boer 2009 p. 323-324 (stating that Rome II does not allow courts to ‘give effect’ to the mandatory rules of another jurisdiction, even if it does have a significant interest in their application, unless they are part of the law designated by one of the forum’s choice of law rules).

¹⁵⁸⁰ Garcia-Castrillón 2014 p. 428; Fawcett & Torremans 2011 p. 791-793 (discussing mandatory rules in disputes concerning the contractual exploitation of IP rights); Hellner 2014 p. 268 (stating that mandatory rules play a larger role in international contract law than international tort law); Guedj 1991 p. 697 (stating that most mandatory rules are found in the field of contracts).

mandatory rules.¹⁵⁸¹ Other possible examples of overriding mandatory law in the field of IP law are laws designed to protect the weaker party such as an author or performer's unwaivable right to an equitable remuneration or compensation and an employee's right to receive a reasonable remuneration in compensation for the patent rights transferred to the employer.¹⁵⁸²

The public policy exception provides a possibility for displacing the foreign chosen law. An example where the public policy exception might apply is if the rights conferred under the applicable foreign law apply outside of the foreign territory in violation of the territoriality principle.¹⁵⁸³ It is possible that this exception could apply if the chosen law claimed applicability in the territory of a state other than the forum state or the state protecting the IP right (like in the example above). Another example where public policy might come into play is if a provision of the otherwise applicable foreign IP law would award non-compensatory or punitive damages of an excessive nature.¹⁵⁸⁴ This could be a reason for not applying the rules on treble or statutory damages available under the U.S. trademark, copyright and patent laws.¹⁵⁸⁵ There is a larger scope of application of the public policy exception

¹⁵⁸¹ See Patry 2000 p. 432 (with other references). But see Fawcett & Torremans 2011 p. 792 (concluding that these rules are not overriding mandatory rules in the sense of the Rome I and Rome II Regulations).

¹⁵⁸² See article 5(1-2) Directive 2006/115/EC on rental right and lending right and on certain rights related to copyright in the field of intellectual property (concerning a performer's unwaivable right to an equitable remuneration for rentals); article 5(2)(b) Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society (concerning authors and related rights holders' unwaivable right to compensation under the private copying exception); Case C-277/10, Luksan, para. 105 (stating that there is nothing in Directive 2001/29 that indicates that the EU legislator envisaged the possibility of the right to the fair compensation payable to authors under the private copying exception being waived by the person entitled to it); Basedow 2013 p. 420-421 (discussing the mandatory nature of section 32b of the German Copyright Act of appropriate remuneration for the author for each utilisation of her work); section 6, para. 1 of the Swedish Act (1949:345) on the Right in Inventions by Employees; Wolk 2011 p. 289.

¹⁵⁸³ See Pertegás Sender 2002 p. 270 (stating that public order exception may apply where the law of the protecting country defies the internationally accepted views on the territorial scope of patents rights and claims extraterritorial application). Compare Cardreader case, Supreme Court of Japan, 26 September, 2002 (applying public policy defence on this ground and displacing application of rules in chosen U.S. patent law). But see Fawcett & Torremans 2011 p. 853 (stating that there is no fundamental provision of English law that is breached if the foreign applicable law claims applicability to protect a foreign right in England, and that the public policy exception should not operate). Fawcett & Torremans suggest that the public policy exception should operate if the foreign applicable law resulted in a UK right being infringed abroad. Fawcett & Torremans 2011 p. 852.

¹⁵⁸⁴ See Recital 32 Regulation 864/2007.

¹⁵⁸⁵ But see Ancel 2012 p. 542 (stating that damage awards under U.S. federal IP law do not violate French public order because they meet French standards of proportionality).

when the foreign law is the law of a third state as opposed to the relatively harmonised EU IP law.¹⁵⁸⁶

The Rome II Regulation rejects *renvoi* so there is no possibility that the chosen foreign law will be allowed to refer back to forum law (or to the law of another country).¹⁵⁸⁷ The position of *renvoi* under the Member States national rules varies, although the general trend is to disfavour *renvoi*.¹⁵⁸⁸ If the chosen foreign law contains spatially limited rules however these may be applied (or not applied) in accordance with their spatial limitations.¹⁵⁸⁹ In general, substantive IP laws are spatially limited; both with respect to who can enjoy protection (e.g. nationals and other eligible foreign nationals) and the territory on which protection is enjoyed (e.g. the protecting state's own territory). For example, assume that the Member State forum determines that Swedish copyright law is applicable to the infringement of a work on Swedish territory. If the work was not first published in Sweden or in a contracting state or Member of the international copyright conventions and the author is not a national or resident of Sweden or of a convention state, the work will not enjoy protection under Swedish law.¹⁵⁹⁰ Swedish law is still applicable but the work falls outside its spatial scope of protection, which will result in the claim being denied. Likewise, if Sweden is the country for which protection is claimed, but pursuant to Swedish law, the infringement is localised outside the Swedish territory, the court will apply Swedish law including its territorial limitation, which will result in the claim being denied.¹⁵⁹¹

¹⁵⁸⁶ See Strömholm 2001 p. 235 (stating public order should generally be excluded when it comes to Berne Union contracting states).

¹⁵⁸⁷ Article 24 Regulation 864/2007.

¹⁵⁸⁸ See e.g. Bogdan 2014 p. 51-53 (stating that *renvoi* is generally disfavoured in Sweden).

¹⁵⁸⁹ Hellner 2014 p. 278 (stating that the prohibition against *renvoi* does not affect spatially limited rules). See also Hellner 2000 p. 269-278 (concluding that the territorial limitations on competition laws are not conflict rules and should be applied in accordance with the territorial limitations).

¹⁵⁹⁰ See Section 60 & 62 Swedish Copyright Act (1960:729) and the Swedish International Copyright Regulation (1994:193). In general, the personal scope of the provisions is limited to works of nationals and habitual residents of Sweden and Sweden's treaty parties, works first published in Sweden or a treaty party, cinematographic works whose producer has his headquarters or habitual residence in Sweden or a treaty party, works of architecture constructed in Sweden or a treaty party, works of fine art incorporated in a building situated in Sweden or a treaty party. However, the provisions in the Swedish Copyright Act to avoid consumer confusion (section 50) and to protect cultural interests (section 51) apply to any literary or artistic work, regardless of its origin. Section 60, para. 5. See also Strömholm 2001 p. 225 (stating that a Swedish court would accept the applicable foreign law's spatial limitations with respect to which persons enjoy protection); Ibid. p. 235 (discussing a loyal application of the foreign law in the interest of a uniform treatment of disputes).

¹⁵⁹¹ See Strömholm 2001 p. 173-181 (submitting that although the Swedish Copyright Act does not contain any explicit territorial limitations, the principle of territoriality is an implicit

An interesting question is whether the provisions that exist in many countries' copyright laws to the effect that the protection offered under the national copyright law shall not protect the work beyond its term of protection in its country of origin is a reference to the law of another country that will be disregarded by those Member States rejecting *renvoi* or a rule on substantive law that is applied in accordance with their spatial limitations.¹⁵⁹² An argument in favour of classifying the rules as substantive law rules is that they do not refer directly to foreign law but to an occurrence of a specific fact, even if that occurrence is determined by foreign law.¹⁵⁹³ Even if these rules are characterised as references to foreign law, the prevailing view is that the reference should be accepted because of the interest in a uniform term of protection for a work in all Berne Union countries.¹⁵⁹⁴ If a forum Member State did not apply the shorter term in the work's country of origin even though this term would be applied under the applicable foreign law, this would increase the risk for forum shopping.

In the *United States*, if a provision of the federal IP statute clearly claims applicability, the court must apply it regardless of whether choice of law rules would lead to another law and regardless of whether there is a risk of conflict between U.S. law and a foreign law.¹⁵⁹⁵ The U.S. courts must obey the U.S. legislature's commands. The result is similar to the concept of overriding mandatory rules under European law because if the U.S. legislature

assumption underlying the Swedish Act); Hellner 2014 p. 278 (stating that the real analysis takes place during the determination of the territorial scope of substantive IP law).

¹⁵⁹² See article 7(8) BC ("In any case, the term shall be governed by the legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work."); article 7(1) Directive 2006/116/EC, amended by Directive 2011/77/EU ("Where the country of origin of a work, within the meaning of the Berne Convention, is a third country, and the author of the work is not a Community national, the term of protection granted by the Member States shall expire on the date of expiry of the protection granted in the country of origin of the work, but may not exceed the term laid down in Article 1."); section 3 Swedish International Copyright Regulation (1994:193) ("Protection under Swedish law shall not apply when the term of protection in the work's country of origin has expired.").

¹⁵⁹³ See ALI § 324 cmt. b (stating that the comparison of terms is conceptually different from *renvoi* because it designates a specific solution to a specific problem).

¹⁵⁹⁴ See Strömholm 2001 p. 226-228 (characterising the Swedish law as referring to a foreign legal system but advocating that the reference to foreign law be accepted); Ulmer 1978 p. 13 (same).

¹⁵⁹⁵ See Borchers 2008 p. 1651-1657; Dodge 1998:2 p. 150; Bermann 1986 p. 161-164; Hay 1982 p. 131 (describing mandatory law as when local regulatory concerns displace the choice of law decision regardless of whether this limits the application of local law or extends their applicability, such as the extraterritorial application of U.S. antitrust law); § 6(1) Restatement (Second) of the Conflict of Laws ("A court, subject to constitutional restrictions, will follow a statutory directive of its own state on choice of law.").

intends for U.S. law to apply, the law must be applied. In the *Hartford Fire Ins. Co.* antitrust case, the Supreme Court interpreted the possibility of a conflict with foreign law very narrowly to situations where the person subject to regulation by two states cannot comply with the laws of both.¹⁵⁹⁶ Often, however, the spatial application of the statute is not clear from its face, and the courts need to interpret its transborder or transnational scope of application.¹⁵⁹⁷ As noted, the courts employ canons of statutory construction that assume that the U.S. legislature did not intend for federal law to apply extraterritorially and that it takes into account the legitimate sovereign interests of other states when enacting federal law.¹⁵⁹⁸

It is possible that the provisions of the federal patent and trademark laws defining when an IP right has been infringed are mandatory when the infringement is localised in the U.S. territory and with respect to trademarks when there are effects on U.S. commerce, in light of their importance for the regulation of competition on the U.S. market. As the U.S. courts do not adjudicate claims arising under foreign registered rights, there will not likely be a situation where the U.S. provisions override the otherwise applicable foreign provisions. Instead, the question will be whether the U.S. law should be applied to regulate the conduct or not.

In *Sterling Drug*, the Second Circuit rejected the defendant's suggestion that the owner of a U.S. trademark had to tolerate some IP impairing effects in the U.S. that arose from the defendant's use of an identical mark in Germany granted under German law as an unavoidable result of the principle of territoriality where each state grants rights for its own territory.¹⁵⁹⁹ The court observed that it was well-established that the U.S. Trademark Act has overcome the presumption against extraterritoriality to protect U.S. consumers against confusion and protect U.S. trademark owners against misappropriation.

¹⁵⁹⁶ See *Hartford Fire Ins. Co. v California*, 509 U.S. 764, 798-799 (1993) ("Since the London reinsurers do not argue that British law requires them to act in some fashion prohibited by the law of the United States, . . . or claim that their compliance with the laws of both countries is otherwise impossible, we see no conflict with British law."). But see Lowenfeld 2006 p. 1423-1425 (suggesting that the majority applied the § 403 too narrowly).

¹⁵⁹⁷ See e.g. *Lauritzen v Larsen*, 345 U.S. 571 (1953) ("We are dealing here with a problem of statutory construction").

¹⁵⁹⁸ See e.g. *Morrison v National Australia Bank Ltd.*, 561 U.S. 247 (2010); *Microsoft Corp v AT&T Corp*, 550 U.S. 437, 455 (2007); *Murray v The Charming Betsy*, 6 U.S. (2 Cranch) 64 (1804).

¹⁵⁹⁹ *Sterling Drug, Inc. v Bayer AG*, 14 F.3d 733, 746-747 (2nd Cir. 1994) ("While Bayer AG suggests that we must accept these conflicts as the unavoidable result of an international community of nations in which each nation exercises the power to grant trademark rights, we prefer to allow the District Court to fashion an appropriately limited injunction with only those extraterritorial provisions reasonably necessary to protect against significant trademark-impairing effects on American commerce.").

tion of their marks.¹⁶⁰⁰ The court therefore had an obligation to apply the federal Trademark Act as intended by the U.S. legislature. However, the court stated that the Supreme Court's approach to comity in the antitrust context when both U.S. and foreign law claim applicability is not automatically transferable to the trademark context.¹⁶⁰¹ This is because it is one thing for a party to be enjoined from conduct that is not unlawful under foreign law but it is quite a different thing for a holder of a foreign trademark to be enjoined from using the right granted under foreign law. Thus, the Second Circuit vacated the injunction's extraterritorial provisions and remanded to the district court to carefully tailor the injunction so as to enjoin only those extraterritorial uses that have significant trademark-impairing effects on U.S. commerce.¹⁶⁰²

When it comes to copyright, the courts have indicated a willingness to adjudicate claims arising under foreign copyright law. In theory, a court applying the *lex loci delicti* rule leading to the application of foreign copyright law might be faced with a situation where federal copyright law overrides foreign law. However, the *lex loci delicti* rule itself acts as a filter to ensure that U.S. interests are protected because the application of foreign law is dependent on the localisation of the infringing act. If the act or the IP impairing effects take place in the U.S., the court might localise the infringing act in the U.S. Moreover, assuming that the U.S. courts will apply *lex loci delicti* against the backdrop of a broader interest analysis, the U.S. interest in the application of its copyright law will be considered as part of the choice of law process so there will not be an otherwise applicable foreign law to override.¹⁶⁰³ Assume for example that a right holder brings a copyright claim

¹⁶⁰⁰ See *Sterling Drug, Inc. v Bayer AG*, 14 F.3d 733, 745 (2nd Cir. 1994) (“It is well-established that United States courts have jurisdiction to enforce the Lanham Act extraterritorially in order to prevent harm to United States commerce.”); *Steele v Bulova Watch Co*, 344 U.S. 280 (1952).

¹⁶⁰¹ *Sterling Drug, Inc. v Bayer AG*, 14 F.3d 733, 746-447 (2nd Cir. 1994) (“It is one thing for the British reinsurers in *Hartford Fire* to be barred under United States law from boycotting activity that they might be free to engage in without violating British law. But it is quite a different thing for the holder of rights in a mark under German law to be ordered by a United States court to refrain from uses of that mark protected by German law.”).

¹⁶⁰² *Sterling Drug, Inc. v Bayer AG*, 14 F.3d 733, 747 (2nd Cir. 1994) (“Upon remand, the District Court may grant an extraterritorial injunction carefully crafted to prohibit only those foreign uses of the mark by Bayer AG that are likely to have significant trademark-impairing effects on United States commerce.”).

¹⁶⁰³ See *Audit* 2007 p. 37 (stating that the concept of mandatory rules has limited meaning in those jurisdictions that routinely adopt a unilateral approach or methodology for conflict of laws, focusing on the content and purpose of the competing laws in order to determine their spatial reach); *Juenger* 2001 p. 104-105 (drawing parallels between the emergence of international mandatory rules in Europe with the modern U.S. conflict approaches); *Guedj* 1991 p. 683-691 (comparing the modern U.S. broader interest approaches to international mandatory rules); *Bermann* 1986 p. 163-164.

alleging that the defendant unlawfully made its work available to the public in violation of copyright law in force in the state from where the infringing transmission originates. The alleged infringer claims that U.S. law applies because the work is received by a substantial public in the U.S., and under U.S. copyright law its use of the work is fair use. The strength of the U.S. interest in ensuring that the U.S. public is able to access content under the fair use doctrine will be evaluated in determining the applicable law.

Patry maintains that the originality requirement in the U.S. Constitution is an expression of mandatory law. He claims that regardless of the fact that a foreign work may be protected in its country of origin, it cannot be protected in the U.S. unless it is original.¹⁶⁰⁴ According to Patry, this follows from the fact that the U.S. public has a Constitutional right to exploit unoriginal material, which would be violated if unoriginal foreign works were excluded from the U.S. public domain.¹⁶⁰⁵ Assume that a federal court applies a most significant relationship choice of law rule to determine whether the work is protected, which leads to the application of foreign law. Assume that under the foreign law, the originality threshold is minimal or non-existent and non-original writings are protected by copyright.¹⁶⁰⁶ According to Patry, the foreign law could not apply to determine whether the works were protected in the U.S. because of the paramount U.S. interest in ensuring that unoriginal works are freely available in the U.S. In the alternative however under the broader interest analysis approaches to choice of law, the court might conclude that the U.S. had the most significant relationship to the copyrightability issue in light of the importance of the U.S. public domain.

Assuming that Patry is correct that the originality requirement in the U.S. Constitution is an expression of mandatory law, the situation would likely be different in the less likely event that a court is exercising jurisdiction over an infringement of a work alleged to take place in a foreign country. Assume that the court determines that foreign law governs the copyrightability question under a *lex loci delicti* or a *lex originis* rule (assuming it is a foreign work). In this situation, the non-application of the U.S. originality requirement with respect to the exploitation of works outside the U.S. would not frustrate the purpose of the U.S. Constitution to ensure an open public domain in the U.S.¹⁶⁰⁷

¹⁶⁰⁴ Patry 2000 p. 387-391 (“In the choice of law context, this means there can be no choice of law on the question of originality: U.S. law must apply.”).

¹⁶⁰⁵ Patry 2000 p. 389.

¹⁶⁰⁶ See Nimmer 2001 (discussing the Israeli Supreme Court case finding that the efforts and labours to reconstruct the dead sea scrolls was protected by copyright).

¹⁶⁰⁷ See by analogy *Sarl Louis Feraud Int'l v Viewfinder, Inc.*, 489 F.3d 474 (2nd Cir. 2007) (stating that “if the sole reason that Viewfinder's conduct would be permitted under United States copyright law is that plaintiffs' dress designs are not copyrightable in the United States,

As noted, mandatory rules play a more significant role with respect to IP contracts.¹⁶⁰⁸ Nevertheless, there are a few limits under U.S. IP law on a right holder's ability to freely alienate his or her IP rights. When these restrictions claim applicability, they are mandatory. One example of mandatory law is the requirement that a U.S. trademark may be assigned only together "with the good will of the business in which the mark is used, or with that part of the good will of the business connected with the use of and symbolized by the mark."¹⁶⁰⁹ This applies to assignments of U.S. trademarks regardless of whether another law has a significant relationship to the parties and regardless of the law of the contract.¹⁶¹⁰ The mandatory application of U.S. law follows from the interest of the U.S. in regulating its own market and avoiding consumer confusion.¹⁶¹¹

Another possible example of mandatory law may be the statutory requirement that an assignment of renewal rights under the old Copyright Act be in writing.¹⁶¹² In *Corcovado Music Corp. v Hollis Music, Inc.*, a Brazilian composer granted a Brazilian publisher worldwide rights to five songs pursuant to a contract negotiated and executed in Brazil and governed by a forum selection clause designating Brazil.¹⁶¹³ At the conclusion of the first U.S.

the French Judgment would not appear to be repugnant."'). While this case did not deal with the application of French law but the enforcement of a French judgment applying French law, the court recognised that states may have different conceptions about what subject matters are copyrightable. The case did not deal however with the originality requirement, but protectable subject matters and exceptions. See also *Yahoo ! Inc. v Ligue contre le racisme et l'antisémitisme*, 433 F.3d 1199 (9th Cir. 2006) ("The extent — indeed the very existence — of such an extraterritorial right under the First Amendment is uncertain."').

¹⁶⁰⁸ Fawcett & Torremans 2011 p. 791-793 (discussing mandatory rules in disputes concerning the contractual exploitation of IP rights); Hellner 2014 p. 268 (stating that mandatory rules play a larger role in international contract law than international tort law); Guedj 1991 p. 697 (stating that most mandatory rules are found in the field of contracts).

¹⁶⁰⁹ 15 U.S.C. § 1060.

¹⁶¹⁰ *The Topps Co., Inc. v Cadbury Stani S.A.I.C.*, 526 F.3d 63 (2nd Cir. 2008) (suggesting that the federal trademark assignment statute would apply to all transfers of U.S. trademarks regardless of the applicable law to the contract).

¹⁶¹¹ *Marshak v "Doc" GREEN*, 746 F.2d 927 (2nd Cir. 1984) ("Use of the mark by the assignee in connection with a different goodwill and different product would result in a fraud on the purchasing public who reasonably assume that the mark signifies the same thing, whether used by one person or another."').

¹⁶¹² Under the Copyright Act of 1909, works copyrighted in the U.S. before January 1, 1978 were subject to a renewal system in which the copyright term was divided into two consecutive terms.

¹⁶¹³ *Corcovado Music Corp. v Hollis Music, Inc.*, 981 F.2d 679, 681 (2nd Cir. 1993). See Geller p. 378 (critically stating that "the court's conflicts approach, exporting U.S. policy indiscriminately, was questionable, especially since the contract at issue had Brazilian parties and provided for submitting disputes to a Brazilian forum."); Patry 2000 p. 444-445 (criticising application of U.S. law to a Brazilian contract made in the country of origin of the works).

copyright term, the composer terminated the Brazilian publisher's U.S. rights, and granted the U.S. renewal term rights to a U.S. publisher. The Brazilian publisher objected on the ground that Brazilian law governed the grant of rights, and that under Brazilian law, the composer had granted the renewal rights to it. The Second Circuit found that U.S. law applied because the copyright renewal rights “reflect a vital policy of United States copyright law” to protect an author’s entitlement to receive new rights at the end of the first term.¹⁶¹⁴ Because the Brazilian contract did not expressly assign the renewal rights, the court held that they remained with the composer. It is possible that the statutory requirement that an assignment of a U.S. copyright, patent and trademark be in writing is also mandatory law.¹⁶¹⁵

The doctrine of *renvoi* is generally disfavoured in the U.S.¹⁶¹⁶ *Renvoi* has been associated with the escape devices used primarily to avoid the undesired results of the traditional jurisdictional selecting rules.¹⁶¹⁷ Under the

Another interpretation is that the court applied U.S. law as the law of the country that protects the work. See Torremans & Castrillón 2012 p. 86 fn 56 (interpreting the court to classify the question of assignability of a copyright as a question governed by the *lex protectionis*).

¹⁶¹⁴ Corcovado Music Corp. v Hollis Music, Inc., 981 F.2d 679, 685 (2d Cir. 1993).

¹⁶¹⁵ See 35 U.S.C. § 261 (patents) (“Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing.”); 15 U.S.C. § 1060(a)(3) (trademarks) (“Assignments shall be by instruments in writing duly executed.”); 17 U.S. Code § 204 (copyright) (“A transfer of copyright ownership, other than by operation of law, is not valid unless an instrument of conveyance, or a note or memorandum of the transfer, is in writing and signed by the owner of the rights conveyed or such owner’s duly authorized agent.”); Radio Television Espanola S.A. v New World Entertainment, Ltd., 183 F.3d 922, 926 fn 3 (9th Cir. 1999) (“Neither party disputes that United States law applies to this case because, even though the alleged transactions took place in Spain, the copyrights involved are United States copyrights.”); Federal Treasury Enterprise Sojuzplodoimport v SPI, 726 F.3d 62, 72 (2nd Cir. 2013) (applying U.S. law to determine validity of an assignment of a U.S. trademark regardless of the fact that the assignment was made abroad between foreign parties).

¹⁶¹⁶ The traditional, territorial approach to conflicts was hostile to *renvoi*, and the only law that could be applied was the law of the state in which a right had vested. Beale 1916 § 58 p. 77 (“We may be the less troubled about the finer points of this discussion because the territorial theory of the conflict of laws, which is accepted by the American courts, has no room for any doctrine of *renvoi*. If an American court, having according to the territorial theory to apply its own law to existing rights, finds that a right has, by its law, arisen under another law, it has only to learn the terms of that law and the nature of the right which it created; if, on the other hand, it is a question of a new right, created by the law of the forum, but the latter law in creating the right acts in accordance with the provisions of some foreign law, as for instance the law of a foreign domicil, again it has only to learn the terms of that particular foreign law and apply it. In no case is the court concerned with the views of any foreign court on a question of the conflict of laws.”). *Renvoi* is also disfavoured under the modern conflict approaches. See e.g. section 8(1) Restatement (Second) of the Conflict of Laws (“When directed by its own choice-of-law rule to apply “the law” of another state, the forum applies the local law of the other state, except as stated in Subsections (2) and (3).”).

¹⁶¹⁷ Peterson 1998 p. 209. See e.g. Richards v United States, 369 U.S. 1, 12-13 (1962). The Supreme Court interpreted the reference to “law of the place where the act or omission oc-

modern interest analysis approaches, *renvoi* is superfluous because these approaches to choice of law take the foreign state's interest into account as part of the choice of law process.¹⁶¹⁸ If the foreign state's choice of law rules indicate that the foreign state is uninterested in having its law applied, this will weigh against the choice of this country's law in the first place.¹⁶¹⁹ In other words, *renvoi* is incorporated into the choice of law process.

Spatially limited rules of substantive law are not always clearly distinguished from choice of law rules in U.S. conflicts law.¹⁶²⁰ In either case, the fact that the foreign law, either pursuant to its choice of law rules or its spatially limited rules of substantive law, does not claim applicability to the

curred" in the Federal Tort Claims Act to mean the whole law including choice of law rules. The Court explained: "Moreover, this interpretation of the Act provides a degree of flexibility to the law to be applied in federal courts that would not be possible under the view advanced either by the petitioners or by American. Recently there has been a tendency on the part of some States to depart from the general conflicts rule in order to take into account the interests of the State having significant contact with the parties to the litigation. We can see no compelling reason to saddle the Act with an interpretation that would prevent the federal courts from implementing this policy in choice of law rules where the State in which the negligence occurred has adopted it. Should the States continue this rejection of the older rule in those situations where its application might appear inappropriate or inequitable, the flexibility inherent in our interpretation will also be more in step with that judicial approach, as well as with the character of the legislation and with the purpose of the Act considered as a whole."

¹⁶¹⁸ Currie maintained that interest analysis eliminated the problem of *renvoi* altogether because if the forum had determined that a foreign state had an interest in the application of its law, there could be no question in applying anything other than the substantive law of the foreign state. Currie 1963 p. 184-185.

¹⁶¹⁹ Roosevelt III 2004-2005; Kramer 1991:1 (maintaining that foreign choice of law rules, if they are based on policy considerations, may be indicative of a foreign state's interest); See section 8(1) Restatement (Second) of the Conflict of Laws cmt. k ("Indication of state interest. An important objective in choice-of-law is to accommodate insofar as possible the interests of the states involved. The state with the dominant interest should usually have its local law applied. On the other hand, there will ordinarily be little justification for applying the local law of a state which has little or no interest in the matter at hand. An indication of the existence of a state interest in a given matter, and of the intensity of that interest, can sometimes be obtained from an examination of that state's choice-of-law decisions. For example, the fact that a state's choice-of-law decisions provide for application of the local law of another state to determine a certain issue may afford some indication that the state has little or no interest in the application of its relevant local law rule in the resolution of that issue. On the other hand, the fact that a state's choice-of-law decisions call for application of its own local law rule may provide some evidence of the existence of an interest on the part of the state in the application of its rule in the resolution of the particular issue.").

¹⁶²⁰ See Hay 1982 p. 130-131; Sedler 1977-78 p. 30; Cavers 1970 p. 133-134; Leflar 1976-77 p. 954 ("The term 'statutory construction' is no more than a pretentious disguise for application of the court's conflicts law.") & p. 962 (discussing unilateral statutes governing insurance contracts issued in the state as a choice of law rule); Reese 1987 p. 395 (stating that both substantive law statutes concerned with the extraterritorial application of state law and statutes that deal with general questions of choice of law are choice of law statutes).

facts of the case is integrated into the conflicts analysis, which may lead to the non-application of the foreign law as the foreign state is understood to have no interest in its application.¹⁶²¹ Also, the spatially limited rule of substantive law may make the conflict disappear, i.e. a false conflict in the words of Currie, because the residually applicable rule of that state and the applicable rule of the other interested state do not produce a different result.¹⁶²² If however, in the view of the forum state, the application of the referenced state's substantive rule is appropriate for resolving the dispute, the forum may not necessarily be restrained simply because a contrary view of the latter state is expressed in a spatially conditioned internal rule as opposed to a choice of law rule.¹⁶²³ In contrast, Brilmayer makes a distinction between spatially limited rules of substantive law and choice of law rules.¹⁶²⁴ In her opinion, the fact that an issue does not satisfy the substantive law requirements does not mean that the regulating state's law should not be applied for conflict purposes.¹⁶²⁵ In her view, conflict rules are motivated by values such as comity and predictability, which are different from the values supporting the substantive law statute.¹⁶²⁶

In practice, there do not seem to be any cases in the field of IP where the courts have considered *renvoi* or spatially limited rules of foreign law. In theory, an analysis might look something like this: Assume, for example,

¹⁶²¹ Hay 1982 p. 131 (stating that given the way modern American approaches arrive at the choice of law, the distinction between choice of law rules and spatially limited rules seems inapposite and suited for more strictly jurisdiction-selective systems) & 137 (stating that under the modern interest analysis approaches, the spatially limited rule of substantive law becomes apparent before the application of the conflicts rule not after it as in jurisdictional selective systems).

¹⁶²² Sedler 1977-78 p. 69 ("Where a purportedly applicable statute is construed as constituting a functionally restrictive substantive rule, there will frequently be no conflict of laws because the residually applicable rule of that state and the applicable rule of the other state do not produce a different result, or because, in an area generally regulated by statute, only one of the statutes can be applicable.").

¹⁶²³ Cavers 1970 p. 134; Hay 1982 p. 133 (discussing the possibility of ignoring the self-limitation); Leflar 1976-77 p. 962 (emphasising the substantive end result over the choice of law process). See also Born 2011 p. 774 (stating that courts have reached conflicting conclusions on whether parties' choice of law that has territorial limitations can be applied outside of its intended territorial scope).

¹⁶²⁴ Brilmayer 1980:2 p. 417 ("one is the domestic meaning, asking whether the statute's policies are satisfied; the other is the conflicts meaning, asking whether the rule of decision supplied by the statute is pertinent.").

¹⁶²⁵ Brilmayer 1980:2 p. 422-424.

¹⁶²⁶ Brilmayer 1980:2 p. 424 ("In enacting a substantive statute, the legislature considers the competing substantive claims on both sides and strikes a balance. In drafting a conflicts provision to accompany it, the legislature must choose between making its own standards pertinent or referring to the law of other states."). See also Danson 1964 p. 129-138 (distinguishing classical choice of law rules from spatially limited rules for the purpose of *renvoi*).

that a right holder brings an action in a U.S. court for the infringement in Sweden of a foreign non-Berne Union work. The Swedish copyright law does not protect foreign works unless the work has first been published in a Berne or TRIPs country unless the other country gives reciprocal treatment to Swedish works.¹⁶²⁷ The fact that the Swedish law is spatially limited to exclude from protection the works of non-Berne countries that do not offer Swedish nationals reciprocal treatment can hardly be seen as an indication of disinterest. The reason for such discrimination is to encourage non-Berne countries to join the Berne Convention or at least to protect Swedish works. Moreover, the forum state (i.e. the U.S.) has similar spatial limitations as do most other Berne Convention countries, which are factors the court may take into account under a broader interest analysis.¹⁶²⁸ In light of these considerations including the fact that the infringement took place in Sweden, Swedish law will likely be the applicable law, and applied in accordance with its spatial limitations causing the right holder's claim to be denied.

Assume, for example, that a right holder brings an infringement claim before a U.S. court for the infringement of a work that is being communicated to the public from a Patrian website stored on a server situated in Patria but targeting a public situated in Xandia. Assume that under Patrian law, the act of communication to the public takes place in the countries of reception and not the country of origin. Also, under Xandian law, communication to the public is also localised in the countries of reception. The court might infer from the spatial limitation in Patrian law that it is disinterested whereas Xandia is interested because infringements of works targeted and received in its territory fall within the territorial scope of its law.

Assume, for example, that a right holder from Patria claims its work has been infringed in Xandia and brings a case before a U.S. court. The court determines that Xandian law applies, and its term of protection is 70 years. The Xandia copyright law contains a provision however that states that a foreign work shall not be protected in Xandia beyond the term of protection in the country of origin. The term of protection in Patria, the country of origin, is 50 years. Regardless of whether this is considered *renvoi* or a spatially limited rule, it is likely that Xandian law will be applied with its reference to Patria's shorter term of protection in the interest of a work having a

¹⁶²⁷ See Section 60 & 62 Swedish Copyright Act (1960:729) and the Swedish International Copyright Regulation (1994:193).

¹⁶²⁸ See Restatement (Second) Conflicts of Law § 6(2) (listing as relevant factors *inter alia* the needs of the international system, the relevant policies of the forum, the relevant policies of other interested states and the relative interests of those states in the determination of the particular issue, the basic policies underlying the particular field of law, certainty, predictability and uniformity of result).

uniform term of protection.¹⁶²⁹ If the court did not apply the shorter term in the country of origin of the work even though this term would be applied under the law of the protecting country, this would increase the risk for forum shopping.¹⁶³⁰ Another possibility is that the court might characterise the existence of the work as a property issue governed by the country of origin even though it characterises the lawfulness of its use as an infringement issue governed by the *lex loci delicti*.¹⁶³¹ In that case, the Patrian law would determine the work's term of protection.

As the forum takes the interests of the forum state into consideration when choosing the applicable law, the public policy doctrine is usually confined to situations where it is used to override the parties' chosen law. As noted, however, the U.S. courts appear willing to uphold choice of law clauses in international contracts even when it results in the non-application of U.S. mandatory rules, provided the chosen law vindicates U.S. interests.¹⁶³²

Summing up, in the European Union, the overriding nature of the mandatory rules of the forum and the public policy exception ensures that the forum Member States' interests are not set aside regardless of the law referenced under the choice of law rule. Foreign state interests are taken into consideration in the loyal application of foreign IP law in accordance with its spatial limitations. In the United States, the U.S. interest in the application of its IP law and the foreign states' interest in the application of its law is integrated into the choice of law process.

¹⁶²⁹ See ALI § 324 (distinguishing the comparison of terms from *renvoi*).

¹⁶³⁰ *Renvoi* may be accepted in the interest of uniformity of result. See *Dish Network L.L.C. v TV Net Solutions, LLC*, 2014 WL 6685366 (M.D. Fla. 2014) (“Courts apply *renvoi* in cases where it is especially important that different forums achieve the same result in deciding an issue.”); section 8(2) Restatement (Second) of the Conflict of Laws (“When the objective of the particular choice-of-law rule is that the forum reach the same result on the very facts involved as would the courts of another state, the forum will apply the choice-of-law rules of the other state, subject to considerations of practicability and feasibility.”). See also Section 8(3) Restatement (Second) of the Conflict of Laws (“When the state of the forum has no substantial relationship to the particular issue or the parties and the courts of all interested states would concur in selecting the local law rule applicable to this issue, the forum will usually apply this rule.”).

¹⁶³¹ See *Capitol Records, Inc. v Naxos of America*, 372 F.3d 471 (2nd Cir. 2004) (implicitly suggesting that *lex originis* could apply to determine the existence of a foreign work under the rule of the shorter term in the Berne Convention or the Universal Copyright Convention).

¹⁶³² Buxbaum 2007 p. 31 (stating that U.S. courts seem to be foregoing the application of forum mandatory rules, deferring instead to party-chosen law in international contract disputes); Guzman, 2002 p. 914 (suggesting that “parties should be permitted to choose from the law of any jurisdiction or even to agree on a set of custom rules to govern the transaction entirely through contract”).

Comparative Analysis on Choice of Law

The objective of this chapter has been to investigate and compare the interpretation and operation of the principle of territoriality of IP law on choice of law in the EU and the U.S. legal systems. More specifically, the chapter investigated and compared the role of physical, tangible criteria and/or effects (IP impairing effects or otherwise) to support the forum's claim to prescriptive jurisdiction or its decision to assign prescriptive jurisdiction to another state. In addition, the chapter investigated and compared whether, in light of the important state interests underlying IP rights, the territoriality principle operates in an affirmative manner, enabling or mandating the exercise of prescriptive jurisdiction, or in a restrictive manner, limiting the exercise of prescriptive jurisdiction. This section summarises the findings, explores the possible reasons for the similarities and differences, and offers some critical commentary.

Tangible criteria and/or effects

The principle of territoriality of IP law operates *under European Union law* at the choice of law level in that *lex protectionis* leads to the application of the law of the country of registration, or protection and alleged damage, to determine any alleged infringements of an IP right. The application of the referenced country's law is not dependent on a tangible act in the protecting state. Rather it is the existence of the IP right itself and its potential infringement that provides the connecting factor. The connecting factor is subjective so that the determination of the country of registration, or protection and alleged damage, is determined by the plaintiff's claim and is not independently established by the forum Member State court. The choice of law rule is bilateral so that it may lead to the application of forum or foreign law. The EU's choice of law rule allows each state to regulate the level of IP protection conferred under its own IP rights, provided the plaintiff invokes that country's law. The choice of law rule respects the scope of application of each country's law (although possibly within the flexible framework of territoriality) as intended by each state's legislator in that the application of its law is not dependent on the identification and localisation of the infringement by the forum Member State.

In the *United States*, the principle of territoriality of IP law also operates at the choice of law level in that federal question jurisdiction leads to the application of U.S. federal patent and trademark law to determine any alleged infringement of a U.S. federal patent or trademark. Like EU law, the choice of law rule also employs a subjective connecting factor in that the application of U.S. federal patent and trademark law is dependent on the plaintiff's complaint. The application of U.S. federal patent and trademark law is not

dependent on a tangible act in the U.S. Rather it is the existence of the federal patent or trademark itself and its potential infringement that provides the connecting factor. Unlike the EU, however the U.S. choice of law rule operates in a unilateral manner as it can only lead to the application of U.S. law.

With respect to copyright infringement, the U.S. courts apply the *lex loci delicti* rule, which employs a bilateral, objective connecting factor. *Lex loci delicti* requires the forum state to identify and localise the infringing act. Here, the territoriality principle operates in a different manner in that it allows each country's law to be applied to acts within their territories that give rise to IP impairing effects. The application of foreign copyright law is dependent however on the *lex fori* localising the infringing act in the foreign state. Localisation of the act by the forum state may not necessarily respect the territorial scope of application of foreign law as intended by that state's legislator. In the context of a broader interest analysis however, whether the foreign law claims applicability will affect whether the foreign state is understood to have an interest in the application of its law. It is not completely clear whether the act must be a tangible act, although this has generally been the case. Under a broader interest analysis, both tangible acts and IP impairing effects as well as other state and party interests may be considered by the forum state.

Jurisdiction limiting and mandating factors and party autonomy

Under European Union law, the territoriality principle operates in an affirmative manner in that it enables the application of the law of the state that granted or protects the right to determine whether the right has been infringed. While it is not completely clear, the principle of territoriality may operate in a restrictive manner at the choice of law level (at least for unregistered rights) to require a territorial connection between the IP right alleged infringed and the country of the alleged infringement. For example, Swedish law is arguably applicable if the right holder claims protection under its Swedish patent, but for Swedish copyright law to apply, the right holder must claim it is protected in Sweden and that its copyright has been infringed in Sweden. In addition, the territoriality principle has a mandatory effect under EU law. If the right holder claims protection for a specific country, its law must be applied. There are no alternative connecting factors for IP infringement disputes, not even in the case of ubiquitous infringements, and party autonomy is completely excluded. The applicable foreign law's potentially extraterritorial claims can be limited or displaced however by the operation of the overriding mandatory rules of the forum and the public order exception.

Under *United States law*, the principle of territoriality does not appear to operate restrictively at the choice of law level with respect to patent and trademark disputes. Indeed, U.S. patent or trademark law will apply if the claim arises under each respective law regardless of where the infringement is alleged to occur. For example, U.S. federal patent law will apply to an alleged infringement of a U.S. patent that takes place outside U.S. territory, although the claim will be denied on the merits if the infringing act falls outside the territorial scope of the federal Patent Act. It seems likely that the territoriality principle will have a mandatory effect on the application of U.S. patent and trademark law to exclude or at least limit party autonomy.

The territoriality principle does not have a mandatory effect at the choice of law level with respect to copyright. The judge made choice of law rules are flexible enough to take into consideration a broader range of interests depending on the circumstances of the case such as in the case of ubiquitous infringements. Party autonomy is respected, at least if the chosen law adequately vindicates state interests.

General remarks

The EU choice of law rule for IP infringement disputes must be understood as an instrument in the broader aim of European integration that relies on legal certainty, uniformity and mutual trust. The EU subscribes to the classical view of private international law where the ultimate goal of the conflicts process is uniformity of decision. The EU's *lex protectionis* rule facilitates uniformity of results by ensuring legal certainty as to the applicable law, which facilitates the proper functioning of the internal market. The EU choice of law method is characterised by a classical conception of law as a logical system based on clear and concise categories (statutory black letter rules). This is reflected in the EU choice of law rules, which employ clear legal categories and well defined connecting factors. The judge's task is to apply the rules, with no or little room for judicial discretion. This is especially true for the choice of law rule for IP infringement disputes. Indeed, the subjective connecting factor allows the applicable law to be clearly distilled from the plaintiff's claims, and there is no discretion whatsoever for the judge to apply another law than the law or laws referenced.

In addition, the EU choice of law rule ensures that each Member State's IP law (and third states as well) is applied to infringements of their own rights (with the possible caveat that the infringement must be localised on the territory), which ensures that the mutual trust among the Member States is not undermined. This is a delicate task with respect to a union of 28 (soon only

27) sovereign states where each state jealously guards its sovereignty, in particular in matters not yet harmonised by EU law.

The choice of the specific connecting factor can also be explained by the public law dimension inherent in IP rights, which recognises the interest of each state to have its own IP law applied to infringements of its own rights granted or protected and infringed within its own territory. Indeed, the EU choice of law rule treats all provisions of IP law governing non-contractual obligations as overriding mandatory rules. Similar to overriding rules of mandatory law, *lex protectionis* takes as its starting point each referenced IP law's own claim to applicability. This leads to a cumulative application of possibly all Member States (and third states) IP laws, provided the plaintiff includes that country in its claim for protection. This is in stark contrast to the other connecting factors employed in the Rome II Regulation, all of which employ objective connecting factors, and most of which admit alternative connecting factors and/or party autonomy. Even article 6(3) Rome II, the choice of law rule for violations of competition law (competition law being a classic example of overriding mandatory rules of law), contains an alternative choice of law rule for multiple violations. Such a rule on multiple or even ubiquitous infringements is absent in article 8 Rome II. The explanation may be that unlike competition law, where the EU's substantive policies dominant, the EU Member States are still clinging to their own territorial IP rights.

While it seems likely that the EU was mostly concerned with respecting its own Member States' interests in the aim to maintain mutual trust, the *lex protectionis* rule applies equally to the EU's own unitary rights and to third state IP rights. The respect shown to third states in the interests of their IP rights may be explained by the fact that the EU legislator understands the international IP conventions to support the sovereign right for each state to pursue its own IP policies. For IP infringement disputes, the EU accommodates diverging state IP policies, which is in contrast to the EU's choice of law rule for environmental damage, which also implicate state interests, but where the EU pursues its own environmental policy.

While the EU conflict rules serve the broader aim of EU integration, they do not necessarily achieve optimal conflicts results. A drawback with the EU's *lex protectionis* rule is that the cumulative application of many countries' laws leads to overregulation. For the right holder, this is both a curse and a blessing. A curse because the right holder may need to claim protection for all countries in order to guarantee complete relief. Indeed, even if the different laws are not in conflict with each other (false conflict), the choice of law rule nonetheless respects the right of each country of protection in the application of its own IP law. In some cases, however, the right holder may find

adequate relief by claiming protection under the law of one country (usually the forum Member State) that provides broad (extraterritorial) relief on the substantive law level. The choice of law rule can be a blessing because it allows the right holder many bites at the same apple as one infringing act may give rise to several infringements under several countries' laws. This is mainly problematic for the user (i.e. alleged infringer) who will be faced with the unpredictable application of many laws, in particular in a digital context. This is especially troublesome when one considers the EU's liberal rules on infringement jurisdiction, not least in relation to third states. Moreover, a complete moratorium on party autonomy goes far beyond what is necessary to protect state interests. On the bright side, this overregulation promotes cooperation within the EU on the substantive law level, in particular in the area of copyright where the cumulative application of many states' laws is the most problematic. The substantive law harmonisation at the EU level does not affect third states and solutions are needed on an international level.

With respect to copyright infringement, the U.S. is less concerned with uniformity and legal certainty, and more concerned with avoiding conflicts with other states and meeting the expectations and needs of the parties. In general, U.S. conflict rules are judge made, and judicial discretion is recognised as a legitimate and effective legal tool for achieving the best conflict results. The U.S. conflicts rules take into consideration the interests of other states. Indeed, the *lex loci delicti* rule respects each state's interest in the application of its law to harmful acts taking place within its territory. Similarly, a broader interest analysis also takes into consideration state interests in the application of their laws. Unlike the EU however the U.S. does not need to accommodate the interests of 28 equal nation-states each having their own copyright act. The U.S. choice of law method may, but does not necessarily, lead to a cumulative application of the law of every country for which protection is claimed. While much of this is speculative as the U.S. courts have little actual experience with foreign copyright law, foreign state interests in the application of their laws is only one factor to be considered. In a broader interest analysis, other factors such as the protection of justified expectations, the basic policies underlying copyright law and the ease in the determination and application of the law to be applied are also factors to be considered. Typically, multilateral choice of law rules lead to the application of the law of a single country having the closest connection as determined by the forum state. This is in contrast to the EU choice of law rule that respects each and every country's law's own claim to applicability (provided the plaintiff makes a claim for protection). The U.S. choice of law rule reflects the view that a state's interest in its copyright law is arguably no greater than a state's interest in its contract or tort law, and is only one of several factors to be considered.

The U.S. aim with its choice of law rule for patents and trademark is different from copyright. The unilateral choice of law rule reflects the U.S. interest in the application of federal law, which provides a basis for federal subject matter jurisdiction. As federal law is supreme over U.S. state law, the federal courts automatically apply the federal law that establishes its jurisdiction without the need to consider the individual U.S. state interests in their laws. This method persists for the infringement of the federal patent and trademark laws even in relation to competing foreign patent and trademark laws. Moreover, in light of the public law dimension inherent in patent and trademark law, the infringement provisions of the U.S. federal patent and trademark laws are likely mandatory law. For the same reason, the U.S. courts have shown a strong disinclination to adjudicate claims arising under foreign registered rights so there has not been a need to develop bilateral choice of law rules for patent and trademark disputes. Of course, this is not to say that the U.S. disregards foreign state's interests in their patent and trademark laws altogether, only that they are taken into consideration later at the level of substantive law.

The U.S. choice of law rule for copyright infringement has most often led to the application of U.S. copyright law. There is a strong homeward trend in the application of forum law in the U.S. Of course, the fact that the dispute is adjudicated before a U.S. court to begin with means that the defendant has at least some minimum contacts with the U.S. In addition, in most cases, the right holder claims protection under U.S. copyright law in light of the possibility for broad and generous relief. Still, the U.S. has shown its willingness to apply foreign copyright law. On a positive note, the U.S. does not demand the mandatory application of its own copyright law. Parties may choose another law provided the chosen law adequately vindicates U.S. interests.

Perhaps somewhat surprisingly, the U.S. choice of law rules for copyright more closely resemble classical private international law rules than do the EU choice of law rules for IP infringements. In the interest of European integration, the EU gives supreme weight to uniformity, legal certainty and maintaining mutual trust among the individual Member States over the interests of the parties. While the U.S. also considers state interests, it takes into consideration the shared interest in facilitating international commerce by meeting the needs and expectations of the parties in the application of a law that is fair and foreseeable. However, this accommodation is limited to just copyright law where like other private rights, the state interests are not considered very strong. The situation is different when it comes to trademark and patent laws, where from a U.S. perspective, the public law dimension inherent in these rights is more prevalent than in copyright.

Chapter Five: Prescriptive Jurisdiction: Territorial Scope of Application of Substantive IP Law

This chapter investigates and compares the interpretation and operation of the principle of territoriality on the territorial scope of application of substantive IP law in the EU and the U.S. legal systems. More specifically, the chapter investigates and compares the role of physical, tangible criteria and/or effects (IP impairing effects or otherwise) to support claims of prescriptive jurisdiction. The chapter investigates and compares whether, in light of the important state interests underlying IP rights, the territoriality principle operates in an affirmative manner, extending the domestic law to acts and/or effects outside the domestic territory, or in a restrictive manner, limiting the domestic law to act and/or effects within the domestic territory.

This chapter is divided into three sections dealing respectively with trademark law, copyright law, and patent law. Each section begins with an introduction into the EU and U.S. substantive laws. Thereafter, each section investigates and compares how the legal systems resolve different concrete factual situations. The situations are organised by whether the regulation primarily protects the right holder against competition in the domestic market (inbound regulation) or foreign markets (outbound regulation). The situations are also organised by whether the IP right is alleged infringed in connection with tangible goods entering, leaving or transported through the protected territory or whether the infringement is “intangible”. Each section includes a discussion concerning the territorial scope of the law’s remedies (injunction, damages, etc.).

When mapping out the above rules in the compared legal systems, the chapter seeks to explain why the legal systems function as they do. Does the explanation lie in the different legal traditions upon which the legal systems are based, the character of the legal system (e.g. federal or supranational), the different interests that are taken into consideration (e.g. state interests in their own domestic rights or in their own nationals), respect for other states’ interests (international comity), or more traditional private international law interests in justice for the parties and facilitating international commerce? Do

these interests vary depending on the characteristics and functions of the IP rights themselves?

Territorial Scope of Application of Trademark Law in the EU and the U.S.

General introduction to EU trademark law

The TFEU grants the *European Union* the competence to create European IP rights valid throughout the EU and to harmonise national Member State IP law with regard to the establishment and function of the internal market.¹⁶³³ Pursuant to this competence, the EU legislator has enacted the Trademark Directive and the Trademark Regulation (or EUTMR), which govern trademarks in the EU.¹⁶³⁴ The Trademark Directive approximates the national trademark laws of the EU Member States with respect to trademarks acquired through registration and aims to ensure that registered trademarks enjoy the same protection under the legal systems of all the Member States.¹⁶³⁵ The Directive approximates the conditions for obtaining and maintaining a registered trademark.¹⁶³⁶ It sets forth the signs that a national Member State trademark may consist of and the grounds for refusal or invalidity.¹⁶³⁷ The Directive carries out a full harmonisation of the rules relating to the rights conferred by and limitations on a national registered trademark.¹⁶³⁸ For example, the Directive mandates regional EEA exhaustion of trademark rights, and the Member States may not maintain global exhaustion¹⁶³⁹ The

¹⁶³³ Article 118 TFEU; article 114 TFEU.

¹⁶³⁴ See Directive 2015/2436 of the European Parliament and of the Council of 16 December 2015 to approximate the laws of the Member States relating to trade marks (Recast); Regulation 2015/2424 amending Regulation 207/2009 on the Community trade mark Regulation. In the EUTMR, the term “Community trade mark” is replaced by “European Union trade mark”).

¹⁶³⁵ Recital 10 Directive 2015/2436. The Directive does not deprive the Member States of the right to continue to protect trade marks acquired through use but should take them into account only with regard to their relationship with trade marks acquired by registration. Recital 11 Directive 2015/2436.

¹⁶³⁶ Recital 12 Directive 2015/2436.

¹⁶³⁷ Articles 13-14 Directive 2015/2436.

¹⁶³⁸ Articles 10, 14, 15 Directive 2015/2436. See also e.g. Joined cases C-414-416/99, Zino Davidoff and Levi Strauss, para. 39 (“Articles 5 to 7 of the Directive [now Articles 10, 14, 15] embody a complete harmonisation of the rules relating to the rights conferred by a trade mark and accordingly define the rights of proprietors of trade marks in the Community.”).

¹⁶³⁹ Article 15 Directive 2015/2336. See also Case C-355/96, *Silhouette International Schmied / Hartlauer Handelsgesellschaft* (holding that global exhaustion was not permitted under EU trademark law).

Trademark Directive was recently recasted and the changes must be implemented in the Member States' national laws by 14 January 2019.¹⁶⁴⁰

The EUTMR creates a unitary trademark right that has equal effect throughout the EU.¹⁶⁴¹ The EUTMR does not replace national trademark rights protected under the laws of the Member States but exists in addition to the national Member State trademark rights. A EUTM comes into existence through registration under the conditions contained in the EUTMR and the conditions for its continued existence are set forth therein.¹⁶⁴² The EUTMR sets forth the signs that a EUTM may consist of and the absolute and relative grounds for refusal.¹⁶⁴³ It also sets out the grounds for revocation and invalidation. It defines the rights conferred by and limitations on a EUTM, which are nearly identical to those under the Directive.¹⁶⁴⁴ The EUTMR “recasts” or amends the earlier Trademark Regulation and the amendments entered into effect 23 March 2016.¹⁶⁴⁵

A national Member State registered trademark and a EUTM give the proprietor the right to prevent all third parties not having his/her consent from using in the course of trade in relation to goods or services an identical sign in relation to identical goods/services (double identity); an identical or similar sign in relation to identical or similar goods/services where there exists a likelihood of confusion on the part of the public (likelihood of confusion); and an identical or similar sign in relation to goods/services regardless of whether they are similar, where the mark has a reputation, and use of the sign without due cause takes unfair advantage of or is detrimental to the distinctive character or repute of the mark (extended protection).¹⁶⁴⁶

The Trademark Directive and the EUTMR give examples of types of uses that may be considered infringing uses.¹⁶⁴⁷ These examples include all the classical acts of trademark infringement, namely, affixing the sign to the goods or to the packaging thereof; offering the goods or putting them on the

¹⁶⁴⁰ Article 54 Directive 2015/2436.

¹⁶⁴¹ Article 1(1) Regulation 207/2009, amended by Regulation 2015/2424.

¹⁶⁴² Article 1, title II, section 1, and title VI, sections 2-3 Regulation 207/2009, amended by Regulation 2015/2424. See also Case C-238/06, *Develey / OHIM*, para. 66 (stating that a CTM must be assessed only on the basis of relevant Community rules). The European Union Intellectual Property Office (EUIPO) is responsible for registering EU trademarks.

¹⁶⁴³ Articles 4, 7, and 8 Regulation 207/2009, amended by Regulation 2015/2424.

¹⁶⁴⁴ Articles 9, 12, 13 Regulation 207/2009, amended by Regulation 2015/2424.

¹⁶⁴⁵ Article 4 Regulation 2015/2424. A few amendments apply from 1 October 2017. *Ibid.*

¹⁶⁴⁶ Article 10(2)(a-c) Directive 2015/2436; Article 9(2)(a-c) Regulation 207/2009, amended by 2015/2424.

¹⁶⁴⁷ Article 9(3) Regulation 207/2009, amended by 2015/2424 and article 10(3) Directive 2015/2436. The use of the term “in particular” makes clear that the list of prohibited uses is not exhaustive but is only exemplary.

market, or stocking them for those purposes, under the sign, or offering or supplying services thereunder; importing or exporting the goods under the sign; using the sign as a trade or company name or part of a trade or company name; using the sign on business papers and in advertising including unlawful comparative advertising.¹⁶⁴⁸ The examples do not constitute uses which are infringing *per se* but are simply examples of what may constitute infringing uses of a trademark.

In order for a use to be infringing, the mark must be “used in the course of trade for the purposes of distinguishing goods or services.”¹⁶⁴⁹ In addition, the use must affect or be liable to affect the functions of the trademark.¹⁶⁵⁰ These functions include not only the essential function of the trademark, which is to guarantee to consumers the origin of the goods or services, but also its other functions, in particular that of guaranteeing the quality of the goods or services in question and those of communication, investment or advertising.¹⁶⁵¹ Pursuant to the recast of the Trademark Directive and the EUTMR, the transit through the EU of counterfeit goods bearing a national Member State trademark or a EUTM may also be an infringing act.¹⁶⁵² The same holds true for certain preparatory acts in relation to the use of packaging if there is a risk that they could be used in relation to goods or services to infringe the rights of the trademark owner.¹⁶⁵³

The Trademark Directive and the EUTMR do not contain any express territorial limitations on the rights conferred under a national Member State registered trademark and a EUTM, although this was the clear assumption of the EU legislator.¹⁶⁵⁴ In fact, the EUTMR (and the earlier Trademark Regula-

¹⁶⁴⁸ Article 9(3)(a-f) Regulation 207/2009, amended by 2015/2424 and article 10(3)(a-f) Directive 2015/2436.

¹⁶⁴⁹ See Recital 18 Directive 2015/2436 (“It is appropriate to provide that an infringement of a trade mark can only be established if there is a finding that the infringing mark or sign is used in the course of trade for the purposes of distinguishing goods or services.”).

¹⁶⁵⁰ Case C-324/09, L’Oréal and others, para. 88; Case C-48/05, Adam Opel, para. 21; Case C-206/01, Arsenal Football Club, para. 51.

¹⁶⁵¹ Case C-487/07, L’Oréal and others, para. 58. In the proposal to amend the Trademark Directive and EUTMR, it was suggested that use in cases of double identity be limited to cases that affect the origin function, but this was ultimately rejected. See COM (2015) 588 final p. 3.

¹⁶⁵² See article 9(4) Regulation 207/2009, amended by 2015/2424; article 10(4) Directive 2015/2436.

¹⁶⁵³ See article 9a Regulation 207/2009, amended by 2015/2424; article 11 Directive 2015/2436 (giving the right holder the right to prohibit certain preparatory acts carried out in the course of trade “if such use would constitute an infringement of the rights of the proprietor of an EU trade mark under Article 9(2) and (3).”).

¹⁶⁵⁴ See EU Proposal for a Council Regulation on the Community Trade mark, COM (80) 635 final p. 53 (“The protection afforded to trademarks in one Member State does not extend over the frontiers of the other Member States. Conversely, from the standpoint of any given na-

tion) was adopted to overcome “the barrier of territoriality” of the Member States’ national trademark rights.¹⁶⁵⁵ The EUTMR does not dispense with territoriality of trademark rights; it merely extends the geographical territory to encompass the territory of the EU. The assumption that trademark rights are territorially limited has also been confirmed by the CJEU.¹⁶⁵⁶

If a trademark right in the EU is infringed, the right holder has a right to an injunction aimed at prohibiting the continuation of the infringement.¹⁶⁵⁷ In addition, the right holder may be entitled to “damages appropriate to the actual prejudice suffered by the right holder as a result of the infringement.”¹⁶⁵⁸ In calculating damages, the court is to consider “all appropriate aspects” such as lost profits suffered by the injured party, unfair profits made by the infringer, and in appropriate cases, moral prejudice caused to the right holder by the infringement.¹⁶⁵⁹ As an alternative to damages, the court may award a fictional licence fee.¹⁶⁶⁰ Other sanctions such as the removal of infringing goods from the channels of commerce, publication of judicial decisions, and legal costs are also possible.¹⁶⁶¹ All sanctions “shall be fair and equitable . . . and proportionate . . . and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safe-

tional law, the protection of marks which is available abroad does not extend into the area of jurisdiction of that law.”).

¹⁶⁵⁵ Recital 4 Regulation 207/2009, amended by 2015/2424.

¹⁶⁵⁶ Case C-523/10, *Wintersteiger*, para. 25 (“the protection afforded by the registration of a national mark is, in principle, limited to the territory of the Member State in which it is registered, so that, in general, its proprietor cannot rely on that protection outside the territory.”); Case C-9/93, *IHT Internationale Heiztechnik / Ideal-Standard*, para. 22 (“National trade-mark rights are first of all territorial. This principle of territoriality, which is recognised under international treaty law, means that it is the law of the country where protection of a trade mark is sought which determines the conditions of that protection. Moreover, national law can only provide relief in respect of acts performed on the national territory in question.”).

¹⁶⁵⁷ Article 11 Directive 2004/48/EC (“Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement.”); article 102(1) Regulation 207/2009, amended by 2015/2424 (“Where a Community trade mark court finds that the defendant has infringed or threatened to infringe a Community trade mark, it shall, unless there are special reasons for not doing so, issue an order prohibiting the defendant from proceeding with the acts which infringed or would infringe the Community trade mark.”).

¹⁶⁵⁸ Article 13(1) Directive 2004/48/EC.

¹⁶⁵⁹ Article 13(1)(a) Directive 2004/48/EC.

¹⁶⁶⁰ Article 13(1)(b) Directive 2004/48/EC (“as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.”).

¹⁶⁶¹ Article 10 (corrective measures), 14 (legal costs), 15 (publicity) Directive 2004/48/EC.

guards against their abuse.”¹⁶⁶² In addition, counterfeit goods may be destroyed under the Customs Regulation.¹⁶⁶³

Contributory trademark infringement is not that well known under the Member States’ national laws, and is in any case not harmonised under EU law.¹⁶⁶⁴ The law on contributory infringement in some Member States may reach foreign conduct that contributes to a domestic infringement.¹⁶⁶⁵ Consequently, a contributory infringer has an interest in the localisation of the primary act of trademark infringement. Moreover, under EU law, injunctions must be available against intermediaries whose services are used by a third party to infringe a protected trademark in the EU regardless of whether the intermediary is liable.¹⁶⁶⁶ In practice, right holders usually sue intermediaries in the intermediaries’ home state where the intermediary provides services that enable foreign actors to commit domestic infringements because enforcement can take place directly on the domestic territory.¹⁶⁶⁷ In theory however there does not seem to be any reason why a court could not issue an injunction against a foreign intermediary who provides services that enable a local actor to commit domestic infringements.

The TFEU gives the EU the exclusive competence to regulate the commercial aspects of intellectual property as a part of the EU’s external action and policy in relation to trade with non-Member States.¹⁶⁶⁸ The EU is a Member

¹⁶⁶² Article 3 Directive 2004/48/EC.

¹⁶⁶³ See section 2 Regulation 608/2013.

¹⁶⁶⁴ See Opinion of Advocate General Póitias Maduro, Joined cases C-236/08 to C-238/08, *Google France and Google*, para. 48, 58 (maintaining that contributory trademark infringement “is foreign to trade mark protection in Europe, where the matter is normally addressed through the laws on liability.”). In Germany, a third party may be liable for contributory infringement if it breaches its investigatory duties. See e.g. 17 O 169/11 (*Coty Germany GmbH v eBay International AG*), Regional Court Stuttgart, 20 December 2011, [2012] E.T.M.R. 19.

¹⁶⁶⁵ See Trimble 2012 p. 114-115 (stating that German law on contributory infringement reaches acts committed outside of Germany that contribute to a domestic infringement).

¹⁶⁶⁶ Article 11 Directive 2004/48/EC. See also article 9 Directive 2004/48/EC (concerning provisional and precautionary measures against an intermediary).

¹⁶⁶⁷ See e.g. *Cartier Int’l v British Sky Broadcasting Ltd.*, England and Wales High Court, [2014] EWHC 3354 (Ch) (ordering ISP to block domestic access to foreign websites selling counterfeit goods targeted at the UK); 17 O 169/11 (*Coty Germany GmbH v eBay International AG*), Regional Court Stuttgart, 20 December 2011, [2012] E.T.M.R. 19 (ordering online marketplace to cease disseminating offers of infringing products by its customers that infringe CTM on the internet sites it operates in the EU). Provided there is jurisdiction over the intermediary, there is nothing that prevents an injunction from being issued against an intermediary who provides services to actors who commit infringements in states other than the intermediary’s home state.

¹⁶⁶⁸ Article 3(1)(e) TFEU; Art 207(1) TFEU (“The common commercial policy shall be based on uniform principles, particularly with regard to . . . the commercial aspects of intellectual

of the WTO and is bound by the TRIPS Agreement. While the EU is not a contracting party to the Paris Convention in its own right, it is bound through the TRIPS Agreement, which incorporates most provisions of the convention.¹⁶⁶⁹

General introduction to U.S. trademark law

In the *United States*, the federal Trademark Act (or the Lanham Act) governs federal trademarks.¹⁶⁷⁰ The federal Act has its constitutional basis in the Commerce Clause of the U.S. Constitution, which gives the U.S. legislature the power to “regulate commerce with foreign nations, and among the several states, and with the Indian tribes.”¹⁶⁷¹ The federal Trademark Act is a codification of the common law whereby trademark protection is based on use as opposed to registration.¹⁶⁷² The federal Act protects both registered and unregistered marks but provides additional benefits to owners of registered marks such as nationwide protection, evidentiary presumptions, warning function and treble damages.¹⁶⁷³ The federal Trademark Act does not preempt the existence of state trademark law. In the event of a conflict between federal and state trademark law, the Lanham Act is supreme.

The Lanham Act defines the signs that a trademark may consist of and specifies the conditions for registration and protection.¹⁶⁷⁴ It also specifies the rights conferred by a trademark.¹⁶⁷⁵ Some limitations (i.e. defences to trade-

property . . . The common commercial policy shall be conducted in the context of the principles and objectives of the Union's external action.”). See also Case C-414/11, *Daiichi Sankyo and Sanofi-Aventis Deutschland*.

¹⁶⁶⁹ Article 2.1 TRIPS.

¹⁶⁷⁰ The Trademark Act of 1946, as amended, codified at 15 U.S.C.

¹⁶⁷¹ Article 1, sec. 8 U.S. Constitution.

¹⁶⁷² Halpern et al. 2012 p. 239-240.

¹⁶⁷³ Halpern et al. 2012 p. 241-242.

¹⁶⁷⁴ 15 U.S.C. § 1127 (“The term “trademark” includes any word, name, symbol, or device, or any combination thereof - (1) used by a person, or (2) which a person has a bona fide intention to use in commerce and applies to register on the principal register established by this Act, to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown.”); 15 U.S.C. § 1052 (Trademarks registrable on principal register). The general principles qualifying a mark for registration under the Lanham Act are also applicable in determining whether an unregistered mark is entitled to protection. See e.g. *A. J. Canfield Co., v Honickman*, 808 F. 2d 291, 299, n. 9 (3rd Cir. 1986) (“The law governing unregistered marks is largely judge-made, but federal law under Sec. 43(a) of the Lanham Act generally follows the principles established by statute and the courts for registered marks.”).

¹⁶⁷⁵ No one other than the right holder may use the mark in commerce where a likelihood of confusion exists. 15 U.S.C. § 114(1) (registered marks); 15 U.S.C. § 1125(a)(1)(A) (unregistered marks). The same likelihood of confusion test is used for both registered and unregistered marks.

mark infringement) are specified in the statute¹⁶⁷⁶ while others have been developed by the courts such as the first sale doctrine and nominative fair use.¹⁶⁷⁷ As a general rule, the first sale doctrine also applies to foreign sales. That is, as long as the products are genuine (i.e. manufactured by the U.S. trademark holder or an entity under common control), they may be resold in the U.S. under the trademark provided there is no likelihood of consumer confusion.¹⁶⁷⁸ This is because the primary aim of U.S. trademark law is to protect U.S. consumers from confusion and protect producers from unfair competition in the marketplace.¹⁶⁷⁹ Another aim is to ensure that the trademark holder (and not an imitating competitor) reaps the financial, reputation-related rewards associated with a desirable product.¹⁶⁸⁰ A possible, unarticulated reason for global trademark exhaustion in the U.S. is that the right holder has already reaped its reward in the foreign market in connection with the first sale of the product, and there is no reason to give the right holder a second bite at the apple.

The Lanham Act makes it an infringement for any person, without consent of the trademark registrant, to use the trademark in commerce when such use is likely to cause confusion.¹⁶⁸¹ The Act also protects against the use of unregistered marks where such use is likely to cause confusion.¹⁶⁸² The likeli-

¹⁶⁷⁶ 15 U.S.C. § 1115(b) (statutory limitations on trademark rights).

¹⁶⁷⁷ See e.g. *New Kids on the Block v News Am. Publ'g Inc.*, 971 F.2d 302 (9th Cir. 1992) (holding nominative fair use to be a defence against infringement); *Davidoff & Cie, Sa v Pld Int'l Corp.*, 263 F.3d 1297 (11th Cir. 2001) (holding that pursuant to the first sale doctrine, the resale of genuine trademarked goods does not constitute infringement).

¹⁶⁷⁸ See e.g. *NEC Electronics v CAL Circuit Abco*, 810 F.2d 1506, 1509 (9th Cir. 1987) (“Trademark law generally does not reach the sale of genuine goods bearing a true mark even though such sale is without the mark owner’s consent. Once a trademark owner sells his product, the buyer ordinarily may resell the product under the original mark without incurring any trademark law liability. The reason is that trademark law is designed to prevent sellers from confusing or deceiving consumers about the origin or make of a product, which confusion ordinarily does not exist when a genuine article bearing a true mark is sold.” [citations omitted]). The cases applying the first sale doctrine have distinguished the Supreme Court’s decision in *A. Bourjois & Co., Inc. v Katzel*, 260 U.S. 689 (1923) on the ground that the U.S. trademark in that case was held by an entity independent from the foreign manufacturer. See also 19 U.S.C. 1526 (codifying the Supreme Court’s ruling).

¹⁶⁷⁹ See *Qualitex Co. v Jacobson Prod. Co., Inc.*, 514 U.S. 159, 163-64 (1995).

¹⁶⁸⁰ See *Qualitex Co. v Jacobson Prod. Co., Inc.*, 514 U.S. 159, 164 (1995).

¹⁶⁸¹ 15 U.S.C. § 1114(1)(a). In addition, section 1114(1)(b) codifies a type of indirect trademark infringement relating to the reproduction of a trademark on things such as labels and wrappers for use on goods in commerce.

¹⁶⁸² 15 U.S.C. § 1125(1) (“Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which - (A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, ser-

hood of confusion test is the same regardless of whether it is a registered or unregistered trademark.¹⁶⁸³ The Lanham Act also protects famous trademarks (registered and unregistered) against dilution by blurring or tarnishment, even in the absence of a likelihood of consumer confusion.¹⁶⁸⁴ Finally, the Act protects owners of U.S. trademarks against persons who register, traffic in or use a domain name that is identical or confusingly similar to a registered or unregistered mark or dilutive of a famous mark, with the bad faith intent to profit from that mark.¹⁶⁸⁵ The infringement statute for registered rights lists typical types of infringing uses such as the use in connection with

vices, or commercial activities by another person, or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.”).

¹⁶⁸³ See e.g. *New West Corp. v NYM Co. of California, Inc.*, 595 F.2d 1194, 1201 (9th Cir. 1979) (“Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical: is there a ‘likelihood of confusion?’”); Halpern 2012 p. 317. See also e.g. *Polaroid Corp. v Polaroid Electronic Corp.*, 287 F.2d 492 (2nd Cir. 1961) (listing factors to take into account when determining likelihood of confusion).

¹⁶⁸⁴ 15 U.S.C. 1125(c) (“Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.”).

¹⁶⁸⁵ 15 U.S.C. 1125(d)(1) (“A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person-- (i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and (ii) registers, traffics in, or uses a domain name that-- (I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark; (II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or (III) is a trademark, word, or name protected by reason of section 706 of title 18, United States Code, or section 220506 of title 36, United States Code.”) In response to cybersquatting complaints, the U.S. legislature enacted the Anti-Cybersquatting Consumer Protection Act (ACPA) in 1999, which created this new cause of action under the Lanham Act. In addition, the ACPA grants domain name registrants who have lost domain names under administrative panel decisions such as those applying the Uniform Dispute Resolution Procedure, an affirmative cause of action in federal court for a declaration of non-violation of the ACPA and for the return of the wrongfully transferred domain names. 15 U.S.C. § 1114(2)(D)(v). Pursuant to the ACPA, a federal court may grant injunctive relief to the domain name registrant, including the reactivation of the domain name or transfer of the domain name to the domain name registrant. 15 U.S.C. 1114(2)(D)(v). See e.g. *Barcelona.com, Incorporated v Excelentísimo Ayuntamiento De Barcelona*, 330 F.3d 617 (4th Cir. 2003); *Sallen v Corinthians Licenciamentos LTDA*, 273 F.3d 14 (1st Cir. 2001). The ACPA also added provisions on *in rem* jurisdiction against domain names for claims of trademark infringement, dilution, and bad faith registration or trafficking in domain names. 15 U.S.C. § 1125(d)(2). See *Harrods Ltd. v Sixty Internet Domain Names*, 302 F.3d 214 (4th Cir. 2002) (holding that the *in rem* provision is not limited to cybersquatting claims but is also applicable to federal infringement and dilution claims).

the sale, offering for sale, distribution, or advertising of the goods or services.¹⁶⁸⁶ The infringement provisions in the Lanham Act do not exhaustively define the type of uses that may be infringing.¹⁶⁸⁷ Any use of the mark in commerce that is likely to affect the function of a trademark can constitute infringing use.¹⁶⁸⁸

The Lanham Act does not contain any express territorial limitations on the rights conferred by a U.S. trademark. In the landmark case *Steele v Bulova Watch Co.*, the U.S. Supreme Court held that the rights conferred under a U.S. trademark were not limited to the territory of the U.S.¹⁶⁸⁹ In that case, the defendant, a U.S. citizen, purchased watch parts in the U.S. In Mexico, the defendant affixed the U.S. registered trademark BULOVA to the watches and sold them on the market. Some of the watches sold in Mexico were later brought into the U.S. by the purchasers. In interpreting the territorial reach of the Lanham Act, the U.S. Supreme Court observed that the Lanham Act protects trademark owners against the unauthorized use of their trademarks “in commerce”, which the Act defines as “all commerce which may lawfully be regulated by Congress.”¹⁶⁹⁰ As noted, the U.S. Constitution gives the U.S. legislature the power to “regulate commerce with foreign nations.”¹⁶⁹¹ Moreover, the Court observed that public international law did not prohibit the U.S. from governing the conduct of its own citizens in foreign countries. It also noted that the defendant’s U.S. activities were essential steps in “an unlawful scheme” and the effects could damage the right holder’s reputation in the U.S. and abroad.¹⁶⁹² Finally, the Court noted that because the defend-

¹⁶⁸⁶ See 15 U.S.C. § 1114 (“use in commerce . . . in connection with the sale, offering for sale, distribution, or advertising of the goods or services . . .”). The infringement statute for unregistered rights does not exemplify the infringing uses. See 15 U.S.C. § 1125 (stating more generally “uses in commerce”). The Lanham Act also lists the type of uses required by the right holder in order to obtain trademark protection. See 15 U.S.C. § 1127. The weight of authority holds that the more limited statutory definition of “use in commerce”, which defines the type of uses required in order to obtain trademark protection, does not limit the types of uses that may constitute infringing uses.

¹⁶⁸⁷ See e.g. *Rescuecom Corp. v Google Inc.*, 562 F.3d 123 (2nd Cir. 2009); *Network Automation, Inc. v Advanced Systems Concepts, Inc.*, 638 F.3d 1137 (9th Cir. 2011).

¹⁶⁸⁸ See *Rescuecom Corp. v Google Inc.*, 562 F.3d 123, 130 (2nd Cir. 2009) (“The gist of a Lanham Act violation is an unauthorized use, which “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, . . . or as to the origin, sponsorship, or approval of . . . goods [or] services.””).

¹⁶⁸⁹ *Steele v Bulova Watch Co.*, 344 U.S. 280 (1952).

¹⁶⁹⁰ 15 U.S.C. § 1127 (defining “use in commerce”).

¹⁶⁹¹ Article 1, sec. 8 U.S. Constitution.

¹⁶⁹² *Steele v Bulova Watch Co.*, 344 U.S. 280, 286 (1952) (“His operations and their effects were not confined within the territorial limits of a foreign nation. He bought component parts of his wares in the United States, and spurious “Bulovas” filtered through the Mexican border into this country; his competing goods could well reflect adversely on Bulova Watch Company’s trade reputation in markets cultivated by advertising here, as well as abroad.”).

ant did not have a Mexican trademark, there was no question of possible interference with the sovereignty of the foreign nation. Consequently, the Court enjoined the U.S. defendant from using the U.S. trademark in Mexico to sell watches.

Following the *Bulova* ruling, the courts of appeal have applied somewhat different tests with respect to the extraterritorial application of the Trademark Act.¹⁶⁹³ The Second Circuit was first to interpret the *Bulova* ruling. When determining whether the Lanham Act can extend to use in commerce outside the U.S., the Second Circuit evaluates 1) whether the defendant is a U.S. citizen; 2) whether the defendant's conduct has a substantial effect on U.S. commerce; and 3) whether a conflict with foreign law exists.¹⁶⁹⁴ The only factor that is critical however is substantial effects and the Second Circuit has upheld an extraterritorial application when the other two factors were missing.¹⁶⁹⁵ The Ninth Circuit applies a multi-factor balancing test where considerations of comity are evaluated when determining whether the Act is applicable.¹⁶⁹⁶ In contrast, the First Circuit has adopted a bright line test employed by the Supreme Court in *Hartford Fire* for antitrust law.¹⁶⁹⁷ Pursuant to this test, if the substantial effects requirement is satisfied, U.S. law claims extraterritorial application to the dispute, which is separate from the possible question whether, in the interest of international comity, the prescriptive jurisdiction should be exercised.¹⁶⁹⁸ However, even the Second Circuit's later ruling in *Sterling Drug* seems to adopt a similar position in treating the infringement issue separately from the comity issue.¹⁶⁹⁹

Another difference between the circuit tests is that the First and Second Circuits require "substantial effects" on U.S. commerce whereas the Fourth Circuit requires "significant effects" and the Fifth and Ninth Circuit require

¹⁶⁹³ Leaffer 2014 p. 9-14.

¹⁶⁹⁴ *Vanity Fair Mills, Inc. v T. Eaton Co.*, 234 F.2d 633 (2nd Cir. 1956), *cert. denied*, 352 U.S. 871 (1956).

¹⁶⁹⁵ *Sterling Drug, Inc. v Bayer AG*, 14 F.3d 733 (2nd Cir. 1994).

¹⁶⁹⁶ *Love v Associated Newspapers, Ltd.*, 611 F.3d 601, 613 (9th Cir. 2010) (applying *Timberlane Lumber* balancing factors developed in antitrust law).

¹⁶⁹⁷ *McBee v Delica Co.*, 417 F.3d 107, 120 (1st Cir. 2005) (adopting the *Hartford Fire* bright line test developed in antitrust law).

¹⁶⁹⁸ *McBee v Delica Co.*, 417 F.3d 107, 121 (1st Cir. 2005).

¹⁶⁹⁹ *Sterling Drug, Inc. v Bayer AG*, 14 F.3d 733, 746-747 (2nd Cir. 1994) ("While Bayer AG suggests that we must accept these conflicts as the unavoidable result of an international community of nations in which each nation exercises the power to grant trademark rights, we prefer to allow the District Court to fashion an appropriately limited injunction with only those extraterritorial provisions reasonably necessary to protect against significant trademark-impairing effects on American commerce.").

only “some effect.”¹⁷⁰⁰ The First Circuit suggested however that a lesser showing of domestic effects may be sufficient if the defendant is a U.S. citizen.¹⁷⁰¹ In addition, the Fifth and Ninth Circuits are more willing to find the effect on U.S. commerce criterion satisfied even where there are no trademark impairing effects on the U.S. market but there are indirect economic effects such as injury to a U.S. based right holder.¹⁷⁰²

Even though the Lanham Act may be applied to trademark use outside the U.S., the localisation of the trademark use is significant because if use is localised in the U.S., the courts do not usually take into account international comity considerations.¹⁷⁰³ There is a strong presumption in favour of the territorial application of U.S. law. As demonstrated below, the federal courts are not always consistent when it comes to localising trademark use, in particular when it comes to trademark use in digital media.

¹⁷⁰⁰ See *Vanity Fair Mills, Inc. v T. Eaton Co.*, 234 F.2d 633, 642 (2nd Cir. 1956), *cert. denied*, 352 U.S. 871 (1956); *McBee v Delica Co.*, 417 F.3d 107, 120 (1st Cir. 2005); *Nintendo of America, Inc. v Aeropower Co., Ltd.* 34 F.3d 246, 250 (4th Cir. 1994); *Am. Rice, Inc. v Ark. Rice Growers Coop. Ass'n*, 701 F.2d 408, 414 & n. 8 (5th Cir. 1983); *Trader Joe's Co. v Hallatt*, 2016 WL 4488009 (9th Cir. 2016); *Wells Fargo & Co. v Wells Fargo Exp Co.*, 556 F.2d 406, 428 (9th Cir. 1977).

¹⁷⁰¹ *McBee v Delica Co.*, 417 F.3d 107, 118 (1st Cir. 2005).

¹⁷⁰² *Ocean Garden Inc v Marktrade Company Inc*, 953 F.2d 500, 504 (9th Cir. 1991) (finding allegation that U.S. company was “losing millions of dollars in revenues through trademark infringement” as the result of “the sales of infringing goods in a foreign country may have a sufficient effect on commerce to invoke Lanham Act jurisdiction.”); *American Rice, Inc. v Arkansas Rice Growers Cooperative Ass'n*, 701 F.2d 408, 415–16 (5th Cir. 1983) (finding that the defendant’s foreign sales had an effect on U.S. commerce because it diverted sales from plaintiff, whose rice products were processed, packaged, transported, and distributed in U.S. commerce even though they were ultimately sold abroad).

¹⁷⁰³ *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, 2015 WL 5033893 (N.D. Tex 2015) (appeal pending); *Cable News Network L.P v CNNEWS.COM*, 177 F.Supp.2d 506 (E.D. Va. 2001), *aff'd* 56 Fed. Appx. 599 (4th Cir. 2003) (finding that foreign domain name holder used trademark in the U.S. because it had requisite effect there even though website was directed at non-US internet users and did not sell any goods or services in the U.S. and declining to treat the dispute as implicating an extraterritorial application of the Act); *Dolby v Robertson*, 654 F.Supp. 815, 818-819 (N.D. Cal. 1986) (holding that an injunction against a foreign defendant preventing him from using a U.S. trademark in the advertisement and sale of his performances, where advertisement and sale take place in the U.S., was not an extraterritorial application of the Lanham Act); *Miller Brewing Co. v Carling O'Keefe Breweries of Canada, Ltd.*, 452 F.Supp. 429, 442 (W.D.N.Y. 1978) (declining to apply the Bulova factors because the court found an extraterritorial application of the Lanham Act was not implicated as the advertising was accessible in the U.S. (although targeting Canada) and the broadcast also originated from the U.S.).

An injunction may be issued to put an end to or prevent the infringement of a U.S. trademark.¹⁷⁰⁴ Damages may be awarded in the form of the defendant's profits or actual damage sustained by the plaintiff.¹⁷⁰⁵ As an award of the infringer's profits is an equitable remedy, equitable considerations such as the defendant's intent to unjustly benefit from the right holder's mark may be considered.¹⁷⁰⁶ In some situations, a right holder may be entitled to treble damages or statutory damages that may go beyond compensating the right holder for its damage.¹⁷⁰⁷ Other remedies such as the destruction of infringing goods and the cancellation of a domain name may also be ordered against someone who infringes a U.S. trademark.¹⁷⁰⁸

Contributory trademark infringement is recognised under U.S. law.¹⁷⁰⁹ In practice, right holders usually sue intermediaries in the intermediaries' home state for providing services that enable foreign actors to commit domestic infringements because enforcement can take place directly on the domestic territory.¹⁷¹⁰ Consequently, an intermediary has an interest in the localisation of the primary act of trademark infringement committed by its customers. A foreign actor who contributes to a domestic infringement could also fall within the territorial reach of the Lanham Act.¹⁷¹¹

The U.S. has ratified all major trademark conventions, including the Paris Convention and the TRIPS Agreement.

¹⁷⁰⁴ 15 U.S.C. § 1116(a) (injunctions). But see *Philip Morris USA, Inc. v Otamedia Ltd.*, 331 F.Supp.2d 228, 246 (S.D.N.Y. 2004) (ordering transfer of defendant's domain names (those used for both legal and illegal activities) in order to *remedy past* trademark infringement and enjoin future infringement) (emphasis added).

¹⁷⁰⁵ 15 U.S.C. § 1117(a) (stating that the plaintiff "shall be entitled . . . to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action."). Damages are not available for the dilution by blurring or tarnishment of famous trademarks unless the defendant acted wilfully. 15 U.S.C. § 1125(a)(5).

¹⁷⁰⁶ Halpern et al. 2012 p. 334.

¹⁷⁰⁷ 15 U.S.C. § 1117 (b-d).

¹⁷⁰⁸ 15 U.S.C. § 1118 (destruction of infringing goods); 15 U.S.C. § 1125(d)(1)(C) (cancellation or transfer of domain name).

¹⁷⁰⁹ See *Inwood Laboratories, Inc. v Ives Laboratories, Inc.*, 456 U.S. 844 (1982) (holding that "liability for trademark infringement can extend beyond those who actually mislabel goods with the mark of another").

¹⁷¹⁰ See *Louis Vuitton Malletier, S.A. v Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011) (upholding contributory trademark infringement claim against domestic web-hosting service provider for contributing to infringement of U.S. trademarks committed by Chinese persons via foreign websites). See generally Bikoff et al. 2010.

¹⁷¹¹ See e.g. *Mattel, Inc. v MCA Records, Inc.*, 296 F.3d 894 (9th Cir. 2002), *cert. denied*, 537 U.S. 1171 (2003) (upholding extraterritorial application of Lanham Act against foreign defendants alleged to contribute to domestic claims of trademark infringement but finding no infringement).

Introduction of tangible goods under the mark into the territory (inbound regulation)

The question addressed is whether a seller who uses a mark in connection with the introduction of tangible goods into the protected territory falls within the territorial scope of the domestic trademark law even though the seller acts from outside the protected territory.

In the *European Union*, the CJEU seems to have answered this question affirmatively (albeit somewhat indirectly) in the *Blomqvist* case.¹⁷¹² In that case, a Danish consumer made an online purchase of a counterfeit ROLEX watch from a trader established in China. The mark ROLEX is protected under the EUTMR and also under Danish trademark law. When the watch arrived in Denmark, it was seized by customs, and the right holder requested that the watch be destroyed pursuant to the EU Customs Regulation.¹⁷¹³ The consumer objected to the destruction. A prerequisite for the destruction of the watch under the Customs Regulation was that the ROLEX trademark had been infringed in Denmark under the Danish trademark law or the EUTMR.¹⁷¹⁴ The consumer had not infringed the trademark because the watch had been ordered for his private use (e.g. not use in the course of trade). Thus, the question arose whether the Chinese trader had infringed national Danish trademark law and the EUTMR by using the mark ROLEX in commerce in Denmark, thereby triggering action under the Customs Regulation.

The CJEU observed that “European Union law requires that the sale be considered, in the territory of a Member State, to be . . . use in the course of trade within the meaning of the trade mark directive and the Community trade mark regulation” and that this use “must be considered proven where a contract of sale and dispatch has been concluded.”¹⁷¹⁵ The CJEU stated further that it was not necessary that the goods had previously been the subject of an offer for sale or advertising targeting EU consumers.¹⁷¹⁶ The CJEU found that an infringement would be at hand, and could be relied upon to justify the seizure of the goods under the Customs Regulation “at the time

¹⁷¹² Case C-98/13, *Blomqvist*.

¹⁷¹³ Regulation 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property rights and the measures to be taken against goods found to have infringed such rights. Regulation 1383/2003 has been replaced by Regulation 608/2013.

¹⁷¹⁴ Article 10 Regulation 1383/2003 (establishing that the law of the Member State where the goods have been entered for release for free circulation shall apply to decide whether an IP right has been infringed).

¹⁷¹⁵ Case C-98/13, *Blomqvist*, para. 29.

¹⁷¹⁶ Case C-98/13, *Blomqvist*, para. 35.

when those goods enter the territory of that Member State merely by virtue of the acquisition of those goods.”¹⁷¹⁷ In holding so, the CJEU did not consider whether under the law applicable to the sales contract, the Chinese seller or the Danish buyer was the owner of the goods when they entered the EU for release for free circulation.¹⁷¹⁸ Instead, the EU autonomously defined the concept use of a mark in commerce by reference to the Member State where the function of the trademark is liable to be affected, which is in the EU where the sale is made to the EU consumer to whom the counterfeit goods are dispatched.¹⁷¹⁹ The Blomqvist case suggests that there is no *de minimis* requirement when it comes to at least counterfeit goods; even one watch is enough to trigger prescriptive jurisdiction. The Blomqvist case leaves open the question whether the sale to an EU consumer by itself, without the dispatch of goods under the mark to the EU, could be an infringing use localised in the EU.

The EU and Denmark’s exercise of prescription and enforcement jurisdiction is hardly controversial from the perspective of international comity. Denmark exercised enforcement jurisdiction on its own territory and against its own national, e.g. the Danish buyer who was the owner of the watch.¹⁷²⁰ However, by localising the infringing act in the EU territory, the Blomqvist decision may have implications for the substantive scope of application of EU trademark law in relation to foreign nationals acting from abroad. While the CJEU did not expressly consider the international law implications, its analysis of the territorial scope of European trademark law is consistent with the objective territorial principle. Indeed, the Chinese trader’s foreign act, i.e. the sale and dispatch of the counterfeit watch under the protected trademark to the EU (Denmark), has an intentional and direct effect there in much the same way as a gun fired in state A across the border into state B. As the EU possesses prescriptive jurisdiction to regulate the introduction of infringing goods into its own territory, its exercise of enforcement jurisdiction on its own territory would not be illegitimate.

This interpretation of the Blomqvist case suggests that if the Chinese seller infringed the trademark on Danish territory by using the mark in connection with the introduction of goods there, the right holder would have a claim against the Chinese seller under Danish trademark law and the EUTMR to

¹⁷¹⁷ Case C-98/13, Blomqvist, para. 35.

¹⁷¹⁸ The CJEU has observed in an analogous context that the concepts in the EU Directives must be given an independent EU interpretation that is not contingent upon which Member State’s national law was applicable to the sales contract. See Case C-5/11, Donner, para. 25; Joined Cases C-414-416/99, Zino Davidoff and Levi Strauss, para. 43.

¹⁷¹⁹ See Case C-98/13, Blomqvist, para. 27.

¹⁷²⁰ See Petersen et al. 2012 p. 761 (observing that the buyer had not committed any infringement and might have acted in good faith).

enjoin it from selling and dispatching watches under the ROLEX mark to the EU in order to put an end to the infringement on the Danish territory.¹⁷²¹ While such an injunction requires the Chinese seller to cease carrying out a certain activity in China (i.e. selling and dispatching goods from China to Denmark), this is not viewed as an extraterritorial application of EU law as its only aim is to stop or prevent an infringement within the protected territory.¹⁷²² Indeed, such an injunction only technically requires the defendant to cease the infringement on the protected Member State territory. The right holder may also have a claim for damages and other remedies.¹⁷²³ Whether any remedies can be enforced against the Chinese seller depends on whether the Chinese seller has any *de facto* presence in the EU (unless China enforces the foreign judgment).

This interpretation of the localisation of the infringing act of trademark use as suggested by the Blomqvist decision could have consequences on the passive sales of parallel imported goods from third states to consumers in the EU.¹⁷²⁴ While parallel imports of genuine goods from third states are outside the scope of the Customs Regulation,¹⁷²⁵ if the sale and dispatch of genuine goods from outside the EU is an infringing act in the EU, the right holder would have all the enforcement remedies available under the EUTMR and the applicable Member State trademark law as harmonised under the Enforcement Directive such as damages, injunction, and corrective measures including the destruction of goods.¹⁷²⁶ In a case of (illegal) parallel imports, the consumer's interest in his watch may be given greater weight.¹⁷²⁷ As the CJEU's holding is limited to interpreting the authority of the Member States' custom authorities to seize goods under the Customs Regulation, one should be careful in drawing conclusions with respect to the substantive trademark law.¹⁷²⁸

¹⁷²¹ Article 11 Directive 2004/48/EC; article 102(1) Regulation 207/2009, amended by Regulation 2015/2424.

¹⁷²² See Bettinger & Thum 2002:2 p. 288 (“the territorial restriction of the trademark means that claims for injunction are only possible if the infringement has taken place within the territorial scope of the trademark in question or - in the case of preventive injunctions - where infringement is seriously threatened by an action carried out abroad.”).

¹⁷²³ See generally Directive 2004/48/EC and article 13 Directive 2004/48/EC on damages.

¹⁷²⁴ See Petersen et al. 2012 p. 757, 760-762.

¹⁷²⁵ See article 1(5) & recital 6 Regulation 608/2013 (excepting parallel imports from scope of the regulation).

¹⁷²⁶ See Directive 2004/48/EC (establishing a minimum level of enforcement measures in the EU).

¹⁷²⁷ Article 10(3) Directive 2004/48/EC (“In considering a request for corrective measures, the need for proportionality between the seriousness of the infringement and the remedies ordered as well as the interests of third parties shall be taken into account.”).

¹⁷²⁸ See Case C-98/13, Blomqvist (“Council Regulation (EC) No 1383/2003 of 22 July 2003 concerning customs action against goods suspected of infringing certain intellectual property

In the recast proposal to amend the Trademark Regulation and Trademark Directive, text had been proposed that would have established that an owner of a EUTM and of a national Member State trademark as harmonised under the Directive would be “entitled to prevent the importing of goods [under the sign] where only the consignor of the goods acts for commercial purposes.”¹⁷²⁹ The aim of the proposal was “to ensure that a trade mark owner has the right to prevent businesses (whether located in the EU or not) from importing goods located outside the EU that have been sold, offered, advertised or shipped to private consumers, and to discourage the ordering and sale of counterfeit goods in particular over the internet.”¹⁷³⁰ The EU Parliament proposed an amendment that would have limited “the scope of the proposed new provision on the import of small consignments to counterfeit goods.”¹⁷³¹ This amendment was rejected because it “implied an inappropriate restriction of already existing rights conferred by a trademark.”¹⁷³² Ultimately, the proposed amendment was deemed unnecessary in light of the CJEU case law.¹⁷³³

While the CJEU’s case law makes clear the right to seize even one item of counterfeit goods under the Customs Regulation, the territorial scope of application of EU trademark law in relation to foreign sellers acting abroad who make *de minimis* sales to the EU buyers is still somewhat unclear, especially if the goods sold and dispatched under a trademark are parallel imports. It is arguable that the use of a mark in connection with the occasional passive sale and dispatch to EU consumers of genuine parallel imported goods from abroad could fall outside the territorial scope of the trademark law if the use is found to have *de minimis* effects on the market.¹⁷³⁴ In general, some national Member State courts have found that foreign conduct

rights and the measures to be taken against goods found to have infringed such rights must be interpreted as meaning that the holder of an intellectual property right over goods sold to a person residing in the territory of a Member State through an online sales website in a non-member country enjoys the protection afforded to that holder by that regulation at the time when those goods enter the territory of that Member State merely by virtue of the acquisition of those goods. It is not necessary, in addition, for the goods at issue to have been the subject, prior to the sale, of an offer for sale or advertising targeting consumers of that State.”).

¹⁷²⁹ Article 10(4) Proposal for a Directive of the European Parliament and of the Council to approximate the laws of the Member States relating to trade marks (Recast), COM (2013) 162 final; article 9(4) Proposal for a Regulation amending Regulation (EC) No 207/2009 on the Community trade mark, COM (2013) 161 final.

¹⁷³⁰ See COM (2013) 162 final p. 6; COM (2013) 161 final p. 9.

¹⁷³¹ See COM (2015) 588 final p. 3-4.

¹⁷³² See COM (2015) 588 final p. 3-4.

¹⁷³³ See COM (2015) 588 final p. 3-4.

¹⁷³⁴ See Fawcett & Torremans 2011 p. 819 (stating that a *de minimis* rule can be applied on a quantitative basis and a qualitative basis).

that has *de minimis* effects on the protected market is outside the territorial scope of trademark law if the seller acts in good faith.¹⁷³⁵ This might afford a possibility to distinguish between counterfeit goods and genuine (illegal) parallel imported goods.

In the *United States*, the federal courts have found that direct sales of goods under a U.S. mark to buyers in the U.S. infringes the right holder's exclusive right to use the mark in commerce in the U.S.¹⁷³⁶ When localising the infringing use in the U.S., the fact that title to the goods passes to the buyer in the foreign state before the goods enter the U.S. is not determinative.¹⁷³⁷ The proposition that foreign sellers who make direct sales to U.S. buyers under a U.S. mark use the mark in the U.S. appears to be so obvious that the issue is not always raised by the parties.¹⁷³⁸ In the few cases that actually discuss the localisation of the use of the mark in connection with the sale of goods under a U.S. mark from abroad, it is not clear if the connecting factor is the fact that the goods bearing the mark are shipped directly to the buyer in the U.S. where they enter U.S. territory, or the location of the deceived customer in the U.S. who buys the defendant's product in the belief that she is buying the plaintiff's product.¹⁷³⁹ The latter criterion suggests that a sale of goods under

¹⁷³⁵ See I ZR 75/10 (Oscar), German Federal Court of Justice, 8 March 2012, IIC 2013, 44(4) 475-481; Stichting BDO v BDO Unibank Inc, England and Wales High Court, [2013] EWHC 418 (Ch), [2013] E.T.M.R. 31, 2013 WL 617397 (UK).

¹⁷³⁶ See e.g. *McBee v Delica Co.*, 417 F.3d 107 (1st Cir. 2005) ("Since sales in the United States are domestic acts, McBee [the right holder] need not satisfy the "substantial effect on United States commerce" test for this claim;"); *Menendez v Faber, Coe & Gregg, Inc.*, 345 F.Supp. 527, 557-58 (S.D.N.Y. 1972), rev'd on other grounds sub nom, *Alfred Dunhill v Cuba*, 425 U.S. 682 (1972) (holding that the application of the Lanham Act to a foreign seller that sells infringing goods to U.S. buyers was not giving the Act extraterritorial effect); *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, 2015 WL 5033893 (N.D. Tex 2015) (appeal pending) (finding that sales to U.S. buyers are sales in the U.S.).

¹⁷³⁷ *Menendez v Faber, Coe & Gregg, Inc.*, 345 F.Supp. 527, 557-58 (S.D.N.Y. 1972), rev'd on other grounds sub nom, *Alfred Dunhill v Cuba*, 425 U.S. 682 (1972) (rejecting defendants' argument that they did not make any infringing use of a protected trademark in the U.S. because "the cigars to which the trademarks were affixed were manufactured, boxed and labelled in Cuba and were shipped f.o.b. Havana.").

¹⁷³⁸ See e.g. *Ahava (USA), Inc. v J.W.G., Ltd.*, 250 F.Supp.2d 366 (S.D.N.Y. 2003) (applying Lanham Act to Israeli seller who made direct sales of infringing goods to U.S. consumers through its website without parties raising issue of possible extraterritorial application).

¹⁷³⁹ Compare *McBee v Delica Co.*, 417 F.3d 107, 122 (1st Cir. 2005) (holding that "under the ordinary domestic test, the \$2,500 worth of goods sold by Delica [the Japanese trader] to McBee's investigators in the United States were in United States commerce, at least insofar as some of those goods were shipped directly by Delica to the buyers in the United States.") (emphasis added) with *Menendez v Faber, Coe & Gregg, Inc.*, 345 F.Supp. 527, 557-58 (S.D.N.Y. 1972), rev'd on other grounds sub nom, *Alfred Dunhill v Cuba*, 425 U.S. 682 (1972) ("[I]n cases of trade-mark infringement and unfair competition, the wrong takes place not where the deceptive labels are affixed to the goods or where the goods are wrapped in the misleading packages, but where the passing off occurs, i. e., where the deceived customer

a U.S. trademark to a buyer in the U.S. is *per se* use of the mark in the U.S., even if the goods are not to be delivered to the U.S. territory at all.¹⁷⁴⁰ In most cases, the goods under the mark are both sold to buyers in the U.S. and delivered to the U.S. territory. In any case, both connecting factors are within the objective territorial principle because trademark use can be localised in the U.S. on the basis that goods under the mark enter U.S. territory, and also on the basis that the “deceived” buyer is located in the U.S. territory at the time of sale.

All possible remedies may be ordered against a seller who infringes a U.S. trademark by selling and delivering goods to the U.S.¹⁷⁴¹ If an injunction requires the seller to do or cease doing an act in a foreign state in order to put an end to an infringement in the U.S., the case will sometimes (but not always) be treated as implicating an extraterritorial application of the Act. In one case, the court applied the *Bulova* factors before granting an injunction ordering the defendant to bring all infringing products located in a Chinese warehouse to the U.S. where they would be retained, in an aim to prevent infringing imports and sales in the U.S.¹⁷⁴² In another case, Mattel sued MCA Records and its foreign subsidiaries for trademark infringement for the use of its BARBIE trademark in connection with the distribution of the Barbie Girl song in the U.S. The right holder was explicitly only seeking relief for distribution of the song in the U.S.¹⁷⁴³ Nevertheless, the court treated the dispute as implicating an extraterritorial application of the Lanham Act in relation to foreign defendants, presumably because the requested injunction would require them to cease certain activities abroad promoting the sales of the song in the U.S. If the court had localised the infringing use in the U.S.

buys the defendant's product in the belief that he is buying the plaintiff's.”) (emphasis added and internal citations omitted).

¹⁷⁴⁰ See *Euromarket Designs, Inc. v Crate & Barrel Ltd*, 96 F.Supp.2d 824 (N.D. Ill 2000) (localising trademark use in the U.S. where one sale under the mark was made to a U.S. purchaser (who was an employee of plaintiff's lawfirm) over foreign website even though the goods were shipped to an Ireland address).

¹⁷⁴¹ See *Menendez v Faber, Coe & Gregg, Inc.*, 345 F.Supp. 527, 557-58 (S.D.N.Y. 1972), *rev'd on other grounds sub nom*, *Alfred Dunhill v Cuba*, 425 U.S. 682 (1972) (stating that seizure of the goods was not the only remedy and that all the possible sanctions were available against a foreign trader who infringes a U.S. trademark by selling and dispatching goods to buyers in the U.S.).

¹⁷⁴² *Fun-Damental Too, Ltd. v Gemmy Industries Corp.*, 111 F.3d 993 (2nd Cir. 1997) (finding the *Bulova* test satisfied because there were substantial effects on U.S. commerce, the defendant was a U.S. company, and there was no conflict with foreign trademark rights).

¹⁷⁴³ *Mattel, Inc. v MCA Records, Inc.*, 28 F.Supp.2d 1120, 1130 (C.D.Cal. 1998), *aff'd*, 296 F.3d 894 (9th Cir. 2002), *cert. denied*, 537 U.S. 1171 (2003) (stating that the right holder was “seeking damages and injunctive relief relating to activities within the U.S. . . [and was] not seeking relief for defendants' sales of the Barbie Girl song in Europe; it is only seeking relief for United States sales.”).

where the mark was being used in connection with promotional activities and sales of the song, the Lanham Act could have been applied on a territorial basis.

In contrast, other courts have treated a dispute as implicating a territorial application of the Lanham Act if the defendant has made (or intended to make) sales and deliveries of goods under the mark to buyers in the U.S., even though the requested injunction requires the defendant to do some act abroad to put an end to the infringement in the U.S. and has IP impairing effects in foreign markets.¹⁷⁴⁴ For example, in *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, the jury found that the defendants were making an infringing use of the right holder's U.S. trademarks in the U.S. because the defendants *inter alia* maintained a website and internet brochure offering diamonds and jewellery for sale through a phone number and email address and had applied for U.S. trademarks with the expressed intent of using them (there was however no evidence that the defendants had yet made any internet sales to U.S. residents).¹⁷⁴⁵ The defendants claimed that the proposed text of the permanent injunction, which would require them to *inter alia* cease use of the mark on their internet sites and social media accounts "accessible to United States consumers", was an extraterritorial application of the Lanham Act.¹⁷⁴⁶ The defendants argued that they were foreign citizens and held rights to the trademark in foreign states, and there was no evidence that their websites, Twitter account or Facebook page had any effect on U.S. commerce.

¹⁷⁴⁴ *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, 2015 WL 5033893 (N.D. Tex 2015) (appeal pending) (holding that the right holder's requested injunction that defendant cease using the mark on internet sites, websites, and social media accounts for the purpose of selling goods under the mark in the U.S. was not an extraterritorial application of the Lanham Act); *McBee v Delica Co.*, 417 F.3d 107, 123 (1st Cir. 2005) (stating that if a court had jurisdiction to enjoin sales of goods within the U.S., it might have jurisdiction to enjoin the website as well, or at least those parts of the website that are necessary to allow the sales to occur); *EuroMarket Designs, Inc. v Crate & Barrel Ltd*, 96 F.Supp.2d 824 (N.D. Ill 2000) (localising trademark use in the U.S. where sale under mark was made to one U.S. purchaser and enjoined defendant from using mark on website to induce sales to U.S. buyers).

¹⁷⁴⁵ *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, 2015 WL 5033893 (N.D. Tex 2015) (appeal pending).

¹⁷⁴⁶ *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, 2015 WL 5033893 (N.D. Tex 2015) (appeal pending) ("Boule and Jean-Raymond Boule shall promptly and permanently cease use of and destroy all marketing, promotional, or other materials bearing the designation "Boule" as, or as part of, a trademark, service mark, trade name, domain name, or other designation of origin for the sale of Protected Goods and Services in the United States. Such materials include, but are not limited to, internet sites, signage, flyers, electronic and direct mail promotions, and business cards. Boule and Jean-Raymond Boule shall remove all "Boule" designations from signage, websites, social media accounts, and other electronic media content created by, provided by, or under their control and relating to the sale or offering for sale of Protected Goods and Services and accessible to United States consumers.").

The court held that the injunction was not an extraterritorial application of the Lanham Act because it was only for the purpose of enjoining sales in the U.S. The court distinguished between domestic acts of a foreign infringer and foreign acts of that foreign infringer, observing that the extraterritoriality analysis attaches only to the latter.¹⁷⁴⁷ While the court acknowledged that the defendants had trademarks outside the territory of the U.S. and claimed that it would not interfere with international sales or promotional efforts, it stated that it would not permit the defendants to use their websites to undermine the jury's verdict. Consequently, the court held that the proposed injunction “prohibiting the defendants from using any websites, containing the marks, or any mark confusingly similar, relating to diamonds and jewelry in the United States is appropriate.” When an infringement has been localised in the U.S., the scope of the injunction sometimes has the effect of preventing the defendant from using its mark even outside the U.S.¹⁷⁴⁸

With respect to damages, if the right holder's infringement claim is based on the use of the mark in connection with sales of infringing goods to consumers in the U.S., the damage award will not include foreign sales.¹⁷⁴⁹ With respect to all sanctions against a foreign seller, unless it has some *de facto* presence in the U.S., these sanctions will not be enforceable without the cooperation of foreign states where the seller has a presence. Regardless of any *de facto* presence of the infringer, infringing goods may be seized upon arrival in the U.S.¹⁷⁵⁰ A distinction is made between counterfeit and grey market goods (i.e. parallel imports).¹⁷⁵¹

¹⁷⁴⁷ *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, 2015 WL 5033893 (N.D. Tex 2015) (appeal pending) (“Courts have repeatedly distinguished between domestic acts of a foreign infringer and foreign acts of that foreign infringer; the extraterritoriality analysis to determine jurisdiction attaches only to the latter.” Citing *McBee v Delica Co.*, 417 F.3d 107 (1st Cir. 2005)).

¹⁷⁴⁸ See e.g. *Ahava (USA), Inc. v J.W.G., Ltd.*, 250 F.Supp.2d 366 (S.D.N.Y. 2003) (enjoining the foreign defendant from using the mark including use as a metatag on internet without any territorial restriction).

¹⁷⁴⁹ See *Ahava (USA), Inc. v J.W.G.*, 286 F.Supp.2d 321, 324 (S.D. N.Y. 2003) (rejecting right holder's evidence based on defendant's world wide sales and giving right holder leave to provide evidence on sales to U.S. consumers).

¹⁷⁵⁰ Section 42 of the Lanham Act contains provisions preventing the importation of goods bearing a mark that “shall copy or simulate” a registered trademark, and directs the U.S. customs to stop such goods at the border. 15 U.S.C. § 1124 & 19 CFR § 133.22. In addition, section 526(e) of the Tariff Act gives Customs the authority to seize and ultimately destroy counterfeit goods imported into the U.S. 19 U.S.C. § 1126(e) & 19 CFR § 133.21. In addition, section 526(a-b) of the Tariff Act subjects grey market goods to seizure and forfeiture if they bear “a trademark owned by a citizen of, or by a corporation or association created or organized within, the United States, and registered in the Patent and Trademark Office by a person domiciled in the United States” 19 U.S.C. § 1526(a) and 19 U.S.C. § 1526(b). Direct mail importations by consumers for personal use are included within the scope of the Customs

The Lanham Act has also been applied to the use of a U.S. trademark in connection with the sale of goods abroad if the goods are found to subsequently enter the U.S. market, confuse U.S. consumers and damage the trademark holder's good will.¹⁷⁵² This claim of prescriptive jurisdiction goes beyond the objective territorial principle because no element of trademark use is localised in the U.S. Prescriptive jurisdiction is based on the effects doctrine; the Lanham Act is applied to stop the use of the mark outside the U.S. territory when that use causes effects in the U.S. due to consumer confusion and good will injury. When the Lanham Act is applied extraterritorially to enjoin foreign use, the federal courts take into consideration the defendant's personal ties to the U.S. and any possible conflict with foreign trademark law in order to avoid international comity concerns.¹⁷⁵³

Summing up, under both EU and U.S. trademark law, the use of a mark in connection with the introduction of tangible goods into the territory falls within the territorial scope of trademark law even though a foreign seller acts from outside the protected territory. The infringing act is localised in the territory where the goods bearing the mark are sold and dispatched. A substantial difference between EU and U.S. trademark law is that the use of a mark in connection with the sales of goods abroad may come within the scope of the U.S. law if those goods subsequently enter the U.S. and affect

regulations, regardless of whether the goods are counterfeit or grey market goods. 19 CFR § 133.24. A personal exemption exists however for counterfeit goods and grey market goods accompanying the person entering the U.S. 19 U.S.C. § 1526(d)(1) & 19 CFR § 148.55. The advantage of these sections is that they subject such imports to forfeiture. See Leaffer 2014 p. 24-29; Davis 1999 p. 686.

¹⁷⁵¹ Customs will not seize grey market goods if they bear a foreign trademark that is owned by a company under common control as the owner of the U.S. trademark, unless they are physically and materially different from the domestic product, and the importer fails to affix a disclaimer to the goods. 19 CFR § 133.23(a)(1-3) and (b). Customs prioritizes counterfeit goods and will seize grey market goods only under limited circumstances. Customs Directive No. 2310-008A, April 7, 2000. See also *K-Mart Corp v Cartier, Inc.*, 486 U.S. 281 (1988) (upholding customs regulation on the common control exception promulgated under the Tariff Act).

¹⁷⁵² *Steele v Bulova Watch Co*, 344 U.S. 280, 286 (1952) (observing that spurious Bulova watches filtered through the Mexican border into the U.S.); *Nintendo of America, Inc. v Aeropower Co., Ltd.* 34 F.3d 246, 248 (4th Cir. 1994) (finding that the cartridges bearing the trademarks filtered into the U.S.); *Reebok International, Ltd. v Marnatech Enterprises, Inc.*, 970 F.2d 552, 555 (9th Cir. 1992) (finding evidence that the counterfeit shoes entered the U.S. with regular frequency).

¹⁷⁵³ See e.g. *Nintendo of America, Inc. v Aeropower Co., Ltd.* 34 F.3d 246 (4th Cir. 1994) (vacating injunction that broadly prohibited foreign defendants from using U.S. trademarks in the Canada and Mexico and remanding to district court to possibly consider the Bulova factors).

U.S. commerce. This is not the case under EU law as the infringing use must be capable of being localised in the EU.

Accessibility of a mark in the territory (inbound regulation)

The question addressed is whether a foreign seller who uses a mark in connection with the sale, offer for sale, or advertising of goods or services accessible in the protected territory falls within the territorial scope of the domestic trademark law even though neither the seller nor tangible goods bearing the mark physically enter the territory.

In the *European Union*, the CJEU held in the *L'Oréal and others* case that the holder of a trademark protected in the EU had the right to prevent the use of its mark without its consent in connection with offers for sale and advertising of goods on an on-line marketplace targeted at consumers located in the protected territory.¹⁷⁵⁴ The CJEU made clear that this applies even when the seller behind the offer or advertisement is established in a third state, the server of the internet site used by the seller is located in a third state, and the product that is the subject of the offer or the advertisement is located in a third state.¹⁷⁵⁵ The CJEU reasoned that if physical connections were controlling, it would undermine the effectiveness of EU trademark law.¹⁷⁵⁶ The targeting criteria can be seen as a substitute for the fact that neither the seller nor tangible goods enter the territory of a Member State.

Still, the CJEU's holding retains some aspects of tangibility (and territoriality) as the CJEU localised the infringing use in the EU. Indeed, the CJEU observed that the mark in connection with the offers and advertising on an on-line market place was perceivable on a computer screen in the EU and goods under the mark could be ordered via that market place from within the EU.¹⁷⁵⁷ The CJEU did not follow the semantics of Advocate General Jääskinen who advocated that the effects doctrine provided a basis for the application of EU law.¹⁷⁵⁸ Instead, the CJEU's holding remains within the

¹⁷⁵⁴ Case C-324/09, *L'Oréal and others*.

¹⁷⁵⁵ Case C-324/09, *L'Oréal and others*, para. 62-63.

¹⁷⁵⁶ Case C-324/09, *L'Oréal and others*, para. 62 ("If it were otherwise, operators which use electronic commerce by offering for sale, on an online market place targeted at consumers within the EU, trade-marked goods located in a third State, which it is possible to view on the screen and to order via that marketplace, would, so far as offers for sale of that type are concerned, have no obligation to comply with the EU intellectual property rules. Such a situation would have an impact on the effectiveness (*effet utile*) of those rules.")

¹⁷⁵⁷ Case C-324/09, *L'Oréal and others*, para. 62 (stating that the goods bearing the mark were "possible to view on the screen and to order via that marketplace.")

¹⁷⁵⁸ See Opinion of Advocate General Jääskinen, Case C-324/09, *L'Oréal and others*, para. 125 ("in the light of the effects doctrine applied in particular in the field of EU competition law, it can be stated that behaviour outside the territory of the Union but directly producing

framework of the territoriality principle because a constituent element of the offense, i.e. the use of the trademark in advertising or offers for sale, can be deemed to take place within the EU where the trademark is viewed on a screen (objective territorial principle).¹⁷⁵⁹ The CJEU stated however that the mere fact that a website is accessible from within the EU is not sufficient for the use of a mark in offers and advertisements to be localised within the EU.¹⁷⁶⁰ The CJEU noted that if that were the case, websites and advertisements technically accessible within the EU territory but obviously targeted solely at consumers in third states, would wrongly be subject to EU law.¹⁷⁶¹

The CJEU borrows its targeting approach from its previous case law on jurisdiction over consumer contract disputes under the Brussels I Regulation.¹⁷⁶² Pursuant to this approach, “the trader must have manifested its intention to establish commercial relations with consumers from one or more other Member States, including that of the consumer’s domicile.”¹⁷⁶³ The CJEU stated that it is up to the national Member State courts to assess on a case-by-case basis whether there are any relevant factors on the basis of which it may be concluded that an offer for sale or advertisement, displayed on an on-line marketplace accessible from the territory covered by the trade mark, is targeted at consumers in that territory.¹⁷⁶⁴ The CJEU noted that an offer for sale accompanied by details of the geographic areas to which the seller is willing to dispatch goods is of particular importance and also that a

legally relevant effects on the subject-matter of EU legislation cannot escape the application of EU rules merely because the acts causing such effects take place outside the Union territory.”).

¹⁷⁵⁹ See Petz 2012 p. 224 (stating that in order to be consistent with public international law, the domestic effects of foreign conduct must be considered infringing activities under the law for which protection is claimed).

¹⁷⁶⁰ Case C-324/09, L’Oréal and others, para. 64. See also e.g. France L’Oréal, Cour de Cassation, July 10, 2007 (upholding the Court of Appeal’s decision that the trademark was not used in France, although accessible to a French public, because it was not addressed to the French public, and could not be considered an infringing act on French territory); Thomas Pink Ltd. v Victoria Secret UK Ltd, England and Wales High Court, [2014] EWHC 2631 (Ch) (“The law is clear that in deciding whether what happens on a website amounts to use of the sign within the EU, the fact that a website can be accessed from the EU is not enough.”).

¹⁷⁶¹ Case C-324/09, L’Oréal and others, para. 64.

¹⁷⁶² Case C-324/09, L’Oréal and others, para. 64 (referring to Joined cases C-585/08 and C-144/09, Pammer and Hotel Alpenhof). Under the Brussels I Regulation, a consumer may sue a trader for contract matters in the consumer’s home state if the trader “directs such activities to that Member.” See article 17(1)(c) Regulation 1215/2012.

¹⁷⁶³ Joined cases C-585/08 and C-144/09, Pammer and Hotel Alpenhof, para. 75. See generally Bogdan 2013:2.

¹⁷⁶⁴ Case C-324/09, L’Oréal and others, para. 65.

country code Top Level Domain referring to that Member State can also be a relevant factor.¹⁷⁶⁵

The CJEU's targeting approach has been understood to require an objective assessment of use viewed from the perspective of the consumer and not from the trader's subjective intent.¹⁷⁶⁶ In the *L'Oréal and others* case, the Advocate General suggested that the national courts could be guided by the WIPO Recommendation 2001, although the CJEU did not specifically endorse this.¹⁷⁶⁷ In practice, the Member State courts have applied the CJEU's targeting approach in the same manner as the commercial effect approach adopted in the WIPO Recommendation 2001.¹⁷⁶⁸ The targeting/commercial effect approach is not limited to the use of a mark on the internet but has been applied by the Member State courts in other situations where conduct abroad is alleged to infringe domestic IP rights.¹⁷⁶⁹

¹⁷⁶⁵ Case C-324/09, *L'Oréal and others*, para. 65-66. With respect to the case before the referring court, the Court stated that the website with the address 'www.ebay.co.uk' appeared, in the absence of any evidence to the contrary, to be targeted at consumers in the territory covered by the national UK and Community trademarks. Case C-324/09, *L'Oréal and others*, para. 66.

¹⁷⁶⁶ See e.g. *Stichting BDO v BDO Unibank Inc*, England and Wales High Court, [2013] EWHC 418 (Ch), [2013] E.T.M.R. 31, 2013 WL 617397 (UK) (stating that targeting is not a question of "the subjective intention of the advertiser, but rather one of the objective effect of its conduct viewed from the perspective of the average consumer."); 16 O 586/11 (*Coty Germany GmbH v eBay Int'l AG*), Regional Court Berlin, 10 January 2012, [2012] E.T.M.R. 29 (interpreting targeting to mean the same as commercial effect). See also Case C-206/01, *Arsenal Football Club*, para. 61 (stating that the subjective perception of the infringer is immaterial). Subjective intent may come into play with respect to damages. See article 13 Directive 2004/48/EC ("knowingly, or with reasonable grounds to know").

¹⁷⁶⁷ See Opinion of Advocate General Jääskinen, Case C-324/09, *L'Oréal and others*, para. 129.

¹⁷⁶⁸ See e.g. 4 Ob 82/12f (*Wintersteiger III*), Austrian Supreme Court, 10 July 2012, IIC 2013, 44(8), 992-998 (stating the CJEU's targeting approach in *L'Oréal* corresponds to the commercial effect approach in the WIPO Recommendation 2001, and that the targeting criteria must be assessed objectively). See also *Matulionyte* 2011 p. 70 (stating that as intent (targeting) is proven by objective factors there is no real difference between that approach and commercial effect).

¹⁷⁶⁹ See I ZR 75/10 (*Oscar*), German Federal Court of Justice, 8 March 2012, IIC 2013, 44(4) 475-481 ("These principles are not restricted to uses of signs on the Internet but also apply to corresponding factual constellations in which - as in the present case - conduct abroad has effects on domestic intellectual property rights."); *Stichting BDO v BDO Unibank Inc*, England and Wales High Court, [2013] EWHC 418 (Ch), [2013] E.T.M.R. 31, 2013 WL 617397 (UK) ("In my judgment the factors referred to in *L'Oréal v eBay* and *Pammer and Hotel Alpenhof* are, with the exception of those which only relate to the online environment, equally relevant when considering a print advertisement. In addition, however, the nature of the publication and the territories in which it circulates are also relevant factors to take into account."). See also *Blythe* 2013 p. 512-513 (discussing criteria to assess the targeting of a specific state).

Some Member State courts have applied a *de minimis* rule and held that a right holder must tolerate the use of their marks that have mere trivial effects on the domestic market.¹⁷⁷⁰ The Member State courts have balanced the right holder and user's interests, taking into consideration to what extent the infringement of the right constitutes an unavoidable spillover.¹⁷⁷¹ Trademark use has been found to be *de minimis* where a foreign website does not specifically target the protected territory (even though it allows consumers within the territory to purchase services on a website), the services under the mark are supplied abroad and the use is not in bad faith.¹⁷⁷² Under the CJEU's targeting approach, it seems unlikely that the use of a mark by a seller in advertising from abroad that spills over into EU territory in a language understandable to EU consumers, but which is not perceived by a EU consumer to be aimed at him or her, could fall within the territorial scope of EU trademark law.¹⁷⁷³ The EU has not established however how the Member States

¹⁷⁷⁰ See 4 Ob 82/12f (Wintersteiger III), Austrian Supreme Court, 10 July 2012, IIC 2013, 44(8), 992-998 (stating a commercial effect requires something more than "a mere trivial effect on the domestic market"). See also Kur 2005:1 p. 967; Kur 2005:2 p. 179 (stating that it is impossible to demand complete abstention from interference with a national trademark resulting from contents posted on the internet).

¹⁷⁷¹ I ZR 75/10 (Oscar), German Federal Court of Justice, 8 March 2012, IIC 2013, 44(4) 475-481 ("an overall balance must be made, taking account on the one hand the extent of the effects of the use of the sign on the sign holder's domestic commercial interests. On the other hand, the decisive factor is whether and to what extent the infringement of the right constitutes an unavoidable side-effect of technical or organisational aspects on which the party against whom the claim has been brought has no influence, or whether the latter - for instance by creating the possibility of orders being placed from Germany or by making deliveries to Germany - deliberately profits from accessibility in Germany and the impairment of the sign holder by this is not merely trivial.").

¹⁷⁷² See e.g. I ZR 163/02 (Hotel Maritime), German Federal Court of Justice, 13 October 2004 (holding that the use of a mark on the defendant's German speaking website fell outside the territorial scope of the German trademark law even though it allowed German consumers to reserve Danish hotel rooms on-line because website had only a marginal effect on the right holder's business and trademark right in Germany and was not specifically targeting German consumers); *Hotel Cipriani Srl v Fred 250 Ltd* (formerly *Cipriani (Grosvenor Street) Ltd*), England and Wales High Court, [2013] EWHC 70 (Ch), [2013] F.S.R. 34, Chancery Division (holding that use of UK mark on international website in the English language that generally promoted restaurants outside of the UK was not being used in the UK even if it was possible for UK users to use the website to reserve a table at one of the restaurants because the site did not specifically target the UK).

¹⁷⁷³ See generally *Stichting BDO v BDO Unibank Inc*, England and Wales High Court, [2013] EWHC 418 (Ch), [2013] E.T.M.R. 31, 2013 WL 617397 (UK) (finding that certain advertisements that were accessible in EU but which could not be understood by EU consumers as directed at them could not infringe); 4 Ob 82/12f (Wintersteiger III), Austrian Supreme Court, 10 July 2012, IIC 2013, 44(8), 992-998 (stating that it could not be excluded that German companies that make use of the top level domain .de might be targeting the Austrian market given that the countries share the same language, and whether this was the case would need to be determined "in light of the content of the website and the orientation of the enterprise's commercial activity."). See also *Fawcett & Torremans* 2011 p. 562 (stating that the defendant

court should resolve any possible conflict with the laws of other Member States or third states.¹⁷⁷⁴ When it comes to conflicts with trademarks protected in other Member States used by defendants established in the EU to sell their goods and services to EU consumers, the EU rules on the free movement of goods and services may limit the territorial scope of the rights conferred under the Member State trademark laws so as to not restrict the free movement of goods and services in the internal market.¹⁷⁷⁵ As the free movement of goods and services does not apply to goods from and traders established in third states, it is possible that the territorial scope of the national Member State trademark laws and the EUTMR might be interpreted more broadly in relation third state traders.

It is somewhat unclear whether a sale of goods under a trademark to an EU consumer over an on-line marketplace is *per se* use of a mark in the EU, even if the marketplace does not target EU consumers and the goods are not going to be delivered into the EU territory. An example is where a EU consumer purchases goods under a mark on a website not targeting the EU with an EU credit card and EU billing address and requests that the goods be delivered to the consumer's vacation house located outside the EU. Petersen, Riis, and Schovsbo note that one interpretation of the L'Oréal and others case suggests that it might be an infringing use in the EU because the CJEU stated in its holding that the right holder could prevent the sale itself.¹⁷⁷⁶ Moreover, the CJEU rejected the contention that EU law could not apply where the goods would not necessarily be forwarded to the protected territory, although it is not clear whether this was limited to cases where there was targeting.¹⁷⁷⁷ In addition, even if the website does not target EU consumers, a sale to an EU consumer might be seen as *per se* evidence of targeting because the trader is actively choosing to sell to an EU consumer. Petersen, Riis, and Schovsbo caution that one should be careful with drawing this conclusion however because neither the questions referred to the CJEU nor the

must have taken positive steps to penetrate the UK market for UK law to encompass the trademark use on a foreign website).

¹⁷⁷⁴ But see WIPO Recommendation 2001 articles 9-12 on notice and avoidance of conflict.

¹⁷⁷⁵ See I ZR 75/10 (Oscar), German Federal Court of Justice, 8 March 2012, IIC 2013, 44(4) 475-481 (observing that broad protection of domestic trademarks in relation to defendants established in the EU might come in conflict with the freedom of services pursuant to Art. 56 TFEU).

¹⁷⁷⁶ Petersen et al. 2012 p. 757 ("One construction is that the sale of goods as such to a consumer located in the EU infringes EU trademark law *per se*."); Case C-324/09, L'Oréal and others, para. 67 ("where goods located in a third State . . . (i) *are sold* by an economic operator through an online marketplace . . . or (ii) are offered for sale or advertised on such a marketplace targeted at consumers located in that territory, the trade mark proprietor may prevent *that sale*, offer for sale or advertising.") (emphasis added).

¹⁷⁷⁷ Case C-324/09, L'Oréal and others, para. 61.

Advocate General's opinion address this issue.¹⁷⁷⁸ In addition, one might make an analogy between goods sold to EU consumers for delivery abroad and services sold to EU consumers to be performed abroad. As noted, some Member State courts have found use of a mark in connection with the sale on a website of services to be performed abroad to be *de minimis* when the foreign seller is not specifically targeting the protected market and is not acting in bad faith.¹⁷⁷⁹

The CJEU has not dealt with the question whether the use of a trademark in connection with the passive sale of a digital product under a protected mark can be localised in the Member State in which the foreign trader makes the digital product accessible to an EU consumer under the mark. As noted, a sale to a consumer in the EU might arguably be evidence of targeting the EU. More importantly, if, as discussed above, one interprets the Blomqvist case to mean that trademark use is localised in the Member State where tangible goods enter its territory when a foreign trader pursuant to its contract of sale with the EU consumer dispatches the goods, then in the same way, trademark use should be localised in the Member State where a foreign trader pursuant to a contract of sale with the EU consumer makes a digital product under the mark accessible to the consumer on his/her computer screen in the EU. While digital products cannot be seized like tangible goods, they retain some elements of tangibility in that a digital good bearing the mark is physically accessible on a computer screen in the protected territory. Moreover, an argument for treating the delivery of intangible goods in the same way as tangible goods is that they have the same effect on the function of the trademark in the right holder's exclusive market.¹⁷⁸⁰

¹⁷⁷⁸ See Petersen et al. 2012 p. 757 (calling this interpretation far-reaching and observing that the questions referred to the CJEU and the Advocate General's opinion do not address this issue but that the CJEU's conclusion includes the sale as such).

¹⁷⁷⁹ I ZR 163/02 (Hotel Maritime), German Federal Court of Justice, 13 October 2004 (holding that the use of a mark on the defendant's German speaking website fell outside the territorial scope of the German trademark law even though it allowed German consumers to reserve Danish hotel rooms on-line because website had only a marginal effect on the right holder's business and trademark right in Germany and was not specifically targeting German consumers); Hotel Cipriani Srl v Fred 250 Ltd (formerly Cipriani (Grosvenor Street) Ltd), England and Wales High Court, [2013] EWHC 70 (Ch), [2013] F.S.R. 34, Chancery Division (holding that use of UK mark on international website in the English language that generally promoted restaurants outside of the UK was not being used in the UK even if it was possible for UK users to use the website to reserve a table at one of the restaurants because the site did not specifically target the UK).

¹⁷⁸⁰ As noted above with respect to tangible goods, this interpretation has consequences for passive sales of digital products even where the foreign trader's use of the mark in its home state is supported by an independent foreign trademark (but is infringing in the EU consumer's state). For example, ex pats may wish to subscribe to digital content offered in a home language and targeting the home state. If the sale of a digital product in connection with a mark that is independently owned by a trader in the destination state is infringing in that state,

As noted, if an infringement is localised in EU territory, an injunction aimed at prohibiting the continuation of the infringement is not viewed as an extra-territorial application of law, even if it implicitly requires a foreign infringer to do or cease doing something in a foreign state. Indeed, the injunction only technically requires the defendant to cease the infringement in the territory. In practice, such injunctions may have effects in other states.¹⁷⁸¹ EU law requires however that an injunction (as well as all remedies granted) is proportionate in relation to the infringement and may not create barriers to legitimate trade.¹⁷⁸² The WIPO Recommendation 2001 appears to be relied upon by the Member States courts, which have become more attuned to granting injunctive relief in on-line trademark disputes in a way that minimises the extraterritorial effects.¹⁷⁸³ At the same time, internet traders have become more sophisticated, and now use disclaimers and gateway pages as well as geolocation and geoblocking technologies to delineate their activities to certain Member States.¹⁷⁸⁴ Such solutions have also been ordered by the courts.¹⁷⁸⁵

the foreign trader may refuse to make the passive sale. Arguably, the occasional passive sale of “legitimate” digital products to EU consumers might be said to have merely *de minimis* effects on the domestic market, whereas the sale of “counterfeit” digital products cannot be said to have merely trivial effects in terms of qualitative effects even if the quantitative effects are small. See Fawcett & Torremans 2011 p. 819 (stating that a *de minimis* rule can be applied on a quantitative basis and a qualitative basis). This conclusion is supported by the WIPO Recommendation 2001, which establish that bad faith can be a relevant factor when considering commercial effect. Article 3(1)(e) and explanatory note 3.16 WIPO Recommendation 2001. This distinction might afford a possibility to differentiate between “counterfeit” digital products and passive sales of genuine “parallel imported” digital products.

¹⁷⁸¹ Kur 2000 p. 313 fn 23 (discussing the previous practice of some Member States courts); Bettinger & Thum 2000:2 p. 287-291 (discussing how the French and German courts deemed injunctions requiring foreign defendants to cease using trademarks on the internet that were accessible in their respective territories as a strict territorial application of the French and German trademark acts).

¹⁷⁸² Article 3(2) Directive 2004/48/EC (“Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”); Case C-324/09, L’Oréal and others, para. 140 (stating that “the court issuing the injunction must ensure that the measures laid down do not create barriers to legitimate trade.”).

¹⁷⁸³ Christie 2015 p. 30 (observing that the WIPO Recommendation 2001 was expressly applied in at least one German trademark case, and possibly influenced courts in other states).

¹⁷⁸⁴ See Trimble 2015:2 p. 400-401; Kur 2005:2 p. 178 (stating that a legitimate user of a trademark must be given a chance to add disclaimers and create gateway pages to avoid a conflict with another trademark protected in another state).

¹⁷⁸⁵ A well-known example of a court ordering filtering to remove local effects (albeit not a trademark case) is France v Yahoo! Inc. et Société Yahoo! France (LICRA v Yahoo!), Paris Court of First Instance, 22 May 2000. See also Yahoo! Inc. v Ligue contre le racisme et l'anti-sémitisme, 433 F.3d 1199 (9th Cir. 2006) (dismissing Yahoo! Inc.’s action for a declaration of

In the *United States*, a foreign seller who uses a mark in connection with a sale, offer for sale, or advertising of goods or services, the use of which is accessible in the U.S., may fall within the territorial scope of the Lanham Act even though neither the seller nor tangible goods bearing the mark physically enter U.S. territory. The courts are not always consistent with whether this calls for a territorial or extraterritorial application of the Act.

Most cases dealing with the localisation of trademark use on the internet have arisen in the context of personal jurisdiction. This filters out many cases before they get to the substantive law question of localisation under the Lanham Act.¹⁷⁸⁶ The First Circuit is the only federal court of appeals to squarely deal with the localisation of trademark use on the internet under the Lanham Act. In *McBee v Delica*, a U.S. jazz musician sued a Japanese clothing company for the infringing use of his name on their website, and sought an injunction ordering the Japanese company to bar U.S. access to the foreign website. The musician argued that his claim did not call for an extraterritorial application of the Lanham Act because he only sought to prevent the Japanese company from using his name in a way that was visible to U.S. consumers.¹⁷⁸⁷ The court rejected this contention, making a distinction between the use of a mark on the site as a method for selling goods to the U.S. and the existence of the website as such. In the former case, the court suggested that if the defendants had infringed the mark by making sales of goods to the U.S., an order to enjoin the website, or at least those parts of the website that are necessary to allow the sales to occur, would not be an extraterritorial application of the Act. The court observed however that the musician had complained that he was being damaged by the mere existence of the website, because U.S. citizens can view the website and become confused about his relationship with the Japanese company. Under these circumstances, the court found that an injunction called for an extraterritorial application of the Act. The court stated that an extraterritorial application would only be appropriate if the use of a mark on a foreign website had a substantial effect on U.S. commerce viewed in light of the purposes of the Lanham Act of avoiding consumer confusion among the U.S. public and protecting a trade-

non-enforceability of the French judgment with three judges basing the decision on a lack of personal jurisdiction and three judges basing the decision on a lack of ripeness).

¹⁷⁸⁶ See *Simonyuk* 2002 (observing that many foreign websites on which infringing use is alleged to occur will not satisfy the requirements for personal jurisdiction).

¹⁷⁸⁷ *McBee v Delica Co.*, 417 F.3d 107, 123 (1st Cir. 2005) (“McBee next argues that his claim

for an injunction against Delica's posting of its Internet website in a way that is visible to United States consumers also does not call for an extraterritorial application of the Lanham Act.”).

mark owner's good will in the mark.¹⁷⁸⁸ In the case at hand, the Japanese company did not sell any goods in the U.S., its website was almost entirely in Japanese characters, and the musician provided no evidence of U.S. consumers visiting the website and becoming confused about the musician's relationship with the Japanese company.¹⁷⁸⁹ Thus, the court found that the substantial effects requirement was not satisfied. Hence, the court found that it was not necessary to take a position whether substantial effects alone sufficed or whether intent (or targeting) was also necessary, which is the test for the extraterritorial application of U.S. antitrust law.¹⁷⁹⁰ Likewise, the court did not need to take a position on whether it should ever decline prescriptive jurisdiction existing under the Lanham Act in the interest of international comity.¹⁷⁹¹

The court in *McBee* relied upon *Sterling Drug, Inc. v Bayer AG*, a non-internet case decided by the Second Circuit, in determining whether the Lanham Act was applied extraterritorially.¹⁷⁹² In *Sterling Drug*, a U.S. company sued Bayer AG, a German company, for the infringement of Sterling's

¹⁷⁸⁸ *McBee v Delica Co.*, 417 F.3d 107, 121-123 (1st Cir. 2005) ("The "substantial effects" test must be applied in light of the core purposes of the Lanham Act, which are both to protect the ability of American consumers to avoid confusion and to help assure a trademark's owner that it will reap the financial and reputational rewards associated with having a desirable name or product.").

¹⁷⁸⁹ *McBee v Delica Co.*, 417 F.3d 107, 123-124 (1st Cir. 2005) ("Delica's website, although hosted from Japan and written in Japanese, happens to be reachable from the United States just as it is reachable from other countries. That is the nature of the Internet. The website is hosted and managed overseas; its visibility within the United States is more in the nature of an effect, which occurs only when someone in the United States decides to visit the website. To hold that any website in a foreign language, wherever hosted, is automatically reachable under the Lanham Act so long as it is visible in the United States would be senseless."). The Japanese company had an express policy not to sell any goods to the U.S. Despite that policy, the plaintiff's investigators were able to purchase \$2,500 worth of products by contacting McBee retail stores directly. Apart from these sales, which the court discounted, there was no other evidence of U.S. sales. *Ibid.* 113.

¹⁷⁹⁰ *McBee v Delica Co.*, 417 F.3d 107, 120 fn 9 (1st Cir. 2005). As this was the first time the First Circuit was faced with the question of the possible extraterritorial application of the Lanham Act, the court turned to the field of antitrust for guidance. In that field, U.S. law is applied extraterritorially against foreign defendants only if the foreign conduct has substantial effects on U.S. commerce, with an additional requirement that the defendant intend to cause substantial effects that actually have been created on U.S. commerce. See *Hartford Fire Ins. Co. v California*, 509 U.S. 764 (1993).

¹⁷⁹¹ Under the test for the extraterritorial application of the Lanham Act fashioned by the First Circuit, third state interests and comity considerations are analysed not as a question of subject matter jurisdiction, e.g. whether the Act could be applied extraterritorially, but as a prudential question whether that jurisdiction should be exercised, e.g. whether the law should be applied extraterritorially. *McBee v Delica Co.*, 417 F.3d 107, 121 (1st Cir. 2005).

¹⁷⁹² *McBee v Delica Co.*, 417 F.3d 107, 122 (1st Cir. 2005).

U.S. trademark BAYER.¹⁷⁹³ Bayer AG held an identical trademark in Germany for the same goods. The district court found that Bayer AG had infringed Sterling's U.S. trademark in the U.S. and "broadly enjoined Bayer AG and its subsidiaries from using the BAYER mark in the United States, or even abroad if such foreign use might make its way to the American public."¹⁷⁹⁴ Bayer AG appealed and the German government submitted an *amicus curiae* brief on the ground that the injunction prevented Bayer AG from using its German trademark in Germany.¹⁷⁹⁵ Sterling Drug contended that it did not seek an extraterritorial application of the Lanham Act because it only sought to enjoin those uses of the trademark abroad that were likely to make their way to U.S. consumers. The Second Circuit rejected this localisation:

Sterling conflates the effect of the challenged conduct with the effect of the challenged injunction. While it is true that the injunction seeks to reach only the domestic effects of Bayer's conduct, it does so through the mechanism of an extraterritorial injunction, i.e., one that prohibits Bayer AG from undertaking certain actions outside U.S. borders.¹⁷⁹⁶

The Second Circuit remanded the case to the district court to carefully tailor the injunction so as to enjoin only those extraterritorial uses that had significant trademark-impairing effects on U.S. commerce.¹⁷⁹⁷

Other courts have found that the Lanham Act is not applied extraterritorially if the foreign conduct has trademark impairing effects in the U.S., even if compliance with the injunction requires the defendant to do or cease certain activities abroad.¹⁷⁹⁸ This may be problematic where the foreign act gives rise to effects in other states apart from the U.S. Some courts, especially in early internet cases, have been willing to localise trademark use in the U.S.

¹⁷⁹³ Sterling Drug, Inc. v Bayer AG, 14 F.3d 733 (2nd Cir. 1994).

¹⁷⁹⁴ Sterling Drug, Inc. v Bayer AG, 14 F.3d 733, 744 (2nd Cir. 1994).

¹⁷⁹⁵ Sterling Drug, Inc. v Bayer AG, 14 F.3d 733, 744 (2nd Cir. 1994) (observing that the German government had submitted an *amicus curiae* brief contending that the extraterritorial prohibitions of the injunction failed to respect its sovereign rights).

¹⁷⁹⁶ Sterling Drug, Inc. v Bayer AG, 14 F.3d 733, 746 fn 7 (2nd Cir. 1994).

¹⁷⁹⁷ Sterling Drug, Inc. v Bayer AG, 14 F.3d 733, 747 (2nd Cir. 1994).

¹⁷⁹⁸ See *Stevo Design, Inc. v SBR Marketing Ltd.*, 919 F.Supp.2d 1112 (D.Nev. 2013) (finding that the fact that the content of defendant website was US-centric (English language analysis of American sports) showed that the infringement was within the reach of the Lanham Act and localised the infringing use in the U.S.); *McGraw-Hill Co., Inc. v Ingenium Tec Corp.*, 364 F.Supp.2d 352 (S.D.N.Y. 2005) (finding that an injunction against a Canadian company prohibiting it from soliciting customers in the U.S. by e-mail was not an extraterritorial application of the Lanham Act because the infringing acts take place in the U.S. where the customers are located); *Dolby v Robertson*, 654 F.Supp. 815, 818-819 (N.D. Cal. 1986) (holding that an injunction against a foreign defendant preventing him from using a U.S. trademark in the advertisement and sale of his performances, where advertisement and sale take place in the U.S., was not an extraterritorial application of the Lanham Act).

based on little more than mere accessibility of the mark on a website, and grant relief that required a foreign actor to do or cease doing activities in a foreign state that had IP impairing effects in other states.¹⁷⁹⁹ For example, in the case *Playboy Enterprises, Inc. v Chuckleberry Publishing, Inc.*, the court found that the defendant would violate an earlier injunction if it used a U.S. trademark on its foreign website to advertise its digital products even if it refrained from selling any digital products in the U.S., and ordered the defendant to shut down its website or prevent U.S. users from accessing it.¹⁸⁰⁰ In addition, at least one court found that the sale of goods under a trademark to a buyer in the U.S. over the internet was use of the mark in the U.S., even though the website did not target U.S. consumers and the goods were not delivered into U.S. territory.¹⁸⁰¹ Moreover, the alleged infringer may not need to actually offer goods or services under the mark on the U.S. market for there to be use of the mark in the U.S. if the mark is otherwise perceptible to a U.S. public and affects their perception of the mark.¹⁸⁰² The courts are more likely to localise use in the U.S. and/or and grant broad injunctions

¹⁷⁹⁹ See e.g. *Jeri-Jo Knitwear, Inc. v Club Italia, Inc.*, 94 F.Supp.2d 457 (S.D.N.Y. 2000) (ordering defendant to disable link on its international .com and .net sites to its .it site where the mark was used because the .com and .net sites were accessible to U.S. consumers and the link enables U.S. residents to access the .it site where the mark was perceivable).

¹⁸⁰⁰ *Playboy Enterprises, Inc. v Chuckleberry Publishing, Inc.*, 939 F.Supp. 1032, 1044 (S.D. N.Y. 1996) (Opinion and order on reconsideration).

¹⁸⁰¹ *Euromarket Designs, Inc. v Crate & Barrel Ltd*, 96 F.Supp.2d 824 (N.D. Ill 2000) (localising use in the U.S. where one sale under the mark was made to a U.S. purchaser (who was an employee of plaintiff's lawfirm) over foreign website even though the goods were shipped to an Ireland address). An English court that had to consider almost identical facts but under EU trademark law came to the opposite conclusion. See *Euromarket Designs Inc. v Peters and Crate & Barrel Ltd.*, England and Wales High Court, [2001] F.S.R. 20 (finding that the use of the same mark on the same website did not take place in the UK merely because it was accessible there).

¹⁸⁰² *Cable News Network L.P. v CNNEWS.COM*, 177 F.Supp.2d 506 (E.D. Va. 2001), *aff'd* 56 Fed. Appx. 599 (4th Cir. 2003) (finding that foreign domain name holder used trademark in the U.S. because it had requisite effect there even though website was directed at non-U.S. internet users and did not sell any goods or services in the U.S.); *Ibid.* 517 ("In these circumstances, an effect on American commerce is not obvious. Yet, on closer scrutiny, the requisite effect or impact on American commerce is discernible. This effect or impact results from the global nature of the Internet, the existence in this country of a not insubstantial number of persons with Chinese language skills, the fact that ".com" is essentially an American top-level domain and the fact that CNN is a famous mark in this country and indeed internationally. These circumstances combine to mean that even though the *cnnews.com* website apparently neither sells, nor offers to sell, any goods outside China, the *cnnews.com* website nonetheless offers news and information (i.e., "commerce") to persons with Chinese language skills in this country and indeed worldwide. In doing so, American commerce is affected."); *Miller Brewing Co. v Carling O'Keefe Breweries of Canada, Ltd.*, 452 F.Supp. 429 (W.D.N.Y. 1978) (finding that foreign defendant used trademark in U.S. where trademark was visible in TV ads broadcast in U.S. even though defendant did not sell any goods in U.S.).

if the defendant is perceived to be a bad faith user.¹⁸⁰³ Mere accessibility of a mark on a website, even if it is in the English language, is not sufficient.¹⁸⁰⁴ When an infringement has been localised in the U.S., the scope of the injunction can have the effect of preventing the defendant from using its mark on its website even outside the U.S.¹⁸⁰⁵ The significance of localising the infringing use in the U.S. is that the courts treat the dispute as calling for a territorial application of the Lanham Act, and as a consequence, do not always deem it necessary to take into consideration foreign rights and comity considerations.¹⁸⁰⁶

Summing up, under both EU and U.S. trademark law, the use of a mark in connection with the sale, offer for sale or advertising of goods or services

¹⁸⁰³ See Garnett 2005:3 p. 934 (“Not surprisingly then, U.S. courts have responded to the rise of cybersquatting by extending the scope of the Lanham Act so that it may apply to both foreign and U.S. defendants, even where there has been a less than substantial effect on U.S. commerce.”). See e.g. *Versace v Versace*, 213 Fed.Appx. 34 (2nd Cir. 2007) (upholding extraterritorial application of permanent injunction preventing trademark infringer who repeatedly violated previous injunctions from using the trademark in connection with any commercial activity “anywhere in the world”); *A.V. by Versace, Inc. v Gianni Versace S.p.A.*, 87 F.Supp.2d 281 (S.D.N.Y. 2000) (“Although these Internet sites presumably operate from servers in foreign countries, they are accessible by any web browser in the United States. . . . Despite originating overseas, under federal trademark law, this type of online infringement is deemed to have occurred in the United States”); *Internet Billions Domains, Inc. v Venetian Casion Resort, Inc.*, 2002 WL 1610032 (E.D. Pa. 2002) (localising the infringing trademark use in the U.S. because the foreign website was in English and used a domain (.org) having no country code).

¹⁸⁰⁴ *Visible Systems Corp. v Unisys Corp.*, 551 F.3d 65, 77 (1st Cir. 2008) (upholding district court’s refusal to grant injunction against use of mark on foreign websites that was merely accessible to U.S. consumers); *Gallup, Inc. v Business Research Bureau (PVT) Ltd.*, 688 F.Supp.2d 915 (N.D. Cal. 2010) (holding that Lanham Act did not reach use of U.S. trademark on foreign website where the effects on U.S. commerce were incidental and insignificant because website did not sell goods or services on U.S. market and no real evidence that U.S. consumers were aware of defendant’s use of the mark).

¹⁸⁰⁵ See e.g. *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, 2015 WL 5033893 (N.D. Tex. 2015) (appeal pending) (enjoining defendants from using mark on websites accessible to U.S. customers); *Playboy Enterprises, Inc. v Chuckleberry Publishing, Inc.*, 939 F.Supp. 1032 (S.D. N.Y. 1996) (enjoining defendant from using mark on website accessible to U.S. customers).

¹⁸⁰⁶ *Cable News Network L.P v CNNEWS.COM*, 177 F.Supp.2d 506 (E.D. Va. 2001), *aff’d* 56 Fed. Appx. 599 (4th Cir. 2003) (finding that foreign domain name holder used trademark in the U.S. because it had requisite effect there even though website was directed at non-US internet users and did not sell any goods or services in the U.S. and declining to treat the dispute as implicating an extraterritorial application of the Act); *Miller Brewing Co. v Carling O’Keefe Breweries of Canada, Ltd.*, 452 F.Supp. 429, 442 (W.D.N.Y. 1978) (declining to apply the Bulova factors because the court found an extraterritorial application of the Lanham Act was not implicated as the advertising was accessible in the U.S. (although targeting Canada) and the broadcast also originated from the U.S.). As discussed below, however, in both these cases there were also physical connections to the U.S. territory.

accessible in the territory may fall within the territorial scope of trademark law even though neither the seller nor tangible goods bearing the mark physically enter the territory. Under EU law, the use of a mark on a website accessible in the territory will be localised in the EU if the website targets consumers (or has a commercial effect) in the EU. The requirement of proportionality may limit the scope of an injunction so as not to have extraterritorial effects. In the U.S., the Lanham Act will apply extraterritorially to foreign trademark use that has effects in the U.S. (or that foreign use will be localised in the U.S. if it has effects in the U.S.). The EU's targeting and the US's effects approach appear in practice to yield similar results, although the U.S. effects approach is easier to satisfy. If the Lanham Act is applied extraterritorially, the courts will generally consider international comity considerations. However, if the U.S. courts localise the infringing use in the U.S., they do not consider the effect of the application of the Act on international comity, and the injunctions may be overly broad.

Use of a mark in connection with tangible goods physically present in the territory (outbound regulation)

The question addressed is whether a seller who uses a mark in connection with tangible goods physically present in the protected territory falls within the territorial scope of domestic trademark law even though the goods are not intended for the protected market.

In the *European Union*, in order to combat counterfeiting more effectively, the recast of Trademark Directive and EUTMR grant proprietors of EU and Member State trademarks the right to prohibit the affixing of an infringing mark to goods and other preparatory acts if there is a risk that the marks could be used in relation to goods or services to infringe the rights of the trademark owner.¹⁸⁰⁷ The situation is not clear however whether there is a risk for infringement if the goods bearing the mark are to be exported, in particular when the goods to be exported are not counterfeit.

The CJEU has not ruled on the question whether affixing a trademark on goods for export and/or exporting goods under a mark infringes EU trade-

¹⁸⁰⁷ See article 9a Regulation 207/2009, amended by 2015/2424; Recital 20 Regulation 207/2009, amended by 2015/2424 (“In order to enable proprietors of EU trade marks to combat counterfeiting more effectively, they should be entitled to prohibit the affixing of an infringing mark to goods and preparatory acts carried out prior to the affixing.”); article 11 Directive 2015/2436; Recital 26 Directive 2015/2436 (“In order to enable proprietors of registered trade marks to combat counterfeiting more effectively, they should be entitled to prohibit the affixing of an infringing trade mark to goods, and certain preparatory acts carried out prior to such affixing.”).

mark law.¹⁸⁰⁸ The question was raised in *Frisdranken Industrie Winters* but not answered by the CJEU.¹⁸⁰⁹ It is possible however that these uses are infringing under EU trademark law because they are liable to affect the origin function of a trademark due to the risk that the goods may end up on the market in the Member State of affixation/exportation and confuse consumers as to the source of the goods.¹⁸¹⁰ This risk is not merely theoretical because the goods are under the control of the trademark user (alleged infringer) (as opposed to the Member State's customs control for goods in transit).¹⁸¹¹ In addition, the localisation of trademark use in the Member State of affixation/exportation may be justified on the ground that the persons handling the goods within the protected territory will have had access to the mark in con-

¹⁸⁰⁸ Both the Trademark Directive and the EUTMR expressly list the acts of affixing the sign to the goods or to the packaging and exporting the goods under the sign as examples of infringing uses. Article 10(3)(a) Directive 2015/2436 and article 9(3)(a) Regulation 207/2009, amended by 2015/2424. It can be noted that “affixing of the trade mark to goods or to the packaging thereof in the Member State concerned solely for export purposes” is specifically listed in the Trademark Directive and the EUTMR as an act that constitutes genuine use of the mark. Article 16(5)(b) Directive 2015/2436 and article 15(1)(b) Regulation 207/2009, amended by 2015/2424. If infringing use and genuine use are interpreted in the same way, this would suggest that affixing a trademark on goods solely for export would be an infringing use as this is explicitly an act of genuine use. See *Adriatica Manifatture v Levi*, Tribunal of Milan (unreported), September 22, 2005, E.I.P.R. 2006, 28(1), N6-7 (holding that there is only one meaning of use under the Trademark Directive that is applicable both for genuine use and infringing use). Some commentators maintain that infringing use is broader than genuine use, which would suggest that what is genuine use is *ipso facto* infringing use. See Cohen Jehoram 2010 p. 253 (stating that the requirement for infringing use is broader than the requirement for genuine use).

¹⁸⁰⁹ Case C-119/10, *Frisdranken Industrie Winters*, para. 14 (asking “can using the sign then also be prohibited in the Benelux on the basis of Article 5 of Directive 89/104 if the goods bearing the sign are destined exclusively for export to countries outside [(a)] the Benelux area or [(b)] the European Union, and they cannot – except in the undertaking where the filling took place – be seen therein by the public?” and “what criterion must be used when answering the question whether there has been trade-mark infringement: should the criterion be the perception of an average consumer who is reasonably well informed and reasonably observant and circumspect in the Benelux or alternatively in the European Union – who then in the given circumstances can only be determined in a fictional or abstract way – or must a different criterion be used in this case, for example, the perception of the consumer in the country to which the goods are exported?”); *Ibid.* para. 38 (stating that there was no need to answer these questions given their answer to the first question).

¹⁸¹⁰ See Opinion of Advocate General Kokott, Case C-119/10, *Frisdranken Industrie Winters*, para. 44-57 (finding this argument convincing); *Ladas* 1975 p. 1106 (stating that the reason for the “technicality” in trademark law prohibiting affixation of the mark is founded on the consideration that failure to enforce such rule may permit abuse by the absence of control over the goods).

¹⁸¹¹ See Opinion of Advocate General Kokott, Case C-119/10, *Frisdranken Industrie Winters*, para. 56 (distinguishing these uses from transit cases).

nection with the goods and their perception of the mark may be affected.¹⁸¹² As the justification for localisation in the territory of affixation/exportation is the risk that goods bearing the mark might be diverted to or seen by the public in that Member State, the likelihood of confusion analysis (when it is not a case of double identity) and the analysis of the damage to a trademark function is made with respect to an average consumer in the Member State of affixation/exportation and not the destination state.¹⁸¹³ Localising trademark use in the territory of affixation/exportation is also consistent with Member State practice.¹⁸¹⁴

At least one Member State court has held that the affixation in and exportation from the protected territory was not an infringement when the user had

¹⁸¹² *Beautimatic Int'l Ltd. v Mitchell Int'l Pharmaceuticals Ltd*, England and Wales High Court, [1999] E.T.M.R. 912 (“once an unauthorised third party is permitted to apply or use an “identical” mark in relation to “identical” goods in this country, then that of itself can risk harming the very monopoly benefit which it was the intention of the legislature that should be enjoyed by the registered proprietor of that mark in relation to those goods. The goods as packaged will almost inevitably be identified in this country by reference to the mark . . . The goods packaged with the mark in question will be seen by the individuals responsible for packaging them, by those transporting them out of this country, and by those responsible for inspecting them while in this country, and by those who happen to see them while they are in this country. Furthermore, there is a practical problem: it may be very difficult for the registered proprietor to discover how many individuals have seen the packaged goods, or referred to them by reference to the mark, in the United Kingdom, and what effect, if any, it had on the proprietor's goodwill.”).

¹⁸¹³ Opinion of Advocate General Kokott, Case C-119/10, *Frisdranken Industrie Winters*, para. 61; *Cohen Jehoram* 2010 p. 247. But see *Irish Distillers Ltd. v Cooley Distillery Public Ltd. Co.*, Irish High Court, 4 July 2008, [2008] E.T.M.R. 8 (assessing the risk of confusion in the destination state but under the law of the Member State of exportation).

¹⁸¹⁴ See *Irish Distillers Ltd. v Cooley Distillery Public Ltd. Co.*, Irish High Court, 4 July 2008, [2008] E.T.M.R. 8 (infringing use of trademark in Ireland to affix it to goods in Ireland for export to Russia.); *Ob 81/01t (CICLON)*, Austrian Supreme Court, 24 April 2001, *ÖBl* 2001, 269, 2001, 93 TMR 505, 525-526 (2003) (holding that affixing the mark to the goods in Austria was an infringing act under the Austrian Trademark Act notwithstanding the fact that the goods were only for export and were not available for sale in Austria); *Friesland Brands B.V. v Uniekaas Dijkman B.V.*, District Court Haarlem, 12 March 2002, IER 28 (2002) (Benelux), 93 TMR 505, 533 (2003) (finding that use of a mark in BENELUX on a label on goods for export intended only to the Canary Islands was infringing under the BENELUX Trademark Act.); *Wolf Oil v Century Oils*, Benelux Court of Justice, June 13, 1994, RvdW 132c (1994), reported in 85 TMR 779 (1995) (use of a trademark on products intended exclusively for export outside Benelux was infringing under BENELUX Act). See also Levin 2011 p. 438 (stating that affixing goods with a Swedish trademark for export is an infringement of the Swedish Trademark Act); *Jehoram et al.* 2010 p. 246 (stating that affixing mark to goods for export from the BeNeLux states would infringe the BeNeLux trademark.); *Franzosi* 1997 p. 295 (the proprietor of a Community trademark can oppose the affixing of the sign irrespective of whether the goods are then marketed in the EU).

the right to the mark in the destination states.¹⁸¹⁵ In a case decided in France, L'Oréal owned the trademark NUTRI-RICHE in many states under which it sold face masks, but not in France, where the mark was owned by Buttress BV. Buttress BV sued L'Oréal for the infringement of its French trademark, *inter alia*, on the ground that the trademark NUTRI-RICHE was affixed to L'Oréal's masks in France and exported from France for sale in the other states where L'Oréal held the trademark rights. The Court of Appeal found that there was no infringement because the trademark had not been used in France in the course of trade in the meaning of the Trademark Directive. On appeal, the Cour de Cassation upheld the decision but on the ground that while there was trademark use in France, a limitation applied because the use was legitimate and justified as L'Oréal used the mark in France only in the exercise of its exclusive right to the trademark in third states.¹⁸¹⁶ In addition, the Cour de Cassation found that there was no risk that the goods marked with the NUTRI-RICHE trademark would be sold on the French market, where L'Oréal sold its face mask under a different trademark.

The result seems to be based both on the absence of a risk of diversion of the goods to the domestic market (and therefore no adverse effect on the origin function of Buttress BV's French trademark in France) and on the fact that L'Oréal's use of the mark in foreign markets was not a misappropriation of Buttress BV's French mark because the mark was owned by L'Oréal in the foreign states of destination. This latter justification is not relevant to protecting a trademark function in France (the Member State of protection). To the extent however that the result is based on the absence of a risk of diversion to the protected market, this suggests that use of a mark on goods for export is not *per se* an infringing use but it is up to the national Member State courts to assess, on a case-by-case basis, whether the facts of the dis-

¹⁸¹⁵ L'Oréal v Société Buttress BV (No. 05-18571), French Supreme Court, Comm ch, 10 July 2007. See also Friesland Brands B.V. v Uniekaas Dijkman B.V., District Court Haarlem, 12 March 2002, IER 28 (2002) (Benelux), 93 TMR 505, 533 (2003) (suggesting that if exporting defendant had joined its customer who held the registration for the mark in the destination territory, the export of goods under the mark might not have been infringing in the country of export).

¹⁸¹⁶ Cour de Cassation's reasoning can be criticised on the ground that there does not seem to be any support for such a limitation in the Trademark Directive. The fact that L'Oréal owned the rights to the trademark in other states does not fall neatly under the limitation for the use of one's own name or within any of the other limitations listed. Nevertheless, the result is arguably correct had the dispute been solved on a "higher structural level" on the ground that the French court found that L'Oréal's use of the mark in the state of affixation/exportation was not likely to have an adverse effect on the origin function of Buttress BV's French trademark as the Court found there was no risk of diversion to the domestic market. See Kur & Drier 2013 p. 45 (stating that the CJEU prefers to solve problems on a higher structural level with reference to the trademark functions instead of delving into an analysis of trademark limitations and exceptions).

pute before it indicate there is a risk for adverse effects on the trademark functions.¹⁸¹⁷

If the use of a mark in connection with goods in the protected territory is infringing, the right holder is entitled to an injunction aimed at prohibiting the continuation of the infringement.¹⁸¹⁸ In addition, the right holder may be entitled to damages appropriate to the actual prejudice suffered by the right holder as a result of the infringement.¹⁸¹⁹ If there is no evidence that any of the infringing goods in fact are diverted into the protected market, the amount of the right holder's damage will likely be negligible.¹⁸²⁰ It would arguably be inconsistent with the principle of territoriality if the award included damages for lost sales or the infringer's profits in markets outside of the protected territory, at least in the absence of evidence that the lost foreign sales or profits were caused by the fact that the goods sold under the infringing mark originated from the protected territory.

Pursuant to the recast of the Trademark Directive and EUTMR, an owner of an EU or national Member State trademark has the right to prohibit the transit through or customs storage in the EU of counterfeit goods destined to third states unless the declarant or holder of the goods proves that the trademark owner is not entitled to prohibit the placing of the goods on the market in the country of final destination.¹⁸²¹ This amendment was made because pursuant

¹⁸¹⁷ See by analogy Joined cases C-236/08 to C-238/08, *Google France and Google*, para. 88 (“It is for the national court to assess, on a case-by-case basis, whether the facts of the dispute before it indicate adverse effects, or a risk thereof, on the function of indicating origin”).

¹⁸¹⁸ Article 11 Directive 2004/48/EC. See also 4 Ob 81/01t (CICLON), Austrian Supreme Court, 24 April 2001, ÖBI 2001, 269, 2001, 93 TMR 505, 525-26 (2003) (granting injunction forbidding affixation of mark in Austria where the trademark was protected on goods for export).

¹⁸¹⁹ Article 13 Directive 2004/48/EC.

¹⁸²⁰ See 4 Ob 81/01t (CICLON), Austrian Supreme Court, 24 April 2001, ÖBI 2001, 269, 2001, 93 TMR 505, 525-26 (2003) (dismissing plaintiff's demand that accounts be rendered for goods exported under mark from Austria because the goods had not been put on the market in Austria).

¹⁸²¹ Article 9(4) Regulation 207/2009, amended by 2015/2424 (“Without prejudice to the rights of proprietors acquired before the filing date or the priority date of the EU trade mark, the proprietor of that EU trade mark shall also be entitled to prevent all third parties from bringing goods, in the course of trade, into the Union without being released for free circulation there, where such goods, including packaging, come from third countries and bear without authorisation a trade mark which is identical with the EU trade mark registered in respect of such goods, or which cannot be distinguished in its essential aspects from that trade mark. The entitlement of the proprietor of an EU trade mark pursuant to the first subparagraph shall lapse if, during the proceedings to determine whether the EU trade mark has been infringed, initiated in accordance with Regulation (EU) No 608/2013 of the European Parliament and of the Council (14) concerning customs enforcement of intellectual property rights, evidence is provided by the declarant or the holder of the goods that the proprietor of the EU trade mark

to CJEU's case law, use of a mark in connection with goods in transit under the EU's external transit procedure or stored pursuant to customs warehousing procedures was not an infringing act under EU trademark law even though the goods are physically present in the EU territory.¹⁸²² Indeed, the CJEU has held that "importing", "putting on the market" and "offering the goods" as used in the European trademark law must be given autonomous EU definitions. According to the CJEU, "importing" means the introduction of the goods into the EU for the purposes of putting them on the market, and "putting on the market" requires the release for free circulation in the EU.¹⁸²³ Similarly, the act of selling or offering trademarked goods while the goods are physically in a Member State pursuant to an external transit or customs warehousing procedure is an infringing use of the mark "only if those goods are subject to the act of a third party while they are placed under the external transit procedure which necessarily entails their being put on the market in the Member State of transit."¹⁸²⁴ The use of the adverb "necessarily" indi-

is not entitled to prohibit the placing of the goods on the market in the country of final destination."); article 10(4) Directive 2015/2436.

¹⁸²² Case C-405/03, *Class International*, para. 47 ("Placing non-Community goods under a suspensive customs procedure does not make it possible for them to be put on the market in the Community in the absence of release for free circulation. In the field of trade marks, such placing of original goods bearing a mark is not therefore, per se, interference with the right of its proprietor to control the initial marketing in the Community."); Case C-281/05, *Montex Holdings*, para. 21 ("In the field of trade marks, placing non-Community goods bearing a mark under a suspensive customs procedure such as that of external transit is not, per se, interference with the right of the proprietor of the mark to control the initial marketing in the Community."); Joined cases C-446/09 and C-495/09, *Philips and Nokia*, para. 56 ("goods placed under a suspensive customs procedure cannot, merely by the fact of being so placed, infringe intellectual property rights applicable in the European Union").

¹⁸²³ Case C-405/03, *Class International*, para. 44 ("As long as [release for free circulation] is not chosen and the requirements of the customs-approved treatment or use, other than release for free circulation, under which the goods have been placed are satisfied, the mere physical introduction of those goods into the territory of the Community is not 'importing' within the meaning of Article 5(3)(c) of the Directive and Article 9(2)(c) of the Regulation and does not entail 'using [the mark] in the course of trade' within the meaning of Article 5(1) and Article 9(1) respectively."). In *Class International BV v Colgate-Palmolive Co.*, the right holder argued that original goods bearing a mark protected in the EU and manufactured with the right holder's consent but originating outside the EU, which had been imported into the EU under the external transit procedure and were being stored in a warehouse in Netherlands, was an infringing use of its Benelux trademark.

¹⁸²⁴ Case C-405/03, *Class International*, para. 61 ("'offering' and 'putting on the market', within the meaning of Article 5(3)(b) of the Directive and Article 9(2)(b) of the Regulation, may include, respectively, the offering and sale of original goods bearing a trade mark and having the customs status of non-Community goods, when the offering is done and/or the sale is effected while the goods are placed under the external transit procedure or the customs warehousing procedure. The trade mark proprietor may oppose the offering or the sale of such goods when it necessarily entails the putting of those goods on the market in the Community.").

cates that the CJEU was concerned with the actual result rather than contractual formalities.¹⁸²⁵ The CJEU stated that other factors such as the location of the goods at the time when the property in the goods is transferred or the place of establishment of the purchaser or offeree are not relevant to the question whether the goods are put on the market in the EU.¹⁸²⁶ The reason for the CJEU's rulings seems to be that transit under EU's external transit procedure or storage pursuant to customs warehousing procedures of goods bearing a protected trademark through or in the territory of a Member State as such does not affect any function of the trademark because the goods bearing the mark do not enter the EU market.¹⁸²⁷

Moreover, the CJEU's analysis was the same even with respect to counterfeit goods. This conclusion can be inferred from two joined cases raised before the CJEU concerning the interpretation of the Customs Regulation.¹⁸²⁸ The joined cases dealt with the authority of a Member State customs authority to temporarily detain goods placed under a suspensive customs procedure and the authority of a Member State court to take a substantive decision finding an infringement of an IP right based on a fiction that an infringing act had taken place in the Member State of transit. The CJEU observed that the aim of the Customs Regulation is to protect EU and Member State IP rights, and not third state IP rights.¹⁸²⁹ The CJEU reiterated its previous ruling that

¹⁸²⁵ Case C-405/03, *Class International*, para. 61. See also Case C-281/05, *Montex Holdings*, para. 23; Joined Cases C-414-416/99, *Zino Davidoff and Levi Strauss*, para. 42 (stating that if the concept of putting on the market with the right holder's consent were a matter for the national laws of the Member States, protection would vary according to the legal system concerned, which would be contrary to the aim of the Trademark Directive to provide the same protection and in direct conflict with the CTMR to provide one unitary right).

¹⁸²⁶ Case C-405/03, *Class International*, para. 58.

¹⁸²⁷ See Case C-405/03, *Class International*, para. 33 (stating that a core function of a trademark is the right to control the initial marketing in the Community of goods bearing the mark and that mere transit did not affect this function). Concerning intra-EU transit see Case C-115/02, *Rioglass and Transremar*, para. 27 ("Transit, such as that in issue in the main proceedings, which consists in transporting goods lawfully manufactured in a Member State to a non-member country by passing through one or more Member States, does not involve any marketing of the goods in question and is therefore not liable to infringe the specific subject-matter of the trade mark."); Case C-23/99, *Commission / France*, para. 43 ("Intra-Community transit does not therefore form part of the specific subject-matter of the right of industrial and commercial property in designs with the right of its proprietor to control the initial marketing in the Community.").

¹⁸²⁸ Joined cases C-446/09 and C-495/09, *Philips and Nokia*. See also Case C-383/98, *The Polo/Lauren Company, L.P. v Pt Dwidua Langgeng Pratama International Freight Forwarders* (holding that the Customs Regulation is applicable to goods passing through Community territory from a non-Member State destined for another non-Member State, even if the holder of the right has its registered office in a non-Member State).

¹⁸²⁹ Joined cases C-446/09 and C-495/09, *Philips and Nokia*, para. 50 ("It follows that only infringements of intellectual property rights as conferred by European Union law and the national law of the Member States are covered [by the Customs Regulation]."); *Ibid.* para. 77

goods placed under a suspensive customs procedure cannot, merely by the fact of being so placed, infringe IP rights conferred under EU law or the national law of the Member States.¹⁸³⁰ The CJEU held that those rights may be infringed however when such goods are the subject of a commercial act directed at EU consumers, such as a sale, offer for sale or advertising.¹⁸³¹ Thus, the Member State customs could detain goods only if there were suspicions that the goods might be subject of a commercial act directed at EU consumers. With respect to the substantive decision whether there is an infringement in the Member State of transit, the CJEU stated that such a decision could not be made based solely on the basis of a fiction or a risk of fraud, but only upon proof that the goods were intended to be put on the market in the EU.¹⁸³² The CJEU recognised that the EU had an interest in the development of world trade that would be hindered if goods that comply with IP rights in force in both the country of origin and the country of destination were even temporarily detained.¹⁸³³ Consequently, a Member State customs authority could legitimately act under the Customs Regulation only when there were indications before it giving grounds for suspecting that there was an infringement of an EU or Member State IP right.¹⁸³⁴

The CJEU's ruling met with strong criticism from stakeholders who claimed it hindered the fight against counterfeit goods.¹⁸³⁵ Thus, the recast of the

(stating that the Customs Regulation deals "only with combating the entry into the European Union of goods which infringe intellectual property rights.").

¹⁸³⁰ Joined cases C-446/09 and C-495/09, Philips and Nokia, para. 56.

¹⁸³¹ Joined cases C-446/09 and C-495/09, Philips and Nokia, para. 57.

¹⁸³² Joined cases C-446/09 and C-495/09, Philips and Nokia, para. 69-70.

¹⁸³³ Joined cases C-446/09 and C-495/09, Philips and Nokia, para. 63 ("It should be borne in mind, in that regard, that imitations and copies coming from a non-member State and transported to another non-member State may comply with the intellectual property provisions in force in each of those States. In the light of the [EU] common commercial policy's main objective, set out in Article 131 EC and Article 206 TFEU and consisting in the development of world trade through the progressive abolition of restrictions on trade between States, it is essential that those goods be able to pass in transit, via the European Union, from one non-member State to another without that operation being hindered, even by a temporary detention, by Member States' customs authorities.").

¹⁸³⁴ The CJEU's interpretation of the Customs Regulation must be seen against the parallel WTO dispute settlement proceedings brought against the EU and the Netherlands by India and Brazil as a result of several detentions of generic pharmaceutical products transiting through the Netherlands for the suspected infringement of Dutch patents. In the joined cases, the CJEU noted that legitimate world trade would be impaired if goods passing through the EU could be seized even though they complied with IP law in both the state of origin and the state of final destination. Joined cases C-446/09 and C-495/09, Philips and Nokia, para. 63.

¹⁸³⁵ COM (2013) 161 final p. 9 ("According to the Court of Justice in the Philips/Nokia judgment, the entry, presence and movement of non-EU goods in the customs territory of the EU under a suspensive procedure does, under the existing *acquis*, not infringe intellectual property rights as conferred by substantive law of the Union and its Member States. Such goods can only be classified as counterfeit once there is proof that they are subject of a commercial act

Trademark Directive and EUTMR now enable trademark owners to stop counterfeit goods transiting through or stored in customs in the EU unless the owner of the goods proves that the trademark owner is not entitled to prohibit the placing of the goods on the market in the country of final destination.

In the *United States*, a seller who uses a mark in connection with tangible goods physically present within the U.S. territory falls within the territorial scope of U.S. trademark law even though the goods are not intended for the U.S. market. As noted, the Lanham Act expressly regulates “commerce with foreign nations.”¹⁸³⁶ The federal courts have held that the use of a mark by affixing it to goods in the U.S., transporting the goods through the U.S. and/or exporting such goods from the U.S. are domestic uses of the mark and fall as such within the territorial scope of the Lanham Act.¹⁸³⁷ Goods stored in a U.S. foreign trade zone fall within the territorial scope of the Lanham

directed at EU consumers, such as sale, offer for sale or advertising. The implications of the Philips/Nokia judgment have met with strong criticism from stakeholders as placing an inappropriately high burden of proof on rights holders, and hindering the fight against counterfeiting. It is evident that there is an urgent need to have in place a European legal framework enabling a more effective fight against the counterfeiting of goods as a fast-growing activity. It is therefore proposed to fill the existing gap by entitling right holders to prevent third parties from bringing goods, from third countries, bearing without authorization a trade mark which is essentially identical to the trade mark registered in respect of those goods, into the customs territory of the Union, regardless of whether they are released for free circulation.”); COM (2013) 162 final (same).

¹⁸³⁶ 15 U.S.C. § 1127 (defining “use in commerce” as “all commerce which may lawfully be regulated by Congress”) and Article 1, sec. 8 U.S. Constitution (giving the U.S. legislature the power to “regulate commerce with foreign nations”).

¹⁸³⁷ *John Walker and Sons, Ltd. v DeMert & Dougherty, Inc.*, 821 F.2d 399 (7th Cir. 1987) (holding that the shipment of cans bearing an infringing trademark from Illinois to Florida was use in U.S. commerce even though the cans were to be sold abroad); *RJ Reynolds Tobacco Co. v Va Int’l Export, Inc.*, 1982 WL 52136 (E.D. Va. 1982) (“The manufacturing of the Wilsons cigarette and the simulating of packaging therefor in the United States, and the offering for sale and export of such Wilsons cigarettes from the United States, places the defendants’ activities squarely within commerce subject to regulation by Congress and the jurisdiction of this Court.”); *Scotch Whisky Assoc. v Barton Distilling Co.*, 489 F.2d 809 (7th Cir. 1973) (observing that “had the defendant made the same arrangements with an American licensee who packaged the mislabeled House of Stuart Scotch Whisky in the United States and shipped it to Panama, there would be no question but that the defendant caused the mislabeled goods to enter commerce.”); *Hecker-H-O Co. v Holland Food Corporation*, 36 F.2d 767, 768 (2nd Cir. 1930) (“Labeling packages, boxes, and barrels with the mark ‘HOFOOD,’ and sending them into foreign commerce for sale in foreign countries, was a violation of the Trade-Mark Act. The merchandise thus prepared was shipped from ports of the United States and intended for foreign commerce, and the courts of the United States have jurisdiction to restrain these acts performed within the United States.”). See also Leaffer 2014 p. 9 (stating that some courts notably the 9th Circuit have applied the Act to the export of goods from the U.S. even though there are no promotion or sales activities in the U.S.); Alpert 1991 p. 126 (“Plainly, United States courts are not without authority to enjoin the export of goods originating from the United States.”).

Act even though the goods originate from and are destined to third states.¹⁸³⁸ The courts will not enjoin such domestic uses of a mark with respect to goods destined for a state in which the defendant has established a superior legal right to the mark or where the plaintiff does not itself (nor is likely) to sell any goods or services under the mark.¹⁸³⁹ Counterfeit goods will be within the scope of the Act even if they are only in transit through the U.S.

While the courts base prescriptive jurisdiction on the acts of trademark use in the U.S., it should be observed that these disputes are almost always against U.S. companies and citizens. In the few cases where a foreign company has been alleged to use a U.S. trademark in commerce by exporting or transiting goods under the mark from or through the U.S., some courts have treated this as a request for an extraterritorial application of the Lanham Act and taken into consideration international comity concerns.¹⁸⁴⁰ In cases where the scope of the relief requested goes beyond eliminating the domestic

¹⁸³⁸ *Babbit Electronics, Inc. v Dynascan Corp.*, 38 F.3d 1161, 1179 (11th Cir. 1994) (finding infringing activity in the U.S. “because Babbit imported cordless telephones into the United States to a free trade zone before shipping the products to South America.”); *Ocean Garden Inc v Marktrade Company Inc*, 953 F.2d 500, 504-505 (9th Cir. 1991) (finding that the court “has jurisdiction without having to exercise extraterritorial jurisdiction because the infringing goods passed through a United States foreign trade zone.”); *T. Cross Co. v Sunil Trading Corp.*, 467 F.Supp. 47 (S.D. New York 1979) (finding that the U.S. legislature did not intend to exclude goods entering a foreign trade zone from the reach of the Lanham Act); *Reebok Int’l Ltd. v American Sales Corp.*, 11 U.S.P.Q.2d 1229 (C.D. Cal. 1989) (Lanham Act reached U.S. defendant who imported counterfeit shoes from Taiwan to a free trade zone in Los Angeles and then exported the goods to Belgium).

¹⁸³⁹ *Star-Kist Foods, Inc. v P.J. Rhodes*, 769 F.2d 1393, 1394 (9th Cir. 1985) (upholding trial court order enjoining defendant from using the trademarks on canned fish exported from the U.S. to countries where defendant has not clearly established its superior right of use); *George W. Luft Co. v Zande Cosmetic Co.*, 142 F.2d 536 (2nd Cir. 1944), *cert. denied*, 323 U.S. 756 (1944) (“We do not see upon what ‘principles of equity’ a court can enjoin the initiation of acts in the United States which constitute no wrong to the plaintiff in the country where they are to be consummated. Nor can we perceive upon what theory a plaintiff can recover damages for acts in the United States resulting in a sale of merchandise in a foreign country under a mark to which the defendant has established, over the plaintiff’s opposition, a legal right of use in that country.”); *C-Cure Chemical Co. v Secure Adhesives Corp.*, 571 F.Supp. 808 (W.D.N.Y. 1983) (stating that the Lanham Act would not prohibit a U.S. manufacturer from labelling its product with an infringing mark in the U.S. for shipment to Canada if its customer had a legal right to the mark in Canada); *Totalplan Corp. of America v Colborne*, 14 F.3d 824, 831 (2nd Cir. 1994) (export of goods under mark did not fall within scope of Lanham Act when right holder did not itself sell any goods in foreign market under the mark).

¹⁸⁴⁰ *Totalplan Corp. of America v Colborne*, 14 F.3d 824 (2nd Cir. 1994) (rejecting the argument that the affixation of the mark to cameras in the U.S. and export for sale in Japan did not implicate an extraterritorial application of the Act when defendant was a foreign company, and declining application because the effect on U.S. commerce was not substantial); *Nintendo of America, Inc. v Aeropower Co., Ltd.* 34 F.3d 246 (4th Cir. 1994) (treating use of mark on goods exported from U.S. to Mexico and Canada by Taiwanese defendant as implicating an extraterritorial application of Lanham Act).

uses and also encompasses enjoining use in connection with sales in a foreign market, the case is treated as implicating an extraterritorial application of the Lanham Act.¹⁸⁴¹

The justification for applying the Lanham Act in these situations is primarily to protect U.S. trademark owners against the misappropriation of their marks abroad and from revenue loss resulting from the diversion of sales in foreign markets.¹⁸⁴² In these situations, the likelihood of confusion test is made from the perspective of the public in the destination state.¹⁸⁴³ The courts are more likely to interpret the scope of the Lanham Act expansively when the defendant's conduct is in bad faith.¹⁸⁴⁴

¹⁸⁴¹ *American Rice, Inc. v Producers Rice Mill, Inc.*, 518 F.3d 321 (5th Cir. 2008) (requested injunction against U.S. company for sale of rice in Saudi Arabia under U.S. mark implicated extraterritorial application of Lanham Act); *American Rice, Inc. v Arkansas Rice Growers Co-op. Ass'n*, 701 F.2d 408 (5th Cir. 1983) (same); *Levi Strauss & Co. v Sunrise Intern. Trading Inc.*, 51 F.3d 982, 984-985 (11th Cir. 1995) (applying Lanham Act extraterritorially to enjoin sale of counterfeit blue jeans, although the counterfeit jeans were not manufactured or intended for sale in the U.S., where plaintiff was U.S. corporation, some or all of defendants were U.S. corporations or U.S. residents, counterfeit jeans were discovered at defendants' business premises in Florida, evidence suggested that some of the counterfeit jeans were shipped through United States on their way to Europe, and many of the alleged illegal activities took place in United States).

¹⁸⁴² *Paulsson Geophysical Services, Inc. v Sigmar*, 529 F.3d 303, 313 (5th Cir. 2008) (upholding preliminary injunction against use of trademark in Mexico because of substantial threat to right holder's goodwill in Mexico and the value of its U.S. trademark in Mexico); *Scanvec Amiable Ltd. v Chang*, 80 Fed.Appx. 171 (3rd Cir. 2003) (upholding preliminary injunction to protect U.S. right holder against launch of a confusingly similar product overseas under right holder's U.S. trademark); *American Rice, Inc. v Arkansas Rice Growers Co-op. Ass'n*, 701 F.2d 408 (5th Cir. 1983) ("by unlawfully selling its products under infringing marks in Saudi Arabia, Riceland diverted sales from ARI, whose rice products are also processed, packaged, transported, and distributed in commerce regulated by Congress."); *Philp Morris Inc. v Midwest Tobacco Inc.*, 1988 WL 150693 (E.D. Va. 1988) (finding that defendant's use of the confusingly similar mark in connection with the sales of cigarettes abroad may be expected to diminish the right holder's export sales and revenues from sales and licensing abroad); *RJ Reynolds Tobacco Co. v Va. Int'l Export, Inc.*, 1982 WL 52136 (E.D. Va. 1982) (finding that defendant's use of the confusingly similar mark in connection with the sales of cigarettes abroad will injure the right holder's reputation and goodwill).

¹⁸⁴³ *Paulsson Geophysical Services, Inc. v Sigmar*, 529 F.3d 303, 311-312 (5th Cir. 2008) (assessing likelihood of confusion in relation to customers in Mexico); *American Rice, Inc. v Producers Rice Mill, Inc.*, 518 F.3d 321 (5th Cir. 2008) (assessing likelihood of confusion in relation to Saudi Arabian public); *American Rice, Inc. v Arkansas Rice Growers Co-op. Ass'n*, 532 F.Supp. 1376, *aff'd*, 701 F.2d 408 (5th Cir. 1983) (finding that "the overall impression of Bint al-Arab and Gulf Girl labels might be likely to confuse the Saudi Arabian public."); *Reebok Int'l Ltd. v American Sales Corp.*, 11 U.S.P.Q.2d 1229, 1231 (C.D. Cal. 1989) ("the Lanham Act imposes upon this court the duty to protect the entire gamut of purchasers, including non-English speaking purchasers, in various countries throughout the world to which the defendants intend to export their products.").

¹⁸⁴⁴ Alpert 1991 p. 136.

In addition to an injunction, damages may be awarded for losses on foreign sales or for the infringer's foreign profits.¹⁸⁴⁵ The courts will not grant this type of extraterritorial relief unless there is a sufficient nexus to U.S. commerce.¹⁸⁴⁶ A question could be raised whether a right holder would be entitled to treble or statutory damages for acts of infringement taking place outside the U.S. in light of the fact that treble and statutory damages bear certain features of punitive damages.¹⁸⁴⁷ In a different context, the Supreme Court has held that punitive damages may not aim to change a defendant's conduct in another state that is legal there and that has no effect on the regulating state or its residents because it goes further than protecting the state's own interest and was therefore arbitrary and a violation of Due Process.¹⁸⁴⁸ However, as extraterritorial application of the trademark act are almost always against U.S. defendants or defendants with a sufficient nexus to U.S., it is not likely arbitrary for such defendants to come within the territorial scope of the U.S. law on treble and statutory damages.¹⁸⁴⁹

Summing up, under both EU and U.S. law, the use of a mark in connection with tangible goods physically present in the territory may fall within the territorial scope of the domestic trademark law even though the goods are not intended for the domestic market. Under U.S. law, the use will not be enjoined if the defendant has a superior legal right to the mark abroad or where the plaintiff does not itself (nor is likely) to sell any goods or services

¹⁸⁴⁵ *American Rice, Inc. v Producers Rice Mill, Inc.*, 518 F.3d 321, 336-341 (5th Cir. 2008) (awarding trademark damages in the amount of the defendant's sales in the foreign market under the mark).

¹⁸⁴⁶ *Tire Engineering and Distribution, LLC v Shandong Linglong Rubber Co., Ltd.*, 682 F.3d 292, 310-311 (4th Cir. 2012), *cert. denied*, 133 S.Ct. 846 (2013) ("Other circuits have posited that the Lanham Act's significant-effect requirement may be satisfied by extraterritorial conduct even when that conduct will not cause confusion among U.S. consumers. Under this diversion-of-sales theory, courts find a significant effect on U.S. commerce where sales to foreign consumers would jeopardise the income of an American company. The doctrine is narrowly applied, however, because the injury in this context—harm to a U.S. business's income absent confusion among U.S. consumers—"is less tightly tied to the interests that the Lanham Act intends to protect, since there is no United States interest in protecting [foreign] consumers." Thus courts invoking the diversion-of-sales theory have required the defendants to be U.S. corporations that conducted operations—including at least some of the infringing activity—within the United States."); *Seed Services, Inc. v Winsor Grain, Inc.*, 868 F.Supp.2d 998 (E.D. Cal. 2012) (granting injunction against U.S. defendant who exported seeds from Australia under U.S. trademark to Saudi Arabia).

¹⁸⁴⁷ See *Trimble* 2015:2 p. 365 (stating that statutory damages are not available for acts of copyright infringement committed outside the U.S.).

¹⁸⁴⁸ *BMW of North America, Inc. v Gore*, 517 U.S. 559, 572 (1996).

¹⁸⁴⁹ *Brilmayer & Norchi* 1992 p. 1260 (stating that asserting prescriptive jurisdiction against Americans is unlikely to present constitutional problems, for the defendant's home state has a constitutionally recognised basis for regulation).

under the mark in the export market. Under EU law, it is not clear whether this is the case because of the risk of diversion of goods to the EU where they are liable to affect a function of the trademark in the protected territory. Under both EU and U.S. law, the use of a mark in connection with the transit and storage in the domestic territory of counterfeit goods is an infringement. Under EU law, the damages are likely limited to damages from infringing uses on the territory, which would be negligible unless the goods actually enter the EU market. In contrast, in the U.S. the infringing domestic use may be a springboard to damages based on lost profits and damages in foreign states.

Use of a mark in connection with tangible connections originating from the territory (outbound regulation)

The question addressed is whether a seller established in the territory, or who through the use of equipment located in the territory, uses a mark to sell, offer, or advertise goods or services in foreign states, falls within the territorial scope of the domestic trademark law even though the offers and advertising are not targeted at or have IP impairing effects in the protected territory.

It is submitted that, in the *European Union*, these types of tangible territorial connections would not be relevant. This is because in order for a use to be infringing, the mark must be “used in the course of trade for the purposes of distinguishing goods or services” and the use must affect or be liable to affect the functions of the trademark.¹⁸⁵⁰ Use of a mark on a server as such does not satisfy these requirements.¹⁸⁵¹ In addition, the fact that the user (alleged infringer) of the trademark is located in or established in a Member State is not relevant to the localisation of an act of trademark use in the EU.¹⁸⁵² In practice, however, use of a mark on a server in the EU will also usually have some IP impairing effects in the EU. As discussed above, if this is the case, use may be localised in the EU if the use is found to target (or have a commercial effect) in the protected territory. However, EU law re-

¹⁸⁵⁰ See recital 18 Directive 2015/2436; Case C-324/09, *L’Oréal and others*, para. 88 and others.

¹⁸⁵¹ See by analogy Joined cases C-236/08 to C-238/08, *Google France and Google*, para. 55-56 (holding that internet referencing service provider does not use a trademark when it allows its customers to select, as keywords, signs identical with trademarks, stores those signs and displays its customers’ ads); Case C-405/03, *Class International*, para. 33 (stating that a core function of a trademark is the right to control the initial marketing in the Community of goods bearing the mark and that mere transit did not affect this function).

¹⁸⁵² *Lando* 1974 p. 380.

quires that all remedies granted are proportionate to the infringement in the protected territory.¹⁸⁵³

In the *United States*, tangible territorial connections have been used to localise an infringing act on the territory, in particular when the IP impairing effects or the effects on U.S. commerce are not particularly strong. For example, a foreign company that used another company's U.S. trademark in advertisements broadcast on a television station operated from the U.S. but targeting Canadian viewers was held to use the mark in the U.S.¹⁸⁵⁴ The advertisement was also accessible to U.S. viewers but the product was not available for sale in the U.S. A contributing factor for the court's exercise of prescriptive jurisdiction was that the broadcast itself originated from the U.S. In another case, an important factor for the exercise of the court's prescriptive jurisdiction over a foreign website targeting a Chinese public and not offering any goods or services in the U.S. was that the domain name itself had its situs in the U.S.¹⁸⁵⁵ In other cases, courts have localised trademark use in the U.S. because the defendant maintained social media accounts or websites using the U.S. trademark on servers located in the U.S.¹⁸⁵⁶ In addition, the fact that the alleged infringer is a U.S. national or U.S. company is an important factor in determining whether an extraterritorial application is appropriate in cases where the use cannot be localised in the U.S.¹⁸⁵⁷ When the infringing use of a mark is localised in the U.S., the right holder may be entitled to damages arising abroad as a result of the infringing use in the

¹⁸⁵³ Article 3(2) Directive 2004/48/EC ("Those measures, procedures and remedies shall also be effective, proportionate and dissuasive and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.").

¹⁸⁵⁴ *Miller Brewing Co. v Carling O'Keefe Breweries of Canada, Ltd.*, 452 F.Supp. 429, 442 (W.D.N.Y. 1978) ("It is undeniable that Congress has the power to and does regulate television broadcasting primarily through the Federal Communications Commission.").

¹⁸⁵⁵ *Cable News Network L.P v CNNEWS.COM*, 177 F.Supp.2d 506 (E.D. Va. 2001), *aff'd* 56 Fed. Appx. 599 (4th Cir. 2003) (refusing to treat case as implicating extraterritorial application of Lanham Act because the requested relief was to transfer ownership of a .com domain name which had its situs in the U.S.).

¹⁸⁵⁶ *De Boule Diamond & Jewelry, Inc. v Boule, Ltd.*, 2015 WL 5033893 (N.D. Tex 2015) (appeal pending) (holding that enjoining use of mark on defendant's Facebook and Twitter accounts was not extraterritorial application of the Lanham Act because the accounts are hosted in U.S.); *The Name LLC v Arias*, 2010 WL 4642456 (S.D.N.Y. 2010) (finding that the dispute did not implicate an extraterritorial application of the Lanham Act because website containing mark was hosted on a U.S. server even though website was in Spanish and advertised night club in Dominican Republic).

¹⁸⁵⁷ *McBee v Delica Co.*, 417 F.3d 107, 118 (1st Cir. 2005) (suggesting that a lesser showing of effects in the U.S. would suffice if the infringer was a U.S. national); *Vanity Fair Mills, Inc. v T. Eaton Co.*, 234 F.2d 633 (2nd Cir. 1956), *cert. denied*, 352 U.S. 871 (1956) (listing nationality of defendant as an important factor when determining whether the Lanham Act will be applied extraterritorially).

U.S.¹⁸⁵⁸ In addition, if the Lanham Act is applied extraterritorially, damages may be awarded even if the use is not localised to the U.S.¹⁸⁵⁹

Summing up, under U.S. law, infringements originating from the U.S. by conduct in the U.S. or equipment located in the U.S. may bolster the localisation of the infringing act in the U.S. when the trademark impairing effects in the U.S. are not substantial. There is no indication that this is the case under EU law, because such use is not use in the course of trade for the purposes of distinguishing goods or services and is not liable to affect a trademark function in the EU.

Territorial Scope of Application of Copyright Law in the EU and the U.S.

General introduction to EU copyright law

In the *European Union*, the EU legislator has not used its competence to create a unitary EU copyright that is valid for the entire EU.¹⁸⁶⁰ Instead, copyright continues to be protected only under the national Member State laws. These laws have become increasingly harmonised under the EU directives and as a result of the CJEU case law.¹⁸⁶¹ There are at present nine EU directives dealing specifically with copyright and related rights.¹⁸⁶² Unlike

¹⁸⁵⁸ See *Myplaycity, Inc. v Conduit Ltd.*, 2013 WL 4105698 (S.D.N.Y. 2013), *vacated and remanded on other grounds*, 589 Fed. Appx. 559 (2nd Cir. 2014) (awarding damages based on downloads of digital product under the mark made by end users outside the U.S. but which were made available by defendant from the U.S.).

¹⁸⁵⁹ *American Rice, Inc. v Producers Rice Mill, Inc.*, 518 F.3d 321, 336-341 (5th Cir. 2008) (awarding trademark damages in the amount of the defendant's sales in the foreign market under the mark).

¹⁸⁶⁰ See article 118 TFEU (granting the EU the competence to create unitary IP rights).

¹⁸⁶¹ See article 114 TFEU (granting the EU the competence to adopt the measures for the approximation of the provisions laid down by law, regulation or administrative action in Member States that have as their object the establishment and functioning of the internal market).

¹⁸⁶² Directive 2009/24/EC on the legal protection of computer programs; Directive 2011/77/EU on the term of protection of copyright and certain related rights, amending Directive 2006/116/EC; Directive 93/83/EEC on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission; Directive 96/9/EC on the legal protection of databases; Directive 2006/115/EC of the European Parliament and of the Council of 12 December 2006 on rental right and lending right and on certain rights related to copyright in the field of intellectual property; Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society (INFOSOC); Directive 2001/84/EC on the resale right for the benefit of the author of an original work of art; Directive 2012/28/EU on certain permitted uses of

the situation with trademarks, the EU has not attempted to achieve a complete horizontal approximation of the copyright laws of the Member States. Instead, the EU has harmonised copyright in a piecemeal fashion in response to technological and socio-economic developments.

The Infosoc Directive provides the most horizontal attempt at harmonisation of the rights.¹⁸⁶³ The Directive is limited to the exploitation of rights in the information society.¹⁸⁶⁴ This is where most transborder questions arise.¹⁸⁶⁵ The Infosoc Directive defines and harmonises the reproduction right, the communication to the public right, and the distribution right.¹⁸⁶⁶ The reproduction right encompasses any “direct or indirect, temporary or permanent reproduction by any means and in any form, in whole or in part.”¹⁸⁶⁷ The communication to the public right “should be understood in the broad sense” and covers broadcasting, including satellite broadcasting.¹⁸⁶⁸ It also includes “making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.”¹⁸⁶⁹ The concept of communication to the public covers not only the initial communication, but also any further act by which that communication is transmitted or communicated to the public using a specific technical means different from that of the original communication or which allows communication to a new public.¹⁸⁷⁰ The distribution right encompasses the

orphan works; Directive 2014/26/EU on collective management of copyright and related rights and multi-territorial licensing of rights in musical works for online use in the internal market.

¹⁸⁶³ Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society. The Infosoc Directive serves to implement the WCT. See recital 15 Directive 2001/29/EC.

¹⁸⁶⁴ See Case C-283/10, *Circul Globus București* (holding that Article 3(1) of the Infosoc Directive is to be interpreted as referring only to communication to a public that is not present at the place where the communication originates and it does not cover communication of a work that is carried out directly in a place open to the public using any means of public performance or direct presentation of the work).

¹⁸⁶⁵ See recital 6 Directive 2001/29/EC.

¹⁸⁶⁶ Articles 2-4 Directive 2001/29/EC.

¹⁸⁶⁷ Article 2 Directive 2001/29/EC. The EU definition clears up the uncertainty that prevailed in many Member States with respect to whether copies had to be permanent or stable in order to qualify as reproduction under the national law. Dreier 1998 p. 631-32. See also Joined cases C-403/08 and C-429/08, *Football Association Premier League and others* (holding that the reproduction right extends to transient fragments of the works within the memory of a satellite decoder and on a television screen).

¹⁸⁶⁸ Recital 23 Directive 2001/29/EC. The Infosoc Directive “leaves intact and shall in no way affect” existing EU provisions on copyright and related rights applicable to satellite broadcasting. Article 1(2)(c) and recital 20 Directive 2001/29/EC.

¹⁸⁶⁹ Article 3(1) Directive 2001/29/EC.

¹⁸⁷⁰ Case C-348/13, *BestWater International*; Case C-466/12, *Svensson and others*; Case C-607/11, *ITV Broadcasting and others*.

right to control distribution to the public of the work incorporated in a tangible article through sale or other transfer of ownership.¹⁸⁷¹ The distribution right also includes the right to offer a copy of the work; it is not relevant that the offer does not lead to a transfer in ownership of the copy.¹⁸⁷²

The rights harmonised under the Infosoc Directive are without prejudice to the rights conferred in the other EU Directives.¹⁸⁷³ The Rental and Lending Directive had already introduced a rental and lending right (which is a type of distribution right) for authors of all works except for buildings and works of applied art.¹⁸⁷⁴ The Satellite Directive introduced a communication to the public by satellite right and a right of retransmission by cable.¹⁸⁷⁵ The Computer Program Directive and the Database Directive harmonised the exclusive rights conferred under these specific subject matters.¹⁸⁷⁶

The exact rights conferred under the Member States' national copyright laws are not necessarily identical to the rights in the Directives but nevertheless must achieve the aims of the Directives. The CJEU has interpreted at least some of the rights conferred under the Directives to require full harmonisation whereas other rights are minimum rights and do not preclude a Member State from giving greater protection by treating a wider range of activities as infringing acts.¹⁸⁷⁷

¹⁸⁷¹ Recital 28 Directive 2001/29/EC (“Copyright protection under this Directive includes the exclusive right to control distribution of the work incorporated in a tangible article.”). See also Case C-128/11, *UsedSoft*, where the CJEU held that the distribution right under the Computer Program Directive encompassed software that had been downloaded from the internet. The Computer Program Directive is *lex specialis* and cannot be extended to other works.

¹⁸⁷² Case C-516/13, *Dimensione Direct Sales and Labianca*, para. 26-28 (stating that the distribution right includes acts preceding the conclusion of a contract such as an offer of the work and an advertisement of the work); von Lewinski & Walter 2010 p. 996 (stating that offering of originals or copies would appear to be covered by the broad understanding of distribution as laid down in article 4(1) Directive 2001/29/EC).

¹⁸⁷³ Recital 20 Directive 2001/29/EC.

¹⁸⁷⁴ Article 6 Directive 2006/115/EC. The directive allows for derogation from the lending right in the case of public lending. In that case, the Member States must introduce a system to remunerate authors of phonograms, films, and computer programs.

¹⁸⁷⁵ Article 2, 8 Directive 93/83/EEC. The Satellite Directive also clarifies the meaning of the broadcasting right mandated by the Berne Convention. Differences of opinion existed on whether the transmission of a signal to a satellite intended, with the aid of an earth station, for public distribution constituted broadcasting under article 11bis of the Berne Convention. Masouyé 1978 p. 67; Satellite Broadcasting Directive Proposal, COM(91) 276 final p. 12-13.

¹⁸⁷⁶ Article 4 Directive 2009/24/EC; articles 5, 8 Directive 96/9/EC.

¹⁸⁷⁷ Compare Case C-466/12, *Svensson and others* (holding that the communication to the public right for copyright harmonised in the Infosoc Directive requires full harmonisation) with Case C-279/13, *C More Entertainment*, para. 33 (holding that the communication to the public right for related rights in the Infosoc Directive does not preclude national legislation extending the exclusive right to a wider range of activities).

The exceptions and limitations on copyright are harmonised to a lesser degree. The Infosoc Directive lists a catalogue of optional exceptions that the Member States have discretion to introduce or not.¹⁸⁷⁸ A few exceptions are mandatory and must be implemented into domestic law. One is the exception for transient or incidental copies.¹⁸⁷⁹ Another is a regional EEA exhaustion of the distribution right.¹⁸⁸⁰ More recently, the EU introduced a mandatory exception for certain permitted uses of orphan works.¹⁸⁸¹ Also, the Computer Program Directive and the Database Directive include some mandatory exceptions for these specific subject matters.¹⁸⁸²

The EU Directives on copyright and related rights are based on the assumption that the territorial scope of the economic rights conferred and the exceptions and limitations recognised under the Member States' national laws are limited to their respective state, even if this is not explicitly stated.¹⁸⁸³ The principle of territoriality is however more or less explicit in the grandfather clause in the Database Directive that allows Member States that currently protect non-original databases under their copyright regimes, to continue to do so in order to not cause a loss of rights, but that the protection must be

¹⁸⁷⁸ See article 5(2-5) Directive 2001/29/EC.

¹⁸⁷⁹ Article 5(1) Directive 2001/29/EC. See also Case C-360/13, Public Relations Consultants Association (holding that on-screen copies and cached copies made by end-user in the course of viewing a website fulfil requirements of the mandatory exemption from the reproduction right).

¹⁸⁸⁰ Article 4(2) Directive 2001/29/EC. See also Case C-479/04, Laserdisken (holding that article 4(2) Directive 2001/29 is to be interpreted as precluding national rules providing for global exhaustion of the distribution right).

¹⁸⁸¹ Article 6 Directive 2012/28/EU.

¹⁸⁸² Articles 5, 6 2009/24/EC; articles 6, 9 Directive 96/9/EC.

¹⁸⁸³ See e.g. COM (2015) 192 final p. 27 ("Rights under copyright are granted by national law and the geographical scope of copyright protection under each national law is limited to the territory of the relevant Member State."); 1984 Green Paper Television without Frontiers COM(84) 300 final ("Viewed from an international standpoint, the dominant feature of the law on copyright and related rights is the principle of territoriality. It is recognized in all Member States and forms the basis of the relevant international treaties. The principle of territoriality states that the copyright protection conferred in each state is limited to the territory of that state and its prerequisites and effects are determined by the law of that state."); 1988 Green Paper on Copyright and the Challenge of Technology - Copyright Issues Requiring Immediate Action, COM (88) 172 final, 7 June 1988 p. 1 (referring to copyright as national in scope by necessity); *Ibid.* p. 5 (stating that new technologies could make the territorial application of national copyright law obsolete); Satellite Broadcasting Directive Proposal, COM(91) 276 p. 11 ("Since an author, by virtue of the principle of territoriality, is in fact entitled to a bundle of territorially limited copyrights in respect of all those countries where he enjoys protection, a user of protected works must be granted a right of use for each country in which he performs a relevant act of use for copyright purposes."); Green Paper on Copyright, COM(95) 382 final p. 10 (stating that the rights conferred by domestic copyright law are restricted in their territorial scope).

“limited to the territories” of the Member States in question.¹⁸⁸⁴ This explicit territorial limitation should not be understood as an exception to an otherwise general contrary rule.

The CJEU has recognised and confirmed the territoriality principle in relation to copyright and related rights.¹⁸⁸⁵ In one of the first truly transborder cases, the CJEU stated that where programs containing protected phonograms were broadcast using terrestrial transmitters located in both France and Germany, the laws of both of those Member States could claim applicability.¹⁸⁸⁶ In *Lagardère Active Broadcast*, a broadcasting company established in France that transmitted a signal from France and intended for a French audience also utilised a transmitter in Germany in order to better reach its French audience. The signals could also be received in Germany, but only in a limited area, and were not the subject of commercial exploitation in Germany. Right holder organisations in Germany and France demanded that the broadcaster pay remuneration for the broadcasting of phonograms to the public in each of their respective territories. The CJEU held that there was nothing in EU law to prevent the Member States from localising the act of broadcasting in each of their respective territories where signals had been sent through the use of transmitters located in each respective state, even though the broadcast had little or no effect on the right holder’s exclusive market:

[EU copyright law] does not purport to detract, in particular, from the principle of the territoriality of those rights, which is recognised in international law and also in the EC Treaty. Those rights are therefore of a territorial nature and, moreover, domestic law can only penalise conduct engaged in within national territory.¹⁸⁸⁷

The CJEU interpreted the territoriality principle to grant each state the right to regulate conduct within its own territory (which it localised at the place of the transmitter) but also seemingly to restrict a state from regulating conduct taking place in another state’s territory.

¹⁸⁸⁴ See recital 60 and article 14(2) Directive 93/83/EEC.

¹⁸⁸⁵ Case C-170/12, *Pinckney*, para. 39 (“it is true that copyright, like the rights attaching to a national trade mark, is subject to the principle of territoriality.”); Case C-173/11, *Football Dataco and others*, para. 27 (“the protection by the *sui generis* right provided for in the legislation of a Member State is limited in principle to the territory of that Member State, so that the person enjoying that protection can rely on it only against unauthorised acts of re-utilisation which take place in that territory.”); Case C-441/13, *Hejduk*, para. 22 (“although copyright rights must be automatically protected, . . . in all Member States, they are subject to the principle of territoriality. Those rights are thus capable of being infringed in each Member State in accordance with the applicable substantive law.”).

¹⁸⁸⁶ Case C-192/04, *Lagardère Active Broadcast*.

¹⁸⁸⁷ Case C-192/04, *Lagardère Active Broadcast*, para. 46.

The principle of territoriality is implicit not least in the Satellite Directive's solution to the problem of the cumulative application of many Member State laws to satellite broadcasting originating from one Member State and received in the territories of other Member States.¹⁸⁸⁸ The Satellite Directive represents the first time the EU legislator has had to deal specifically with transborder exploitation of copyright. The Directive solves the problem on the substantive law level by localising the relevant copyright act in the Member State of emission to the exclusion of the Member States of reception.¹⁸⁸⁹ The Directive does not explicitly state that the exploitation of a work within a Member State's territory shall fall within the scope of that Member State's law and that the exploitation of a work outside the territory shall not fall within the law's scope. A territorial limitation on the substantive law level follows however from the principle of territoriality, and this was apparently clear enough that it did not need to be explicitly stated in the text of the Directive.

Apart from the Satellite Directive, the other EU Copyright Directives do not explicitly localise the exclusive rights.¹⁸⁹⁰ The early directives were adopted against the backdrop of exploitation in an analogue world and did not take into account the difficult localisation questions that arise in a digital world. It is true that the Infosoc Directive deals specifically with copyright exploitation in a digital world, but the focus of the Directive was on clarifying the complex legal situation with respect to the rights themselves. Localisation of these rights has been left to the national courts under the guidance of the CJEU.¹⁸⁹¹

Moral rights are not harmonised under EU law, and the national implementations of moral rights in the Member States vary.¹⁸⁹² The assumptions made with respect to the territorial scope of the economic rights conferred under copyright do not necessarily hold true for the moral rights, in particular in the Member States which adhere to the *droit d'auteur* system of protection

¹⁸⁸⁸ Recital 14 Directive 93/83/EEC.

¹⁸⁸⁹ Article 1(2)(b) Directive 93/83/EEC.

¹⁸⁹⁰ There is a proposal pending to localise online content services for purposes of portability. See article 4 Proposal for a Regulation on ensuring the cross-border portability of online content services in the internal market, COM(2015) 627 final.

¹⁸⁹¹ See Fawcett & Torremans 2011 p. 912 ("Copyright law needs to define exactly what is the act of copying or communication to the public in the technical context of internet.").

¹⁸⁹² See recital 19 Directive 2001/29/EC ("The moral rights of right holders should be exercised according to the legislation of the Member States and the provisions of the Berne Convention for the Protection of Literary and Artistic Works, of the WIPO Copyright Treaty and of the WIPO Performances and Phonograms Treaty. Such moral rights remain outside the scope of this Directive.").

for creative works.¹⁸⁹³ As noted, in some Member States, moral rights are understood as personality rights rather than property rights, and as such may not be territorially limited. Indeed, the object of protection for moral rights is the person of the author and not her right to authorise the exploitation of her work within a specific territory. While IP rights are territorially limited, personality rights follow the person wherever she goes.¹⁸⁹⁴

If a copyright right is infringed in a Member State, the right holder has a right to an injunction aimed at prohibiting the continuation of the infringement.¹⁸⁹⁵ In addition, the right holder may be entitled to “damages appropriate to the actual prejudice suffered by the right holder as a result of the infringement.”¹⁸⁹⁶ In calculating damages, the court is to consider “all appropriate aspects” such as lost profits suffered by the injured party, unfair profits made by the infringer, and in appropriate cases, moral prejudice caused to the right holder by the infringement.¹⁸⁹⁷ As an alternative to damages, the court may award a fictional licence fee.¹⁸⁹⁸ Other sanctions such as the re-

¹⁸⁹³ See Xalabarder 2015 p. 176-177 (submitting that damage suffered by the victim of a moral rights infringement is very similar to a violation of personality rights); Boschiero 2007 p. 101 (stating that from a choice of law perspective moral rights could be characterised as personality rights); Strömholm 2001 p. 288-290 (maintaining that the applicable law for the infringement of moral rights should be the law where the author has its habitual residence and not the law where the work is exploited and assuming that such law would then have universal application and not be territorially limited). See also Savola 2014 p. 300 (stating that Finnish copyright law like Finnish tort law does not have any territorial limitations and that limitations are set by rules on adjudicative jurisdiction). Common law states adhere more strictly to the territoriality principle with respect to moral rights. See Davies 2012 p. 42-44 (stating that moral rights are “territorially based” and do not have extraterritorial effect and cannot be asserted outside the jurisdiction); De Souza & Waelde 2002 p. 272 (“Copyright rules thus recognise a set of rights for an owner or author within the borders of one state. The result is that the laws applicable in one territory will not be applied to infringements that occur abroad.”).

¹⁸⁹⁴ Opinion of Advocate General Cruz Villalón, Case C-523/10, *Wintersteiger*, para. 20 (stating that personality rights differ significantly from intellectual property rights because the latter are protected on a territorial basis).

¹⁸⁹⁵ Article 8(2) Directive 2001/29/EC (“Each Member State shall take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out on its territory can . . . apply for an injunction . . .”); article 11 Directive 2004/48/EC (“Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement.”).

¹⁸⁹⁶ Article 13(1) Directive 2004/48/EC. See also article 8(2) Directive 2001/29/EC (“Each Member State shall take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out on its territory can bring an action for damages . . .”).

¹⁸⁹⁷ Article 13(1)(a) Directive 2004/48/EC.

¹⁸⁹⁸ Article 13(1)(b) Directive 2004/48/EC (“as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of

removal of infringing goods from the channels of commerce, publication of judicial decisions and legal costs are also possible.¹⁸⁹⁹ All sanctions “shall be fair and equitable . . . and proportionate . . . and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”¹⁹⁰⁰ In addition, pirated goods may be destroyed under the Customs Regulation.¹⁹⁰¹

Contributory copyright infringement is not harmonised under EU law. The law on contributory infringement in some Member States’ may reach foreign conduct that contributes to a domestic infringement.¹⁹⁰² In any case, under EU law, injunctions must be available against intermediaries whose services are used by a third party to infringe a copyright in the EU regardless of whether they are also liable for the infringement.¹⁹⁰³ Consequently, an intermediary has an interest in the localisation of the primary act of copyright infringement committed by its customers. In practice, right holders usually sue intermediaries in the intermediaries’ home state for providing services to foreign actors who commit domestic infringements because enforcement can take place directly on the domestic territory.¹⁹⁰⁴ In theory however there does not seem to be any reason why a court could not issue an injunction against a foreign intermediary who provides services to a local actor who commits domestic infringements.

royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.”).

¹⁸⁹⁹ Article 10 (corrective measures), 14 (legal costs), 15 (publicity) Directive 2004/48/EC.

¹⁹⁰⁰ Article 3 Directive 2004/48/EC.

¹⁹⁰¹ See section 2 Regulation 608/2013.

¹⁹⁰² See e.g. *Abkco Music & Records Inc v Music Collection International Ltd*, England and Wales Court of Appeal, [1995] E.M.L.R. 449 (holding that an authorisation given outside the UK to another to do a restricted act in the UK fell within the scope of the UK Act and that the requirement of territoriality was satisfied by the requirement that the restricted act be done within the UK).

¹⁹⁰³ Article 8(3) Directive 2001/29/EC (“Member States shall ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe a copyright or related right.”); article 11 Directive 2004/48/EC (“Member States shall also ensure that rightholders are in a position to apply for an injunction against intermediaries whose services are used by a third party to infringe an intellectual property right, without prejudice to Article 8(3) of Directive 2001/29/EC.”). See also article 9 Directive 2004/48/EC on Provisional and precautionary measures against an intermediary.

¹⁹⁰⁴ See e.g. *Twentieth Century Fox Film Corp v Sky UK Ltd*, England and Wales High Court, [2015] EWHC 1082 (Ch) (ordering domestic ISPs to block foreign websites found to infringe copyright within territory). Provided there is jurisdiction over the intermediary, there is nothing that prevents an injunction from being issued against an intermediary who provides its services to actors who commit infringements in states other than the intermediary’s home state.

The EU is a Member of the WTO and is bound by the TRIPS Agreement. While the EU is not a contracting party to the Berne Convention in its own right, it is bound through the TRIPS Agreement, which incorporates most provisions of the convention.¹⁹⁰⁵ The EU is also a contracting party to the WIPO Copyright Treaty.¹⁹⁰⁶

General introduction to U.S. copyright law

In the *United States*, copyright is protected under the federal Copyright Act. The U.S. Constitution grants the U.S. legislature the power to pass a federal copyright act in order “To promote the progress of science and useful arts.”¹⁹⁰⁷ Registration is possible but it is not a prerequisite for protection.¹⁹⁰⁸ There is no federal common law protection of copyright.¹⁹⁰⁹ Protection arises under the statute upon fixation of the work in a tangible medium.¹⁹¹⁰ The enactment of the federal Copyright Act pre-empts the possibility of similar protection under U.S. state law. Section 301 of the federal Copyright Act expressly states that “all legal or equitable rights that are equivalent to any of the exclusive rights within the general scope of copyright . . . are governed exclusively by” federal copyright law.¹⁹¹¹ U.S. state law may protect rights only if they are not “equivalent” to any of the federal rights, such as rights in original recordings made before the federal copyright law was passed.¹⁹¹²

Section 106 of the U.S. Copyright Act sets forth a catalogue containing the exclusive rights conferred by a U.S. copyright.¹⁹¹³ The right holder has the exclusive rights to do and to authorise any of the following acts: to reproduce the work; to prepare derivative works; to distribute the work to the

¹⁹⁰⁵ See article 9.1 TRIPS (“Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under this Agreement in respect of the rights conferred under Article 6bis of that Convention or of the rights derived therefrom.”).

¹⁹⁰⁶ The WIPO Copyright treaty was approved on behalf of the Community by Council Decision 2000/278/EC of 16 March 2000.

¹⁹⁰⁷ Article I, Section 8, clause 8 U.S. Constitution (“To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;”).

¹⁹⁰⁸ Registration provides certain benefits such as notice against innocent infringement, *prima facie* evidence of validity, statutory damages and award of attorney fees. Halpern et al. 2012 p. 36-38.

¹⁹⁰⁹ Halpern et al. 2012 p. 2.

¹⁹¹⁰ 17 U.S.C. § 102.

¹⁹¹¹ 17 U.S.C. § 301(a).

¹⁹¹² See *Capitol Records, Inc. v Naxos of America, Inc.*, 372 F.3d 471 (2nd Cir. 2004) (concerning infringement action brought under New York state common law for copyright infringement of sound recordings).

¹⁹¹³ 17 U.S.C. § 106.

public by sale or other transfer of ownership, or by rental, lease, or lending; to perform the copyrighted work publicly; and to display the copyrighted work publicly.¹⁹¹⁴ In 2008, the Copyright Act was amended to provide that the importation into or exportation from the U.S. of illegally made copies of works is an infringement of the distribution right.¹⁹¹⁵ The importation into the U.S. of copies of a work that have been acquired outside the United States is also an infringement of the distribution right.¹⁹¹⁶ This importation right for legally made copies has lost most of its significance in light of the Supreme Court's ruling that the first sale doctrine applies to copies that are lawfully made and acquired outside of the U.S.¹⁹¹⁷

Otherwise, the catalogue of exclusive rights conferred by copyright has remained basically unchanged since the Act was passed in 1976.¹⁹¹⁸ The courts have been left with the task of clarifying the complex legal situation with respect to the rights, not least in the face of new technologies. The courts have held that the reproduction right is infringed only if the digital copy produced is embodied in a fixed medium and remains so for more than a transitory duration.¹⁹¹⁹ Also, it is the person who exercises the volitional conduct who is the direct infringer and not the person who manufactures, maintains, or owns the machinery on which the copy is stored.¹⁹²⁰ The distri-

¹⁹¹⁴ The performance and display right are limited to certain categories of works. 17 U.S.C. § 106(4-5). Producers and performing artists are granted a limited performance right in light of the fact that sound recordings are protected by copyright. 17 U.S.C. § 106(6).

¹⁹¹⁵ 17 U.S.C. § 602(a)(2) states: "Importation into the United States or exportation from the United States, without the authority of the owner of copyright under this title, of copies or phonorecords, the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable, is an infringement of the exclusive right to distribute copies or phonorecords under section 106, actionable under sections 501 and 506."

¹⁹¹⁶ 17 U.S.C. § 106(a)(1).

¹⁹¹⁷ 17 U.S.C. § 109. See *Kirtsaeng v John Wiley & Sons, Inc.*, 133 S.Ct. 1351, 1368 (2013) (describing the few scenarios to which section § 602(a)(1) applies after taking into consideration the first sale doctrine).

¹⁹¹⁸ A public performance right for sound recordings was added in 1995 as part of the Digital Performance Right in Sound Recording Act of 1995. Halpern et al. 2012 p. 30. The U.S. is a contracting party to the WCT but the U.S. legislature did not understand adherence to the treaty to require the U.S. to make any changes to the rights conferred by copyright because the Copyright Act already allows rightholders to control reproduction and distribution of their works over the internet. See *United States v American Society of Composers, Authors and Publishers*, 627 F.3d 64, 75 fn 11 (2nd Cir. 2010).

¹⁹¹⁹ *Cartoon Network LP, LLLP v CSC Holdings, Inc.*, 536 F.3d 121 (2nd Cir. 2008) (holding that Cablevision's digital video recorder (DVR) system did not infringe because no data remained for more than 1.2 seconds and was rapidly overwritten as soon as it was processed). See also 17 U.S.C. § 101 (definition of "copies" and of "fixed"); Ginsburg 2013 p. 467-471.

¹⁹²⁰ *Cartoon Network LP, LLLP v CSC Holdings, Inc.*, 536 F.3d 121 (2nd Cir. 2008) (holding that alleged copies were made by cable company's customers and not by the cable company); *CoStar Group v Loopnet Inc.*, 373 F.3d 544, 550 (4th Cir. 2004) ("[T]o establish direct liabil-

bution right has been applied to cover the transmissions of digital copies over the internet where the user ends up with his/her own fixed copy.¹⁹²¹ It is not clear whether the right to offer (i.e. make available) an original or copies of a work is itself included in the distribution right if it does not lead to the transfer of a copy of the work.¹⁹²²

ity [for copyright infringement] ... something more must be shown than mere ownership of a machine used by others to make illegal copies”); *Religious Technology Center v Netcom On-Line Communication Services*, 907 F.Supp. 1361, 1370 (N.D.Cal.1995) (“[a]lthough copyright is a strict liability statute, there should still be some element of volition or causation which is lacking where a defendant’s system is merely used to create a copy by a third party.”).

¹⁹²¹ In the 1990s, the Working Group on Intellectual Property Rights for the Information Infrastructure Task Force recommended that section 106(3) of the federal Copyright Act be amended to include “transmission” as a “distribution” so that a “transmission” of a work would be an infringing “distribution” when the end-user is able to download its own copy of a work. A similar amendment was proposed to make a “transmission” from abroad an importation under section 602. While these legislative changes were not made, the courts have given “distribution” a broad interpretation so as to cover internet transmissions where the user has the possibility to make a tangible copy of the work. *Halpern et al.* 2012 p. 65. See e.g. *N.Y. Times Co. v Tasini*, 533 U.S. 483 (2001) (assuming that a computer database program “distributed” within the meaning of the statute copies of newspaper articles stored in its computerised database by selling copies of those articles through its database service); *A&M Records, Inc. v Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001) (“Napster users who upload file names to the search index for others to copy violate plaintiffs’ distribution rights.”).

¹⁹²² The 4th Circuit is the only federal court of appeal to rule on this question. It held that a public library distributes a work to the public under section 106(3) when it “adds a work to its collection, lists the work in its index or catalog system, and makes the work available to the borrowing or browsing public”, even when evidence of actual loans of infringing copies to members of the public was lacking. The 4th Circuit reasoned that if this was not to be considered distribution within the meaning of § 106(3), a copyright holder would be prejudiced by a library that does not keep records of public use, and the library would unjustly profit by its own omission. *Hotaling v Church of Jesus Christ of Latter-Day Saints*, 118 F.3d 199 (4th Cir. 1997). See also *Capitol Records, Inc. v Thomas-Rasset*, 692 F.3d 899 (8th Cir. 2012) (observing that district courts have been divided over the issue whether making copyrighted works available to the public is a right protected by § 106(3), but not deciding the issue); *Maverick Recording Co. v Harper*, 598 F.3d 193 (5th Cir. 2010) (acknowledging, but not addressing, the “making available” question with respect to the distribution right.). The question has arisen primarily in the context of peer-to-peer file sharing where the lower courts have been split on whether actual dissemination of the sound recordings is a prerequisite for an infringement of the exclusive distribution right or whether simply “making available” a file on a peer-to-peer network is sufficient. Compare e.g. *Motown Record Co., LP v DePietro*, 2007 WL 576284 (E.D. Pa. 2007) (holding that making a work available for other users of peer-to-peer network to download constitutes an infringement of the exclusive distribution right); *Warner Bros. Records, Inc. v Payne*, 2006 WL 2844415 (W.D. Tex. 2006) with *Atl. Recording Corp. v Howell*, 554 F.Supp.2d 976 (D. Ariz. 2008) (holding that actual dissemination of copyrighted sound recordings, rather than making them available for dissemination through an online peer-to-peer file sharing application, was required to establish “distribution” within meaning of the Copyright Act); *London-Sire Records, Inc. v Doe 1*, 542 F.Supp.2d 153 (D. Mass. 2008) (holding that defendants cannot be liable for violating the plaintiffs’ distribution

Transmitting sound recordings to the public over the airways is a public performance because it involves contemporaneous perceptibility of a work,¹⁹²³ and not a distribution because no fixed material object is transmitted.¹⁹²⁴ A service provider's retransmission of broadcast television programs over the internet is a public performance even if each retransmission is from small antennas dedicated to only one subscriber (but housed in the service provider's central warehouse).¹⁹²⁵ In contrast to a performance, which may be ephemeral and unfixated, to display a work means to show a copy of it.¹⁹²⁶ In order for the display right to be infringed, the displayer must store a digital copy on its own server, from which the image is then communicated to the public.¹⁹²⁷

The limitations on the right holder's exclusive rights are for the most part developed by the courts in accordance with the fair use doctrine.¹⁹²⁸ Pursuant to this doctrine, the court takes into consideration certain factors to determine whether a use is fair as opposed to applying pre-determined statutory limitations.¹⁹²⁹ There is however a statutory limitation on the distribution

right unless a "distribution" actually occurred). See also *Elektra Entertainment Group, Inc. v Barker*, 551 F.Supp.2d 234 (S.D.N.Y. 2008) (distinguishing between an offer to distribute copies and making copies available to the public).

¹⁹²³ See *Agee v Paramount Communications, Inc.*, 59 F.3d 317 (2nd Cir. 1995). See also 17 U.S.C. § 101 (definitions) ("To perform a work means to recite, render, play, dance, or act it, either directly or by means of any device or process or, in the case of a motion picture or other audiovisual work, to show its images in any sequence or to make the sounds accompanying it audible.").

¹⁹²⁴ See *United States v American Society of Composers, Authors and Publishers*, 627 F.3d 64, 73 (2nd Cir. 2010) (holding that public performance entails a contemporaneous perceptibility of a work and digital downloads are not contemporaneously perceived by the listener).

¹⁹²⁵ *American Broadcasting Companies, Inc. v Aereo, Inc.* 134 S.Ct. 2498 (2014) (holding that service provider that streamed broadcast television programming over the internet from individual small antennas reserved to each customer and housed in its central warehouse so that its customers could watch the programs almost as they were being broadcast infringed the public performance right).

¹⁹²⁶ 17 U.S.C. § 101 (definitions) ("To display a work means to show a copy of it, either directly or by means of a film, slide, television image, or any other device or process or, in the case of a motion picture or other audiovisual work, to show individual images nonsequentially.").

¹⁹²⁷ *Perfect 10, Inc. v Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007) (finding that Google displayed thumbnail images (although fair use) because it stored these tangible copies on its own computers and communicated them to Google users who could perceive the thumbnail images on their computer screens but that it did not display the full sized images because it merely directed its users' browsers via a link to a third party server where the images were stored).

¹⁹²⁸ 17 U.S.C. § 107.

¹⁹²⁹ The factors are: (1) the purpose and character of the use, including whether such use is of a commercial nature or is for nonprofit educational purposes; (2) the nature of the copyright-

right whereby the owner of a lawfully made and acquired copy of a work is entitled to sell or otherwise dispose of the possession of that copy (first sale doctrine).¹⁹³⁰ As noted, the first sale doctrine applies even to copies which are lawfully made and acquired outside of the U.S.¹⁹³¹ In addition, the Copyright Act contains a number of more specific statutory limitations on the rights.¹⁹³²

Moral rights do not have a strong tradition in the U.S. When the U.S. joined the Berne Convention in 1986, it took the position that it did not need to implement a specific provision on moral rights in the Copyright Act because moral rights were already protected through *inter alia* defamation and unfair competition law.¹⁹³³ Nevertheless, in 1990 the U.S. passed the Visual Artist Rights Act giving limited moral rights protection to artists who create certain works of visual arts.¹⁹³⁴

The U.S. Copyright Act does not contain any explicit limitations on the territorial scope of the rights conferred by copyright, and the Supreme Court has yet to interpret their territorial scope. The presumption against the extraterritorial application of federal statutes suggests that the rights are territorially limited.¹⁹³⁵ However, the Supreme Court's more recent holding that the first sale doctrine does not have any territorial limitations may suggest otherwise.¹⁹³⁶ Still, the federal courts have consistently held that an infringing act must be localised at least partially in the U.S. for it to come within the scope of the Copyright Act.¹⁹³⁷ The Ninth Circuit dealt with the question head on

ed work; (3) the amount and substantiality of the portion used in relation to the copyrighted work as a whole; and (4) the effect of the use upon the potential market for or value of the copyrighted work. 17 U.S.C. § 107.

¹⁹³⁰ 19 U.S.C. § 109. Rental of record and computer programs are excepted.

¹⁹³¹ *Kirtsaeng v John Wiley & Sons, Inc.*, 133 S.Ct. 1351 (2013) (holding that the “first sale” doctrine applies to copies of a copyrighted work lawfully made abroad).

¹⁹³² See 17 U.S.C. § 108-121.

¹⁹³³ *Austin* 2005:2 p. 116-117.

¹⁹³⁴ 17 U.S.C. § 106A.

¹⁹³⁵ See *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 255 (2010) (reaffirming the presumption with respect to the federal securities law).

¹⁹³⁶ See *Kirtsaeng v John Wiley & Sons, Inc.*, 133 S.Ct. 1351 (2013) (holding that the words “lawfully made under this title” in section 109 on the first sale doctrine limiting the distribution right must be given a “nongeographical interpretation”).

¹⁹³⁷ *Litecubes LLC v Northern Light Products*, (Fed Cir. 2008) (“It has long been established, however, that the Copyright Act does not “reach acts of infringement that take place entirely abroad”); *Iverson v Grant*, 133 F.3d 922 (8th Cir. 1998) (holding that U.S. Copyright Act does not give copyright owner the right to prohibit publication and distribution of his literary work in Canada); *Subafilms, Ltd v MGM-Pathe Communications Co.*, 24 F.3d 1088 (9th Cir. 1994) (holding that distribution of video cassette movie abroad not actionable in U.S.); *Filmvideo Releasing Corp. v Hastings II*, 668 F.2d 91 (2nd Cir. 1981) (holding that U.S. Copyright Act does not give copyright owner the right to prohibit the public performance of

when it applied the presumption against extraterritoriality and rejected a claim that the unauthorised distribution abroad of the Beatles film “Yellow Submarine” could fall within the scope of the federal Copyright Act because the distribution abroad had adverse effects within the U.S.¹⁹³⁸ In so ruling, the court also took into account the interests of foreign states:

In light of the [Supreme] Court's concern with preventing international discord, we think it inappropriate for the courts to act in a manner that might disrupt Congress's efforts to secure a more stable international intellectual property regime unless Congress otherwise clearly has expressed its intent. The application of American copyright law to acts of infringement that occur entirely overseas clearly could have this effect. Extraterritorial application of American law would be contrary to the spirit of the Berne Convention, and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern.¹⁹³⁹

In addition, the Ninth Circuit rejected the view that a domestic act authorising another to commit an act abroad that would violate the copyright owner's enumerated rights was an infringement. The court held that the exclusive rights conferred by copyright must be read as extending “no farther than the United States border.”¹⁹⁴⁰ The federal Copyright Act does not localise the exclusive rights. The localisation of these rights is therefore left to the courts. The Morrison ruling informs that the localisation of the infringing act on the U.S. territory should be made with respect to the focus of the Copyright Act and not necessarily the location of the harmful conduct.¹⁹⁴¹

his films abroad); *Robert Stigwood Group Ltd. v O'Reilly*, 530 F.2d 1096 (2nd Cir. 1976) (holding that public performance of rock opera in Canada is not actionable under U.S. copyright law).

¹⁹³⁸ *Subafilms, Ltd v MGM-Pathe Communications Co.*, 24 F.3d 1088, 1095 (9th Cir. 1994).

¹⁹³⁹ *Subafilms, Ltd v MGM-Pathe Communications Co.*, 24 F.3d 1088, 1097 (9th Cir. 1994).

¹⁹⁴⁰ *Subafilms, Ltd v MGM-Pathe Communications Co.*, 24 F.3d 1088, 1094 (9th Cir. 1994) (internal citations omitted). Two district courts have declined to follow the Subafilm court's ruling in this respect and have found an act of direct infringement where someone within the U.S. authorises another to commit an act abroad that would violate the copyright owner's enumerated rights. *Curb v MCA Records, Inc.*, 898 F.Supp. 586 (M.D. Tenn 1995); *Expeditors Int'l Wash. D.C. v Direct Line Cargo Management Services, Inc.*, 995 F.Supp. 468 (D. New Jersey 1998). However, Subafilm is considered the prevailing view. See e.g. *Rundquist v Vapiano*, 798 F.Supp.2d 102, 129 (D.D.C. 2011) (“the Subafilms ruling remains the majority rule that authorization of extraterritorial copyright infringement does not amount to a violation of U.S. copyright law.”); *Illustro Systems Intern., LLC v International Business Machines Corp.*, 2007 WL 1321825 (N.D.Tex. 2007) (holding that domestic authorisation to infringe abroad not within territorial scope of federal Act); *Seals v Compendia Media Group*, 2003 WL 731369 (N.D. Ill. 2003).

¹⁹⁴¹ *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 249 (2010) (interpreting territoriality by looking to the “focus” of congressional concern in the relevant statute).

An injunction may be issued to prevent or restrain infringement of a copyright in the U.S.¹⁹⁴² Unlike the statute defining the rights conferred, the injunction statute contains a specific reference to the territory of the U.S.¹⁹⁴³ In addition, damages may be ordered against someone who infringes a copyright in the U.S.¹⁹⁴⁴ The right holder is entitled to recover the actual damages suffered as a result of the infringement, as well as any profits of the infringer that are attributable to the infringement and are not taken into account in computing the actual damages.¹⁹⁴⁵ The purpose of provable damages is to compensate the right holder for the actual harm suffered whereas the purpose of infringer's profits is to prevent the infringer from unfairly benefitting from a wrongful act.¹⁹⁴⁶ In the alternative, the right holder may elect for statutory damages.¹⁹⁴⁷ Other remedies such as the destruction of infringing goods and attorney fees may also be ordered against a seller who infringes a copyright in the U.S.¹⁹⁴⁸

Contributory copyright infringement is well recognised under U.S. copyright law.¹⁹⁴⁹ In practice, right holders usually sue intermediaries in the intermediaries' home state for providing services to foreign actors who commit domestic infringements because enforcement can take place directly on the domestic territory.¹⁹⁵⁰ Consequently, an intermediary has an interest in the localisation of the primary act of copyright infringement committed by its customers. A foreign actor who contributes to a domestic infringement could also fall within the territorial reach of the Copyright Act.¹⁹⁵¹

¹⁹⁴² 17 U.S.C. § 502(a-b) (injunction).

¹⁹⁴³ 17 U.S.C. § 502(b) ("Any court having jurisdiction of a civil action arising under this title may . . . grant temporary and final injunctions on such terms as it may deem reasonable to prevent or restrain infringement of a copyright. . . . [The injunction] shall be *operative throughout the United States*. . . .") (emphasis added).

¹⁹⁴⁴ 17 U.S.C. § 504 (damages).

¹⁹⁴⁵ 17 U.S.C. § 504(b).

¹⁹⁴⁶ Halpern et al. 2012 p. 132-133.

¹⁹⁴⁷ 17 U.S.C. § 504(c).

¹⁹⁴⁸ 17 U.S.C. § 502(a) (injunction) § 504 (damages), § 503 (destruction or disposition of infringing articles and devices), § 505 (attorney fees).

¹⁹⁴⁹ See *Sony Corp. of America v Universal City Studios, Inc.*, 464 U.S. 417 (1984).

¹⁹⁵⁰ See *Louis Vuitton Malletier, S.A. v Akanoc Solutions, Inc.*, 658 F.3d 936 (9th Cir. 2011) (upholding contributory copyright infringement claim against domestic web-hosting service provider for contributing to infringement of U.S. copyright committed by Chinese persons via foreign websites).

¹⁹⁵¹ See e.g. *Blue Ribbon Pet Products v Rolf C Hagen (USA) Corp.*, 66 F.Supp.2d 454 (E.D.N.Y. 1999) (holding foreign corporation liable as contributory infringer with respect to acts of domestic infringement carried out by its subsidiary); *GB Marketing USA v Gerolsteiner Brunnen GmbH*, 782 F.Supp. 763 (W.D.N.Y. 1991) (holding foreign distributor liable as contributory infringer).

The U.S. has ratified all major copyright conventions, including the Berne Convention, the TRIPS Agreement, and the 1996 WIPO Copyright Treaty.

Introduction of tangible copies of works into the territory

The question addressed is whether a seller who introduces tangible copies of works to the public in the protected territory falls within the territorial scope of the domestic copyright law even though the seller acts from outside the protected territory.

In the *European Union*, an offer or sale of tangible copies of works implicates the distribution right in the Infosoc Directive.¹⁹⁵² The Directive does not localise where the act of distribution takes place. The Blomqvist case (discussed above) suggests that a foreign trader who sells and dispatches copies of works to the public in a Member State infringes the distribution right in that Member State.¹⁹⁵³ In that case, the fake ROLEX watch was alleged to infringe a copyright protected in Denmark. The CJEU stated that “European Union law requires that the sale be considered, in the territory of a Member State, to be a form of distribution to the public within the meaning of the copyright directive” and that “[s]uch distribution to the public must be considered proven where a contract of sale and dispatch has been concluded.”¹⁹⁵⁴ Under such circumstances, the unauthorised distribution could be relied upon to justify the seizure of the goods under the Customs Regulation “at the time when those goods enter the territory of that Member State merely by virtue of the acquisition of those goods.”¹⁹⁵⁵ The CJEU stated that it was not necessary that the goods had previously been the subject of an offer for sale or advertising targeting EU consumers.¹⁹⁵⁶ Moreover, the Blomqvist case suggests that there is no *de minimis* requirement when it comes to at least pirated goods; even one watch is enough to trigger prescriptive jurisdiction.

¹⁹⁵² Article 4 Directive 2001/29/EC.

¹⁹⁵³ Case C-98/13, Blomqvist.

¹⁹⁵⁴ Case C-98/13, Blomqvist, para. 29. See also by analogy Case C-462/09, *Stiching de Thuiskopie*, para. 30-41 (holding that a seller who makes direct sales of reproduction equipment to consumers enabling them to make copies for private use that thereby harms the right holder in the Member State where the consumer resides should be responsible for paying the private copying levy in order to fulfil the right to fair compensation under article 5(2)(b) Directive 2001/29 regardless of the fact that the seller was established in another Member State).

¹⁹⁵⁵ Case C-98/13, Blomqvist, para. 29, 35. A complicating issue is that enforcement jurisdiction was exercised against the Danish buyer who was the owner of the watch and not against the infringing seller. Petersen et al. 2012 p. 761 (observing that the buyer had not committed any infringement and might have acted in good faith).

¹⁹⁵⁶ Case C-98/13, Blomqvist, para. 35.

The localisation of the infringing act of distribution to the public in the Member State where a member of the public is located to whom the copy is sold and dispatched suggests that even passive sales of (illegal) parallel imported copies from third states to consumers in the EU is an infringing act in the destination Member State, thereby triggering the available sanctions against the seller and the goods. However, as the CJEU's holding in *Blomqvist* is limited to interpreting the customs' authority to seize pirated goods under the customs regulation, one should be careful in drawing conclusions with respect to the substantive copyright law.¹⁹⁵⁷

In another case, this time interpreting substantive EU copyright law, the CJEU held that a seller acting abroad commits an act of distribution to the public in the Member State where the seller "directs his advertising at members of the public residing in a given Member State and creates or makes available to them a specific delivery system and payment method, or allows a third party to do so, thereby enabling those members of the public to receive delivery of copies of works protected by copyright in that same Member State".¹⁹⁵⁸ In that case, a German national, Donner, was accused of aiding and abetting an Italian company in the distribution to the public in Germany of furniture that was protected by copyright in Germany but not in Italy. The Italian company targeted the German market through a German language website and advertising but did not have any physical presence in Germany. Under the conditions of sale, the purchasers were bound to either pick up the furniture themselves from the Italian company's warehouse or arrange for delivery themselves. In the latter case, the Italian company recommended Mr. Donner's transportation company to transport the furniture from Italy to Germany with the understanding that the purchasers would be acquiring title to the furniture in Italy.¹⁹⁵⁹ A prerequisite for Mr. Donner to be convicted for aiding and abetting was that the Italian company committed an act of direct infringement in Germany. Thus, the CJEU was required to determine whether a foreign seller could infringe the distribution right even though the seller himself does not act within the territory of the protected Member State nor himself dispatch goods into the protected territory.

¹⁹⁵⁷ See Petersen et al. 2012 p. 757, 760-762 (stating it would be politically unacceptable if right holders could prevent private parallel imports of original books, movies, software, perfumes, etc.).

¹⁹⁵⁸ Case C-5/11, *Donner*, para. 30. See also *KK Sony Computer Entertainment v Pacific Game Technology Ltd.*, England and Wales High Court, [2006] EWHC 2509 (Pat) (holding that foreign seller operating website in English targeting a UK public made distribution to the public in the UK where it sold and dispatched goods).

¹⁹⁵⁹ The contract between the Italian company and the purchasers was governed by Italian law, pursuant to which ownership passed from the Italian company to the purchasers in Italy upon individualisation of the item sold to a named customer at the Italian company's warehouse.

The CJEU observed that the concept distribution to the public must be given an independent EU interpretation that was not contingent upon which country's national law was applicable to the sales contract.¹⁹⁶⁰ In other words, the fact that legal title had passed to the consumer in Italy and in that respect the work was no longer publically available when it entered Germany was not relevant to the interpretation of distribution under EU copyright law.¹⁹⁶¹ The CJEU stated further that distribution to the public "is characterised by a series of acts going, at the very least, from the conclusion of a contract of sale to the performance thereof by delivery to a member of the public."¹⁹⁶² Consequently, in the context of a cross-border sale, the CJEU held that a distribution to the public may take place in a number of Member States and may infringe the exclusive distribution right in a number of Member States.¹⁹⁶³

The CJEU stated that where the delivery to a member of the public in another Member State is not effected by or on behalf of the trader, it is for the national courts to assess, on a case-by-case basis, whether the trader did actually target members of the public residing in the Member State of destination and whether the trader must have been aware of the actions of the third party in question.¹⁹⁶⁴ The CJEU stated that factors such as the existence of a German-language website, the content and distribution channels of the trader's advertising materials and its cooperation with the transport company, as an undertaking making deliveries to Germany, may be taken as constituting evidence of such targeted activity.¹⁹⁶⁵

In a subsequent case, the CJEU clarified that a sale and delivery of copies of works to the public in a Member State is not a prerequisite for an act of distribution in a Member State. The CJEU held that the distribution right can be infringed if a seller acting from abroad "addresses an advertisement, through its website, by direct mail or in the press, to consumers located in the territory of the Member State in which those works are protected in order to invite them to purchase it" even if the offer or advertising does not lead to a transfer of ownership of the work to the consumer.¹⁹⁶⁶ In *Dimensione Direct Sales and Labianca*, an Italian company advertised and offered for sale on its web-

¹⁹⁶⁰ Case C-5/11, *Donner*, para. 25.

¹⁹⁶¹ Previous Member State case law using title for the purpose of localising the act of distribution is no longer good law. See e.g. *Independiente Ltd. v Music Trading On-line (HK) Ltd*, England and Wales High Court, [2007] EWHC 533 (Ch) (localising the infringing act of distribution to the public based on the state in which title passed to the consumer).

¹⁹⁶² Case C-5/11, *Donner*, para. 26.

¹⁹⁶³ Case C-5/11, *Donner*, para. 26.

¹⁹⁶⁴ Case C-5/11, *Donner*, para. 28.

¹⁹⁶⁵ Case C-5/11, *Donner*, para. 29.

¹⁹⁶⁶ Case C-516/13, *Dimensione Direct Sales and Labianca*, para. 31, 32.

site in the German language and in German daily newspapers furniture protected by copyright in Germany but not in Italy, and invited purchasers to collect the furniture in Italy or arrange for delivery by forwarding agent.¹⁹⁶⁷ With reference to the objectives of the Infosoc Directive to provide a high level of protection so that authors receive an appropriate reward for the use of their work and to uphold a rigorous and effective system for protection, the CJEU localised the distribution right in the targeted Member State.¹⁹⁶⁸ Indeed, an offer addressed to the public in a Member State that aims to satisfy the consumer demand for the work there affects the right holder's possibility to receive an award for the use of the work in that Member State, even if the sale and delivery are consummated in another state.¹⁹⁶⁹ Still, the CJEU's ruling remains within the framework of the territoriality principle because an offer addressed to the public in a Member State through internet, direct mail or advertising retains some aspects of territoriality as the offer and advertising is perceivable by consumers in the territory of the Member State. It seems unlikely that merely concluding a contract for the sale of copies of works with a consumer located in a Member State would *per se* infringe EU copyright law, if the seller has not previously targeted consumers in that Member State, at least where the seller does not dispatch the copies to that Member State or arrange for their delivery.

If a seller infringes the distribution right in a Member State, the right holder would have a right to an injunction prohibiting the seller from distributing the works in the protected territory.¹⁹⁷⁰ While such an injunction in practice requires the foreign seller to cease carrying out a certain activity abroad, this is not perceived as an extraterritorial application of EU copyright law because its only aim is to stop or prevent an infringement within the protected territory.¹⁹⁷¹ Apparently, some Member State courts are willing to be more

¹⁹⁶⁷ Case C-516/13, *Dimensione Direct Sales and Labianca*, para. 11.

¹⁹⁶⁸ Case C-516/13, *Dimensione Direct Sales and Labianca*, para. 34.

¹⁹⁶⁹ See I ZR 114/04 (*Wagenfeld-Leuchte/Wagenfeld Lamp*), German Federal Court of Justice, 15 February 2007, IIC 2008, 39(7), 854-862 (holding that offers on website targeting Germany infringed the distribution right even if the sale and delivery takes place in Italy).

¹⁹⁷⁰ Article 8(2) Directive 2001/29/EC ("Each Member State shall take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out on its territory can . . . apply for an injunction . . ."); article 11 Directive 2004/48/EC ("Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement.").

¹⁹⁷¹ See Case C-516/13, *Dimensione Direct Sales and Labianca*, para. 35 (holding that the right holder is entitled to prevent the foreign seller from addressing offers to the public in the Member State). This injunction will necessarily require the foreign seller to cease doing certain acts outside the protected Member State's territory. See also *Fritz Hansen A/S v Interior Addict Ltd and Fritz Hansen A/S v Nlini Interiors Ltd* (V-63-12 & V-64-12), Danish Maritime and Commercial High Court (Sø- og Handelsretten), 20 May 2014, [2015] E.C.D.R. 18

specific in the formation of the injunction with respect to the foreign conduct that infringes domestic rights.¹⁹⁷² Whether these remedies could be enforced against a seller in a third state depends on whether the seller has any *de facto* presence in the EU or whether treaty relations exist with the third state of enforcement.

In addition, the right holder may be entitled to damages.¹⁹⁷³ The CJEU has not directly ruled on the territorial scope of the Member States' prescriptive jurisdiction to grant damages for infringements taking place in their territories. In analogous situations, however, the CJEU has ruled that the prescriptive jurisdiction of a Member State to grant equitable remuneration and to assess levies to compensate the right holder for the harm suffered from the making of private copies was limited to the actual value of the exploitation or harm suffered in the protected territory.¹⁹⁷⁴ By analogy, it can be argued that the same principle should apply to compensate the right holder for damage caused by an infringement.¹⁹⁷⁵ This does not suggest that the infringer's profits from the sales consummated in a third state with customers from the targeted Member State should not be included in a damage award. Indeed, the sale made by the infringer in a third state is evidence of the harm suffered by the right holder on territory of the Member State of protection because if it were not for the targeted advertising in the protected Member

(prohibiting UK defendant with website aimed at Denmark from marketing and selling copies of works for the delivery or import to Denmark).

¹⁹⁷² See *Relo v Furnitex*, District Court of Arnhem, 29 June 1993, [1995] BIE 44, referenced in *van Eechoud* 2003 p. 216 fn 603 (ordering defendant to refrain from any acts that infringe the right holder's Dutch IP right, which included acts of reproduction and storage of reproductions outside the Netherlands to the extent that these acts were directed at the Dutch market).

¹⁹⁷³ Article 13(1) Directive 2004/48/EC.

¹⁹⁷⁴ See Case C-521/11, *Amazon.com International Sales and others*, para. 56-66 (holding that the private copying levy must be calculated on the basis of the harm arising within the territorial competence of the Member State where the final users reside because this is where they use the recording media to make copies for private use); Case C-462/09, *Stichting de ThuisKopie*, para. 36 (stating that Member States must ensure, in accordance with its territorial competence, the effective recovery of the fair compensation for the harm suffered by the authors on the territory of that State); Case C-192/04, *Lagardère Active Broadcast*, para. 54 (holding that the Member States' prescriptive jurisdiction was limited to prescribing rules for the payment of remuneration for the broadcast of phonograms in their own territories and the remuneration must be equitable in relation to the actual value of the broadcast in their own territories); Joined cases C-403/08 and C-429/08, *Football Association Premier League and others*, para. 108-109, 120-121 (stating that appropriate remuneration must be reasonable in relation to the actual or potential number of persons who enjoy or wish to enjoy the service and that in light of the fact that the Satellite Directive results in a single EU broadcasting market, the right holders authorising the act of satellite broadcasting in one Member State can take account of the actual and potential audience in all the other Member States).

¹⁹⁷⁵ *Depreeuw & Hubin Study* 2013 p. 149 fn 356.

State, the right holder would have made or licensed the sale in the protected Member State itself.¹⁹⁷⁶

In the *United States*, the federal courts have found that direct sales and dispatch of copies of works from abroad to consumers in the U.S. is a distribution to the public in the U.S.¹⁹⁷⁷ In *Litecubes, LLC v Northern Light Products, Inc.*, the defendant took orders for the copies of the works over the telephone at a number published on its website, and shipped the copies directly to the purchaser in the U.S.¹⁹⁷⁸ There was no specific finding that the website was targeting U.S. consumers. The copies were shipped f.o.b. Canada directly to the buyers in the U.S. from the seller's Canadian offices. The defendant argued that its activities were outside the territorial scope of the federal Copyright Act because title over the goods was transferred to the buyer while the goods were still in Canada.

The Federal Circuit rejected the defendant's formalistic approach to reasoning on the ground that it did not serve any policy behind the Copyright Act. Moreover, the court observed that, unlike the Patent Act, the Copyright Act does not explicitly require that sales be "in the United States" and that the Copyright Act applies as long as at least a part of the offense takes place within the U.S.¹⁹⁷⁹ In the same case, the court had already held that the sale of the goods from abroad was an infringing sale under the Patent Act, and the court held that the term "sale" should be interpreted consistently in copyright and patent law.¹⁹⁸⁰ The court concluded that "by selling to customers in the U.S., the [defendants'] distribution of the accused products has taken place, at least in part, in the United States."¹⁹⁸¹ While the court emphasised that the sale was made to a buyer in the U.S., the copies were also dispatched directly to the buyer in the U.S. territory.

¹⁹⁷⁶ See *Fritz Hansen A/S v Interior Addict Ltd and Fritz Hansen A/S v Nlini Interiors Ltd* (V-63-12 & V-64-12), Danish Maritime and Commercial High Court (Sø- og Handelsretten), 20 May 2014, [2015] E.C.D.R. 18 (awarding damages to compensate the right holder for the market interruption due to defendants sales from abroad of copies to the protected market).

¹⁹⁷⁷ See *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353 (Fed. Cir. 2008); *Palmer v Braun*, 376 F.3d 1254 (11th Cir. 2004); *Liberty Toy Co, Inc. v Fred Silber Co*, 149 F.3d 1183 (6th Cir. 1998); *Louis Vuitton Malletier, S.A. v Akanoc Solutions, Inc.*, 2010 WL 559833797 (N.D. Cal. 2010, *aff'd in part and rev'd in part on other grounds*, 658 F.3d 936 (9th Cir. 2011); *Love v The Mail on Sunday*, 2006 WL 4046180 (C.D. Cal. 2006); *National Enquirer, Inc. v News Group News, Ltd.*, 670 F.Supp. 962, 970 (S.D. Fla.1987).

¹⁹⁷⁸ *Litecubes, L.L.C. v Northern Light Products, Inc.*, 2006 WL 5700252 (E.D. Mo. 2006), *aff'd*, 523 F.3d 1353 (Fed. Cir. 2008).

¹⁹⁷⁹ *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353, 1371 (Fed. Cir. 2008).

¹⁹⁸⁰ *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353, 1371 (Fed. Cir. 2008).

¹⁹⁸¹ *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353, 1372 (Fed. Cir. 2008).

At least one district court has interpreted the Federal Circuit's *Litecubes* decision to mean that distribution could be localised in the U.S. based on the location of the buyer in the U.S. even if the seller does not dispatch the goods to the U.S. or arrange for their transport to the U.S.¹⁹⁸² In this case, copies of works were sold directly to a buyer in the U.S. but the buyer itself arranged for the shipment of the copies to the U.S. by a third party freight forwarder. The court found that the act of distribution could be localised in the U.S. because the foreign seller made a direct sale to a buyer located in the U.S. The court did not find it relevant that the shipment of the copies from China to the U.S. was made by a freight forwarder chosen and paid for by the buyer, because the copies in fact entered U.S. territory.¹⁹⁸³ Otherwise, when a foreign trader sells goods to a U.S. buyer outside the U.S. but for distribution in the U.S., a foreign seller has been found to be liable for contributory infringement, which requires that the foreign seller acted with knowledge.¹⁹⁸⁴

There does not seem to be any *de minimis* rule or at least the bar is very low. Even very small quantities of copies of works are sufficient for distribution from abroad to fall within the scope of the federal Copyright Act.¹⁹⁸⁵

The courts have not dealt with the question whether distribution to the public can be localised in the U.S. if a seller directs an offer and advertising to the public in the U.S. but the sale is consummated and the copies are delivered abroad. This conduct might fall outside the territorial scope of U.S. copyright law in light of the fact that it is unclear whether the act of offering is itself an infringement of the distribution right in the U.S. If however a sale is in fact consummated, albeit outside the U.S., it seems reasonable to assume that, provided a part of the distribution (e.g. the offering and advertising) can

¹⁹⁸² *Zimnicki v General Foam Plastics Corp.* 2010 WL 3941869 (N.D. Ill. 2010) (noting that the U.S. buyer "placed its product orders from a location within the United States.>").

¹⁹⁸³ *Zimnicki v General Foam Plastics Corp.* 2010 WL 3941869 (N.D. Ill. 2010).

¹⁹⁸⁴ *Blue Ribbon Pet Products v Rolf C Hagen (USA) Corp.*, 66 F.Supp.2d 454, 462-463 (E.D.N.Y. 1999); *GB Marketing USA v Gerolsteiner Brunnen GmbH*, 782 F.Supp. 763, 772-773 (W.D.N.Y. 1991).

¹⁹⁸⁵ See *Love v The Mail on Sunday*, 2006 WL 4046180 (C.D. Cal. 2006) (stating "there is no *de minimis* defense to copyright infringement" and the allegation that 40 copies of the work were sent from the UK to the U.S. was sufficient to state an infringement claim); *Palmer v Braun*, 376 F.3d 1254 (11th Cir. 2004) (selling 25 copies of infringing books to residents of the United States, and shipping these copies from France to the United States, was distribution in the U.S.); *National Enquirer, Inc. v News Group News, Ltd.*, 670 F.Supp. 962, 970 (S.D. Fla.1987) (finding that distribution in U.S. of 85 copies of newspaper published abroad was not *de minimis* even though it was only .0017% of defendant's total sales on that date).

be localised in the U.S. at the location of the targeted public, the foreign conduct will fall within the territorial scope of the copyright law.¹⁹⁸⁶

An injunction ordering a seller to cease distributing the product in the U.S. is not considered an extraterritorial application of the Copyright Act even if it requires the seller to do or cease doing some act abroad to put an end to the domestic infringement. This is because the wording of the injunction merely orders the defendant to cease infringing the U.S. copyright.¹⁹⁸⁷ The courts are hesitant to issue an injunction ordering the defendant to cease manufacture and distribution of infringing products abroad on the basis of a finding of copyright infringement in the U.S.¹⁹⁸⁸ A separate matter is however that unless a foreign seller has some *de facto* presence in the U.S., the right holder will not be able to enforce its rights against the foreign trader. Illegally made infringing copies of works may be seized upon arrival in the U.S.¹⁹⁸⁹

Summing up, under both EU and U.S. copyright law, the introduction of tangible copies into the territory falls within the territorial scope of copyright law even though a seller acts from outside the protected territory. The infringing act is localised at the place of the sale and dispatch of the copies to a buyer in the domestic territory. There does not seem to be any evidence of a *de minimis* requirement. Under EU law, already the offering of copies is an infringing act if the offer targets the public in a Member State. It seems like-

¹⁹⁸⁶ See *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353 (Fed. Cir. 2008) (stating that the Copyright Act applies as long as at least a part of the offense takes place within the U.S.).

¹⁹⁸⁷ See e.g. *Litecubes, L.L.C. v Northern Light Products, Inc.*, 2006 WL 5700252 (E.D. Mo. 2006) (enjoining Canadian seller from “infringing U.S. Copyright Registration No. VA 1-117-699 (“the ‘699 copyright’)” by reproduction, preparing a derivative work, distribution, display, or claim authorship of any work that is substantially similar to the work depicted in the ‘699 copyright”). Compliance with the injunction in essence requires the Canadian seller to cease certain conduct in Canada that causes an infringement in the U.S.

¹⁹⁸⁸ See *Cybermedia, Inc. v Symantec Corp.*, 19 F.Supp.2d 1070, 1079 (N.D. Cal. 1998) (“There appear to be no reported cases, however, in which the extraterritorial manufacture and distribution of infringing products was *enjoined* on the basis of copyright infringement occurring in the United States.”).

¹⁹⁸⁹ 19 U.S.C. § 602(b) (“In a case where the making of the copies or phonorecords would have constituted an infringement of copyright if this title had been applicable, their importation is prohibited. In a case where the copies or phonorecords were lawfully made, United States Customs and Border Protection has no authority to prevent their importation. In either case, the Secretary of the Treasury is authorized to prescribe, by regulation, a procedure under which any person claiming an interest in the copyright in a particular work may, upon payment of a specified fee, be entitled to notification by United States Customs and Border Protection of the importation of articles that appear to be copies or phonorecords of the work.”); 19 CFR § 133.42-133.46 (outlining Customs authority under section 602(b) to seize infringing imports). Section 602(b) does not create a cause of action against the foreign seller for the infringement of the distribution right, but subjects such imports to forfeiture.

ly that the offering of copies targeting a U.S. public but consummated abroad would fall within the U.S. copyright act.

The accessibility of a work in the territory (inbound regulation)

The question addressed is whether an actor who makes a work accessible in the protected territory falls within the territorial scope of the domestic copyright law even though neither the actor nor tangible copies physically enter the territory. For example, an actor may make a work accessible in the protected territory by broadcasting or digital transmission.

In the *European Union*, the reception of a work into the EU by broadcasting or digital transmission implicates the communication to the public right in the Infosoc Directive.¹⁹⁹⁰ The satellite broadcasting right harmonised under the Satellite Directive is only implicated if the broadcast originates at least partly in the EU.¹⁹⁹¹ The situation dealt with here is where the broadcast and transmission originates wholly from a third state.

The Infosoc Directive does not localise the communication to the public right.¹⁹⁹² The CJEU has not yet had the opportunity to localise the concept of communication to the public.¹⁹⁹³ However, in a case concerning the *sui generis* protection of a database harmonised in the Database Directive, the CJEU had to determine where the right of re-utilisation of the contents of a data-

¹⁹⁹⁰ Article 3(1) Directive 2001/29/EC.

¹⁹⁹¹ Article 1(2)(d) Directive 93/83/EEC. Before the harmonisation of the communication to the public right by the Infosoc Directive, the Member States retained the discretion to localise the act of broadcasting originating from a non-EU member state (or otherwise outside the scope of the Satellite Directive) but received within their own territories pursuant to their own national policies. Satellite Broadcasting Directive Proposal, COM(91) 276 p. 35 (“The proposal for a Directive says nothing of the treatment of cases in which the decision on the content and transmission of the programme-bearing signals is taken in a non-Community country. The reason for this is that Community law cannot lay down any compulsory standard of protection for copyright and related rights in a non-member country, as it can inside the Community. Member States are accordingly free to make the responsibility in copyright law for satellite broadcasts from non-member countries depend on alternative tests.”). In light of the fact that the Infosoc Directive now harmonises the communication to the public right which includes satellite broadcasting, the Member States must follow any localisation criteria with respect to communication to the public right in the Infosoc Directive.

¹⁹⁹² Article 3 of the Infosoc Directive implements article 8 of the WCT, which does not either localise the right.

¹⁹⁹³ See Depreeuw & Hubin Study 2013 p. 120 (“We have established that there is no certainty with regard to the constitutive elements of the making available right. A work could thus be hosted (“available”) on a server in one Member State, directed at the public of another Member State (or even several Member States) and transmitted to any other Member State.”).

base take place.¹⁹⁹⁴ The Database Directive defines re-utilisation to mean “any form of making available to the public all or a substantial part of the contents of a database by the distribution of copies, by renting, by on-line or other forms of transmission.”¹⁹⁹⁵ This language is similar to the language used in the Infosoc Directive to define the communication to the public right, including the making available right.¹⁹⁹⁶ Thus, the CJEU’s interpretation of the re-utilisation right in the Database Directive may be indicative of how the CJEU will interpret the concept “communication to the public” in the Infosoc Directive in the future.

In *Football Dataco and others*, the plaintiffs, organisers of football competitions in England and Scotland, claimed to have a *sui generis* right in a database containing data about those competitions. The defendant, Sportradar GmbH, was a German company that provided data about the English football competitions to various betting companies via its website *betradar.com*. The betting companies entered into contracts with the second defendant, Sportradar AG, which was the parent company of Sportradar GmbH. Sportradar GmbH’s customers included a UK company and a Gibraltar company, both of which provided betting services aimed at the UK market. The betting companies’ websites contained a link to the *betradar.com* website containing data about the English football competitions. The plaintiffs alleged that Sportradar infringed their database right in England because Sportradar transmitted data that it allegedly copied from the plaintiffs’ database to members of the public in the UK via the *betradar.com* website. The defendants took the position that the alleged re-utilisation could only have taken place in the Member State from where the data was transmitted, which was a Member State other than the United Kingdom. Thus, the CJEU was required to determine whether the act of re-utilisation could be localised in the UK.

The CJEU rejected Sportradar’s argument that the alleged re-utilisation must be localised exclusively in the state from where the data was transmitted because this would negatively “impact on the effectiveness of the protection under the national law.”¹⁹⁹⁷ The CJEU stated that it would compromise the objective of protection of the *sui generis* database right pursued by the Database Directive if re-utilisation that usurps the domestic market would fall outside the territorial scope of the national law “merely because the server of

¹⁹⁹⁴ Case C-173/11, *Football Dataco and others*.

¹⁹⁹⁵ Article 7(2)(b) Directive 96/9/EC.

¹⁹⁹⁶ Article 3(1) Directive 2001/29/EC (“Member States shall provide authors with the exclusive right to authorise or prohibit any communication to the public of their works, by wire or wireless means, including the making available to the public of their works in such a way that members of the public may access them from a place and at a time individually chosen by them.”).

¹⁹⁹⁷ Case C-173/11, *Football Dataco and others*, para. 45-46.

the website used by the person doing that act was located in a *non-member country*” (emphasis added).¹⁹⁹⁸

With reference to its earlier *Donner* decision, the CJEU stated that re-utilisation such as that carried out by means of a web server as in the proceedings at hand “is characterised by a series of successive operations, ranging at least from the placing online of the data concerned on that website for it to be consulted by the public to the transmission of that data to the interested members of the public, which may take place in the territory of different Member States.”¹⁹⁹⁹ However, the CJEU stated that “the mere fact that the website containing the data in question is accessible in a Member State’s territory is not a sufficient basis for concluding that the operator of the website is performing an act of re-utilization caught by the national law applicable in that territory concerning protection by the *sui generis* right.”²⁰⁰⁰ The CJEU explained that the reason for this is that otherwise websites and data which, although obviously targeted at persons outside the territory of the Member State concerned, but technically accessible in that State, would wrongly be subject to the application of the relevant law of that State.²⁰⁰¹ Adopting the targeting approach that it had already developed in jurisdiction of consumer contracts and trademark law, the CJEU explained that the localisation of an act of re-utilisation in the territory of the Member State to which the data in question is sent depends on there being evidence from which it may be concluded that “the act discloses an intention on the part of its performer to target persons in that territory.”²⁰⁰²

The CJEU stated that in the case at hand several circumstances might indicate an intention on the part of Sportradar to target the UK.²⁰⁰³ These circumstances were the fact that the data on Sportradar’s server included data relating to English football league matches, the fact that Sportradar granted, by contract, the right of access to its server to companies offering betting services in the UK, assuming Sportradar was aware, or must have been aware, of that specific destination. In addition, the CJEU noted that it could be relevant if the remuneration fixed by Sportradar as consideration for the grant of that right of access took account of the extent of the activities of those companies in the UK market and the prospects of its website *betradar.com* subsequently being consulted by internet users in the United Kingdom. Also, the CJEU noted that the circumstance that the data placed online by Sportradar

¹⁹⁹⁸ Case C-173/11, *Football Dataco and others*, para. 45-46.

¹⁹⁹⁹ Case C-173/11, *Football Dataco and others*, para. 34.

²⁰⁰⁰ Case C-173/11, *Football Dataco and others*, para. 36.

²⁰⁰¹ Case C-173/11, *Football Dataco and others*, para. 37.

²⁰⁰² Case C-173/11, *Football Dataco and others*, para. 39.

²⁰⁰³ Case C-173/11, *Football Dataco and others*, para. 40-42.

is accessible to the UK internet users in their own language, which is not the same as the language commonly used in the Member States from which Sportradar pursues its activities, might indicate an intention to target in particular the public in the UK.

The targeting criteria seems to be a substitute for the fact that the foreign trader does not itself enter the territory of the Member State nor does the trader dispatch any tangible copies of the contents of a database there. Still, the CJEU's localisation of the infringing act of re-utilisation remains within the framework of the territoriality principle because a constituent element of the offense (i.e. the making available to the public), can be deemed to take place within the EU where the data can be viewed on a computer screen (objective territorial principle).

The Member State courts have understood the targeting approach in copyright as an objective test and have applied much of the same criteria as used in trademark law.²⁰⁰⁴ The standard for the effects in copyright appears to be lower than for trademark.²⁰⁰⁵ Thus, it seems likely that passive sales of digital products to an EU consumer from a foreign seller who does not have a licence in the EU Member State of reception would infringe the making available right (i.e. communication to the public) as a decision to sell to an EU consumer is arguably *per se* to target the EU.²⁰⁰⁶ As discussed above, if one interprets the Blomqvist case to mean that distribution is localised in the Member State where a foreign trader pursuant to its contract of sale with the EU consumer dispatches the tangible work, then in the same way, communication to the public should be localised in the Member State where a foreign

²⁰⁰⁴ See *Omnibill (PTY) Ltd v Egpsxxx Ltd (In Liquidation)*, England and Wales High Court, [2014] EWHC 3762 (IPEC) (applying the same criteria to determine targeting as applied in trademark law including how many visitors from the protected state actually visit the website containing the work); *EMI Records Ltd. v British Sky Broadcasting Ltd.*, England and Wales High Court, [2013] EWHC 379 (Ch), [2013] E.C.D.R. 8, para. 48-51 (emphasising the large number of users of each website in the UK and that a substantial proportion of the visitors to each website is from the UK, that the recordings listed on each of the websites includes recordings by UK artists and recordings that are in demand in the UK, that the default language of each of the websites is English, and that one website included advertisements with prices in sterling); *Matulionyté* 2012 p. 68-69 (stating that the German courts apply the same commercial effect doctrine from trademark law to copyright infringement disputes).

²⁰⁰⁵ *Matulionyté* 2012 p. 68-69 (stating that a *de minimis* rule has been advocated in the legal doctrine but it has not been accepted in Member State court practice where minor points of attachment are sufficient for a finding of infringement); *Depreeuw & Hubin* 2014 p. 758 (stating that where no specific public is targeted, the work is arguably made available to the public that has access to the work). See also *Christie* 2015 p. 24 (finding in general that courts apply targeting to online trademark disputes but accessibility to online copyright disputes).

²⁰⁰⁶ See *Langus et al.* 2014 p. 4, 105-6 (assuming that passive sales of digital content are not allowed under the EU copyright law as it is today but suggesting that they might arguably be allowed under the targeting approach adopted by the CJEU case law).

trader pursuant to a contract of sale with the EU consumer makes a digital work accessible to the consumer on his/her digital device. An argument for treating the delivery of intangible goods in the same way as tangible goods is that they have the same effect on the right holder's exclusive market.

If an infringement is localised on the EU territory, an injunction aimed at prohibiting the continuation of the infringement is not viewed as an extraterritorial application of law, even if it implicitly requires a foreign infringer to do or cease doing something in a foreign state. Indeed, the injunction only technically requires the defendant to cease the infringement on the territory. In practice, such injunctions may have effects in other states.²⁰⁰⁷ EU law requires however that an injunction (as well as all remedies granted) is proportionate to the infringement.

The reproduction right may also be implicated in the broadcasting or transmission of works if copies are made in the Member State of reception where the work is protected. For example, the person watching the broadcast may make a copy on her DVD recorder or an internet user may print out a paper copy of a work or store a digital copy on her hard drive (downstream reproductions). In a brick and mortar world, the localisation of the reproduction right does not usually raise any difficulties because the actor making the copy and the tangible copy itself are located in the same place.²⁰⁰⁸ If an actor (e.g. viewer or user) in the protected territory makes a copy of a work, the act of reproduction will be localised at the place where the actor makes and stores the tangible copy.²⁰⁰⁹

In a digital world however a person may be located in one state when she types in a command on a computer keyboard that causes a copy to be stored on a server located in another state.²⁰¹⁰ This is quickly becoming the norm with the popularity of cloud computing. In this case, it is unclear where the act of reproduction takes place.²⁰¹¹ If an actor makes and stores the copy on a remote server abroad (like in the case in cloud computing), there does not

²⁰⁰⁷ See Xalabarder 2015 p. 179 (stating that a *de facto* effect is when a website is shut down or an ISP is ordered to block access to infringing contents).

²⁰⁰⁸ See Opinion of Advocate General Jääskinen, Joined cases C-509/09 and C-161/10, eDate Advertising and others, para. 25 (“infringements of the reproduction right assume in principle a strictly territorial dimension.”).

²⁰⁰⁹ Fawcett & Torremans 2011 p. 561 (stating that as a matter of substantive law, a copy is made at the place of the download, which points to an act by the defendant); *Dramatico Entertainment Ltd. v British Sky Broadcasting*, England and Wales High Court, [2012] EWHC 268 (Ch), para. 40-41 (finding that users acting from within the UK infringed the reproduction right in the UK by downloading files to their computers); Strömholm 2001 p. 277.

²⁰¹⁰ Depreeuw & Hubin Study 2013 p. 111-112.

²⁰¹¹ Depreeuw & Hubin Study 2013 p. 112 (stating that the criteria for localising the act of reproduction have not been harmonised in the EU).

seem to be any reason why the act of reproduction should not be localised at the place “where the person was when she made the copy or where she usually uses it.”²⁰¹² Indeed, it would compromise the protection granted by the Infosoc Directive if copies that usurp the domestic market would fall outside the territorial scope of the Member State copyright law merely because the copy is stored on a cloud in a third state.²⁰¹³ Moreover, localisation at the place of the user (actor) is consistent with the subjective territorial principle. At the same time, it cannot be ruled out that the act of reproduction is localised in the Member State where the work is stored if it is made by a user in a third state. A complicating factor is that the Member States have different views on who is responsible for making the copy: the person who pushes a button that causes a specific copy to be made or the person who owns or maintains the equipment on which the copy is stored.²⁰¹⁴ Even if the user is the responsible party, the localisation of the infringing act at the location of the user may have implications for content providers and intermediaries whose services are being used and who therefore may be liable for contributory infringement or who may be ordered to take measures to cease enabling the infringement.²⁰¹⁵

In the *United States*, making a work accessible to the public in the U.S. may implicate the public performance right, the public display right and/or the distribution right depending on whether the work is technically communicated to the public from a fixed copy and whether the end user ends up with its own fixed (digital) copy. The leading case holding that making a work accessible in the U.S. is an infringing act localised in the U.S. is *Los Angeles News Service v Conus Communications Co. Ltd. Partnership*.²⁰¹⁶ In that case, a U.S. news service company owning the copyright in three videotapes sued a Canadian broadcaster whose broadcast of the videotapes originating from Canada and intended for Canadian viewers spilled over into the U.S. territory. The Canadian broadcaster argued that its conduct fell outside of the territorial scope of the U.S. Copyright Act because its broadcast of the tapes originated from Canada. While the defendant acknowledged that an average of 7,814 U.S. households received its signal, it claimed that the reception by U.S. viewers was unintended, unavoidable and *de minimis*.

²⁰¹² Depreeuw & Hubin 2014 p. 757.

²⁰¹³ See by analogy Case C-173/11, *Football Dataco and others*, para. 45-46 and Case C-324/09, *L'Oréal and others*, para. 62.

²⁰¹⁴ Depreeuw & Hubin 2013 p. 120 (stating that the question who is responsible for the copy has been decided differently in different Member States).

²⁰¹⁵ See Savola 2014 p. 310 (stating that the law where the primary infringement occurs governs indirect and secondary liability).

²⁰¹⁶ *Los Angeles News Service v Conus Communications Co. Ltd. Partnership*, 969 F.Supp. 579 (C.D. Calif. 1997).

The court rejected the Canadian Broadcaster's argument and held that receptions "received and viewed" in the U.S. came within the territorial scope of the U.S. Copyright Act and infringed the public display right.²⁰¹⁷ The court stated that to find otherwise would leave a substantial loophole in the copyright law because broadcasters could deliberately transmit infringing material from outside the U.S. for reception in the U.S. without regard to the rights of copyright owners. The court stated that the fact that the Canadian Broadcaster did not intend to reach a U.S. audience was no defence to the issue of liability because direct copyright infringement does not require any particular state of mind.²⁰¹⁸ Also, the court found that 7,814 U.S. viewers were not *de minimis*.

A later case applied the above reasoning but to the reception of works received over the internet into the U.S. In *Twentieth Century Fox Film Corp. v iCraveTV*, a Canadian company captured U.S. broadcasting signals containing TV shows, converted the signals into computerised data, and streamed them from Canada via their website *iCraveTV.com* where they were accessible in the U.S. as well as all over the world.²⁰¹⁹ The right holders alleged that this violated their exclusive public performance right in the U.S. The Canadian company argued that its conduct was outside the territorial scope of the U.S. law because the streaming originated in Canada and was intended only for Canadian viewers. In addition, the defendants submitted evidence showing that their activities were permissible under Canadian law.²⁰²⁰

The court held that although the streaming of the programming originated in Canada, the acts of infringement were committed in the U.S. where U.S. residents received and viewed the copyrighted programs. The evidence from the defendant's own server log books showed that a substantial number of persons in the U.S. received the streaming of the protected works via the *iCraveTV.com* website and that U.S. viewers made up 45 percent of all the traffic on the website.²⁰²¹ In addition, the court found that there was no need

²⁰¹⁷ *Los Angeles News Service v Conus Communications Co. Ltd. Partnership*, 969 F.Supp. 579, 583 (C.D. Calif. 1997) ("Under the plain language of the Act, the subject footage was "displayed" on television sets within the United States within the meaning of the Copyright Act.").

²⁰¹⁸ *Los Angeles News Service v Conus Communications Co. Ltd. Partnership*, 969 F.Supp. 579 (C.D. Calif. 1997) (noting that intent was relevant only to the question of damages).

²⁰¹⁹ *Twentieth Century Fox Film Corp. v iCraveTV*, 53 U.S.P.Q. 2d 1831, 2000 WL 255989 (W.D. Pa. 2000). See also *Nat'l Football League v TVRadioNow Corp.*, 2000 WL 34200602 (E.D. Pa. 2000) (granting permanent injunction against defendants in similar case).

²⁰²⁰ *Twentieth Century Fox Film Corp. v iCraveTV*, 53 U.S.P.Q. 2d 1831, 2000 WL 255989 (W.D. Pa. 2000) (acknowledging declaration of Canadian professor Michael Geist).

²⁰²¹ *Twentieth Century Fox Film Corp. v iCraveTV*, 53 U.S.P.Q. 2d 1831, 2000 WL 255989 (W.D. Pa. 2000).

to address any issue of Canadian law because relief was sought under the U.S. Copyright Act.²⁰²²

Another district court also cited the *Los Angeles News Service v Conus Communications Co. Ltd. Partnership* case as support for its holding that a video containing a protected work that was accessible on the internet and viewed by “potentially thousands” in the U.S. was within the territorial scope of the U.S. Copyright Act.²⁰²³ In this case, a Canadian defendant acting from Canada posted a video containing a recording of the song “Grandma got run over by a reindeer” on YouTube’s Canadian website www.youtube.ca. The right holder claimed that the Canadian defendant infringed its federal copyright in the work by publicly displaying it to viewers in the U.S. The defendant argued that his conduct was outside the territorial scope of the federal Copyright Act because any alleged infringing act took place in Canada where he uploaded the video.

The court rejected this argument because the work was viewed by potentially thousands in the U.S. and was also stored on servers in the U.S.²⁰²⁴ As the court emphasised both of these connections to the U.S., it is not clear whether the court would have come to the same conclusion if the video had been stored on a server outside of the U.S.²⁰²⁵ However, as the court cited the *Los Angeles News Service v Conus Communications Co. Ltd. Partnership* case, reception of the works in the U.S. was clearly an important factor. In addition, the court rejected the defendant’s argument that by uploading the video on YouTube’s Canadian web address, he had only intended to target a Canadian public on the ground that even if this was true, it was no defence to

²⁰²² *Twentieth Century Fox Film Corp. v iCraveTV*, 53 U.S.P.Q. 2d 1831, 2000 WL 255989 (W.D. Pa. 2000).

²⁰²³ *Shropshire v Canning, Jr.*, 809 F.Supp.2d 1139 (N.D. Calif. 2011).

²⁰²⁴ *Shropshire v Canning, Jr.*, 809 F.Supp.2d 1139, 1146 (N.D. Calif. 2011) (“Defendant did not stop at the mere creation of the Grandma song video in Canada, but instead allegedly uploaded it to YouTube’s California servers for display in the United States after agreeing to YouTube’s Terms of Service agreement. Thus, according to the allegations in the [plaintiff’s complaint], Defendant’s direct action led to the creation of a copy of the Grandma video on YouTube’s servers in California, and to the subsequent viewing of the video by potentially thousands in the United States.”). See also *Crunchyroll, Inc. v Pledge*, 2014 WL 1347492 (N.D. Cal. 2014) (finding that conduct of foreign defendant that allegedly copied and uploaded works in the United Kingdom onto YouTube’s California-based servers, which were made available for viewing around the world, including in the United States, was within territorial scope of federal Copyright Act).

²⁰²⁵ See Patry 2000 p. 457 (“Placing an unauthorized copy of a work on a website outside the United States cannot give rise to liability in the United States even if an infringing copy is made in the United States by downloading from that foreign website.”).

liability. Other courts have also taken into consideration the actual accessibility in the form of downloads of the work in the U.S.²⁰²⁶

Mere theoretical accessibility in the U.S. of protected works on a foreign hosted website or originating from outside the U.S. may not be enough for the foreign conduct to fall within the territorial scope of the federal Copyright Act if the right holder does not allege any actual effects in the U.S.²⁰²⁷ In another case, a right holder of adult entertainment images alleged that the defendant infringed its display and distribution right because users in the U.S. could view and download the images from the defendant's server in Russia. The plaintiff did not present any evidence that U.S. users had viewed the images or downloaded them in the U.S. The court found that the defendant's conduct fell outside the territorial scope of the federal Copyright Act holding that the mere fact that the works were accessible and available to be downloaded by users in the U.S. was not sufficient to bring the foreign conduct within the territorial scope of the federal Copyright Act.²⁰²⁸

The reproduction right may also be implicated if a user or viewer can make copies of the work in the U.S. where the work is accessible (downstream copy). The federal courts' focus on the volitional conduct of the user may suggest that the infringing act of reproduction should be localised at the place of the user. Localisation at the place of the user is also consistent with the regulatory objectives of the federal Copyright Act to protect the right holder's exclusive market. This objective would be undermined if an alleged infringer acting and exploiting a copy within the domestic territory could avoid the federal Copyright Act by such simple means as storing its copies in

²⁰²⁶ See *Elsevier Ltd. v Chitika, Inc.*, 826 F.Supp.2d 398 (D.Mass. 2011) (refusing motion to dismiss for failure to allege any act of direct infringement in the U.S. when the plaintiff provided evidence that two test downloads of the protected work were made from the U.S. but acknowledging that "factual issues involving the structure of the Internet and the locus of the infringing activity remain"); *Foreign Imported Productions and Pub., Inc. v Grupo Indus. Hotelero, S.A.*, 2008 WL 4724495 (S.D. Fla. 2008) (refusing motion to dismiss when plaintiff alleged that foreign defendants distributed the infringing video in the U.S. through the foreign website).

²⁰²⁷ Ricketson & Ginsburg 2006 p. 1304-1305 (stating that the U.S. courts characterise communication originating outside the U.S. but *culminating in the U.S.* as a public performance in the U.S.)

²⁰²⁸ *Perfect 10, Inc. v Yandex N.V.*, 2013 WL 4777189 (N.D. Cal. 2013) (Observing that the right holder "supplies declarations establishing that a United States user could download Perfect 10 images from a Yandex server in Russia, but no evidence of actual downloads in the United States" and rejecting "the idea that display of a copyrighted image anywhere in the world creates direct copyright liability in the United States" because "[s]uch a principle would destroy the concept of territoriality inherent in the Copyright Act for works on the internet.").

a remote location.²⁰²⁹ At the same time, it cannot be ruled out that an act of reproduction can be localised in the U.S. if a user in a third state copies a work from or stored on a server in the U.S.²⁰³⁰

An injunction ordering a seller to cease making protected works accessible in the U.S. is not considered an extraterritorial application of the Copyright Act even if it requires the seller to do or cease doing some act abroad to put an end to the domestic infringement or has effects in foreign states. In the *iCraveTV* case, the defendants were enjoined from transmitting the protected content “into the United States via the *iCraveTV.com* site or any other Internet site or any online facility of any kind.”²⁰³¹ In order to ensure that the defendants complied with the injunction, they were ordered to file compliance reports and maintain user logs if they engaged in any internet or other online transmission (whether originating in Canada or elsewhere) of plaintiffs' works without their prior written consent.²⁰³² The effect of the injunction was however the shut the website down.²⁰³³ As compared with trademark law, the courts do not seem to be as sensitive to the possible comity issues and the fact that an injunction requiring the defendant to cease the U.S. infringement may have extraterritorial effects in other states.²⁰³⁴ An explanation for this may lie in the fact that the courts define the risk for interference with the sovereignty of a foreign state to be situations where the

²⁰²⁹ See by analogy *Los Angeles News Service v Conus Communications Co. Ltd. Partnership*, 969 F.Supp. 579, 583 (C.D. Calif. 1997) (“To find otherwise would leave a substantial loophole in the copyright laws.”).

²⁰³⁰ See *Liberty Media Holdings, L.L.C. v Vinigay.com*, 2011 WL 7430062 (D. Arizona) (stating that the foreign defendants' act of downloading three protected videos from a U.S. server to their own foreign website hosted on a server abroad for display, distribution and copying by users in the U.S. and the rest of the world was not wholly extraterritorial); *Patry* 2000 p. 457 (“placing an infringing copy on a website in the United States obviously subjects one to liability here, but cannot give rise to jurisdiction over infringements that occur extraterritorially by virtue of downloading from the United States.”).

²⁰³¹ See *Twentieth Century Fox Film Corp. v iCraveTV*, 53 U.S.P.Q. 2d 1831, 2000 WL 255989 (W.D. Pa. 2000) (granting temporary injunction); *Nat'l Football League v TVRadioNow Corp.*, 2000 WL 34200602 (E.D. Pa. 2000) (granting permanent injunction against defendants in similar case).

²⁰³² See *Twentieth Century Fox Film Corp. v iCraveTV*, 2000 WL 34200602 (W.D. Pa. 2000). See also *Crunchyroll, Inc. v Pledge*, 2014 WL 1347492 (N.D. Cal. 2014) (enjoining foreign defendant from infringing rights in plaintiff's exclusive U.S. license “including without limitation by using the Internet or any website or service to reproduce, copy, distribute, download, upload, or make available for distribution, sale, display, or viewing”).

²⁰³³ *Lessig* 2006 p. 295-297 (stating that the court gave *iCraveTV* 90 days to demonstrate that it had the technology to block all U.S. residents, and that blocking 98 percent of U.S. residents was not adequate).

²⁰³⁴ See *Twentieth Century Fox Film Corp. v iCraveTV*, 53 U.S.P.Q. 2d 1831, 2000 WL 255989 (W.D. Pa. 2000) (holding that because plaintiffs seek relief under U.S. law for infringements of the U.S. Copyright Act, it was not relevant that the conduct was legal under Canadian law).

foreign state has granted the defendant a right to exploit an IP right in the foreign state. This would not arise in a copyright case where the right arises without state grant.

Summing up, under both EU and U.S. copyright law, an actor who makes a work accessible in the protected territory may fall within the territorial scope of the domestic copyright law even though neither the actor nor tangible copies physically enter the territory. Mere accessibility is not sufficient under either EU or U.S. copyright law. Under EU law, the foreign content provider must have targeted the Member State whereas under U.S. law it is enough if there are effects in the U.S. In practice however the Member States courts apply the targeting criteria in much the same way as the U.S. effects approach.

Tangible works reproduced, exported from, transited through, or offered from the territory (outbound regulation)

The question addressed is whether a seller who makes copies of tangible works in, exports from, transits through, or offers them from the protected territory falls within the territorial scope of the domestic copyright law.

In the *European Union*, the act of making tangible copies of a work implicates the reproduction right.²⁰³⁵ The CJEU has not dealt with the question whether acts of reproduction of tangible works carried out in a Member State with the aim to export them abroad falls within the reproduction right. This question has been answered affirmatively in Germany, and it is likely to be the same in the other Member States.²⁰³⁶ Localisation is based on the fact that the act of reproduction is carried out on the territory of the Member State of protection.²⁰³⁷ Unlike the situation with digital copies, it is clear that the conduct of the actor making the copy and the tangible medium on which the copy is stored are both located in the same place. The fact that the copies are made exclusively for export or that the distribution in the destination state is legal has no relevance.

²⁰³⁵ Article 2 Directive 2001/29.

²⁰³⁶ 2 stR 109/03 (Audio recording by export of CDs), German Federal Court of Justice, 3 March 2004, IIC 2005, 36(3), 370-374 (“the sole decisive factor is the place at which the reproductions are produced” and the fact that the CDs were intended for the Bulgarian market was irrelevant). See also Strömholm 2001 p. 277-78 (discussing German case law and doctrine and stating that the situation is the same under Swedish law).

²⁰³⁷ See Depreuw & Hubin Study 2013 p. 120 (“The reproduction right is currently understood in a technical way, which means in practice that a reproduction in the technical sense, a “copy”, is equated to a reproduction in the legal sense.”).

The export of tangible works implicates the distribution right in the Infosoc Directive.²⁰³⁸ The CJEU has not dealt with the question whether the exportation of tangible works from a Member State with the aim to distribute them to the public abroad falls within the distribution right in the Member State of export. In the *Donner* case, the CJEU suggests however that export sales might be encompassed by the distribution right when it observed that the distribution right “is characterised by a series of acts” and that in the context of a cross-border sale, “acts giving rise to a distribution to the public may take place in a number of Member States.”²⁰³⁹ Apart from a targeted Member State of destination, another natural candidate would be a Member State from which a tangible copy of a work is exported to the public in a third state.

The German federal Supreme Court has explicitly held that exports of works from Germany were within the scope of the distribution right under the German Copyright Act as harmonised under the Infosoc Directive.²⁰⁴⁰ In that case, the defendant had been prosecuted for infringing the right holder’s distribution (and reproduction) right under the German Copyright Act. The defendant had made copies of CDs protected by related rights in Germany, and exported them to a customer in Bulgaria. The Bulgarian customer had acquired the rights for the Bulgarian market but neither the customer nor the defendant had acquired the distribution (or reproduction) rights for Germany. The German Court held that shipping the CDs to Bulgaria from Germany constituted putting the goods into circulation in Germany in violation of the distribution right under the German Copyright Act. The Court observed that under German patent and trademark law, exporting from Germany is considered to be putting into circulation in Germany within the territorial scope of the German patent and trademark acts. Moreover, the Court held that such an interpretation is supported by an aim of the copyright law, which is to vest the author with comprehensive exclusive powers so that every type of use of his work is under his control as far as possible. The Court did not directly address the question whether it would be an infringing distribution in Germany if the defendant exported from Germany copies of a work for which it had the right to reproduce in Germany but not the right to distribute in Germany. This would seem to be the case however as the Court observed that the reproduction right exists independently from the distribution right.

²⁰³⁸ Article 4 Directive 2001/29.

²⁰³⁹ Case C-5/11, *Donner*, para. 26. See also by analogy article 19(1) Regulation 6/2002 on Community designs (stating that the rights conferred under a community design right include the right to export a product in which the design is incorporated or to which it is applied).

²⁰⁴⁰ 2 stR 109/03 (Audio recording by export of CDs), German Federal Court of Justice, 3 March 2004, IIC 2005, 36(3), 370-374.

The CJEU has not dealt with the question whether the transit of tangible copies of works through a Member State falls within the distribution right as harmonised under the Infosoc Directive in the Member State of transit.²⁰⁴¹ In *Donner*, the CJEU stated that the distribution right “is characterised by a series of acts” that could be localised in different states, which may suggest that transit might be one of the acts along the chain in the distribution right. The CJEU has held however that transit is not part of the specific subject-matter of a design right or a trademark and therefore could not justify preventing the free movement of goods among the Member States.²⁰⁴² By analogy, mere transit through a Member State of a tangible work should also not form part of the specific subject matter of copyright. Moreover, the CJEU has held that mere transit is not an infringing act under the (previous) Trademark Directive because it does not affect any trademark function.²⁰⁴³ By analogy, mere transit should not fall within the scope of the distribution right in the Infosoc Directive because it does not affect the aim of European copyright law to ensure that the right holder can exploit commercially the marketing or the making available of the protected subject-matter, by the grant of licences in return for payment of remuneration.²⁰⁴⁴

Assuming that the mere transit of copies through the territory of a Member State does not infringe the distribution right as harmonised under EU law, an open question is whether the Member States are precluded from introducing other rights conferred by copyright and related rights that go further than the

²⁰⁴¹ Another question is whether the international IP conventions obligate the contracting states to seize infringing copies that are in transit through their territories. See Geller 2004 p. 345 (suggesting that the Berne Convention and TRIPS may obligate the transit state to seize the illegal copies).

²⁰⁴² Case C-115/02, *Rioglass and Transremar*, para. 27 (“Transit, such as that in issue in the main proceedings, which consists in transporting goods lawfully manufactured in a Member State to a non-member country by passing through one or more Member States, does not involve any marketing of the goods in question and is therefore not liable to infringe the specific subject-matter of the trade mark.”); Case C-23/99, *Commission / France*, para. 43 (concerning design rights) (“Intra-Community transit. . . consists in the transportation of goods from one Member State to another across the territory of one or more Member States and involves no use of the appearance of the protected design. . . . it does not, moreover, give rise to the payment of fees when the transportation is undertaken by a third person with the authorisation of the proprietor of the right. Intra-Community transit does not therefore form part of the specific subject-matter of the right of industrial and commercial property in designs with the right of its proprietor to control the initial marketing in the Community.”).

²⁰⁴³ Case C-281/05, *Montex Holdings*; Case C-405/03, *Class International*. See also Joined cases C-446/09 and C-495/09, *Philips and Nokia*, para. 56 (stating that goods placed under a suspensive customs procedure cannot, merely by the fact of being so placed, infringe IP rights conferred under EU law or the national law of the Member States).

²⁰⁴⁴ Joined cases C-403/08 and C-429/08, *Football Association Premier League and others*, para. 107. See also *Strömholm* 2001 p. 278 fn 16 (stating that mere transit of protected works through the Germany territory is not an infringing act under German copyright law).

rights harmonised in the Copyright Directives. For example, the Finnish Copyright Act holds that the transit of copies of works through Finland intended for third states is an infringement if the copies were produced outside of Finland under such circumstances that such production in Finland would have been punishable under the Finnish Act.²⁰⁴⁵ The answer to this question may depend on whether transit through a Member State falls within the scope of the Infosoc Directive, which in turn depends on whether transit affects the functioning of the internal market.²⁰⁴⁶ An argument can be made that the internal market cannot function properly if the question whether an act is infringing in relation to third states differs from Member State to Member State.

However, even assuming that the mere transit of copies does not infringe the distribution right, this does not necessarily exclude the possibility that the distribution right could be infringed if, while the works are in transit or stored in a customs warehouse, the works are offered or sold to the public in a third state, in particular if the offeror and/or the offeree are also acting from the territory of the protected Member State.²⁰⁴⁷ When it comes to trademarks, the CJEU has stated that these types of tangible connections do not have any bearing on trademark use and that there is trademark use “only if those goods are subject to the act of a third party while they are placed under the external transit procedure which necessarily entails their being put on the market in the Member State of transit.”²⁰⁴⁸ However, in light of the fact that the underlying policy objectives of copyright law differ from those of trademark law, the fact that a specific act is not infringing under trademark law does not mean that it is not infringing under copyright law.²⁰⁴⁹

²⁰⁴⁵ See Section 56a Finnish Copyright Act (Act No. 404 of July 8, 1961, as amended up to April 30, 2010) (1) (“Anyone who 3. imports into the country or brings onto the territory of Finland for transportation to a third country copies of a work which he knows or has well founded reason to suspect to have been produced outside the country under such circumstances that such production in Finland would have been punishable under this Act, shall be sentenced to a fine for a copyright violation, unless the act is punishable as a copyright offence under section 1 of Chapter 49 of the Penal Code.”) and Section 57(1) Finnish Copyright Act (Act No. 404 of July 8, 1961, as amended up to April 30, 2010) (“Anyone who in violation of this Act or a direction given under section 41(2) uses a work or imports a copy of work into the country or brings a copy of work onto the territory of Finland for transportation to a third country shall be obliged to pay a reasonable compensation to the author.”).

²⁰⁴⁶ Article 1(1) Directive 2001/29 (“This Directive concerns the legal protection of copyright and related rights in the framework of the internal market, with particular emphasis on the information society.”).

²⁰⁴⁷ See Strömholm 2001 p. 278 fn 16 (stating that if some act is taken in relation to the works while in transit through Germany, the distribution right may be infringed under German law).

²⁰⁴⁸ Case C-405/03, *Class International*, para. 61.

²⁰⁴⁹ Petersen et al. 2012 p. 760 (“The mere fact that a specific act is prohibited under trademark law does not provide a legal argument for the same act being prohibited under copyright law, and *vice versa*.”).

Indeed, a policy objective of European copyright law is the exclusive right to control distribution of the work incorporated in a tangible article.²⁰⁵⁰

The CJEU has not dealt with the question whether a seller who offers copies of works from the territory of a Member State but to a public in a third state could infringe the distribution right in the Member State in which the seller makes the act of offering. For example, a seller, acting from within a protected Member State's territory, might via phone, fax, email, broadcasting or internet, offer tangible copies of works to a public abroad. This is the opposite situation from the *Dimensione Direct Sales and Labianca* case where the CJEU held that the distribution right might be infringed "where a trader addresses an advertisement, through its website, by direct mail or in the press, to consumers located in the territory of the Member State in which those works are protected in order to invite them to purchase it."²⁰⁵¹ In the scenario discussed here, the alleged infringer is physically acting within the territory of the protected Member State but the protected Member State's market is not targeted. Nor are the tangible copies of works necessarily supplied from the protected Member State territory. Still, the CJEU has recognised that the territoriality principle provides a state with prescriptive jurisdiction to regulate conduct within its territory even if that conduct does not have any effect on the right holder's exclusive market there.²⁰⁵² The author of this dissertation is not aware of any cases before the Member State courts where this question has arisen. However, in the area of patent law, some Member State courts have localised the infringing act of "offering" patented inventions in their territories if the offer is made on the protected territory even if the invention itself is going to be put on the market abroad and the invention never enters the protected territory.

As noted, the CJEU has not ruled on the territorial scope of the Member States' prescriptive jurisdiction to grant damages for infringements taking place in their territories. In analogous situations however the CJEU has ruled that the prescriptive jurisdiction of a Member State to grant equitable remuneration and to assess levies to compensate the right holder for the harm suffered from the making of private copies was limited to the actual value of the exploitation or harm suffered in the protected territory.²⁰⁵³ In practice

²⁰⁵⁰ Recital 28 Directive 2001/29.

²⁰⁵¹ Case C-516/13, *Dimensione Direct Sales and Labianca*, para. 31.

²⁰⁵² Case C-192/04, *Lagardère Active Broadcast*, para. 46, 53-54 (observing that the principle of territoriality gives a state the right to regulate conduct within its own territory regardless of the fact that the actual commercial effect of the conduct in the territory is noll or *de minimis*).

²⁰⁵³ See Case C-521/11, *Amazon.com International Sales and others*, para. 56-66 (holding that the private copying levy must be calculated on the basis of the harm arising within the territorial competence of the Member State where the final users reside because this is where they use the recording media to make copies for private use); Case C-462/09, *Stichting de*

however the Member State courts seem to be willing to compensate the right holder even for damage arising in foreign states if it was caused by a domestic infringing act.

In a case before the German Federal Supreme Court, the defendant had manufactured wall plates in Germany in violation of the exclusive German reproduction right. The court held that the accounting for damages to compensate the right holder for the infringement of its German reproduction was to include even the export sales of the plates made outside of Germany.²⁰⁵⁴ One might understand the German court as finding that the foreign sales were made possible because the plates had originated from (e.g. manufactured in) Germany. In other words, there is arguably a causal connection between the infringing manufacture in Germany and the foreign sales so that the foreign sales can be seen as a direct result of the German infringement. Some commentators have argued however that this award goes beyond compensating the right holder for the value of the exploitation or the harm suffered in Germany.²⁰⁵⁵

In a UK case, a court found that the right holder was entitled to recover damages suffered on a worldwide basis caused by the defendant's infringement in the UK of neighbouring rights (sound recordings and performer's

Thuiskopie, para. 36 (stating that Member States must ensure, in accordance with its territorial competence, the effective recovery of the fair compensation for the harm suffered by the authors on the territory of that State); Case C-192/04, *Lagardère Active Broadcast*, para. 54 (holding that the Member States' prescriptive jurisdiction was limited to prescribing rules for the payment of remuneration for the broadcast of phonograms in their own territories and the remuneration must be equitable in relation to the actual value of the broadcast in their own territories); Joined cases C-403/08 and C-429/08, *Football Association Premier League and others*, para. 108-109, 120-121 (stating that appropriate remuneration must be reasonable in relation to the actual or potential number of persons who enjoy or wish to enjoy the service and that in light of the fact that the Satellite Directive results in a single EU market, the right holders authorising the act of satellite broadcasting in one Member State can take account of the actual and potential audience in all the other Member States).

²⁰⁵⁴ I ZR 110/74 (*Hummel Christmas 1971 Plate*), German Federal Court of Justice, 19 December 1975, IIC 1977, 8, 276-281 ("the [defendant's] accounting on the distribution of the wall plates manufactured in the Federal Republic of Germany is to be without any territorial limitations since the [right holder's] royalty receipts payable by [its U.S. licensee] have been reduced through [the defendant's] distribution abroad.").

²⁰⁵⁵ See Goldstein & Hugenholtz 2013 p. 126-127 (criticising the damage award for extending German law into U.S. territory); Peukert 2011 p. 213 (interpreting the German court as relying on the universal right of the author). It is true that the German court observes that copyright is "a unitary, comprehensive right . . . and the author's natural power is not subject to territorial limitations." At the same time the court states that "copyright granted to the author under the provisions of an individual legal system is by necessity limited to the sovereignty of such state." I ZR 110/74 (*Hummel Christmas 1971 Plate*), German Federal Court of Justice, 19 December 1975, IIC 1977, 8, 276-281.

rights).²⁰⁵⁶ A UK newspaper, The Sunday Times, distributed together with its newspaper a free CD containing recordings of songs performed at the Royal Albert Hall by the Jimi Hendrix Experience. Due to this unauthorised distribution of the recordings in the UK, Experience Hendrix LLC, the holder of the neighbouring rights, found it necessary to delay the worldwide release of its film using the recordings, which resulted in losses on the profits it would have earned worldwide had its film project gone forward as planned. The court rejected Sunday Times' contention that the damages should have been confined to damage suffered in the UK only, because the court found that the damage suffered worldwide was the direct result of the defendant's infringing distribution of the recordings in the UK.²⁰⁵⁷

The court held it was not relevant that the right holder held equivalent rights to the work outside the UK and that the "losses might also be recoverable by infringement proceedings in respect of some overseas right brought in the jurisdiction where that overseas right is based."²⁰⁵⁸ The court observed however that if such a claim was made in another state based on an independent foreign right, the damages awarded there would most likely be reduced to account for the award given in the UK for the same loss as this would be done in the UK in such a situation.²⁰⁵⁹

In the *United States*, the act of making tangible copies of a work implicates the reproduction right in section 106(1) of the federal Copyright Act.²⁰⁶⁰ Localisation in the U.S. is based on the fact that the act of reproduction is

²⁰⁵⁶ Experience Hendrix LLC v Times Newspapers Limited, England and Wales High Court, [2010] EWHC 1986.

²⁰⁵⁷ Experience Hendrix LLC v Times Newspapers Limited, England and Wales High Court, [2010] EWHC 1986, para. 139-142 ("In particular, my attention was not drawn to any authority which indicated that damages for infringement of copyright or of performer's rights are limited to damage suffered within the territorial jurisdiction of this court.").

²⁰⁵⁸ Experience Hendrix LLC v Times Newspapers Limited, England and Wales High Court, [2010] EWHC 1986, para. 141. The infringing copies of the recording had been distributed in the Republic of Ireland as well. *Ibid.* para. 4.

²⁰⁵⁹ Experience Hendrix LLC v Times Newspapers Limited, England and Wales High Court, [2010] EWHC 1986, para. 141 ("The fact that the losses might also be recoverable by infringement proceedings in respect of some overseas right brought in the jurisdiction where that overseas right is based is coincidental. But such an independent right would be subject to the limiting principle (assuming the law in such jurisdiction were the same as in this jurisdiction) that enables a claimant to recover once only for the same loss, no matter how many separate causes of action may exist for that loss."). See also Trimble 2015:2 p. 365 fn 91 (making the same assumption). For the situation in another common law jurisdiction see *Hager v ECW Press, Ltd.*, [1999] 2 F.C. 287 (Fed. Ct. 1998) (Canada) para. 77 (including foreign revenues in damage award for copyright infringement in Canada) ("I do not accept the argument that non-Canadian revenues should not be included. The books were published in Canada, sent from Canada for sale abroad and the revenues were paid to the defendants.").

²⁰⁶⁰ 17 U.S.C. § 106(1).

carried out on the territory of the U.S. Pursuant to the clear text of the statute, a copy is made any time the work is fixed in a material object from which the work can be perceived, reproduced, or otherwise communicated.²⁰⁶¹ Unlike the situation with digital copies, it is clear that the conduct of the actor making the copy and the material object in which the copy is fixed are both located in the same place. The fact that the copies are made exclusively for export or that the distribution in the destination state is legal would not have any relevance as the infringement is already complete in the U.S. once the copy is made.

If a copy is legally made, the unauthorised exportation or distribution of the work abroad does not contravene the Copyright Act.²⁰⁶² In contrast, the exportation from the U.S. of pirated copies violates the distribution right in the U.S. Pirated copies are copies “the making of which either constituted an infringement of copyright, or which would have constituted an infringement of copyright if this title had been applicable.”²⁰⁶³ Thus, if the copies have been legally made (either in the U.S. or abroad) because the maker has a licence or a limitation applies, the exportation of such copies from the U.S. would not constitute an infringement of the distribution (or more specifically, the exportation) right in the U.S.²⁰⁶⁴

Transit is not included as an exclusive right in the federal copyright statute, and therefore this act as such cannot infringe. Transit, at least in a purely physical sense, does involve however the introduction of goods into the domestic territory, which might be said to violate the importation right.²⁰⁶⁵ The term importation has been defined pursuant to its plain meaning to mean physically bringing goods into the U.S. from a foreign country.²⁰⁶⁶ In

²⁰⁶¹ See 17 U.S.C. § 101 (definition of copy).

²⁰⁶² *Music Sales Ltd. v Charles Dumont & Son, Inc.*, 800 F.Supp.2d 653, 658 (D.N.J. 2009); *Fun-Damental Too, Ltd. v Gemmy Industries Corp.*, 1996 WL 724734 S.D.N.Y. 1996 (“Transporting [a copy] from the United States to China was not a copyright violation. It did not involve the illegal reproduction of the copyrighted work, preparation of derivative works, or distribution of copies of the copyrighted work to the public.”).

²⁰⁶³ 17 U.S.C. § 602(a)(2).

²⁰⁶⁴ *Music Sales Ltd. v Charles Dumont & Son, Inc.*, 800 F.Supp.2d 653, 661 (D.N.J. 2009) (finding the exportation right inapplicable because there was no allegation that the copies were made in violation of copyright).

²⁰⁶⁵ 17 U.S.C. § 602(a)(1).

²⁰⁶⁶ *Denbicare U.S.A. Inc. v Toys R Us, Inc.*, 84 F.3d 1143, 1149 (9th Cir. 1996) (construing importation under the Copyright Act to mean the physical entrance of goods into the U.S. including a U.S. foreign trade zone); *Bristol-Myers Co. v Erbamont Inc.*, 723 F.Supp. 1038 (D. De 1989) (concluding that the terms “importation” and “import” in the patent act were to have their plain ordinary meaning of bringing goods into the U.S. from another country and it was not necessary that the goods passed through U.S. Customs); *Cunard S. S. Co., Ltd. v Mellon*, 262 U.S. 100 (1923) (holding that importation “consists in bringing an article into a

Denbicare U.S.A. Inc. v Toys R Us, Inc., the right holder itself brought the goods into the U.S. foreign trade zone. After the right holder's bankruptcy, the goods were sold to a third party who took the goods out of the foreign trade zone. The court held that this was not an act of importation because the goods had already been imported into the U.S. by the right holder.²⁰⁶⁷ Thus, it would seem that the entrance of copies into a U.S. foreign trade zone would infringe the importation right even though the infringing copies originate from and are destined to third states and are merely in transit through the U.S. However, in light of the fact that the first sale doctrine applies even to copies that have been lawfully made abroad, in general, only the transit of pirated copies would infringe the importation right.²⁰⁶⁸

In an expansive interpretation of the principle of territoriality, some federal courts of appeal have held that if an infringing act is localised in the U.S., the territorial scope of the federal copyright act encompasses even additional acts of infringement carried out abroad that are possible as a result of the domestic infringement. Pursuant to the predicate act doctrine (or root copy approach), a right holder that proves an infringement in the U.S. may recover damages suffered abroad that are directly linked to the U.S. infringement.²⁰⁶⁹

country from the outside" and that "entry through a custom house is not of the essence of the act"). In the *Cunard* decision, the Court held that the Volstead Act prohibiting the importation of alcoholic beverages into the U.S. applied to foreign ships in transit through the U.S. even though the alcoholic beverages were sealed off by customs for the duration of the time the ship remained in U.S. territory. The *Cunard* decision was ultimately overcome by treaty arrangements with various European states affected by the decision. See Trautman 1961 p. 598.

²⁰⁶⁷ See *Denbicare U.S.A. Inc. v Toys R Us, Inc.*, 84 F.3d 1143, 1149 (9th Cir. 1996).

²⁰⁶⁸ See 17 U.S.C. § 602(a)(2) on importation of pirated copies. Copies legally acquired outside the U.S. may not infringe the importation right under section 602(a)(1) because of the first sale doctrine. 17 U.S.C. § 109. See *Kirtsaeng v John Wiley & Sons, Inc.*, 133 S.Ct. 1351 (2013).

²⁰⁶⁹ *Sheldon v Metro-Goldwyn Pictures Corp.*, 106 F.2d 45 (2nd Cir. 1939), *aff'd on other grounds*, 309 U.S. 390 (1940); *Update Art, Inc. v Modiin Pub., Ltd.*, 843 F.2d 67, 73 (2nd Cir. 1988) ("As the applicability of American copyright laws over the Israeli newspapers depends on the occurrence of a predicate act in the United States, the geographic location of the illegal reproduction is crucial. If the illegal reproduction of the poster occurred in the United States and then was exported to Israel, the magistrate properly could include damages accruing from the Israeli newspapers. If, as appellants assert, this predicate act occurred in Israel, American copyright laws would have no application to the Israeli newspapers. Since a large portion of the damage award accrued from the Israeli newspapers, our determination on this issue affects substantially the final judgment."); *Los Angeles News Service v Reuters*, 149 F.3d 987 (9th Cir. 1998) (distinguishing the predicate act doctrine from acts of infringement that take place entirely abroad); *Los Angeles News Service v Reuters*, 340 F.3d 926 (2003) (limiting the predicate act doctrine only to recovery of infringer's profits and not damages); *Tire Engineering and Distribution, LLC v Shandong Linglong Rubber Co., Ltd.*, 682 F.3d 292, 307 (4th Cir. 2012), *cert. denied*, 133 S.Ct. 846 (2013) ("Once a plaintiff demonstrates a domestic violation of the Copyright Act, then, it may collect damages from foreign violations that are directly linked to the U.S. infringement.").

Indeed, a single unauthorised copy made in the U.S. may entitle the right holder to recover damages arising from any additional foreign copies or foreign exploitation of the work that were made possible due to the U.S. infringement. The predicate act doctrine is based on the common law theory of constructive trust, which is an equitable remedy developed by the courts to prevent the infringer from unjustly benefitting from its wrongful act.²⁰⁷⁰

The predicate act doctrine has usually affected U.S. or foreign defendants physically acting in the U.S.²⁰⁷¹ The advantage of bringing acts of foreign exploitation under U.S. law leads right holders to attempt to localise an infringing act in the U.S. even when a foreign infringer is acting outside the U.S. territory.²⁰⁷² The courts applying this theory have not analysed the question whether the foreign acts of exploitation were infringing under the foreign law where the acts of exploitation took place.²⁰⁷³

While the predicate act doctrine has been followed by at least three Courts of Appeals, the Ninth Circuit has held that it only entitles the right holder to the infringer's profits and not to the right holder's damage. Thus, the right holder's lost profits resulting from the overseas infringement are not recoverable in the Ninth Circuit. The reason for making this distinction is because the overseas exploitation may be legal where it takes place whereas the initial infringement was not.²⁰⁷⁴ The predicate act doctrine has been criticised by

²⁰⁷⁰ *Sheldon v Metro-Goldwyn Pictures Corp.*, 106 F.2d 45, 52 (2nd Cir. 1939), *aff'd on other grounds*, 309 U.S. 390 (1940) ("The plaintiffs acquired an equitable interest in [the negatives] as soon as they were made, which attached to any profits from their exploitation, whether in the form of money remitted to the United States, or of increase in the value of shares of foreign companies held by the defendants. We need not decide whether the law of those countries where the negatives were exploited, recognized the plaintiffs' equitable interest; we can assume arguendo that it did not, for, as soon as any of the profits so realized took the form of property whose situs was in the United States, our law seized upon them and impressed them with a constructive trust, whatever their form.").

²⁰⁷¹ See e.g. *Tire Engineering and Distribution, LLC v Shandong Linglong Rubber Co., Ltd.*, 682 F.3d 292, 308 (4th Cir. 2012), *cert. denied*, 133 S.Ct. 846 (2013) (finding that employees of foreign corporation made unauthorised copies of right holder's blueprints while visiting the U.S.).

²⁰⁷² See *Geophysical Service Inc. v ConocoPhillips Co.*, 2016 WL 2839286 (S.D. Tex.) (suggesting that third party that mailed copies of works from abroad to the U.S. committed predicate act of infringement that might bring exploitation of copies by defendant abroad within territorial scope of federal copyright act); *Richard Feiner and Co., Inc. v BMG Music Spain, S.A.*, 2003 WL 740605 (S.D. N.Y. 2003) (finding allegation that foreign defendant made a master copy of the recordings from the New York offices of co-defendant that was then utilised to make copies of the recordings in Spain for distribution sufficient to sustain a claim of federal copyright infringement based on predicate act doctrine).

²⁰⁷³ *Dinwoodie* 2009 p. 529 fn 185.

²⁰⁷⁴ *Los Angeles News Service v Reuters*, 340 F.3d 926, 931 (2003) ("In particular, the Sheldon constructive trust rationale includes a territorial connection (citation omitted) that pre-

commentators for leading to an extraterritorial application of U.S. law based on an arbitrary connection to the U.S.²⁰⁷⁵

Summing up, under both EU and U.S. law, the reproduction of tangible copies on the territory is an infringement even if the copies are exclusively for export. Under EU law the exportation of both legally made and pirated copies may be an infringing distribution, whereas in the U.S. only the export of pirated copies infringes the exportation right, not legally made copies. It seems unlikely that transit as such infringes the distribution right under EU law but possibly the act of offering copies from the EU falls within the distribution right, in particular if the copies are physically present in the EU. In the U.S., transit implicates the importation right, at least for pirated copies. Under both EU and U.S. law, if the act of infringement is localised in the domestic territory, it may be a springboard to recovering damages arising in foreign states as a result of the domestic infringement. U.S. law goes much further because pursuant to the predicate act doctrine, the right holder may recover damages (or at least the infringer's profits) from foreign acts of exploitation directly related to a U.S. infringement.

Making a work accessible from the territory (outbound regulation)

The question addressed is whether an actor who makes a work accessible from the protected territory falls within the territorial scope of the domestic copyright law. For example, an actor may broadcast or transmit (including on-demand access) from the protected territory.

serves consistency with Congress's decision to keep the copyright laws—presumably including § 504, which prescribes remedies—territorially confined. Moreover, no rational deterrent function is served by making an infringer whose domestic act of infringement—from which he earns no profit—leads to widespread extraterritorial infringement, liable for the copyright owner's entire loss of value or profit from that overseas infringement, particularly if the overseas infringement is legal where it takes place.”)

²⁰⁷⁵ See Dinwoodie et al. 2009 p. 221-222 (“Because the root copy cases have thus resulted in copyright holders securing damages for acts abroad not proved to be infringing, they extrude U.S. national copyright law to the global market.”); Ricketson & Ginsburg 2006 p. 1305-1306 (observing that the connecting factor should be the closest relationship to the damage and not an initial copy); Austin 2006 p. 597-598 (“Rightly or wrongly, the predicate act theory has the potential to be quite protective of domestic copyright owners' interests in foreign territories, even in cases in which liability under the copyright laws of the relevant foreign state(s) has not been established.”); Patry 2000 p. 457 (calling the predicate act doctrine “utter nonsense” and maintaining that it violates the presumption against the extraterritorial application of U.S. law); Ginsburg 1997:1 p. 600 (arguing in favour of a single law approach but based on the “nerve centre country” with the closest relationship to the damage as opposed to an initial (arbitrary) copy).

In the *European Union*, the broadcast by satellite of content containing protected works from an EU Member State that can be received abroad implicates the broadcasting right in the Satellite Directive. With respect to satellite broadcasts originating at least partly in the EU, the Satellite Directive adopts a country of emission (i.e. origin) approach and localises the act of broadcasting in the Member State of emission to the exclusion of the other Member States where the work may be received.²⁰⁷⁶ Theoretically, it would seem that a broadcast originating in a Member State but received exclusively in a third state would still be localised in the Member State of emission even though the Directive has no impact on the localisation of the broadcasting right by the third states that receive the work. This is consistent with the CJEU's interpretation of the territoriality principle as permitting a state to localise the act of broadcasting in its territory if the broadcast originates there, even though the broadcast does not have any effects on the right holder's exclusive market there.²⁰⁷⁷

For broadcasts falling outside the scope of the Satellite Directive, that is, other types of communication to a public that is not present at the place where the communication originates, the communication to the public right in the Infosoc Directive is implicated.²⁰⁷⁸ As noted, the Infosoc Directive does not localise the communication to the public right, and the CJEU has

²⁰⁷⁶ Article 1(2)(b) Directive 93/83/EEC (localising the act of communication to the public by satellite "solely in the Member State where, under the control and responsibility of the broadcasting organisation, the programme-carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth.") The Satellite Directive also provides for alternative connecting factors for situations where the broadcasting decision is taken in a third State but the transmission is carried out from a Member State, or where the decision is taken in a Member State but the transmission is carried out from a third State. Article 1(2)(b, d) Directive 93/83/EEC. The Directive provides that if the act of communication to the public by satellite occurs in a third state which does not provide the level of protection provided for under the Directive, but the programme-carrying signals are transmitted to the satellite from an uplink station situated in a Member State, the relevant act will be localised to that Member State and the rights will be exercisable against the person operating the uplink station. Alternatively, the Directive provides that if the act of communication to the public by satellite occurs in a third state that does not provide the level of protection provided for under the Directive and there is no use of an uplink station situated in a Member State, the act shall be deemed to have occurred in the Member State in which the broadcasting organisation that commissioned the act has its principal establishment, and the rights will be exercisable against the broadcasting organisation.

²⁰⁷⁷ Case C-192/04, *Lagardère Active Broadcast*, para. 47 ("Furthermore, it must be borne in mind that in this case the programmes containing the protected phonograms are broadcast using terrestrial transmitters in French territory and from a terrestrial transmitter in German territory. In so far as the broadcasting operations are thus carried out in the territory of two Member States, those rights are based on the legislation of two States.").

²⁰⁷⁸ The Infosoc Directive leaves intact and does not affect the Satellite Directive. Article 1(2)(c) Directive 2001/29.

not yet had the opportunity to localise this right.²⁰⁷⁹ It is true that in the Football Dataco and others case, the CJEU localised the re-utilisation right in the Database Directive in the targeted Member State of reception. However, the CJEU did not exclude a possible localisation in the country of transmission (i.e. origin); it only rejected the country of transmission's exclusive claim to localisation. In fact, the CJEU recognised that the re-utilisation right carried out by means of a web server may be localised in more than one Member State, and "is characterised by a series of successive operations, ranging at least from the placing online of the data concerned on that website".²⁰⁸⁰ This may suggest that localising the communication to the public right in the Member State of transmission is still viable, even after harmonisation of the communication to the public right in the Infosoc Directive. A country of transmission localisation is relied on in national Member State court practice.²⁰⁸¹

²⁰⁷⁹ The EU Commission recently considered introducing a country of origin principle for broadcasters of online transmission in line with the solution adopted in the Satellite Directive. See COM (2015) 192 final p. 7. The current proposal is less ambitious and is limited to ensuring that consumers can access content purchased in their Member State of residence when they travel to other EU Member States. The proposal would achieve this by localising the relevant copyright act solely in the Member State of the consumer's residence. See article 4 Proposal for a Regulation on ensuring the cross-border portability of online content services in the internal market, COM(2015) 627 final. In the past, the EU Commission has considered the possibility of localising the relevant act of copyright exploitation exclusively in the country in which a digital transmission originated (the country of origin principle). Green Paper on Copyright, COM (95) 382 final p. 38-43. The suggestion was rejected not least because it would risk leaving right holders without adequate protection when transmissions originated in third states. Other reasons for rejecting a country of origin approach was that it would require an almost complete harmonisation within the EU of all the rights concerned by the various acts of exploitation as well as the difficulty of identifying and localising the origin of the act of transmission. Follow-Up to the Green Paper on Copyright, COM (96) 568 p. 23-24. There is nothing to suggest that the EU legislator intended to exclude a country of origin localisation. Indeed, the Commission considered, but rejected, giving the Member State of origin an exclusive claim to localisation, but it did not in any way suggest that it should not be a possible localisation factor. Follow-Up to the Green Paper on Copyright, COM(96) 568 p. 23-24.

²⁰⁸⁰ Case C-173/11, *Football Dataco and others*, para. 34. See also Opinion of Advocate General Cruz Villalón, Case C-173/11, *Football Dataco and others*, para. 58 ("the term 're-utilisation' would include the collection of acts which, in this case, starting with the 'sending' of data from Sportradar's server and ending with the acts performed by the betting companies, culminates in the customers of those companies having access to the data sent.").

²⁰⁸¹ See *EMI Records Ltd. v British Sky Broadcasting Ltd.*, England and Wales High Court, [2013] EWHC 379 (Ch), [2013] E.C.D.R. 8, para. 35-38 (interpreting the CJEU in *Football Dataco and others* to accept that an act of re-utilisation is also committed in the country of origin and holding that it was not necessary to show that a UK public had been targeted when the UK was the country of origin for the infringing act); *Marcio X..., Roberts Y... A... and Olivier Z...*, *Infringement of Copyright in Fashions Designs*, French Supreme Court, criminal ch, 5 February 2008, [2009] E.C.D.R. 1 (upholding decision to localise in France the infringing act of communication to the public of photos uploaded onto an U.S. internet site because the photos were handed over and uploaded from France and thereby the "elements constitut-

The Member State of origin (e.g. emission or transmission) might be defined in different ways however namely, the place where a technical process is activated on equipment (e.g. uplink station, terrestrial transmitter, or server) that makes the work accessible, the place where the actor is located when he/she makes the work accessible, or the place where the actor making the work accessible has his/her/its domicile, habitual residence or establishment.²⁰⁸² In most cases, these places will coincide. The actor will usually act in his/her/its domicile/residence/establishment and the equipment used to make a work accessible will often be located in the same place as the actor. However, particularly in digital communications, it is possible for these criteria to be spread out in different states.

Neither the Infosoc Directive nor the CJEU have defined how the Member State of origin should be defined (assuming communication to the public can be localised pursuant to this approach). The Infosoc Directive states however that the mere provision of physical facilities for enabling or making a communication possible may not in itself constitute communication to the public within the meaning of the Infosoc Directive.²⁰⁸³ The reason for this statement was that online service providers requested a safeguard against their liability for the illicit acts of their users.²⁰⁸⁴ This may suggest however that such a minor point of contact is not sufficient for the localisation of the infringing act in relation to the direct infringers using the physical facilities of a third party.²⁰⁸⁵ In addition, other EU Directives reject localising the Member State of origin by the location of equipment, and use only the concept of establishment.²⁰⁸⁶ These instruments have the aim of ensuring that individuals

ing the offence were committed on French soil”); *Pirate Bay*, case nr B 4041-09, 26 November 2010, Stockholm Court of Appeals (Sweden) p. 16 (holding that the direct infringements could be localised to Sweden because the server through which the *Pirate Bay* users communicated the works to the public was located in Sweden).

²⁰⁸² See Depreeuw & Hubin Study 2013 p. 132-147; Savola 2014 p. 302 (stating that the act of communication to the public might be localised both at the location of the website or the location of the operator of the website’s domicile in addition to targeted states of reception); Ginsburg 1997:2 p. 173 (stating that in some circumstances courts should apply “the law of the place of the server or of the defendant’s domicile” to govern communication to the public).

²⁰⁸³ Recital 27 Directive 2001/29/EC. A similar statement is part of the agreed statement concerning article 8 WCT.

²⁰⁸⁴ von Lewinski 2008 p. 458 (explaining that the statement is intended to clarify that the mere provision of physical facilities such as cables does not constitute communication to the public, so that the mere supply of such devices cannot possibly be an infringement, even if other actors subsequently make infringing uses through such devices).

²⁰⁸⁵ See Trimble 2015:2 p. 366 (stating that with better understanding of the internet, courts have been more focused on the human aspects of acts rather than the location equipment).

²⁰⁸⁶ See article 3 and recital 19 Directive 2001/31/EC on certain legal aspects of information society services, in particular electronic commerce, in the Internal Market; article 2 Directive

established in the EU come under the prescriptive jurisdiction of only one Member State.

In contrast, other EU instruments that deal with cross border scenarios between the EU and third states rely on alternative criteria to define the Member State of origin broadly in order to localise conduct in the EU when acts in third states affect EU interests. The Satellite Directive uses both the location of the uplink station and the establishment of the broadcaster to localise the act of broadcasting in the EU.²⁰⁸⁷ The previous Directive on the Protection of Personal Data used the establishment of the controller or the location of equipment to extend the application of EU privacy law to foreign data controllers.²⁰⁸⁸ In *Football Dataco* and others, the CJEU did not reject localising the infringing act at the location of the server; it stated only that it should not be the exclusive claim of prescriptive jurisdiction in light of the fact that the location of a server may be difficult to verify with certainty and also that it might be located in a third state with no protection.²⁰⁸⁹

2010/13/EU on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services; article 4(5) and recital 37 Directive 2006/123/EC on services in the internal market. Also, in the *Wintersteiger* case, the CJEU rejected using the location of the server to define the place of the harmful act for the purposes of establishing jurisdiction under the Brussels I Regulation. See Case C-523/10, *Wintersteiger*, para. 36 (“in view of the objective of foreseeability, which the rules on jurisdiction must pursue, the place of establishment of that server cannot, by reason of its uncertain location, be considered to be the place where the event giving rise to the damage occurred for the purpose of the application of Article 5(3) of Regulation No 44/2001.”).

²⁰⁸⁷ Article 1(2)(b & d) Directive 93/83/EEC.

²⁰⁸⁸ See article 4(1)(a & c) Directive 95/46/EC (“Each Member State shall apply the national provisions it adopts pursuant to this Directive to the processing of personal data where: (a) the processing is carried out in the context of the activities of an establishment of the controller on the territory of the Member State; when the same controller is established on the territory of several Member States, he must take the necessary measures to ensure that each of these establishments complies with the obligations laid down by the national law applicable; (c) the controller is not established on Community territory and, for purposes of processing personal data makes use of equipment, automated or otherwise, situated on the territory of the said Member State, unless such equipment is used only for purposes of transit through the territory of the Community.”). The new Privacy Regulation abandons the location of equipment criterion but relies very broadly on the objective territorial principle, or as at least one commentator claimed, a passive personality or effects test. See article 3(1-2) and recital 23 Regulation 2016/679; Svantesson 2014 (observing that the EU abandoned the location of equipment criteria in favour of what he calls a passive personality or effects test).

²⁰⁸⁹ Case C-173/11, *Football Dataco* and others, para. 45 (“Besides the fact that . . . it is sometimes difficult to localise such a server with certainty . . . such an interpretation would mean that an operator who, without the consent of the maker of the database protected by the *sui generis* right under the law of a particular Member State, proceeds to re-utilise online the content of that database, targeting the public in that Member State, would escape the applica-

In Member State practice, the courts have defined the country of origin of the act of communication to the public right in different ways to support their own exercise of prescriptive jurisdiction. In the Swedish Pirate Bay case, the fact that the server was located in Sweden was a determinative factor for localising the acts of communication to the public in Sweden.²⁰⁹⁰ In that case, the defendants were accused of aiding and abetting the users of the Pirate Bay website for infringing the making available to the public right in Sweden in violation of the Swedish Copyright Act as harmonised under the Infosoc Directive. A prerequisite for the successful prosecution of the defendants was that the direct acts of infringement fell within the territorial scope of the Sweden Copyright Act. The Swedish Court of Appeal declined to rely solely on a country of reception approach in localising the acts of direct infringement in Sweden. Indeed, the Court stated that the fact that the works were accessible in Sweden, in addition to everywhere else in the world, could not alone be the basis for the conclusion that the principal offense could be deemed to have been committed in Sweden.²⁰⁹¹ A difficulty with a country of origin approach however, at least one based on the location or domicile of the infringers, was that the users of the Pirate Bay website (the direct infringers) were located in numerous, unspecified locations all over the world. The court held therefore that the direct infringements could be localised in Sweden because the server which enabled the Pirate Bay users to communicate the works was located in Sweden. In other cases, however, where a server was located outside a Member State's territory, the Member States courts have localised the country of origin of the communication to the public right in their own territories when the actor who makes the communication to the public is domiciled there.²⁰⁹² These cases should

tion of that national law solely because his server is located outside the territory of that State.”).

²⁰⁹⁰ Pirate Bay, case nr B 4041-09, Nov 26, 2010, Stockholm Court of Appeals (Sweden) p. 13-16. See Svantesson 2012 p. 356-357 (stating however that the localisation at the place of the server is out of line with contemporary thinking). The UK courts have also indicated that the placement of the server can be a relevant factor for localisation of communication to the public. See *Football Dataco Ltd v Sportradar GmbH*, England and Wales High Court, [2010] EWHC 2911 (Ch) (indicating that it views the location of the server as relevant for localisation under a country of origin approach as it asked the CJEU whether re-utilisation occurs where the server is situated, where the public are, or both locations?”); *EMI Records Ltd. v British Sky Broadcasting Ltd.*, England and Wales High Court, [2013] EWHC 379 (Ch), [2013] E.C.D.R. 8, para. 35 (interpreting the CJEU to accept that an act of re-utilisation is also committed at the location of the server).

²⁰⁹¹ The Court observed that this could lead conflicting criminal claims among the different countries of reception and an extremely far-reaching investigative obligation for police and prosecutors.

²⁰⁹² *EMI Records Ltd. v British Sky Broadcasting Ltd.*, England and Wales High Court, [2013] EWHC 379 (Ch), [2013] E.C.D.R. 8, para. 35-38 (holding that an act of communica-

be interpreted carefully however because they involved claims of contributory infringement directed against local actors. It is not clear whether the courts would have interpreted their laws as broadly had the claims been raised against foreign defendants.

The CJEU has not ruled on the territorial scope of the Member States' prescriptive jurisdiction to issue an injunction to order a defendant to remove content stored within the territory of the Member State that is infringing under the applicable substantive Member State copyright law, but which may not be infringing under other states' laws. In another context, the CJEU has suggested that an overly broad injunction would not be consistent with EU law, in this case, one that would require the ISP to install a filtering system and monitor stored information, because it could lead to the blocking of lawful communications.²⁰⁹³ In practice, however, the courts do not always take into consideration the effect of such an injunction on other states.²⁰⁹⁴

As noted, the CJEU has not ruled on the territorial scope of the Member States' prescriptive jurisdiction to grant damages for copyright infringements taking place in their territories. Some damage awards by the Member State courts appear to go beyond compensating the right holder for the value of the exploitation or the harm suffered in the protected Member State. In the Swedish Pirate Bay case, the court found that the damages arising as a result of downloads of works made outside of Sweden were within the territorial scope of the Swedish Copyright Act. The Appeals Court explicitly declined to exclude these "foreign" damages on the ground that the primary crimes e.g. the making available, had been localised in Sweden where the server was situated.²⁰⁹⁵ Unlike the Hummel 1971 Christmas plate case, where the foreign damages were a direct result of the German infringement, the connection between the foreign downloads and the server in Sweden was fortui-

tion to the public can be localised in the UK when the person making the work available (the uploader) is located in the UK); *Dramatico Entertainment Ltd. v British Sky Broadcasting*, England and Wales High Court, [2012] EWHC 268 (Ch), para. 68 ("Since it is clear from the evidence that UK users are involved as both uploaders and downloaders, it is immaterial whether the act of communication to the public is committed at the place of origination or the place of reception.").

²⁰⁹³ See Case C-360/10, *SABAM*, para. 50 ("Moreover, that injunction could potentially undermine freedom of information, since that system might not distinguish adequately between unlawful content and lawful content, with the result that its introduction could lead to the blocking of lawful communications."); Case C-70/10, *Scarlet Extended*.

²⁰⁹⁴ See Hellner 2014 p. 183 (stating that in practice it is enough that the defendant's conduct is infringing under one country's law for a court to order the defendant to cease publication); Illmer 2011 p. 244-245 (maintaining that for reasons of comity, courts should avoid injunctions with extraterritorial effect).

²⁰⁹⁵ *Pirate Bay*, case nr B 4041-09, Nov 26, 2010, Stockholm Court of Appeals (Sweden) p. 52.

tous and arbitrary. The users would have made the downloads regardless of where the server was located.

The reproduction right may also be implicated if a work transmitted from the EU is stored on a server from where the work is communicated to the public in a third state (upstream copy). Like downstream copies, the act of reproduction might be localised in the state where a copy is stored on equipment (e.g. server) or where the actor is located when he/she makes the copy.

In the *United States*, making a work accessible from the U.S. territory may implicate the public performance right, the display right or the distribution right depending on whether the work is made accessible to a public from a fixed copy and whether the end user ends up with its own fixed copy.

The federal courts are generally willing to localise the infringing act in the U.S. if the infringement originates from the U.S. *National Football League v Primetime 24 Joint Venture* is the leading case holding that broadcasting content containing protected content from the U.S. that is exclusively received abroad is within the territorial scope of the federal Copyright Act.²⁰⁹⁶ In that case, the National Football League (NFL) sued Primetime, a U.S. satellite carrier, for making from the U.S. unauthorised secondary transmissions of football broadcasts to subscribers in Canada. Primetime argued that its conduct was outside of the territorial scope of the U.S. Act because no public in the U.S. viewed the performance; all of the viewers were in Canada. The Second Circuit disagreed holding that the U.S. legislature had defined the public performance right broadly to encompass capturing and un-linking copyrighted material to transmit it to a satellite.²⁰⁹⁷ As these acts were done in the U.S., they were within the territorial scope of the federal Copyright Act. The court did not take into consideration the fact that the transmission was legal in Canada and that a finding of infringement in the U.S. would in effect limit their access to the content.²⁰⁹⁸ The Second Circuit did

²⁰⁹⁶ *National Football League v Primetime 24 Joint Venture*, 211 F.3d 10 (2nd Cir. 2000), *cert. denied*, 532 U.S. 941 (2001).

²⁰⁹⁷ *National Football League v Primetime 24 Joint Venture*, 211 F.3d 10, 13 (2nd Cir. 2000), *cert. denied*, 532 U.S. 941 (2001) (“We believe the most logical interpretation of the Copyright Act is to hold that a public performance or display includes “each step in the process by which a protected work wends its way to its audience. [citation omitted] Under that analysis, it is clear that PrimeTime’s uplink transmission of signals captured in the U.S. is a step in the process by which NFL’s protected work wends its way to a public audience.”).

²⁰⁹⁸ Gottschalk 2009 p. 212.

either not find persuasive an earlier Ninth Circuit's decision that arrived at the opposite conclusion.²⁰⁹⁹

In the Ninth Circuit case, *Allarcom Pay Television v General Instrument*, a Canadian provider of television programming sued a U.S. provider of television programming because the U.S. provider's programs originating from the U.S. could be received in Canada.²¹⁰⁰ The Canadian provider alleged various state and federal law claims including copyright infringement. On appeal, however, only the state law claims remained, and the question arose whether the state law claims were pre-empted by the federal Copyright Act. The Ninth Circuit found that the Canadian television provider's state law claims were not pre-empted by the federal Copyright Act because the Copyright Act did not apply to extraterritorial acts of infringement. The court stated that in order for the conduct to fall within the territorial scope of the federal Copyright Act, "at least one alleged infringement must be completed entirely within the United States."²¹⁰¹ The court stated that in this case, the defendant either initiated a potential infringement in the U.S. by broadcasting the signal or they authorised people in Canada to engage in infringement. The court stated that in either case, the alleged infringement was only completed in Canada once the signal was received and viewed.

While the *Primetime 24 Joint Venture* decision has been criticised by some as leading to an extraterritorial application of U.S. law,²¹⁰² it is the prevailing view in the U.S.²¹⁰³ The *Allarcom* decision has been criticised for being inconsistent with the principle of territoriality and with the U.S. obligations under the Berne Convention.²¹⁰⁴ It has also been criticised for making an arbitrary distinction between cases where an unauthorised copy is first made in the U.S. (predicate act doctrine) and cases where no copy is made (as in

²⁰⁹⁹ *National Football League v Primetime 24 Joint Venture*, 211 F.3d 10, 13 (2nd Cir. 2000), *cert. denied*, 532 U.S. 941 (2001) ("We accord the decision little weight largely because it contains no analysis of the Copyright Act.").

²¹⁰⁰ *Allarcom Pay Television v General Instrument*, 69 F.3d 381 (9th Cir. 1995).

²¹⁰¹ *Allarcom Pay Television v General Instrument*, 69 F.3d 381, 387 (9th Cir. 1995).

²¹⁰² Gottschalk 2009 p. 212 (maintaining that the ruling leads to a clash between U.S. and Canadian law and does not take into consideration the interests of the Canadian viewers).

²¹⁰³ See Patry 2000 p. 467 (maintaining that the *Primetime 24 Joint Venture* opinion stands on firmer ground than *Allarcom* opinion and is also more sensitive to the means by which copyrighted works are distributed).

²¹⁰⁴ Reindl 1998 p. 823 fn. 84 (stating that the application of U.S. copyright law would have been in line with generally recognised principles under the Berne Convention and that the result in *Allarcom* appears to be at odds with general principles of international copyright); Ginsburg 1997:2 p. 170 (observing that The Ninth Circuit's approach in *Allarcom* has provoked criticism from commentators).

this case).²¹⁰⁵ The Allarcom case might be better understood in light of the fact that in order for the right holder to obtain relief, it was necessary that the federal Copyright Act did not pre-empt its state law claim.²¹⁰⁶

Assuming then that a country of origin approach is a viable approach to localisation of the infringing act even in a digital context, the question remains how the country of origin is localised. In a digital context, the place of origin of an infringement may be difficult to ascertain because the actual place of acting may be different from the place where a technical process is activated on equipment (e.g. transmitter, server) which makes the work accessible to a public, and also different from the place of the actor's domicile, habitual residence, or establishment.²¹⁰⁷ In general, commentators have been critical of localisation based on the location of a server because it is arbitrary and does not provide for predictability.²¹⁰⁸ Still, the federal courts have been willing to localise the infringing act in the U.S. if a copy of the work is stored on a server in the U.S. which is capable of being displayed to the public even if the public is not necessarily in the U.S.

In a district court case, the fact that the server on which the infringing images were stored was located in the U.S. meant that the infringing act of display could be localised in the U.S., even in the absence of any evidence that U.S. users actually viewed or downloaded the images.²¹⁰⁹ In the court's view, "legal liability is tied to the location of servers and storage media used to capture the images."²¹¹⁰ In addition, other district courts have found that the conduct of a foreign defendant that allegedly copied and uploaded works from outside the U.S. onto YouTube's California-based servers, which were made available for viewing around the world, was within territorial scope of federal Copyright Act based at least partially on the location of the server in

²¹⁰⁵ See Ginsburg 1997:1 p. 598 ("The economic impact is the same--usurpation of foreign markets--whether defendant first makes an unauthorized reproduction in the United States, then distributes or transmits abroad, or whether it disseminates the work in dematerialized form, such as a satellite feed, from the United States to points outside.").

²¹⁰⁶ Reindl 1998 p. 823 fn. 84 ("Perhaps the best explanation for the result in Allarcom is that it was not based on international copyright policies, but on the court's preemption concerns: as the court found that the U.S. Copyright Act did not apply to the act of transmission, state law was not preempted. The plaintiff could therefore bring an action based on state unfair competition law.").

²¹⁰⁷ See Trimble 2015:2 p. 365-366 (stating that acts on the internet can be localised in multiple places).

²¹⁰⁸ Trimble 2015:2 p. 366; Svantesson 2012 p. 356-357; Ginsburg 1997:1 p. 598-599 (stating that the infringing act should be localised at "the place where the plan to engage in unauthorized dissemination was devised" and not at the location of the server where a copy is stored).

²¹⁰⁹ Perfect 10, Inc. v Yandex N.V., 2013 WL 4777189 (N.D.Cal. 2013).

²¹¹⁰ Perfect 10, Inc. v Yandex N.V., 2013 WL 4777189 (N.D.Cal. 2013).

the U.S.²¹¹¹ Moreover, another district court has indicated that the location of a server from which infringing works are distributed is relevant for localising the act of distribution to the public.²¹¹² Thus, the existence of a copy on a server located in the U.S., which is then displayed or distributed to a public regardless of the location of the public, appears to be a connecting factor for the territorial scope of the federal Copyright Act.

The same result would be obtained under the predicate act doctrine, provided that the copy stored on the U.S. server was an infringing copy.²¹¹³ The fact that an infringing copy is uploaded onto a server in the U.S. in violation of the reproduction right would mean that the further acts of exploitation such as publicly performing, displaying, or distributing the work would fall within the territorial scope of the federal Copyright Act, regardless of whether these subsequent acts could be localised in the U.S. For example, a defendant who stores unauthorised images on a server in the U.S. makes a predicate act in the U.S. that may lead to further downloads or the display or performance of its work abroad, which also fall with the scope of the federal Act.²¹¹⁴

²¹¹¹ *Shropshire v Canning, Jr.*, 809 F.Supp.2d 1139, 1146 (N.D. Calif. 2011) (“Defendant’s direct action [in Canada] led to the creation of a copy of the Grandma video on YouTube’s servers in California, and to the subsequent viewing of the video by potentially thousands in the United States.”); *Crunchyroll, Inc. v Pledge*, 2014 WL 1347492 (N.D. Cal. 2014) (finding that conduct of foreign defendant that allegedly copied and uploaded works in the United Kingdom onto YouTube’s California-based servers, which were made available for viewing around the world, including in the United States, was within territorial scope of federal Copyright Act).

²¹¹² *Elsevier Ltd. v Chitika, Inc.*, 826 F.Supp.2d 398, 403 (D.Mass. 2011) (denying summary judgment because unresolved factual issues remained as to whether servers from which unauthorised copies of plaintiffs’ books were downloaded (and thereby distributed to the public) were located in the U.S.).

²¹¹³ *Ginsburg* 1997:1 p. 598 (“If the U.S. actor makes copies available to foreign participants over the Internet, there will have been initial copying in the United States, when the U.S. originator of the offshore dissemination uploads the document to a U.S. server from which it will transit abroad.”); *Austin* 2006 p. 597-598 (discussing the predicate acts doctrine’s wide ranging ramifications in a digital world).

²¹¹⁴ See e.g. *Cooley v Penguin Group (USA) Inc.*, 31 F.Supp.3d 599 (S.D.N.Y. 2014) (stating that defendant infringed the right holder’s copyrights in the U.S. when he contracted with others to display the photographs online in order to make them available for licensing, which permitted further reproduction and distribution of the photographs abroad); *Perfect 10, Inc. v Yandex N.V.*, 2013 WL 4777189 (N.D.Cal. 2013) (“Perfect 10 further argues that the 40,000 yandex.com thumbnails that were stored in the United States for nine months could constitute predicate direct infringements . . .”). The Perfect 10 court ultimately rejected the plaintiff’s claim, however, not the ground that it was extending the predicate act doctrine too far, but because the thumbnail images were fair use and therefore not infringing. The court relied on the Ninth Circuit’s precedent in *Perfect 10, Inc. v Amazon.com, Inc.*, 508 F.3d 1146 (9th Cir. 2007) (holding that Amazon’s display of thumbnail images of right holder’s protected photos was fair use and therefore did not infringe).

In addition, it seems that the courts will bolster their claims of prescriptive jurisdiction based against foreign defendants acting from abroad with some type of tangible connection to the U.S. One district court noted that the direct infringers, individuals who captured broadcast signals in Asia which were then made available to the public, streamed the broadcast through servers located in the U.S.²¹¹⁵ Here, it was the location of the servers through which the bits travelled as they made their way through the internet that was a contributing connecting factor to a U.S. localisation.

If the act of public performance, display, or distribution is localised in the U.S., the court may enjoin the act of infringement at its source.²¹¹⁶ The courts do not take into consideration the fact that the transmission may be legal in the country where it is received.²¹¹⁷ In addition, the right holder may recover the actual damages suffered as a result of the domestic infringement, which arguably includes damages arising in foreign states.²¹¹⁸ If a case is decided under the predicate act doctrine, the Ninth Circuit has limited the damage award to the infringer's lost foreign profits and not the right holder's foreign damages. In the National Football League case discussed above where the act of public performance was localised in the U.S., the right holder opted for statutory damages instead of proving actual damages arising as a result of the accessibility of the work in Canada.²¹¹⁹

Summing up, under both EU and U.S. law, making a work accessible from the territory falls within the territorial scope of the domestic copyright law even though the work is targeted at or accessed by a foreign public. Under both legal systems, various tangible connecting factors are used such as the physical location of the infringer or the location of a server. Under both EU and U.S. law, if the act of infringement is localised in the domestic territory, it may be a springboard to recovering damages arising in foreign states. Un-

²¹¹⁵ *China Central Television v Create New Technology*, 2015 WL 3649187 (C.D. Cal. 2015) ("The App Infringers stream live and time-shifted CCTV and TVB channels through a peer-to-peer network and/or through servers in the United States to large numbers of TVpad users who have no right to access the content. Thus, plaintiffs are likely to succeed in showing that the App Infringers publicly perform plaintiffs' television programming in the United States without authorization under Aereo.").

²¹¹⁶ See *National Football League v Primetime 24 Joint Venture*, 211 F.3d 10 (2nd Cir. 2000), *cert. denied*, 532 U.S. 941 (2001) (permanently enjoining PrimeTime from retransmitting telecasts of NFL football games outside the United States).

²¹¹⁷ See Gottschalk 2009 p. 212 (criticising the court in *National Football League v Primetime 24 Joint Venture* for not taking into consideration the interests of the Canadian viewers).

²¹¹⁸ 17 U.S.C. § 504 (damages).

²¹¹⁹ *National Football League v PrimeTime 24 Joint Venture*, 131 F.Supp.2d 458 (S.D.N.Y. 2001), on remand from 211 F.3d 10 (2d Cir. 2000), *cert. denied*, 532 U.S. 941 (2001) (awarding the right holder \$2,557,500 in statutory damages for unauthorised public performance of protected work from the U.S. and received in Canada and \$45,792.99 in costs).

der the predicate act doctrine, the U.S. goes considerably further because the right holder can recover the infringer's profits gained even from additional foreign acts of exploitation of the work made possible by the domestic act of infringement.

Territorial Scope of Application of Patent Law in the EU and the U.S.

General introduction to EU patent law

In the European Union, patents are currently protected only in accordance with the national Member State patent laws. At present, there is no unitary patent that is valid for the EU territory. As noted, a unitary patent is on the near horizon. Pursuant to enhanced cooperation procedure among 26 Member States, Regulation 1257/2012 (or the Unitary Patent Regulation), was enacted to set up a European patent with unitary effect.²¹²⁰ The Unitary Patent Regulation will apply from the date of entry into force of the UPC Agreement.²¹²¹

Apart from the unitary patent, the EU legislator has not been as active in the field of patents as it has in the trademark and copyright fields. There is only one EU directive on patents, and its scope is narrowly limited to harmonising the Member States national patent laws with respect to biotechnological inventions.²¹²² In addition, there is a Supplementary Protection Certificate Regulation which creates a *sui generis* right that extends the lifetime of specific types of patents such as medicinal products in order to compensate for the long time needed to obtain regulatory approval of these products.²¹²³

²¹²⁰ Regulation 1257/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection; Regulation 1260/2012 implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements.

²¹²¹ Article 18(2) Regulation 1257/2012.

²¹²² Directive 98/44/EC on the legal protection of biotechnological inventions. See e.g. Case C-364/13, International Stem Cell; Case C-34/10, Brüstle; Case C-428/08, Monsanto Technology LLC v Cefetra BV interpreting the Biotech Directive.

²¹²³ Council Regulation 469/2009 concerning the supplementary protection certificate for medicinal products. In addition, there is a regulation to promote the production of medicinal products for paediatric use by increasing research, development and authorisation for this type of medicinal product. See Regulation 1901/2006 on medicinal products for pediatric use and amending Regulation 1768/92, Directive 2001/20/EC, Directive 2001/83/EC and Regulation 726/2004 and Regulation 1902/2006 amending Regulation 1901/2006 on medicinal products for pediatric use.

These instruments do not deal with substantive patent law on infringement, and will not be dealt with further.

All EU Member States are contracting states to the European Patent Convention (EPC), which has had a harmonising effect on the EU Member States' patent laws. The EPC is not an EU legal instrument. In addition to the EU Member States, there are a number of contracting parties to the EPC that are not EU Member States.²¹²⁴ Pursuant to the EPC, the European Patent Office (EPO) grants European patents pursuant to the rules on patentability set out in the EPC and the patents are validated in the designated EPC contracting states.²¹²⁵ A European patent is not a unitary patent right, but a bundle of national patents.²¹²⁶ If the Unitary Patent Regulation starts to apply, the EPO will be able to grant European patents with unitary effect for the territory of the participating EU Member States.

The EPC harmonises the material extent of protection conferred by a European patent²¹²⁷ and the grounds for revocation of a European patent.²¹²⁸ Moreover, through the process of cold harmonisation, patentability, scope of protection, and the grounds for revocation for “regular” national Member State patents granted by the national Member States patent offices have been harmonised to some degree so that they are the same or similar to the EPC rules.²¹²⁹ With a minor exception, the EPC does not deal with substantive patent law relating to infringements, apart from establishing that European

²¹²⁴ See generally <http://www.epo.org>.

²¹²⁵ See articles 53-57 EPC.

²¹²⁶ Cornish et al. 2013 p. 120; Kur & Drier 2013 p. 88; Levin 2011 p. 54; Hacon & Pagenberg 2008 p. 1. But see Tilmann 2016 p. 546 (maintaining that a European patent “clearly, is not a bundle of national patent rights.”).

²¹²⁷ See article 69 EPC on Extent of protection; Protocol on the Interpretation of article 69 of the Convention.

²¹²⁸ See article 138 EPC on the Revocation of European patents, the latter of which establishes that a European patent may be revoked with effect for a Contracting State by the national courts or authorities only if the conditions for its grant laid down in the EPC are not satisfied. See also Singer & Stauder 2003 p. 65 (stating that no contracting state may invalidate a European patent by virtue of national provisions going beyond the conditions for the grant of a European patent).

²¹²⁹ Singer & Stauder 2003 p. 65 (stating that most contracting states have adjusted their national substantive patents laws to be consistent with the EPC).

patents must be treated like national patents.²¹³⁰ Indeed, the EPC makes clear that infringement questions are left to national, and not EPC law.²¹³¹

Even though there is no EU instrument in force that defines the rights conferred under the EU Member States' patent acts, there is still some *de facto* harmonisation among the EU Member States. The Community Patent Convention (CPC), albeit not ratified nor in effect, has had a harmonising effect on substantive European national patent law. Indeed, many of the (in particular) older EU Member States have modelled the rights conferred under their national patent acts on the never ratified CPC.²¹³² Article 25 CPC defines a direct infringement:

A Community patent shall confer on its proprietor the right to prevent all third parties not having his consent:

(a) from making, offering, putting on the market or using the product which is the subject-matter of the patent, or importing or stocking the product for these purposes;

(b) from using the process which is the subject-matter of the patent or, when the third party knows, or it is obvious in the circumstances, that the use of the process is prohibited without the consent of the proprietor of the patent, from offering the process for use *within the territories of the Contracting States*; (emphasis added)

(c) from offering, putting on the market or using a product obtained directly by a process which is the subject-matter of the patent, or importing or stocking the product for these purposes.

Article 26 CPC defines an indirect infringement:

1. A Community patent shall confer on its proprietor the right to prevent all third parties not having his consent from supplying or offering to supply *within the territories of the Contracting States* a person, other than one entitled to exploit the patented invention, with means, relating to an essential element of that invention, for *putting it into effect therein*, where the third party

²¹³⁰ Article 64(1) ("A European patent shall, subject to the provisions of paragraph 2, confer on its proprietor from the date on which the mention of its grant is published in the European Patent Bulletin, in each Contracting State in respect of which it is granted, the same rights as would be conferred by a national patent granted in that State."). The minor exception is article 64(2) EPC ("If the subject-matter of the European patent is a process, the protection conferred by the patent shall extend to the products directly obtained by such process.").

²¹³¹ Article 64(3) EPC ("Any infringement of a European patent shall be dealt with by national law."). See also Pertegás Sender 2002 p. 231-232.

²¹³² Moufang 2009 p. 603 (stating that most European countries follow closely or even verbatim articles 25-26 in the CPC); Hacon & Pagenberg 2008 p. 71 (stating that the older EU Member States drafted their national patent acts to conform to articles 25-26 of the CPC so that there is widespread similarity in the acts that constitute an infringement); Singer & Stauder 2003 p. 211 (stating that the EPC contracting states (which includes EU Member States) have often adopted word for word articles 25-26 of the CPC into their national patent acts).

knows or it is obvious in the circumstances, that these means are suitable and intended for putting that invention into effect. (emphasis added)

2. Paragraph 1 shall not apply when the means are staple commercial products, except when the third party induces the person supplied to commit acts prohibited by Article 25.

3. Persons performing the acts referred to in Article 27(a) to (c) shall not be considered to be parties entitled to exploit the invention within the meaning of paragraph 1.

A finding of indirect infringement is not dependent upon a showing of a direct infringement.²¹³³

Still, there are divergences even among the Member State patent acts modelled on the CPC. For example, the UK implementation of the CPC uses the expression “disposes of” whereas other Member States are modelled more closely on the CPC and use the expression “putting on the market.”²¹³⁴ Another example is that the UK Patents Act states that it is an infringement to “import” or “keep” the invention or a product obtained directly by means of the process for “disposal or otherwise.”²¹³⁵ This is broader than the text of the French Intellectual Property Code which more closely follows the CPC whereby “importing” or “stocking” is only an infringement if it is done for the purposes of making, offering, putting on the market or using the patented product or a product obtained directly by a patented process.²¹³⁶ Another example is that the Italian Patent Act, in addition to listing specific restricted acts like many of the other Member States, also broadly gives the right holder the exclusive right to implement the invention and obtain a reward therefrom in the territory.²¹³⁷

²¹³³ Benyamini 1993 p. 181. Nevertheless, indirect infringement contemplates the eventual or possible occurrence of a direct infringement since the text is qualified to “supplying or offering to supply . . . a person, other than one entitled to exploit the patented invention.” See article 26.1 CPC.

²¹³⁴ Compare section 60(1)(a & c) UK Patents Act of 1977 with article L613-3 French Intellectual Property Code (as last amended by Decree No. 2012-634 of May 3, 2012). Section 130(7) of the UK Patents Act of 1977 states that section 60 is to be given the same effect in the United Kingdom as the corresponding provision of the CPC has in the territories of the other states to which the CPC applies. See *Kalman v PCL Packaging (UK) Ltd*, England and Wales High Court, [1982] F.S.R. 406 (referring to the CPC to interpret section 60 of the Patents Act). But see Benyamini 1993 p. 256 (criticising the result in *Kalman* because in spite of the fact that the court stated that the expression “disposes of” was equivalent to “putting on the market”, it found that old precedents interpreting the more narrow expression “vending” as used under the old act to still be good law).

²¹³⁵ Section 60(1)(a & c) UK Patents Act of 1977.

²¹³⁶ Article L613-3 French Intellectual Property Code (as last amended by Decree No. 2012-634 of May 3, 2012).

²¹³⁷ Article 66 Italian Industrial Property Code (Legislative Decree No. 30 of February 10, 2005, as amended up to Decree-Law No. 1 of January 24, 2012, converted into law with changes by Law No. 27 of March 24, 2012). See also *Aktiebolaget Hassle v Effechem s.r.l.*,

Other EU Member States have modelled the rights conferred under their national patents on article 28 TRIPS, which does not grant as extensive rights as the CPC.²¹³⁸ Article 28.1 TRIPS states:

A patent shall confer on its owner the following exclusive rights:

(a) where the subject matter of a patent is a product, to prevent third parties not having the owner's consent from the acts of: making, using, offering for sale, selling, or importing for these purposes that product;

(b) where the subject matter of a patent is a process, to prevent third parties not having the owner's consent from the act of using the process, and from the acts of: using, offering for sale, selling, or importing for these purposes at least the product obtained directly by that process.

The term "selling" used in the Member State patent acts modelled on TRIPS is narrower than the expression "putting on the market" as used in the Member States patent acts modelled on the CPC.²¹³⁹ In addition, the Member State patent acts modelled on TRIPS do not make "stocking" a restricted act, not even when stocking is made for the purpose of the infringing acts like "selling." Another difference is that where the subject matter of the patent is a process, the Member State patent acts modelled on TRIPS make only "using the process" a restricted act whereas the Member State patent acts modelled on the CPC encompass also "offering the process for use." In addition, missing from the Member State patent acts modelled on TRIPS is any form of "indirect infringement", which otherwise can be found in many Member State patent acts modelled on the CPC.²¹⁴⁰

The CPC, TRIPS and most of the Member State patent acts do not specifically state that the restricted acts must take place in the domestic territory, although this is understood to follow from the territoriality of patent rights.²¹⁴¹ The territorial nature of patent protection is universally accepted, not least among the Member States of the EU, regardless of whether this is explicit in the Member State patent acts. An explicit territorial limitation found in article 25 CPC (and in some Member State acts) is that it is express-

Italian Supreme Court, 3 April 2003, IIC 2004, 35(9), 1037-1039 (stating that given the breadth of the wording the infringement statute, it is intended to cover any benefit that can be drawn from the patented invention).

²¹³⁸ See e.g. article 31 Romania Law No. 64/1991 on Patents (as amended up to Law No. 83/2014).

²¹³⁹ See Benyamini 1993 p. 121.

²¹⁴⁰ Gervais 2012 p. 236.

²¹⁴¹ Luginbuehl 2011 p. 87-88 (stating that the view prevailing in Europe is that the principle of territoriality affects the limits of substantive patent law); Benyamini 1993 p. 237 (stating that the universally accepted principle is that patent rights are confined to the territory of the granting state).

ly stated that the offered use of a process patent must be “for use within the territories of the Contracting States.”²¹⁴² Article 26 CPC also contains two explicit territorial references, which have been copied in some Member States; first, that the offer or supply must take place within the protected territory and second, that the means must be for putting the invention into effect in the protected territory.²¹⁴³

While TRIPS and the never ratified CPC have led to some *de facto* harmonisation of the definition of the infringing acts, the localisation of these rights still diverges because there is no EU instrument that generally harmonises substantive patent law on infringement on which the CJEU can base an autonomous EU interpretation. This has thwarted patent harmonisation in practice and the courts of the Member States apply their somewhat *de facto* harmonised patent laws largely pursuant to their own national traditions and practices.²¹⁴⁴ However, in light of the fact that article 207(1) TFEU now gives the EU exclusive competence to regulate the commercial aspects of IP as a part of the EU’s external action and policy in relation to trade with non-Member States, the CJEU has the ultimate competence to issue EU interpretations of EU treaty obligations with third states that are binding on all Member States.²¹⁴⁵ Pursuant to this exclusive competence, the CJEU has given a harmonised EU interpretation of article 27 TRIPS on patentable subject-matter.²¹⁴⁶ The CJEU would therefore have the exclusive competence to give an EU interpretation of the definition and localisation of the infringing acts under article 28 TRIPS.

²¹⁴² Article 25(b) CPC. See also Benyamini 1993 p. 258 (explaining that this territorial limitation was introduced as a compromise to convince some of the delegates to abandon their objection to the restricted act of offering a patented process for use, and that the aim of this compromise was to ensure that EU nationals were not put at a comparative disadvantage with foreign nationals from states whose patent acts did not make offering a patented process an infringing act).

²¹⁴³ Article 26 CPC.

²¹⁴⁴ See Brinkhof & Ohly 2014 p. 205 (stating that apart from the UK and Germany, judges in other Member States remain focused on their own case law and legal systems); Luginbuehl 2011 p. 5 (stating that the Member States’ courts give European patents validated in their territories a “strict national interpretation” and are hesitant to analyse each other’s decisions in pursuit of a uniform interpretation).

²¹⁴⁵ Article 207(1) TFEU (“The common commercial policy shall be based on uniform principles, particularly with regard to . . . the commercial aspects of intellectual property . . . The common commercial policy shall be conducted in the context of the principles and objectives of the Union’s external action.”). Previously, the EU’s competence was shared with the Member States. For the legal situation before article 207(1), see Case C-431/05, Merck Genéricos Produtos Farmacêuticos (stating that the Member States could make their own interpretation of TRIPS obligations on patents in light of the fact that the EU and the Member States had shared competence and that the EU had not yet exercised its powers in the sphere of patents).

²¹⁴⁶ Case C-414/11, Daiichi Sankyo and Sanofi-Aventis Deutschland.

The Unitary Patent Regulation, assuming it starts to apply, creates a complicated legal situation.²¹⁴⁷ The Unitary Patent Regulation establishes the territorial nature of the rights to be conferred under a European patent with unitary effect.²¹⁴⁸ It also establishes that the rights are to have uniform effect.²¹⁴⁹ The Unitary Patent Regulation does not however define these rights but instead references national law.²¹⁵⁰ The rights and limitations of the European patent with unitary effect were first contained in articles 6-8 of the proposed Regulation creating the right. This solution was opposed, primarily by patent scholars from the UK and Germany, because they did not want to give the CJEU the right to interpret substantive patent law on infringements.²¹⁵¹ Thus, the rights and limitations were moved to the UPC Agreement.²¹⁵² These rights conferred in the UPC Agreement are basically identical to the rights set out in the never ratified CPC.²¹⁵³

Tilmann maintains however that because article 5(3) Regulation 1257/2012 references national law, which he argues includes the UPC Agreement, the UPC will need to refer questions concerning the rights conferred and limitations under a unitary patent to the CJEU.²¹⁵⁴ Romandini & Klicznik seem to agree with Tilmann that article 5(3) Regulation 1257/2012 indirectly refers to article 25 UPC Agreement. Moreover, they observe that the CJEU is competent to interpret article 28 TRIPS, which they maintain is reproduced

²¹⁴⁷ See generally Plomer 2015 (discussing the “uneasy alignment” between the unitary patent package and the EPC with respect to the substantive law applicable to a European patent with unitary effect post-grant); Brinkhof & Ohly 2014 p. 215-216 (discussing the possible role of the CJEU); Lembke 2014 (analysing the complicated legal order under the UPC Agreement); Hilty et al. 2012 (discussing potential problems with the unitary patent package).

²¹⁴⁸ See Article 5(1) Regulation 1257/2012 (“The European patent with unitary effect shall confer on its proprietor the right to prevent any third party from committing acts against which that patent provides protection *throughout the territories of the participating Member States* in which it has unitary effect, subject to applicable limitations.”) (emphasis added).

²¹⁴⁹ See article 5(2) Regulation 1257/2012 (“The scope of that right and its limitations shall be uniform in all participating Member States in which the patent has unitary effect.”).

²¹⁵⁰ See article 5(3) Regulation 1257/2012 (establishing a choice of law rule that refers to the law of the participating Member State whose national law is applicable to the European patent with unitary effect as an object of property in accordance with article 7 of the regulation). See also Lembke 2014 p. 388 (“It is indeed unconventional that the regulation creating a Union patent right contains neither its effect, limitations, nor anything regarding its property aspects.”).

²¹⁵¹ See Brinkhof & Ohly 2014 p. 201; Kupzok 2014 p. 422-424; Jaeger 2013 p. 391.

²¹⁵² See articles 25-26 UPC Agreement (defining the rights conferred under a patent); articles 27-29 UPC Agreement (defining the limitations).

²¹⁵³ Kupzok 2014 p. 422-423.

²¹⁵⁴ See Tilmann 2016 p. 548.

in article 25 UPC Agreement.²¹⁵⁵ Other scholars are not as sure whether the CJEU would have the competence to interpret the the infringing acts and limitations in the UPC Agreement but maintain that in light of the fact that unitary patents have unitary effect as a matter of EU law, the CJEU will not hesitate to fill in the blanks.²¹⁵⁶

Contributory infringement exists in some EU Member States based on their (unharmonised) national tort or criminal law doctrines, and continues to exist even in those Member States that have added acts of indirect infringement based on the CPC.²¹⁵⁷ As applied in some Member States, contributory infringement does not require that the act that contributes to a direct infringement take place in the protecting EU Member State.²¹⁵⁸ Consequently, a contributory infringer has an interest in the localisation of the primary act of patent infringement.

Even if substantive patent law is only minimally harmonised under EU legal instruments, the enforcement of patent rights is harmonised pursuant to the Enforcement Directive.²¹⁵⁹ If a patent right is infringed in the EU, the right holder has a right to an injunction aimed at prohibiting the continuation of the infringement.²¹⁶⁰ Also, under EU law, injunctions must be available against intermediaries whose services are being used by a third party to infringe a patent in the EU regardless of whether the intermediary is liable as a

²¹⁵⁵ See Romandini & Klicznik 2013 p. 537. While it is true that the CJEU has competence to interpret TRIPS, the rights conferred in articles 25 and 26 UPC Agreement are not identical to TRIPS and in fact go beyond the rights conferred under TRIPS.

²¹⁵⁶ See Brinkhof & Ohly 2014 p. 216 (maintaining that it is unclear whether the CJEU would have the competence to interpret the infringing acts and limitations because article 5(3) Regulation 1257/2012 refers to national law, but in light of the fact that the unitary patents have unitary effect as a matter of EU law, this may prompt the CJEU to assume jurisdiction); Jaeger 2013 p. 391 (maintaining that it is likely the CJEU would not hesitate to fill in any blanks in the Regulation 1257/2012).

²¹⁵⁷ Benyamini 1993 p. 30-32 (stating that indirect infringement in article 26 CPC is limited to a particular type of activity that may be regarded as a form of aiding and abetting and was not intended to abrogate the national rules of a more general character on aiding and abetting). See e.g. *Xa ZR 2/08 (Mp3 Player)*, German Federal Court of Justice, 17 September 2009, IIC 2010, 41(4), 471-479 (stating that one may contribute to a direct infringement if it facilitates or assists it although it could obtain with reasonable effort knowledge that the act facilitated by it directly infringes the patent).

²¹⁵⁸ Trimble 2012 p. 114-115 (stating that in Germany contributory infringement reach acts committed outside of Germany that contribute to an infringement in Germany).

²¹⁵⁹ Directive 2004/48/EC.

²¹⁶⁰ Article 11 Directive 2004/48/EC (“Member States shall ensure that, where a judicial decision is taken finding an infringement of an intellectual property right, the judicial authorities may issue against the infringer an injunction aimed at prohibiting the continuation of the infringement.”).

contributory infringer.²¹⁶¹ In addition, the right holder may be entitled to “damages appropriate to the actual prejudice suffered by the right holder as a result of the infringement.”²¹⁶² In calculating damages, the court is to consider “all appropriate aspects” such as lost profits suffered by the injured party, unfair profits made by the infringer, and in appropriate cases, moral prejudice caused to the right holder by the infringement.²¹⁶³ As an alternative to damages, the court may award a fictional licence fee.²¹⁶⁴ Other sanctions such as the removal of infringing goods from the channels of commerce, publication of judicial decisions and legal costs are also possible.²¹⁶⁵ All sanctions “shall be fair and equitable . . . and proportionate . . . and shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse.”²¹⁶⁶ In addition, goods infringing a patent may be destroyed under the Customs Regulation.²¹⁶⁷

The EU is a Member of the WTO and is bound by the TRIPS Agreement. While the EU is not a contracting party to the Paris Convention in its own right, it is bound through the TRIPS Agreement, which incorporates most provisions of the convention.²¹⁶⁸

General introduction to U.S. patent law

In the *United States*, inventions are protected under the federal Patent Act upon the grant of a patent. The U.S. Constitution grants the U.S. legislature the power to pass a federal patent act in order “To promote the progress of science and useful arts”.²¹⁶⁹ The grant of a patent is the quid pro quo for the benefit derived by the public as a result of the contribution of the invention

²¹⁶¹ Article 11 Directive 2004/48/EC. See also article 9 Directive 2004/48/EC on Provisional and precautionary measures against an intermediary.

²¹⁶² Article 13(1) Directive 2004/48/EC.

²¹⁶³ Article 13(1)(a) Directive 2004/48/EC. See Hellberg 2014 p. 181 (suggesting that under the Enforcement Directive, the right holder is entitled to (or at least the Member State is not prohibited from granting) the infringer’s profits even if they exceed the right holder’s actual damage).

²¹⁶⁴ Article 13(1)(b) Directive 2004/48/EC (“as an alternative to (a), they may, in appropriate cases, set the damages as a lump sum on the basis of elements such as at least the amount of royalties or fees which would have been due if the infringer had requested authorisation to use the intellectual property right in question.”).

²¹⁶⁵ Article 10 (corrective measures), 14 (legal costs), 15 (publicity) Directive 2004/48/EC.

²¹⁶⁶ Article 3 Directive 2004/48/EC.

²¹⁶⁷ See section 2 Regulation 608/2013.

²¹⁶⁸ Article 2.1 TRIPS.

²¹⁶⁹ Article I, Section 8, clause 8 U.S. Constitution (“To promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries;”).

to society.²¹⁷⁰ In 2013, the U.S. underwent a major reform from a first to invent system to a first (inventor) to file system.²¹⁷¹ The enactment of the federal act pre-empts any possibility of state patent laws.²¹⁷²

The federal Patent Act expressly states that the rights conferred by a U.S. patent are limited to the U.S. territory.²¹⁷³ The territorial application of the patent act depends on the localisation of an infringing act in the U.S.; the application of the Patent Act cannot be based solely on effects in the U.S.²¹⁷⁴ Section 271(a) defines direct patent infringement, which is expressly limited to the U.S. territory. Interference with any of these rights is an infringement.

Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, *within the United States* or imports *into the United States* any patented invention during the term of the patent therefore, infringes the patent. (emphasis added).²¹⁷⁵

In addition, section 271(g) makes it a direct infringement to exploit a product that is made by a process patented in the United States. Section 271(g) is also expressly limited to the U.S. territory.

Whoever without authority imports *into the United States* or offers to sell, sells, or uses *within the United States* a product which is made by a process patented in the United States shall be liable as an infringer, if the importation,

²¹⁷⁰ See e.g. *Brenner v Manson*, 383 U.S. 519, 534 (1966) (“The basic quid pro quo ... for granting a patent monopoly is the benefit derived by the public from an invention with substantial utility.”); *Enzo Biochem, Inc. v Gen-Probe Inc.*, 296 F.3d 1316, 1330 (Fed. Cir. 2002) (the written description requirement “is the quid pro quo of the patent system; the public must receive meaningful disclosure in exchange for being excluded from practicing the invention for a limited period of time”).

²¹⁷¹ Halpern et al. 2012 p. 179-180.

²¹⁷² See *Bonito Boats, Inc. v Thunder Craft Boats, Inc.*, 489 U.S. 141, 164-68 (1989) (holding that the federal Patent Act pre-empts state statutory protection for unpatentable ideas).

²¹⁷³ 35 U.S.C. § 154(a)(1) (“Contents. - Every patent shall contain a short title of the invention and a grant to the patentee, his heirs or assigns, of the right to exclude others from making, using, offering for sale, or selling the invention *throughout the United States* or importing the invention *into the United States*, and, if the invention is a process, of the right to exclude others from using, offering for sale or selling *throughout the United States*, or importing *into the United States*, products made by that process, referring to the specification for the particulars thereof.”) (emphasis added).

²¹⁷⁴ *Halo Electronics Inc. v Pulse Electronics, Inc.*, 769 F.3d 1371, 1380 (Fed. Cir. 2014), *vacated and remanded on other grounds*, 136 S.Ct. 1923 (2016) (“We also reject Halo’s argument that the sales at issue occurred in the United States simply because Halo suffered economic harm as a result of those sales. The incurring of harm alone does not control the infringement inquiry.”).

²¹⁷⁵ 35 U.S.C. § 271(a).

offer to sell, sale, or use of the product occurs during the term of such process patent. (emphasis added).²¹⁷⁶

The infringing acts “to offer to sell” and “imports” were added to section 271(a) and section 271(g) to comply with TRIPS.²¹⁷⁷ The act “to offer to sell” is an independent infringing act that does not require a further infringing act such as an actual sale.²¹⁷⁸ It should be noted that the texts of section 271(a) and section 271(g) do not contain the qualification made in article 28.1(a) and (b) TRIPS, which limits the restricted act of importing to situations where the importation is for the purpose of making, using, offering for sale or selling the product. The literal text of the U.S. act makes importation itself a primary act of infringement.²¹⁷⁹ It will be a question for the courts to decide whether importation for a permissible purpose, e.g. stocking, exportation, research exemption or mere transit, is an infringing act.

In 1984, section 271(f) was added to the federal Patent Act making it an infringement to supply or cause to be supplied components of a patented invention for assembly outside the U.S. The section does not require that the invention is used or put into effect in the U.S. Section 271(f) extends the extraterritorial effect of the federal Patent Act by localising the infringing act on the U.S. territory where the act of “supplying” takes place.²¹⁸⁰ Section 271(f) states:

(1) Whoever without authority supplies or causes to be supplied *in or from the United States* all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in

²¹⁷⁶ 35 U.S.C. § 271(g). Concerning the difficulty of defining what is a product made by a patented process, see e.g. *Bayer AG v Housey Pharmaceuticals, Inc.* 340 F.3d 1367 (Fed. Cir. 2003) (finding that the importation of information derived from a patented screening process is not “a product which is made by a process” under section 271(g)); *CNET Networks, Inc. v Etilize, Inc.*, 528 F.Supp.2d 985 (N.D. Cal. 2007) (finding that a digital catalogue made by a patented process and stored on a physical media is a product within the meaning of section 271(g)).

²¹⁷⁷ Halpern et al. 2012 p. 216.

²¹⁷⁸ *Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1308 (Fed. Cir. 2010), *petition for writ of cert. dismissed*, 134 S.Ct. 2333 (2014) (“An offer to sell is a distinct act of infringement separate from an actual sale. An offer to sell differs from a sale in that an offer to sell need not be accepted to constitute an act of infringement.”).

²¹⁷⁹ Halpern et al. 2012 p. 220 (stating that importation into the U.S. of a patented invention, in and of itself, is an act of infringement); *Fellowes, Inc. v Michilin Prosperity Co., Ltd.*, 491 F.Supp.2d 571, 583 (E.D.Va. 2007) (“to directly infringe under § 271(a), an importation of an infringing product need not include, nor be followed by, a sale, offer to sell, or any other particular course of action; the infringing activity is the unauthorized importation of an infringing product itself.”).

²¹⁸⁰ *Chisum* 1997 p. 607 (stating that section 271(f) relies on a tangible domestic act as a hook to reach foreign activity that harms the patent owner’s exclusive market in the U.S.).

such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer. (emphasis added).

(2) Whoever without authority supplies or causes to be supplied *in or from the United States* any component of a patented invention that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer. (emphasis added).²¹⁸¹

Section 271(f) does not have any equivalent in the TRIPS Agreement. It was added in response to the Supreme Court's decision in *Deepsouth v Laitram Corp* that exposed a perceived loophole in the patent law. In that case, the Supreme Court held that the defendant did not infringe the patent because it did not "make" the patented invention within the U.S. in the meaning of section 271(a) since it only manufactured the unassembled unpatented components within the U.S. and shipped them outside the U.S. for assembly by foreign buyers.²¹⁸² The Supreme Court affirmed the Patent Act's strict territorial application stating: "Our patent system makes no claim to extraterritorial effect; . . . and we correspondingly reject the claims of others to such control over our markets."²¹⁸³

It is also an act of infringement to submit an application for regulatory approval to the U.S. drug regulatory authority (Food & Drug Administration or FDA) if the purpose of such submission is to obtain approval to engage in the commercial manufacture, use or sale of a drug, veterinary biological product or biological product claimed in a patent or the use of which is claimed in a patent before the expiration of such patent.²¹⁸⁴ This last type of infringement is a technical cause of action that is used most often in litigation involving generic pharmaceuticals.²¹⁸⁵ The FDA applicant must certify

²¹⁸¹ 35 U.S.C. § 271(f).

²¹⁸² *Deepsouth Packing Co., Inc. v Laitram Corp.*, 406 U.S. 518 (1972).

²¹⁸³ *Deepsouth Packing Co., Inc. v Laitram Corp.*, 406 U.S. 518 (1972). See also *Microsoft Corp. v AT&T Corp.*, 550 U.S. 437, 455 (2007) ("Foreign conduct is [generally] the domain of foreign law," and in the area here involved, in particular, foreign law "may embody different policy judgments about the relative rights of inventors, competitors, and the public in patented inventions."); *Brown v Duchesne*, 60 U.S. 183 (1856) (stating that an extraterritorial application of the patent law would "embarrass the commerce of the country with foreign nations;").

²¹⁸⁴ 35 U.S.C. § 271(e)(2). See generally Upadhye 2000.

²¹⁸⁵ Bucknell 2011 p. 1013-1015.

the patent status of any known patents that cover the drug. If the applicant certifies that the patents covering the drug are invalid or will not be infringed by the manufacture, use, sale or offer for sale of the drug for which approval is sought, the infringement provision is triggered. Whether an infringement is indeed at hand will depend on whether the patent is in fact invalid or whether the generic drug is in fact outside the scope of the patent.

In addition to the acts of direct infringement discussed above, the federal Patent Act imposes liability for inducement and contributory patent infringement. Section 271(b) states: “Whoever actively induces infringement of a patent shall be liable as an infringer.”²¹⁸⁶ Section 271(c) makes suppliers of a material component of an invention liable for contributory infringement. Section 271(c) states:

Whoever offers to sell or sells *within the United States* or imports *into the United States* a component of a patented machine, manufacture, combination or composition, or a material or apparatus for use in practicing a patented process, constituting a material part of the invention, knowing the same to be especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for substantial noninfringing use, shall be liable as a contributory infringer. (emphasis added).²¹⁸⁷

Section 271(b) contains no territorial limitation requiring that the act of inducement must take place in the U.S. Section 271(c) did not originally contain a territorial limitation. A territorial limitation was added in 1994 when acts of “offering to sell” and “importing” were added.²¹⁸⁸ A prerequisite for a claim of inducement or contributory infringement is a finding of direct infringement, which must take place in the U.S.²¹⁸⁹

²¹⁸⁶ 35 U.S.C. § 271(b).

²¹⁸⁷ 35 U.S.C. § 271(c). See *Global-Tech Appliances, Inc. v SEB S.A.*, 563 U.S. 754 (2011) (regarding the knowledge criteria).

²¹⁸⁸ See Chisum 1997 p. 615 (stating that there was no policy reason for the change and it may have been a grammatical indiscretion).

²¹⁸⁹ *Limelight Networks, Inc. v Akamai Technologies, Inc.*, 134 S.Ct. 2111 (2014) (holding that inducement liability may arise “if, but only if, [there is] . . . direct infringement.”); *Aro Manufacturing Co. v Convertible Top Replacement Co.*, 365 U.S. 336 (1961) (“It is plain that § 271(c) -- a part of the Patent Code enacted in 1952 -- made no change in the fundamental precept that there can be no contributory infringement in the absence of a direct infringement.”); *Deepsouth Packing Co., Inc. v Laitram Corp.*, 406 U.S. 518, 526 (1972) (“it is established that there can be no contributory infringement without the fact or intention of a direct infringement.”).

There are both statutory and non-statutory exceptions and limitations on the right holder's exclusive rights.²¹⁹⁰ The Federal Circuit recently reaffirmed the non-statutory national exhaustion rule holding that the sale of a patented item outside the U.S. does not exhaust the U.S. patent right.²¹⁹¹ The court distinguished the global exhaustion doctrine for copyright *inter alia* on the basis that the grant of a U.S. patent guarantees the right holder an award for just the U.S. market and not foreign markets.²¹⁹² The court observed that copyright was different in that it "spring[s] into being without any government approval, and standards hardly vary compared to patenting standards."²¹⁹³ In addition, the court observed that the national exhaustion rule, has "a mirror-image counterpart in the territoriality principle of U.S. patent law that broadly denies projection of U.S. patent rights to cover foreign conduct."²¹⁹⁴

An injunction may be ordered against an infringer of a U.S. patent.²¹⁹⁵ There is no automatic right to an injunction following an infringement. To determine if an injunction should be issued the court must apply the generally applicable four-factor test, which includes the consideration of the public interest.²¹⁹⁶ The Federal Circuit has held that an injunction is permitted only to prevent future infringement of a patent, not to remedy past infringe-

²¹⁹⁰ See e.g. 35 U.S.C. § 273 (Defence to infringement based on prior commercial use); 35 U.S.C. § 271(e)(1) (acts for obtaining regulatory approval).

²¹⁹¹ See *Lexmark Intern., Inc. v Impression Products, Inc.*, 816 F.3d 721 (Fed. Cir. 2016) (*en banc*), *petition for writ of cert. docketed* March 22, 2016 (adhering to the holding of *Jazz Photo Corp. v International Trade Comm'n*, 264 F.3d 1094 (Fed. Cir. 2001) that a U.S. patentee, merely by selling or authorising the sale of a U.S. patented article abroad, does not authorise the buyer to import the article and sell and use it in the U.S.).

²¹⁹² See generally Chisum 1997 p. 608 ("Granted that a territorial patent should co-extend with the territorial market, what is a territorial market?").

²¹⁹³ *Lexmark Intern., Inc. v Impression Products, Inc.*, 816 F.3d 721, 760-763 (Fed. Cir. 2016) (*en banc*), *petition for writ of cert. docketed* March 22, 2016 ("The guarantee is the reward from sales in American markets, not from sales in foreign markets. . . . American markets differ substantially from markets in many other countries, and not just because of disparities in wealth that can lead to dramatically different prices (especially for low-marginal-cost products). Government policies differ dramatically, including policies on price regulation and, most particularly, policies on the availability and scope of patent protection. Patents involve costly government-approval processes, and the standards vary. . . . Copyrights are different. They generally spring into being without any government approval, and standards hardly vary compared to patenting standards.").

²¹⁹⁴ *Lexmark Intern., Inc. v Impression Products, Inc.*, 816 F.3d 721, 762-766 (Fed. Cir. 2016) (*en banc*), *petition for writ of cert. docketed* March 22, 2016.

²¹⁹⁵ 35 U.S.C. § 283.

²¹⁹⁶ *eBay v MercExchange*, 547 U.S. 388 (2006) (holding that an injunction should not be automatically issued based on a finding of patent infringement, but also that a federal court must consider the four-factor test traditionally used to determine if an injunction should be issued, which includes the interest of the public at large).

ment.²¹⁹⁷ Damages may be awarded against an infringer of a U.S. patent that are “adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court.”²¹⁹⁸ Only the patentee's damages can be recovered, and not the infringer's profits.²¹⁹⁹ Recently, the Federal Circuit held that the principle of territoriality “applies not just to identifying the conduct that will be deemed infringing but also to assessing the damages that are to be imposed for domestic liability-creating conduct.”²²⁰⁰ Damages may be trebled in the case of a wilful infringement.²²⁰¹ Attorney fees may be ordered against an infringer of a U.S. patent.²²⁰²

The U.S. has ratified all major patent conventions, including the TRIPS Agreement.

Introduction of tangible goods embodying the invention into the territory (inbound regulation)

The question addressed is whether a seller who introduces or offers to introduce tangible goods embodying an invention into the protected territory falls within the territorial scope of the domestic patent law even though the seller acts from outside the protected territory.

²¹⁹⁷ See *Spine Solutions, Inc. v Medtronic Sofamor Danek USA, Inc.*, 620 F.3d 1305, 1320 (Fed. Cir. 2010) (“An injunction is only proper to prevent future infringement of a patent, not to remedy past infringement.”); *Johns Hopkins University v CellPro, Inc.*, 152 F.3d 1342 (Fed. Cir. 1998) (holding that section 283 does not provide remedies for past infringement; it only provides for injunctive relief to prevent future infringement.); 35 U.S.C. § 283 (“The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to *prevent* the violation of any right secured by patent, on such terms as the court deems reasonable.”) (emphasis added). See generally Golden 2012 p. 1424-25.

²¹⁹⁸ 35 U.S.C. § 284.

²¹⁹⁹ *Aro Mfg. Co., Inc. v Convertible Top Co.*, 377 U.S. 476, 507 (1964) (defining damages as “compensation for the pecuniary loss he [the patentee] has suffered from the infringement, without regard to the question whether the defendant has gained or lost by his unlawful acts.”). See critically Frye 2013 (arguing that a restitutionary approach should be used by the courts in calculating patent damages).

²²⁰⁰ *Carnegie Mellon University v Marvell Tech Group*, 807 F.3d 1283, 1308, 1306 (Fed. Cir. 2015).

²²⁰¹ 35 U.S.C. § 284 (stating that the court may increase the damages up to three times the amount found or assessed). See also *Halo Electronics Inc. v Pulse Electronics, Inc.*, 136 S.Ct. 1923 (2016) (“Awards of enhanced damages under the Patent Act over the past 180 years establish that they are not to be meted out in a typical infringement case, but are instead designed as a “punitive” or “vindictive” sanction for egregious infringement behavior.”); Halpern 2012 p. 234.

²²⁰² 35 U.S.C. § 285.

In the *European Union*, the introduction (or offer thereof) of tangible goods embodying an invention into a Member State where the invention is patented may, depending on the specific statutory text in the Member State's patent Act, implicate the restricted acts of "putting on the market", "offering", "selling", "offering for sale", "disposing of", "offering to dispose of" and "importing." There does not appear to be an autonomous position among the Member States with regard to the definition and localisation of the infringing act. In particular, the UK position differs from that of the continental Member States.

According to Benyamini, the infringing act of "putting on the market" as used in many Member States is a commercial term that emphasises the commercial and economic aspects of the infringing act as opposed to the legal (contractual) aspects.²²⁰³ Pursuant to this understanding, a foreign seller who makes the necessary arrangements to ensure that a customer is provided with the product in a Member State is putting the product on the market in that Member State, and this is true regardless of whether the seller parts with possession and property of the product outside the Member State of protection and regardless of the terms of the delivery contract (fob, cif, etc.).²²⁰⁴ In those Member States employing the expression "putting on the market", foreign sellers that arrange to transport goods to customers in Member States where the goods are protected by patent have been found to infringe the exclusive right of "putting on the market" even though the foreign seller does not itself physically act there.²²⁰⁵ Even if a foreign seller is not liable for di-

²²⁰³ Benyamini 1993 p. 120.

²²⁰⁴ Benyamini 1993 p. 255-56; Trimble 2012 p. 118 (stating that the German courts look beyond pure contract law terms to determine where a sale takes places); Godenhilms 1975 p. 242 (questioning the advisability of importing a legal contractual analysis into patent law).

²²⁰⁵ See *Probel v Parke Davis*, Supreme Court of the Netherlands, [1964] NJ 1372, No 494, referenced in Bucknell 2011 p. 1023-1024 (holding that "putting on the market" means actually making the product available to a third party in the Netherlands and finding that a Belgian seller had infringed a Dutch patent by dispatching infringing goods to customers in the Netherlands by transport that he had arranged); *Organon v ARS II*, Supreme Court of the Netherlands, [1995] NJ 1996/463, BIE 1997/41, referenced in Bucknell 2011 p. 1023-1024 (holding that "putting on the market" does not require the transfer of title); *Novartis v Johnson & Johnson*, Paris Court of Appeal, Div. 5, ch 1, 27 October 2010 (holding foreign companies who organised deliveries and invoiced the customers for the goods liable for "importing" and "putting on the market" in France); *Water Corp. v Agilent Technologies Deutschland*, Paris Court of Appeal, Div. 5, ch 1, 5 October 2011 (affirming that U.S. corporation took part in the act of importing goods into France by supplying its French subsidiary regardless of the fact that the goods were shipped via the Netherlands, and concluded that these facts characterised an offer for sale and an importation of the goods into France by the U.S. corporation). But see Godenhilms 1975 p. 237, 241-242 (concluding that a foreign seller who does not physically carry out any acts in the destination state would be outside the territorial scope of the destination state's patent law because the seller's direct physical involvement with the goods ends once it hands over the goods to the carrier in the state of export). It is submitted that

rect infringement because the seller's acts cannot be localised in the Member State of destination, a foreign seller that participates from abroad in the putting on the market of patented goods may be liable for contributory infringement.²²⁰⁶

The patent acts of other Member States use the expression "to sell" in order to define one of the exclusive rights of the patent owner, which is narrower than the expression "putting on the market."²²⁰⁷ The UK Patents Act uses the expression "disposes of", which replaced the expression "vending" in the old patents act when the old act was amended to conform to the CPC.²²⁰⁸ Nevertheless, the UK continues to maintain its long-established rule that there can be no infringement in the UK if the sale is completed abroad.²²⁰⁹ The position in the UK is that a product is not "disposed of" within the UK unless the title passes to the buyer under the applicable contract law while the goods are physically present in the UK.²²¹⁰ This is the case even though the goods are intended for use in the UK. Thus, a U.S. company that sold filters (which were protected by a UK patent) to a UK company fob shipping point USA did not make an infringing "disposal" of the filters in the UK because the "property had passed to the buyer while the article was still in the United States and [the U.S. company] had parted with possession, both actual and constructive."²²¹¹ Using similar reasoning, the UK House of Lords held that a foreign seller that had arranged for the transport of the goods to the UK where they were patented was not "importing" the goods under the UK Patents Act because the title to the goods passed to the UK purchaser in Ita-

Goldehielm's analysis, which was made 40 years ago, does not reflect modern trends with respect to the flexibility of the territorial principle that has been evident in more recent years.

²²⁰⁶ See e.g. X ZR 36/01 (Funkuhr I/Radio Clock I), German Federal Court of Justice, 26 February 2002, IIC 2003, 34(4), 432 (finding foreign supplier liable for contributing to market the infringing products on the German market); 7 O 139/12, Regional Court Mannheim, 8 March 2013, referenced in Bausch, T., Mannheim Regional Court on the liability of a foreign supplier under German Patent Law, Kluwer patent blog 1 August 2013, <http://kluwerpatentblog.com/2013/08/01/mannheim-regional-court-on-the-liability-of-a-foreign-supplier-under-german-patent-law/>, viewed 24 August 2016.

²²⁰⁷ See Benyamini 1993 p. 121.

²²⁰⁸ Compare section 60(1)(a & c) UK Patents Act 1977 with UK Patents Act 1949, which uses the term "vend".

²²⁰⁹ Benyamini 1993 p. 251-52.

²²¹⁰ *Oxonica Energy Ltd v Neuftec Ltd*, England and Wales High Court, [2008] EWHC 2127 (Ch. 2008) ("In British patent law a product is not considered to be sold or disposed of in this country unless the title passes to the buyer while the goods are physically present in this jurisdiction."); *The Badische Anilin Und Soda Fabrik v The Basle Chemicals Works*, UK House of Lords, [1898] A.C. 200 (UK HL) (holding that sale of goods from Switzerland and delivered by post to UK took place in Switzerland when delivered to post office there and did not therefore infringe UK patent because Post office was agent of buyer and property in goods passed in Switzerland).

²²¹¹ *Kalman v PCL Packaging (UK) Ltd*, England and Wales High Court, [1982] F.S.R. 406.

ly.²²¹² It cannot be excluded that even other Member States, in particular those whose patent acts use the expression “selling” instead of the broader commercial expression “putting on the market”, would employ an analysis similar to that of the UK courts.

The act of “offering” or “offering to sell” is an independent act of infringement in most Member States.²²¹³ The act of “offering” can be localised in the Member State to which the offer is directed to a buyer by letter, telephone, telex or email, even if a foreign offeror is acting from outside the Member State.²²¹⁴ An offer made on an internet website of a product covered by a patent has been localised in the Member State to which the offer is directed.²²¹⁵ Pursuant to the objective territorial principle, these acts of offering can be localised in the state to which they are directed as the offer can be perceived and ordered by the offeree in the protected territory. Similar problems arise here as in trademark law and copyright law concerning under what circumstances an internet offer is directed to an EU Member State.²²¹⁶

However, an offer made wholly abroad (e.g. not accessible to the offeree while the offeree is in the protected Member State) with respect to putting on the market goods embodying an invention in the protected Member State would not likely fall within the territorial scope of the Member State patent acts. Indeed, the European perspective on the principle of territoriality is that the infringing act of “offering” must have some tangible connection to the protected territory.²²¹⁷ In a case before the Austrian Supreme Court, the defendants had advertised allegedly infringing products at an international trade fair in Germany and Turkey, which another defendant subsequently

²²¹² *Sabaf SpA v MFI Furniture Centres*, UK House of Lords, 2004 UKHL 45.

²²¹³ But see *Kalman v PCL Packaging (UK) Ltd*, England and Wales High Court, [1982] F.S.R. 406 (treating the act of “offering” as dependent on the contemplation that the “disposal” will also take place in the UK).

²²¹⁴ See *Benyamini* 1993 p. 254 (stating that commercial rather than legalistic reasoning determines the location of the offer; the place of the offer under the applicable contract law is not decisive).

²²¹⁵ See *Trimble* 2012 p. 120-121 (stating that German courts have localised internet offers of patented products in Germany where the website listed German distributors and when the website was in German); *Peukert* 2011 p. 207-208 fn. 86 (stating that an offer on the internet of a patented product is localised to Germany if orders from Germany are handled); *Boegli-Gravures SA v Darsail-Asp Ltd.*, England and Wales High Court, [2009] EWHC 2690 (Pat) (applying the same approach as used in trademark law that the offer must be directed to the UK to be localised there).

²²¹⁶ See e.g. *Boegli-Gravures SA v Darsail-Asp Ltd.*, England and Wales High Court, [2009] EWHC 2690 (Pat) (holding that website contained an offer to supply the world at large and was not sufficiently targeted at the UK to be localised there).

²²¹⁷ *Benyamini* 1993 p. 260 (stating that article 25 CPC does not prohibit a mere offer abroad to supply a patented product in the protected territory); *Jacobsson et al.* 1980 p. 110.

imported into Austria and infringed the right holder's Austrian patent.²²¹⁸ The question arose whether the first defendant's offer of the products outside of Austria could infringe the patent in Austria. The court observed that the principle of territoriality implies that an IP right can be infringed only in the state where the IP right is granted or protected. Referring to trademark infringement on the internet, the Court noted however that it could not be excluded that an act abroad, because of its effect on the domestic market, could infringe an IP right. The Court cautioned however that this practice could not be transferred indiscriminately to other situations because a characteristic of the internet is that the infringing act (e.g. trademark use in an advertisement) can be accessed in the state of protection. In contrast, the court observed that offers made at trade fairs outside the state of protection lack accessibility in the state of protection.²²¹⁹

A foreign seller also may fall within the territorial scope of some EU Member State laws by "supplying" or "offering to supply" components of a patented product. As noted, the patent laws of many EU Member States include a provision on indirect infringement modelled on article 26 CPC.²²²⁰ Pursuant to the provisions on indirect infringement, the "supply" or "offer to supply" of means relating to an essential element of the invention, for putting the invention into effect in the domestic territory, may infringe if certain knowledge criteria are satisfied. According to Benyamini, the expression "supply" is even broader than the expression "putting on the market" and covers any delivery of means for the benefit of the recipient.²²²¹ Indirect infringement by "supplying" components contains a double territorial requirement whereas not only the supply but also the contemplated use of the invention (putting into effect) must take place within the protected territory.²²²² A triple territorial requirement applies to be liable for "offering to

²²¹⁸ 4 Ob 140/13m, Austrian Supreme Court, 22 October 2013, referenced in Helmut Sonn, Austria: No infringement through exhibition abroad, *Managing Intellectual Property*, 27 February 2014, <http://www.managingip.com/Article/3313961/Austria-No-infringement-through-exhibition-abroad.html>, viewed 24 August 2016.

²²¹⁹ Ultimately, the Court did not need to answer the question whether an act abroad that was not accessible in the state of protection could infringe a patent because the defendants had not directed their activities toward the Austrian market.

²²²⁰ See e.g. section 10 German Patents Act; article 613-4 French Intellectual Property Code; article 73 Netherlands Patents Act; sections 60(2-3) UK 1977 Patents Act; section 3, point 3 second sentence Swedish Patent Act.

²²²¹ Benyamini 1993 p. 121, 189.

²²²² See e.g. *Virgin Atlantic Airways Ltd. v Delta Airways, Inc.*, England and Wales High Court, [2010] EWHC 3094 (Pat) 135, *rev'd on other grounds*, England and Wales Court of Appeal, [2011] EWCA Civ 162 ("in order for there to be infringement under section 60(2), a double territorial requirement must be satisfied. First, the supply or offer for supply of the "means relating to an essential element of the invention" must take place in the UK. Secondly, the means must be "suitable for putting, and intended to put, the invention into effect" in the

supply” components of a patented product. The offer itself must be made in the protected Member State, the supply must be contemplated to take place there, and it must be for the purpose of putting the invention into effect there.²²²³

The CJEU has not directly ruled on the territorial scope of the Member States’ prescriptive jurisdiction under the Enforcement Directive to grant injunctions covering foreign activities with an aim to prevent or put an end to an infringement of a domestic patent.²²²⁴ There does not appear to be much discussion of this issue on the substantive law level in European literature.²²²⁵ In practice, Member State courts regularly issue cross border injunctions where the injunction in essence targets the defendant’s foreign conduct although the injunction only technically requires the defendant to cease the infringement on the domestic territory.²²²⁶ It would be unusual for a court to specifically order the defendant to do or cease doing something outside the

UK.”); *Bluewater v Single Buoy Mooring*, Court of Appeal of The Hague (Gerechtshof Den Haag), 18 May 2006, referenced in Sabine Agé, Véron & Associés, *Cross Border Supply of Elements of a Patented Invention*, Presentation given 25 June 2010 in Cologne; 6 U 34/12 (MP2 devices), Court of Appeals Karlsruhe, 5 August 2013, referenced in Eisenführ Speiser, *Recent Case Law in German Patent Law 2014*, http://www.eisenfuhr.com/files/recent_caselaw_in_german_patent_law_2014.pdf, viewed 24 August 2016 (foreign supplier who handed over components in China to two German companies was supplying in Germany as its website referred to one of the German companies as its distributor in Germany); X ZR 53/04 (*Funkuhr II/Radio Clock II*), German Federal Court of Justice, 30 January 2007, IIC 2007, 38(5), 607-612 (stating that the supply of components and the contemplated use of the protected invention must both be in Germany for indirect patent infringement to arise to Germany). In the *Funkuhr II/Radio Clock II* case, the German Supreme Court took a broad view of the first criterion where it stated that “supply” takes place in Germany provided the supply partly takes place in Germany. Thus, the act of supplying could be localised in Germany not only when components were supplied to Germany but also if components were supplied from Germany to a destination abroad. The Court also found the putting into effect criterion to be satisfied because, although the component parts were exported abroad, the parts were incorporated into a finished patented product which was imported into Germany to be used there.

²²²³ Benyamini 1993 p. 260.

²²²⁴ See *Torremans 2014:2 p. 549* (observing that the provisions of the Enforcement Directive are silent on the potential cross border nature of injunctions).

²²²⁵ *Trimble 2009 p. 364* (stating that “injunctions covering foreign activities pertaining to domestic patents have not been specifically discussed in the European literature”); *Torremans 2014:2 p. 550-552* (discussing how the scope of the court’s jurisdiction limits the scope of the remedy).

²²²⁶ *Trimble 2009 p. 364-367* (observing that such injunctions are strictly formulated as limited to the infringement on the domestic territory but that the injunctions clearly target the defendant’s foreign conduct).

protecting state in an aim to put an end to an infringement in the protecting state.²²²⁷

In the *United States*, the sale or offer to sell tangible goods originating from outside the U.S. but to purchasers in the U.S. where the goods are protected by patent may implicate the exclusive rights “to offer to sell”, “to sell”, and “to import” goods protected by patent or goods made under a patented process.²²²⁸ In *Litecubes, LLC v Northern Light Products, Inc.*, the Federal Circuit found that direct sales and dispatch of goods embodying an invention patented in the U.S. to consumers in the U.S. was an infringing sale in the U.S.²²²⁹ The court found support in an earlier ruling concerning the localisation of the act of selling for the purpose of personal jurisdiction. In that case, the court observed that the act of selling could be defined in real terms such as the location of the seller or the buyer or in formal terms as the point at which some legally operative act took place as a matter of commercial law.²²³⁰ The court held that the “more familiar places of contracting and performance may take precedence over the passage of legal title” when localis-

²²²⁷ The UK courts have expressed a reluctance to issue cross border injunctions restraining the defendant’s activities abroad, although a reason for the reluctance may be the nature of the relief sought. In the cases where the issue has arisen, relief was sought to prevent the infringer from deriving any benefit from a past domestic infringement (i.e. reparative injunction as opposed to preventive injunction). See *Kirin-Amgen Inc v Transkaryotic Therapies Inc* (No.3), England and Wales High Court, [2002] R.P.C. 3, 2001 WL 825732 (“As a matter of principle, it seems to me that this court cannot, at least in the absence of very exceptional circumstances, grant an injunction in a patent infringement case, restraining a person’s activities abroad, even if those activities were only possible as a result of an infringement in this jurisdiction. Nor do I consider that the court can normally order repatriation or destruction of material which is abroad, and which if it were in this jurisdiction would infringe, even if the manufacture of that material was directly or indirectly in the United Kingdom.”); *Union Carbide Corp. v BP Chemicals Ltd.*, England and Wales High Court, [1998] F.S.R. 1 (refusing to allow the right holder to amend its pleading to seek an injunction to restrain the defendant from using “anywhere in the world” data it obtained as a result of infringing act in the UK through the infringement of the right holder’s patent).

²²²⁸ 35 U.S.C. §§ 271(a), 271(g).

²²²⁹ *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353 (Fed. Cir. 2008).

²²³⁰ *North American Philips Corp. v American Vending Sales, Inc.*, 35 F.3d 1576, 1579 (Fed. Cir. 1994) (observing “that unlike the ‘making’ and the ‘using’ of an infringing article, which as purely physical occurrences are relatively straightforward to place, the ‘selling’ of an infringing article has both a physical and a conceptual dimension to it. That is to say, it is possible to define the situs of the tort of infringement-by-sale either in real terms as including the location of the seller and the buyer and perhaps the points along the shipment route in between, or in formal terms as the single point at which some legally operative act took place, such as the place where the sales transaction would be deemed to have occurred as a matter of commercial law.”).

ing the act of selling for the purpose of jurisdiction.²²³¹ Likewise, the *Litecubes* court found that a formalistic approach to localisation for the purpose of substantive patent law did not serve any policy behind the patent act. Thus, the *Litecubes* court localised the act of selling using the place of contracting and performance of the contract. The infringing act was localised at the location of the buyer, which was also where the infringing goods were dispatched directly to the U.S. territory.²²³² In general, a foreign seller that sells directly to a U.S. buyer for ultimate delivery in the U.S. has been found to make infringing sales in the U.S. regardless of the fact that the sale is made f.o.b. foreign country.²²³³ At least one district court has interpreted the Federal Circuit's *Litecubes* decision to mean that a sale could be localised in the U.S. based on the fact that the sale was made to a buyer in the U.S. even though the seller does not dispatch the goods to the U.S. or arrange for their transport to the U.S.²²³⁴ In the court's view, the connecting factor was the place of contracting, i.e. the direct sale to a buyer in the U.S. The fact that the buyer appointed its own freight forwarder to deliver the goods to the U.S. did not prevent the sale from being localised in the U.S. The court found persuasive a decision discussed above that reached the same conclusion with respect to the distribution right under copyright.²²³⁵ On the other hand, a

²²³¹ *North American Philips Corp. v American Vending Sales, Inc.*, 35 F.3d 1576, 1579 (Fed. Cir. 1994) (“to sell an infringing article to a buyer in Illinois is to commit a tort there (though not necessarily only there).”).

²²³² *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353, 1371-1372 (Fed. Cir. 2008) (“it is undisputed that GlowProducts sold the products directly to customers in the United States. Since the American customers were in the United States when they contracted for the accused cubes, and the products were delivered directly to the United States, . . . there is substantial evidence to support the jury's conclusion that GlowProducts sold the accused cubes within the United States.”).

²²³³ See *SEB S.A. v Montgomery Ward & Co., Inc.*, 594 F.3d 1360 (Fed. Cir. 2010) (upholding district court's instruction to jury that they could consider “where the products were shipped from and where the products were shipped to” in determining if a sale occurred in the U.S. and that f.o.b. terms were not dispositive, where record evidence showed that defendant intended to sell infringing products directly into the U.S., defendant itself affixed U.S. trademarks to the products, manufactured them with North American electrical fittings, and the invoices between defendant and its U.S. buyers identify delivery to U.S. destinations); *Fel- lowes, Inc. v Michilin Prosperity Co., Ltd.*, 491 F.Supp.2d 571 (E.D.Va. 2007) (finding that foreign seller had sold infringing goods in the U.S. even though all sales were made f.o.b. China because foreign seller negotiated and communicated directly with U.S. customers and received revenues directly from them); *Ensign-Bickford Co. v ICI Explosives USA Inc.*, 817 F.Supp. 1018 (D.Conn. 1993) (“the fact that ICI Canada [foreign seller] formally transferred title to the [product] on Canadian territory is not sufficient to preclude a finding that ICI Canada sold the [product] in the United States.”); *Fausett v Pansy Ellen, Inc.* 1990 WL 314092 (N.D. Ga. 1990) (“it is not appropriate for application of the patent laws to depend on whether goods are designated F.O.B. shipping point or destination.”).

²²³⁴ *Emerson Elec. Co. v Suzhou Cleva Elec. Appliance Co., Ltd.*, 2015 WL 2179377 (E.D. Mo. 2015).

²²³⁵ *Zimmnick v General Foam Plastics Corp.* 2010 WL 3941869 (N.D. Ill. 2010).

foreign seller that does not directly sell to a U.S. buyer but uses a foreign intermediary has been found not make a sale in the U.S.²²³⁶ However, even if a foreign seller's act cannot be localised in the U.S., a foreign seller that sells goods for ultimate delivery to the U.S. may be liable for inducement infringement, provided the seller acted with knowledge.²²³⁷ The act of inducement does not have to take place in the U.S., only the direct infringement must take place there.

The Federal Circuit has also localised the act "to sell" in the U.S. when the U.S. was the place of performance under the contract, even though the place of contracting was abroad. In *Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, the defendant argued that its sale of a patented apparatus fell outside the territorial scope of the federal Patent Act because the parties negotiated and entered into a sales contract in Norway.²²³⁸ The defendant argued that the act "to sell" should be localised in Norway at the place of contracting. Moreover, the defendant argued that the place of performance of the contract (e.g. delivery of the apparatus in the U.S.) was not significant because the apparatus that was in fact delivered to the U.S. had been altered before delivery so that it was not infringing.

The court rejected the defendant's localisation of the sale in Norway stating that "a sale does not only occur at a single point where some legally operative act took place" and that the court could "also consider other factors such

²²³⁶ See *MEMC Electronic Materials, Inc. v Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369 (Fed. Cir. 2005) (finding that foreign manufacturer did not sell the infringing goods in the U.S. because there was no evidence that "contracting and performance" took place in the U.S. where the manufacturer did not directly sell to buyer in U.S.).

²²³⁷ *Merial Ltd. v Cipla Ltd.*, 681 F.3d 1283, 1302-03 (Fed. Cir. 2012) ("where a foreign party, with the requisite knowledge and intent, employs extraterritorial means to actively induce acts of direct infringement that occur within the United States, such conduct is not categorically exempt from redress under § 271(b)."); *MEMC Electronic Materials, Inc. v Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369 (Fed. Cir. 2005) (remanding to district court to determine whether foreign manufacturer had induced sale in U.S.); *Honeywell, Inc. v Metz Apparatewerke*, 509 F.2d 1137 (7th Cir. 1975) (stating that "although the patent laws of the United States do not have extra-territorial effect, 'active inducement' may be found in events outside the United States if they result in a direct infringement here."); *Wing Shing Products (BVI), Ltd. v Simatelex Manufactory Co., Ltd.*, 479 F.Supp.2d 388 (S.D.N.Y. 2007) (finding that foreign manufacturer that manufactured and sold infringing products with the knowledge that they would be sold in the U.S. had induced patent infringement). See also *Global-Tech Appliances, Inc. v SEB S.A.*, 563 U.S. 754 (2011) (holding that induced infringement of a patent, like contributory infringements, requires knowledge that the induced acts constitute patent infringement).

²²³⁸ *Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010), *petition for writ of cert. dismissed*, 134 S.Ct. 2333 (2014).

as the place of performance.”²²³⁹ In the court’s view, the fact that the contract called for an infringing apparatus to be delivered to the U.S. for use there, and it was in fact delivered there (albeit in a non-infringing condition) meant that the sale could be localised in the U.S. even though the contract had been negotiated and entered into abroad.

In addition, with respect to the act “to offer to sell”, the Federal Circuit held that an act could be localised in the U.S. as long as the offer contemplates a sale in the U.S., regardless of where the tangible act of offering occurs.²²⁴⁰ In the *Transocean* case, the alleged infringer made an offer to sell a patented invention. The offer was made in Norway but it contemplated the delivery of an infringing product to the U.S. The Federal Circuit held that the offeror infringed the “to offer to sell” prong of the federal Patent Act.²²⁴¹ In localising the infringing act, the court emphasised the effects on the right holder’s U.S. market rather than the tangible act of contracting or offering. This ruling has generated a lot of academic discussion as it departs from the traditional assumption under the principle of territoriality that the offer itself must take place within the protected territory.²²⁴² In light of the possible conflicts with the sovereign interests of other states, it is possible that the precedent might be limited to its specific facts, which concerned an offer made between two U.S. parties.²²⁴³ While the opinion observes frequently that this

²²³⁹ *Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1310 (Fed. Cir. 2010), *petition for writ of cert. dismissed*, 134 S.Ct. 2333 (2014). See also *Carnegie Mellon University v Marvell Tech Group*, 807 F.3d 1283, 1308 (Fed. Cir. 2015) (“The standards for determining where a sale may be said to occur do not pinpoint a single, universally applicable fact that determines the answer, and it is not even settled whether a sale can have more than one location.”).

²²⁴⁰ *Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010), *petition for writ of cert. dismissed*, 134 S.Ct. 2333 (2014). The *Transocean* ruling may also have consequences for the localisation of an act of contributory infringement, which according to section 271(c) must take place in the U.S. Indeed, the ruling suggests that an offer made abroad to sell material components of an invention in the U.S. could be an act of contributory infringement localised in the U.S., provided it leads to a direct infringement in the U.S.

²²⁴¹ *Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010), *petition for writ of cert. dismissed*, 134 S.Ct. 2333 (2014) (“The focus should not be on the location of the offer, but rather the location of the future sale that would occur pursuant to the offer.”). The case was settled before the Supreme Court had a chance to decide whether it would *grant certiorari*. See Davis, *Maersk, Transocean Settle High Court Drilling Patent Case*, *Law360*, May 21, 2014, <http://www.law360.com/articles/540202/maersk-transocean-settle-high-court-drilling-patent-case>, viewed 12 September 2016.

²²⁴² Holbrook 2014 p. 214 (stating that every district court and even the Federal Circuit have previously assumed that the offer itself would need to be made within the U.S.). See also Holbrook 2012; Zhu 2012; Lerner 2011.

²²⁴³ See *Amicus Curiae Brief of Ministry of Affairs of Denmark in Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010) on

was an offer between U.S. parties, the court's holding does not expressly declare that the nationality of the parties is a controlling factor.²²⁴⁴

When it comes to determining who is responsible for the act of importing the infringing goods to the U.S., the district courts have looked to various factors. These factors include who held title at the time the goods entered the U.S., who appointed a forwarder or broker and controlled the manner and means of importation, who was the importer on record and whether an intermediary is involved or whether the goods are sent directly to consumers.²²⁴⁵

In order to prevent or put an end to an infringement of a U.S. patent, the courts may grant an injunction that orders the defendant to do or cease some activity outside of the U.S.²²⁴⁶ This is not understood as an extraterritorial application of the Patent Act. Indeed, the Federal Circuit defines extraterritoriality by where the injunction will have effects on preventing the domestic infringement, and not where the injunction will affect the defendant's physical conduct.²²⁴⁷ For example, in one case, the infringer argued that the district court's injunction "impermissibly extend[ed] the reach of American patent law beyond the boundaries of the United States" because it prohibited the infringer from making, in Germany, machines "for use in the United States" and machines "destined for delivery to the United States" and required it to

Petition for *Writ of Certiorari* to the United States Supreme Court (stating that "compelling state interests are at stake" and that the application of U.S. patent law "to conduct that occurred entirely within Scandinavia – made an unwanted and unprecedented intrusion into the regulation of conduct within foreign sovereigns' own territory.").

²²⁴⁴ *Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1309 (Fed. Cir. 2010), *petition for writ of cert. dismissed*, 134 S.Ct. 2333 (2014) ("We agree that the location of the contemplated sale controls whether there is an offer to sell within the United States.").

²²⁴⁵ *Fellowes, Inc. v Michilin Prosperity Co., Ltd.*, 491 F.Supp.2d 571 (E.D.Va. 2007) (finding that foreign manufacturer imported the goods where there was "no evidence that anyone else played any role in their delivery" to the customer in the U.S.); *Cybiotronics, Ltd. v Golden Source Electronics, Ltd.*, 130 F.Supp.2d 1152, 173-176 (C.D. Cal. 2001) (finding that Hong Kong manufacturer of infringing telephones that sent samples to U.S. buyer and took active role in coordinating buyer's shipments from Hong Kong to U.S. was not the importer because title to telephones was transferred to buyer in Hong Kong, and buyer was importer of record); *Litecubes, L.L.C. v Northern Light Products, Inc.*, 2006 WL 5700252 (E.D. Mo. 2006), *aff'd on other grounds*, *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353 (Fed. Cir. 2008) (finding the foreign seller who made direct sales to U.S. consumers to be the importer because no intermediary was involved).

²²⁴⁶ Trimble 2009 p. 339-345 (discussing how the U.S. courts order defendants to do or cease doing certain acts outside the U.S. to prevent an infringement of a U.S. patent).

²²⁴⁷ See *Johns Hopkins University v CellPro, Inc.*, 152 F.3d 1342, 1366 (Fed. Cir. 1998) (stating that an injunction under the patent act can reach extraterritorial activities, provided that the aim of the injunction is to prevent a U.S. infringement).

include in all advertising materials, promotional literature, brochures and press releases that relate to the infringing product, notice that the machine was "not available for sale or use in, or delivery to the United States."²²⁴⁸ The Federal Circuit upheld the injunction finding that because it aimed to prevent infringement in the U.S., it was not a prohibited extraterritorial application of U.S. patent law.

Summing up, in some Member States and the U.S., a foreign seller who sells and dispatches tangible goods embodying an invention into the patented territory falls within the territorial scope of the domestic patent law even though the seller acts from outside the protected territory. In other Member States, namely the UK, the sale is localised in the territory where the title passes. Also, in at least some Member States, a foreign seller who offers from abroad tangible goods embodying an invention into the patented territory falls within the territorial scope of the domestic patent law provided the offer is perceivable in and directed at the protected territory. U.S. law goes further in that even if the act of offering takes place wholly abroad, the act will be localised in the U.S. if the offer contemplates the delivery of patented goods into the U.S. territory. U.S. law places the focus on the effects on the right holder's U.S. market rather than the tangible act of contracting or offering.

Under both EU and U.S. law, if an infringement is localised in the domestic territory, an injunction may be obtained to put an end to the domestic infringement. In the EU Member States, an injunction will typically track the language of the patent statute and only technically order the defendant to cease the infringement on the domestic territory whereas in the U.S. an injunction may specifically order the defendant to do or cease some activity outside of the U.S. to put an end to the domestic infringement.

Use of an invention in the territory where tangible elements of the invention are located abroad (inbound regulation)

The question addressed is whether an actor can use an invention in the protected territory even though tangible elements of the invention are located abroad.

The use of a patented invention in the *European Union* may implicate the exclusive right "to use" a product or a process that is the subject of matter of a patent, which is an act of direct infringement under all EU Member States'

²²⁴⁸ *Spindelfabrik Suessen-Schurr v Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 903 F.2d 1568, 1577-78 (Fed. Cir. 1990).

patent laws.²²⁴⁹ In addition, the act of “offering” a patented process for use within the domestic territory is an act of direct infringement in many Member States’ patent laws.²²⁵⁰ Also, the act of “supplying” or “offering to supply” within the protected territory essential means for putting an invention into effect therein is an act of indirect patent infringement in many EU Member States’ patent laws.²²⁵¹ All of these infringing acts have in common that they require that the patented invention is used or put into effect (or intended to be used or put into effect) in the protected Member State territory. Localising the infringing act of “use” or “putting into effect” was not a problem in the bricks and mortar world. It is primarily with respect to telecommunications patents that difficult questions arise.²²⁵² In general, it appears that some Member State courts are willing to localise “use” and “putting into effect” in their domestic territories even though this use (or putting into effect) involves tangible elements of the invention located abroad. However, there does not seem to be an autonomous approach among the Member States with respect to localising use.

In a UK case, *Menashe Business Mercantile v William Hill Org. Ltd.*, the defendant was alleged to commit an act of indirect infringement by the supply of essential means (in this case software) to a punter for running on his computer, which allowed the punter “to put into effect” in the UK a patented computerised gaming system for playing an interactive casino game.²²⁵³ The software enabled the punter to connect his computer to a host computer, which was located outside the UK. The defendant argued that the patented system was not “put into effect” in the UK because the host computer, a component of the patented system, was located abroad.

The Court of Appeals disagreed holding that traditional ideas about localising inventions based on tangible criteria could not be applied in a case about

²²⁴⁹ See e.g. section 60(1)(a) UK Patents Act 1977.

²²⁵⁰ See e.g. section 60(1)(b) UK Patents Act 1977. Observe that the act of offering a process for use contains double territorial criteria so that both the offer and the offered use must occur (or be intended to occur) within the protected territory.

²²⁵¹ See e.g. section 60(2) UK Patents Act 1977. Observe that the act of indirect infringement of “supplying” or “offering to supply” essential means for putting an invention into effect contains double territorial criteria in that the act “to supply” or “to offer to supply” must take place within the protected territory as well as the “putting into effect”.

²²⁵² *Romandini & Klicznik* 2013 p. 527; *Moufang* 2009 p. 608; *Lee* 2008 p. 370.

²²⁵³ *Menashe Business Mercantile Ltd v William Hill Org. Ltd*, England and Wales Court of Appeal, [2002] EWCA Civ 1702 para. 2 (stating that the patent claimed “a gaming system for playing an interactive casino game comprising a host computer, at least one terminal computer forming a player station, communication means for connecting the terminal computer to the host computer and the program means for operating the terminal computer, the host computer and the communication means ... characterised in that the terminal computer is situated at a location remote from the host computer ...”).

telecommunication patents.²²⁵⁴ Instead, the Court of Appeals held that the act of “putting into effect” could be localised at the location of the users of the system, i.e. the punters, who were in the UK.²²⁵⁵ Notably, the Court of Appeals, which had come to the same result as the lower court, applied a different reasoning.²²⁵⁶ In the lower court’s view, it was not necessary to localise the infringing act of “putting into effect” or “use” in the UK; it was sufficient that the supply of the software had an “effect” in the UK.²²⁵⁷ In contrast, the Court of Appeals took pains to stay within the principle of territoriality by localising the act of “putting into effect” in the UK at the physical location of the user. The Court of Appeals stated that it would not be appropriate to introduce the effects doctrine into UK patent law because the concept of effects is ambiguous.²²⁵⁸ It should be observed that the defendants (the companies supplying the users) were UK companies, although neither court (at least expressly) attached any significance to this factor.

This approach of localising the infringing act of use at the location of the user of the claimed invention was followed in a subsequent UK case. In *Research in Motion UK Ltd. (RIM) v Motorola Inc.*, Motorola’s UK patent claimed “A method of operating a messaging gateway system.”²²⁵⁹ Motorola

²²⁵⁴ *Menashe Business Mercantile Ltd v William Hill Org. Ltd*, England and Wales Court of Appeal, [2002] EWCA Civ 1702, para. 32 (“it would be wrong to apply old ideas of location to inventions of the type under consideration in this case.”).

²²⁵⁵ *Menashe Business Mercantile Ltd v William Hill Org. Ltd*, England and Wales Court of Appeal, [2002] EWCA Civ 1702, para. 33 (“If the host computer is situated in Antigua and the terminal computer is in the United Kingdom, it is pertinent to ask who uses the claimed gaming system. The answer must be the punter. Where does he use it? There can be no doubt that he uses his terminal in the United Kingdom and it is not a misuse of language to say that he uses the host computer in the United Kingdom. It is the input to and output of the host computer that is important to the punter and in a real sense the punter uses the host computer in the United Kingdom even though it is situated in Antigua and operates in Antigua. In those circumstances it is not straining the word ‘use’ to conclude that the United Kingdom punter will use the claimed gaming system in the United Kingdom, even if the host computer is situated in, say, Antigua.”).

²²⁵⁶ Véron & Véron 2006 p. 366.

²²⁵⁷ See *Menashe Business Mercantile Ltd v William Hill Org. Ltd.*, England and Wales High Court, [2002] EWHC 397 (Pat), para. 20 (“Any other result would be monstrous - allowing a defendant to use supposed cross-border problems to avoid infringement of a system anywhere.”).

²²⁵⁸ *Menashe Business Mercantile Ltd v William Hill Org. Ltd*, England and Wales Court of Appeal, [2002] EWCA Civ 1702, para. 29 (stating that “the effect could be economic, physical or perhaps in some cases, emotional.”).

²²⁵⁹ *Research in Motion UK Ltd. v Motorola Inc.*, England and Wales High Court, [2010] EWHC 118 (Pat), para. 70 (“[1] A method of operating a messaging gateway system [2] operable to receive messages from a remote messaging system, [3] and to construct transmittable messages including portions of the messages received from the remote messaging system, the method characterised by the messaging gateway system: [4] receiving a set of commands from a wireless subscriber device using an RF transmission system; [5] translating the

alleged that the Canadian company RIM directly infringed its patent by offering the claimed method for use in the UK through RIM's BIS system, which enabled UK owners of BlackBerry devices to get wireless access to their email. Motorola also alleged that RIM indirectly infringed by supplying means (i.e. BlackBerry devices) relating to an essential element of the invention when those means are suitable for putting, and are intended to put, the invention into effect in the UK. RIM argued that the patented method was not used in the UK as their BIS Server was located in Canada.

The court stated that if the claimed method of operating a messaging gateway system was the BIS Server, then the method of operating the messaging gateway system is offered for use *by RIM* in Canada, not in the UK.²²⁶⁰ Relying on the Menashe case discussed above, the court goes on to state:

Who uses the method of operating a messaging gateway system that has the claimed features? The answer is RIM. Where do they operate it? The answer is in Canada.²²⁶¹

It is not completely clear whether the court localised use in Canada because the user, RIM, was a Canadian company using the system in Canada or because the server (i.e. the tangible component) was located in Canada. In the Menashe case, the users were located in a different state than the system they were using. The decision may suggest a reticence by the UK court to localise use in the UK when a tangible component (i.e. the server) on which a patented process is performed is located abroad when the defendant is a foreign entity. On the other hand, the case may indicate that the court localised use in Canada because the user of the method (i.e. RIM) was located there, and that the difference with the Menashe case can be attributed to the different perspective from which the claims were drafted.²²⁶² The case leaves open the question where use would be localised if the user was acting abroad but the server was located in the UK.

The German courts have also found that the use of an invention can be localised in the domestic territory, even though some components of the inven-

set of commands into a protocol understood by the remote messaging system; and [6] transmitting the translated commands to the remote messaging system such that a user of the subscriber device can control the operation of the remote messaging system utilising commands transmitted to the remote messaging system.").

²²⁶⁰ Research in Motion UK Ltd. v Motorola Inc., England and Wales High Court, [2010] EWHC 118 (Pat), para. 153 ("if the messaging gateway system is the BIS Server, the method of operating the messaging gateway system is offered for use by RIM in Canada, not in the UK.").

²²⁶¹ Research in Motion UK Ltd. v Motorola Inc., England and Wales High Court, [2010] EWHC 118 (Pat), para. 156.

²²⁶² See Romandini & Klicznik 2013 p. 532-533.

tion, or steps in the case of process patents, are located or performed abroad.²²⁶³ In the Prepaid Card case, a German patent claimed a method of processing telephone calls consisting of six steps.²²⁶⁴ There was no question that the defendant performed all the steps. However, the only step performed in Germany was the offering of the phone cards on the market. All the other steps were performed outside of Germany. Nevertheless, the Court held the patent was “used” in Germany because the other method steps, even though they were performed outside of Germany, could be attributed to the defendant and were deliberately and purposefully intended to have an effect and did have such economic effect in Germany.²²⁶⁵ In addition, the court observed that there was no risk that the defendant’s infringing conduct could also violate a foreign patent.²²⁶⁶

While both the UK Menasche court and the German Prepaid Card court were willing to localise “use” of a patented invention in the domestic territory even though tangible elements of the invention were located abroad, Romandini and Klicznik maintain that the UK and the German courts have taken different approaches to localising use.²²⁶⁷ They submit that the UK courts have applied a claims based approach that focuses on from whose perspective the claims are drafted, such as the service provider (e.g. method for operating a server computer) or the end user (e.g. computerised gaming

²²⁶³ See Trimble 2012 p. 120.

²²⁶⁴ A method of processing telephone calls, particularly for use in connection with public telephones comprising the steps of (a) programming a respective Public Automatic Branch exchange (PABX) to become toll-free accessible for incoming calls through dialling any one of a series of predetermined numbers stored in a data-bank of the PABX; (b) enabling a calling party to complete a connection with a called party; (c) cutting-off the said connection after a prefixed time/counter pulses interval; (d) erasing from the data-bank any number that had once been dialled; (e) marking the said series of numbers, each on a vendible carrier member in an invisible - however readily exposable - manner; and (f) offering the vendible carrier members for sale to the general public, so that purchases of the carrier members, after exposing the respective number, are enabled to place a call for the duration of the said interval. Romandini & Klicznik 2013 p. 528.

²²⁶⁵ 2 U 51/08 (Prepaid Card), Court of Appeals Düsseldorf, 10 December 2009, referenced in Bardehle Pagengerg IP report 2010/I, http://www.bardehle.com/en/publications/search_in_all_publications.html, viewed 24 August 2016. The Prepaid Card Court relied upon an earlier case handed down by the German federal Supreme Court. See X ZR 113/04 (Pipe Welding Process), German Federal Court of Justice, 27 February 2007, IIC 2008, 39(1), 106-113 (involving a claim of indirect patent infringement). There the Court found that a method patent was “put into effect” (used) in Germany even though part of the method was carried out by the manufacturer of the electric fittings in Switzerland and another part by the defendant’s purchasers in Germany.

²²⁶⁶ 2 U 51/08 (Prepaid Card), Court of Appeals Düsseldorf, 10 December 2009 (observing that there was no risk that the conduct alleged against the applicant could also be considered a violation of a foreign patent).

²²⁶⁷ Romandini & Klicznik 2013 p. 530-534.

system for playing an interactive casino game).²²⁶⁸ This approach is consistent with a more traditional view of territoriality because it focuses on a tangible connection to the prescribing state such as the location of the actor or tangible components. In contrast, Romandini and Klicznik maintain that the German Prepaid Card court applied an effects approach that focused on where the use had its intentional and actual economic effects. Still, the German court also professed to observe the principle of territoriality of patent law, and observed that a German patent could be infringed if the act in question is at least partially carried out in Germany.²²⁶⁹ In the German Prepaid Card case, one of the steps was physically performed in Germany, i.e. the offering of the cards on the German market. The German Prepaid Card case leaves open the question whether the act of “use” can be localised in Germany even if none of the steps are performed there, but the steps carried out abroad are intended to and do have actual economic effects in Germany.²²⁷⁰

It can be noted that there does not seem to be any indication that the UK or German Member State courts treat system claims any differently from method claims, and *vice versa*.²²⁷¹

In the *United States*, an actor can use an invention in the U.S. even though tangible elements of the invention are located abroad. The act “to use” within the U.S. a product or a process (or method) that is the subject matter of a U.S. patent is an act of direct infringement under section 271(a) of the federal Patent Act. In addition, inducing or contributing to the use in the U.S. of a patented invention (product or process) is an act of infringement under sec-

²²⁶⁸ This approach is easy to manipulate by clever patent claim drafting. See Lee 2008 p. 369 (stating that patents increasingly include several perspective claims that allow interpretation from multiple vantage points defined by the invention’s components).

²²⁶⁹ 2 U 51/08 (Prepaid Card), Court of Appeals Düsseldorf, 10 December 2009 (observing that a territorial limitation on patent rights is based on the principle of territoriality of patent law, and the delimitation of the power of states to relation to each other).

²²⁷⁰ Müller-Stoy & Wahl, Court of Appeals Düsseldorf on the infringement of a method claim in Germany when its features are partially realised abroad (decision of December 10, 2009, Case I-2 U 51/08 – Method of processing telephone calls), Bardehle Pagengerg IP report 2010/I (observing that “the German Federal Supreme Court tends to liberally assume patent infringement in Germany in “cross-border” situations in which the actually attacked actions even fully take place outside Germany, but have an intended causative effect in Germany.”).

²²⁷¹ Hobson & Griffiths 2012 p. 100-101 (suggesting that the Research in Motion UK Ltd. v Motorola Inc case implies that the localisation of the method claims should be treated similarly to the localisation of system claims); Müller-Stoy & Wahl, Court of Appeals Düsseldorf on the infringement of a method claim in Germany when its features are partially realised abroad (decision of December 10, 2009, Case I-2 U 51/08 – Method of processing telephone calls), Bardehle Pagengerg IP report 2010/I (suggesting that the localisation criteria in the Prepaid Card case are also relevant for system claims).

tion 271(b) respective (c) of the Patent Act.²²⁷² To infringe under any of these sections, the patented invention must be used (or intended to be used) in the U.S.

In the case *NTP, Inc. v Research in Motion, Ltd.*, NTP held patents claiming both system and method patents for transmitting an email message between an originating processor and a destination processor.²²⁷³ NTP alleged that the Canadian company, Research in Motion, Ltd (RIM) induced and contributed to RIM's customers' use of NTP's patented system in the U.S. RIM's system enabled its customers in the U.S. to access their email on their handheld devices by communicating with a host computer located in Canada. RIM argued that its customers did not "use" the system in the U.S. because an essential component of the patented system, the host computer, was located in Canada.

The Federal Circuit disagreed and held that the use of a system is localised at the place where "the system as a whole is put into service, i.e., the place where control of the system is exercised and beneficial use of the system obtained."²²⁷⁴ The Federal Circuit borrowed the "control and beneficial use" test from a decision by its predecessor court (Court of Claims). In *Decca Ltd. v United States*, the question arose whether the U.S. government was liable for using a patented invention in the U.S.²²⁷⁵ In that case, the invention claimed a radio navigation system requiring three stations transmitting signals received by a receiver, which calculates position by the time difference in the signals. The accused system operated by the U.S. government consisted of three transmitting stations; however, one of the transmitting stations was located in Norway. In finding that the U.S. government used the system in the U.S., the Court of Claims found significant "the ownership of the equipment by the United States, the control of the equipment from the United States and . . . the actual beneficial use of the system within the United States."²²⁷⁶ Relying on this precedent, the Federal Circuit found that RIM's customers used and benefitted from RIM's system in the U.S. by sending

²²⁷² See e.g. *AquaTex Industries, Inc. v Techniche Solutions*, 419 F.3d 1374 (Fed. Cir. 2005) ("Although not directly infringing patent, party may still be liable for inducement or contributory infringement of method claim if it sells infringing devices to customers who use them in way that directly infringes claim.").

²²⁷³ *NTP, Inc. v Research in Motion, Ltd.*, 418 F.3d 1282, 1314 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006).

²²⁷⁴ *NTP, Inc. v Research in Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006). See also *Centillion Data Systems, LLC v Qwest Communications Intern., Inc.*, 631 F.3d 1279, 1284 (Fed. Cir. 2011) (holding that a party need not exercise physical or direct control over each individual element of the system in order to "use" the system).

²²⁷⁵ *Decca Ltd. v United States*, 210 Ct.Cl. 546, 544 F.2d 1070 (1976).

²²⁷⁶ *Decca Ltd. v United States*, 210 Ct.Cl. 546, 544 F.2d 1070, 1083 (1976).

and receiving email by manipulating the handheld devices in their possession in the U.S. Thus, the Federal Circuit held that the patented system was used in the U.S., even though a component of the system was located abroad.²²⁷⁷

The Federal Circuit made a distinction between system claims and method (process) claims.²²⁷⁸ The court noted that a method patent is not infringed unless all of the steps of the claimed method are performed. Thus, the court concluded that a method patent cannot be used within the U.S. unless each of the steps is performed in the U.S. Consequently, when it came to the method claim, the fact that one of the steps was performed on the host computer in Canada precluded the localisation of the act of use in the U.S.

The Federal Circuit's approach with respect to the method claim reflects a strict territorial view of patent law as it required that all of the steps had to be performed in the U.S. With respect to the system claim, the court takes a more liberal approach to territoriality and is willing to localise use in the U.S. at the location of the user even though one of the patented system's components was located outside the U.S. Under the subjective territorial principle, localising the infringing act at the location of the actor (e.g. user) is hardly controversial, not least as it usually coincides with the nationality principle.²²⁷⁹ However, it is important to remember that the users (RIM's customers) were not the ones being sued for infringement. The defendant was RIM, a Canadian corporation that was being held accountable for its acts carried out in Canada, which could rise issues of international comity.²²⁸⁰

²²⁷⁷ See Osborne 2006 p. 587-617 (critically arguing that in Decca, the court found that the "patentably distinctive component" of the system that distinguished it over the prior art was located in the U.S. whereas in NTP the patentably distinctive component of the system that distinguished it over the prior art was just the host server that was located in Canada).

²²⁷⁸ NTP, Inc. v Research in Motion, Ltd., 418 F.3d 1282, 1317-18 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006). But see Holbrook 2008 p. 2153 (stating that there is nothing in the statute to support treating "use" of a method differently from "use" of a system).

²²⁷⁹ See Homiller 2005 p. 23 (stating that in Decca, the U.S. government's ownership and operation of the accused system was clearly also a factor, thus bringing into play issues of jurisdiction based on the nationality of the owner and operator).

²²⁸⁰ The Government of Canada submitted amicus curiae briefs to both the Federal Circuit in support of a rehearing en banc and to the Supreme Court in support of a writ of certiorari. See Amicus Curiae Brief of the Government of Canada in NTP Inc. v Research in Motion, 418 F.3d 1282 (2005), *cert. denied*, 546 U.S. 1157 (2006); amicus curiae brief by Canada, Research in Motion, Ltd. v NTP, Inc. (stating that "the application of domestic intellectual property law to a transnational technology may raise issues of international law, conflicts of law, and comity.").

Holbrook maintains that the Federal Circuit applied a technology-based effects approach that focuses on the technology itself, and requires a technical assessment of where and by whom the invention is being controlled and used.²²⁸¹ A technology-based effects approach is narrower than a pure economic effects test that might include indirect economic effects on the right holder.²²⁸² In essence, a technology-based effects approach seems to be an application of a most significant relationship test within the specific context of patent law.²²⁸³ A technology-based effects approach has been criticised because it is not clear who must control the system and to whom the benefit must accrue or how much if any of the system must be located in the U.S.²²⁸⁴ Applying the Federal Circuit's precedent from NTP, at least one district court has held that a patented system can be "used" within the U.S. even if all of the system's physical components lie entirely outside of the U.S., provided the user of the system is in the U.S.²²⁸⁵

Summing up, under some Member State and U.S. patent law, use of an invention may be localised in the domestic territory even though tangible elements of the invention are located abroad. The connecting factor for localising use in the EU Member States seems to vary and may be the location of the user or where the use has its economic effect. Under U.S. law, the connecting factor for product patents is location of the user that controls and benefits from the use. For method patents, however, every step must be performed on the U.S. territory for use to be localised to the U.S.

Dealings with tangible goods physically present in the territory (outbound regulation)

The question addressed is whether certain dealings with tangible goods physically present within the territory where the goods are protected by pa-

²²⁸¹ Holbrook 2008 p. 2156.

²²⁸² Holbrook 2008 p. 2156.

²²⁸³ See Dinwoodie 2009 p. 738-739 (stating that the court of appeals had effectively announced a rule of private international law by localising the use in the United States under what is a version of the law of the most significant relationship test).

²²⁸⁴ Holbrook 2008 p. 2159; Dinges 2006 p. 234. See also Homiller 2005 (stating that the Federal Circuit appeared to be implicitly working under a theory akin to the passive personality principle where the primary concern seemed to be protecting the interests of U.S. patent holders).

²²⁸⁵ See e.g. CLS Bank Int'l v Alice Corp. Pty. Ltd., 667 F.Supp.2d 29, 35 (D.D.C. 2009), *interlocutory appeal denied*, 411 Fed. Appx. 306 (Fed. Cir. 2010) (holding that a system can be "used" within the U.S. even if all of the system's physical components lie entirely outside of the U.S.).

tent may infringe some of the exclusive rights of the patent owner even though the goods are to be exported, sold or used abroad.

In the *EU Member States*, the act of exporting as such is not included as an infringing act in any of the patent laws, nor is it included in the CPC or in TRIPS.²²⁸⁶ As the patent acts of some EU Member States such as Sweden exhaustively list the infringing acts, the absence of the act of exporting from their statutory texts suggests that to merely export patented goods from an EU Member State is not an act of infringement.²²⁸⁷ In contrast however the patent acts of other Member States such as Italy are open-ended.²²⁸⁸ The Italian Supreme Court has interpreted an Italian patent to cover “any benefit that can be drawn from the patented invention.”²²⁸⁹ Thus, it cannot be excluded that exporting patented goods from some Member States can infringe a patent under certain circumstances. This is particularly the case as exporting is often preceded or superseded by other acts that may be infringing.

It is without question that the act of “making” (e.g. manufacturing) a product patented in a Member State is an infringing act even if the product is exclusively destined for export.²²⁹⁰ Questions have arisen however whether the manufacture in the domestic territory of all or the essential unpatented components for assembly abroad is an infringing act of making the patented product under the national patent acts of the Member States. In Estonia, this act is explicitly reserved to the patent holder in the Patent Act.²²⁹¹ The position among other Member States is unsettled.²²⁹² Much of the case law found

²²⁸⁶ See Peukert 2011 p. 211 (stating that the act of exporting is not included as an infringing act in the international conventions and in national laws because prohibiting exporting is difficult to justify on territorial grounds as exporting involves no or irrelevant local effects).

²²⁸⁷ See Jacobsson et al. 1980 p. 102 (stating that the acts listed in the Swedish Patent Act are exhaustive).

²²⁸⁸ Article 66(1) Italian Industrial Property Code (Legislative Decree No. 30 of February 10, 2005, as amended up to Decree-Law No. 1 of January 24, 2012, converted into law with changes by Law No. 27 of March 24, 2012) (stating that protection encompasses any act whereby individuals not having the patentee’s consent implement the invention and obtain a reward therefrom in the territory).

²²⁸⁹ *Aktiebolaget Hassle v Effechem s.r.l.*, Italian Supreme Court, 3 April 2003, IIC 2004, 35(9), 1037-1039 (observing that the infringing acts set out in the Italian statute are “exemplary”).

²²⁹⁰ Moufang 2009 p. 605; Ulmer 1978 p. 13; Lando 1974 p. 379.

²²⁹¹ Article 15(3) Patent Act (Act No. RT I 1994, 25, 406, as last amended by Act No. RT I, 28.12.2011,1) (“The exclusive right of the proprietor of a patent means that during the term of validity of the patent and without the permission of the proprietor of the patent no person shall: . . . manufacture, sell or offer for sale components which form a significant part of the product protected by the patent or acquire and export such components for the manufacture or preparation of the product, except if the components are other independent products.”).

²²⁹² See *Virgin Atlantic Airways Ltd. v Delta Airways, Inc.*, England and Wales Court of Appeal, [2011] EWCA Civ 162, para. 12 (stating that the position across Europe was not

in some Member States that suggests that the manufacture of essential components is an infringing act was decided before those Member States added the act of indirect infringement based on article 26 CPC.²²⁹³ Article 26 CPC is based on the idea that someone who enables another to commit a direct infringement in the protected territory is also an infringer. Hence, indirect infringement requires that the essential means (e.g. essential components) be intended for using the invention on the domestic territory. The existence of this (additional) territorial requirement for indirect infringement may suggest that the Member States' legislators did not intend to prohibit acts that neither completely fulfil the criteria for a direct infringement nor enable a direct infringement within the domestic territory.²²⁹⁴

Even if exporting as such is not an infringing act under the Member States patent laws, dealings with patented goods within the domestic territory prior to export may infringe the act of "putting on the market" or "selling" in the Member State of export. In some Member States, commercial dealings whereby a product is delivered to a third party in the protected territory, and where delivery is coupled with the grant of some kind of right in the product, will suffice for infringing the act of "putting on the market", even if the goods are to be subsequently exported.²²⁹⁵ Commentators observe that the courts of the German and Italian Member States readily expand the infringing act of putting on the market to include exports sales.²²⁹⁶ In contrast, in

well-settled); *Virgin Atlantic Airways Ltd. v Delta Airways, Inc.*, England and Wales High Court, [2010] EWHC 3094 (Pat) 135, para. 90-126 (reviewing UK and foreign case law); *Lacroix Duarib SA v Kwikform (UK) Ltd.*, England and Wales High Court, [1998] F.S.R. 493 (suggesting that the sale of a complete kit of parts for assembly abroad would not infringe but declining to decide issue on summary judgment); Trimble 2012 p. 107-8 (stating that "for now the law in Germany remains that manufacture of components in Germany for assembly abroad infringes a German patent).

²²⁹³ Moufang 2009 p. 607. See generally Benyamini p. 67-77.

²²⁹⁴ Moufang 2009 p. 607 (stating that the existence of rules on indirect infringement in a Member State's patent law makes it extremely difficult to argue that a manufacturer exporting parts of the invention can be held to directly infringe the patent); Peukert 2011 p. 218 (stating that the export of essential means – unlike the export of a patented good itself – is not an infringement); *Virgin Atlantic Airways Ltd. v Delta Airways, Inc.*, England and Wales High Court, [2010] EWHC 3094 (Pat) 135, para. 133 ("it cannot be correct to construe or apply section 60(1)(a)[UK Patents Act]/Article 25(a)[CPC] in a manner which is inconsistent with the second territorial limitation in section 60(2)[UK Patents Act]/Article 26 [CPC].").

²²⁹⁵ Benyamini p. 249 (stating that pure export transactions where the goods are merely delivered to a forwarding agent for export or transferred within a group of related companies are not likely to infringe the act of "putting on the market" in the state of export).

²²⁹⁶ Metzger 2012 p. 609 (stating that exports of goods protected by German patents are treated as distributions by the German courts and may be prohibited under German patent law); Peukert 2011 p. 210-211.

other Member States like the UK, the decisive question is where the sale is legally effected.²²⁹⁷

In some Member States, an offer made within the territory with respect to patented goods will infringe the act of “offering”, even though the offer contemplates putting the goods on the market outside the Member State of protection and the goods never enter the Member State’s territory.²²⁹⁸ For example, a Swedish Court of Appeal held that an offer sent by a Swedish company in response to an inquiry from a Finnish company concerning the purchase of a product that was patented in Sweden, but which was to be delivered directly to the Finnish company from England without the product ever entering the Swedish territory, was an infringing offer in Sweden.²²⁹⁹ Similarly, the Italian Supreme Court held that mere negotiations of sale contracts in Italy by two Italian companies between foreign manufacturers and foreign purchasers of a pharmaceutical patented in Italy fell within the territorial scope of the Italian patent law, even though the pharmaceutical was to be manufactured, sold, delivered and used abroad.²³⁰⁰

In contrast, the position in the UK is that the infringing act “offers to dispose of” as used in the UK Patents Act must be read as meaning that both the offer and the contemplated sale (disposal) must take place in the UK.²³⁰¹ In

²²⁹⁷ See *Kalman v PCL Packaging (UK) Ltd*, England and Wales High Court, [1982] F.S.R. 406.

²²⁹⁸ Trimble 2012 p. 102 (stating that the German courts have held that an offer made in Germany to sell a patented product abroad falls within the territorial scope of the German Patent Act, and that this is true even when the goods never enter the German market and are marked for sale outside of Germany); Peukert 2011 p. 210-212 (stating the an offer to sell a patented machine falls within the scope of the German Patent Act even if the contract, manufacture, and all other uses take place abroad); von Mühlendahl & Stauder 2009 p. 661 (observing that German patent law does not require for “offering” that the product is intended to enter the domestic market or to be used there); Moufang 2009 p. 610 (discussing German and Italian cases to this effect).

²²⁹⁹ Svea Hovrätt case T 1253/89, December 12, 1990. See also Jacobsson et al. 1980 p. 108 (stating that an offer of a patented invention is an act of infringement regardless of where delivery or manufacture takes place).

²³⁰⁰ *Aktiebolaget Hassle v Effechem s.r.l.*, Italian Supreme Court, 3 April 2003, IIC 2004, 35(9), 1037-1039.

²³⁰¹ *Kalman v PCL Packaging (UK) Ltd*, England and Wales High Court, [1982] F.S.R. 406 (interpreting the UK statute to require that the infringer “offers in the United Kingdom to dispose of the product in the United Kingdom.”); *Boegli-Gravures SA v Darsail-Asp Ltd.*, England and Wales High Court, [2009] EWHC 2690 (Pat), para. 102 (stating that alleged “offer” made on an internet website that did not state whether delivery would be made in the UK was not an infringing offer in the UK because “For all one knows from reading the website, they could be ex works Moscow, in which case there would be no supply or offer to supply in the UK.”). See also *Akre-Vickery case*, Norsk retstidende 1933 p. 529 (Norwegian Supreme Court), referenced in Stenvik 2013 p. 292-293 (holding that there was no infringing offer to sell the invention in Norway because the product never entered Norway, i.e. it was

this respect, the UK treats the act of “offering” similar to an indirect infringement because the offer must contemplate a further infringing act, i.e. “a disposal” in the UK.²³⁰² As discussed above, under the UK Patents Act, disposal is localised at the place where the title to the goods passes to the buyer under the applicable contract law. Thus, a UK court found that an offer sent by telex from a U.S. company to a buyer in the UK was not an offer made within the UK even if the offer itself could be localised in the UK, because the offer contemplated a sale in the U.S.²³⁰³

In some Member States, importing or stocking patented goods, even for the purpose of export, may infringe the acts of “importing” or “stocking” (or “keeping”) the goods as exists in some Member State patent laws. In the Member States whose patent laws are based on the CPC, the acts of importing and stocking must be for the purpose of one of the primary acts of infringement (e.g. using, putting on the market or offering). This qualification may suggest that stocking or importing patented goods for the purpose of export would fall outside the territorial scope of these Member States patent acts.²³⁰⁴ This is however not necessarily the case.²³⁰⁵ The UK patent statute states that it is an infringement for someone to “import the product or keeps it whether for disposal or otherwise”, without any qualification that the act of stocking or importing must be for any specific purpose.²³⁰⁶ Still, the UK Patents Act is to be interpreted consistently with the text of the CPC so as to require that the acts of stocking or importing be made for some infringing purpose, e.g. use.²³⁰⁷ The UK courts have given the act of “using” a broad

neither manufactured in Norway nor put on the market in Norway even though the contract was concluded from Norway and payment was received in Norway). As the case was decided under the Norwegian patent law from 1910, it may not be of much value as a precedent. Stenvik states that the question has not been resolved in Norwegian law. Stenvik 2013 p. 292. Norway is not a EU Member State but their current patent act is nearly identical to the Swedish, Finnish and Danish patent acts.

²³⁰² See by analogy *Gerber Garment Technology Inc v Lectra Systems Ltd*, England and Wales High Court, [1995] R.P.C. 383 (stating that an “offer” to supply after the expiration of the patent was not infringing because it does not interfere with the patentee’s monopoly).

²³⁰³ *Kalman v PCL Packaging (UK) Ltd*, England and Wales High Court, [1982] F.S.R. 406. See also *Fabio Perini SpA v LPC Group P.L.C.*, England and Wales High Court, [2009] EWHC 1929, 2009 WL 2222012, para. 173 (reaffirming *Kalman v PCL Packaging*).

²³⁰⁴ *Benyamini* 1993 p. 246.

²³⁰⁵ See Stenvik 2013 p. 294 (stating that it is unclear whether stocking goods in the domestic territory for the purpose of exporting them is an infringement under the Norwegian Patent). Norway is not a EU Member State but its patent act is nearly identical to the patent acts of Sweden, Denmark and Finland, which are EU Member States. The patent laws of all of these states are based on the CPC.

²³⁰⁶ Section 60(1) of the UK Patents Act 1977.

²³⁰⁷ See Section 130(7) UK Patents Act 1977 (establishing that *inter alia* article 60 of the Patents Act is “so framed as to have, as nearly as practicable, the same effects in the United Kingdom as the corresponding provisions of the European Patent Convention, the Community

interpretation to encompass any use for trade purposes and for securing a profit.²³⁰⁸ The position in the UK seems to be that stocking or importing patented goods for the purpose of export trade is an infringement.²³⁰⁹

Transit as such is not listed as an infringing act in any of the Member State patent acts. Transit, at least in a purely physical sense, does involve the introduction of goods into the domestic territory, which at first blush might be said to violate the act of importing. Likewise, the storage of patented goods in a foreign trade zone may be said to violate the act of stocking. However, as discussed above, many Member States' patent laws stipulate that importing and stocking must be for the purpose of one of the primary acts of infringement.²³¹⁰ Transit through or storage in a free trade zone as such does not implicate any of the infringing acts.²³¹¹ Hence, some Member State courts have held that at least "mere transit", namely, a simple uninterrupted transport through or over a state's territory that does not involve any other

Patent Convention and the Patent Co-operation Treaty have in the territories to which those Conventions apply"). See also *McDonald v Graham*, England and Wales Court of Appeal, [1994] R.P.C. 407, para. 4.3 ("In reality, section 60 expressly covers keeping for use, just as the [CPC] Convention covers stocking for use."); *Smith, Kline and French Laboratories Ltd. v Harbottle (Mercantile) Ltd*, England and Wales High Court, [1980] R.P.C. 363 (finding that a mere custodian or warehouseman does not "keep" the goods as used in the Patents Act 1977, which was intended to give effect to the CPC).

²³⁰⁸ *McDonald v Graham*, England and Wales Court of Appeal, [1994] R.P.C. 407 (finding that keeping infringing goods in stock for the purpose of his business to make use of them as and when it would be beneficial to him to do so was an infringing act to "keep" goods); *Smith, Kline and French Laboratories Ltd. v Harbottle (Mercantile) Ltd*, England and Wales High Court, [1980] R.P.C. 363 (stating in *dicta* that importation from abroad of a patented product for re-export to Nigeria would constitute an infringement of the UK patent).

²³⁰⁹ *Cornish et al.* 2013 p. 266 ("A person who acquires or imports goods for the purpose of exporting them to sell them abroad will thus infringe, as he did under the previous law."). Under the old UK Patents Act 1949, stocking or importing patented goods for trade purposes including export was clearly an infringement. See *Hoffman-la Roche A.G. v Harris Pharmaceuticals Ltd*, England and Wales High Court, [1977] F.S.R. 200 ("possession with the intention of using the articles for trade purposes and for the securing of a profit amounts to an infringement, whether the dealing which you are proposing to carry on is a dealing with a customer in this country or with an export customer."); *SmithKline Corp. v D.D.S.A. Pharmaceuticals Ltd.*, England and Wales Court of Appeal, [1978] F.S.R. 109.

²³¹⁰ See *Benyamini* 1993 p. 247 fn 23 (citing *van Benthem* for the proposition that the intent behind exempting stocking and importing for a purpose other than one of the primary infringing acts was to ensure the undisturbed transit of patented goods originating from outside the protected territory). *Benyamini* states that it would have been preferable to confine the exemption to importing or stocking foreign made products because stocking and importing domestic made products prejudices the patentee's monopoly even if it concerns export trade. *Ibid.* 1993 p. 247.

²³¹¹ *Lamping et al.* 2014 p. 691 (maintaining that goods in transit cannot be deemed to infringe any of the exclusive rights that a patent normally confers if those goods are not destined for the market of the country where transit occurs).

acts, cannot be prevented under their patent acts.²³¹² These Member State courts have distinguished mere transit from other transit encompassing commercial dealings with the goods while in transit or in a free trade zone.²³¹³ Other Member States have found however that even mere transit or storage of goods in a free trade zone infringes the domestic patent.²³¹⁴

The seizure by the Dutch customs pursuant to the EU Customs Regulation of patented pharmaceuticals in transit through the Netherlands on suspicions of patent infringement resulted in Brazil and India initiating WTO proceedings against the EU and the Netherlands.²³¹⁵ The Dutch customs had acted in reliance on the Dutch courts' interpretation of the (former) EU Customs Regulation where it was held that goods in transit through a Member State should be treated as if they had been manufactured in that state. On the basis of this "manufacturing fiction", pharmaceuticals in transit through the Netherlands were suspected of infringing the Dutch patent law and were seized.²³¹⁶ The controversy was moved to the back burner after the CJEU ruled that a Member State's customs authority can act under the EU Customs Regulation only when there are indications before it giving grounds for suspecting that there is an infringement of IP right as conferred by EU law or the national law of the Member States, and that a substantive finding of infringement cannot be based on a fiction that the goods had been manufac-

²³¹² Von Mühlendahl & Stauder 2009 p. 659-660; Trimble 2012 p. 89-91.

²³¹³ Trimble 2012 p. 89-91 (stating that the German courts have held that the offering or sale of patented goods to a customer outside of Germany while the goods are in storage in a free trade zone in Germany is an infringing act of offering under the German Patent Act and does not qualify as mere transit); von Mühlendahl & Stauder 2009 p. 659-660.

²³¹⁴ Montana & Carulla 2002 p. 22-24 (discussing judgment from the Provincial Court of Barcelona from 12 June 2001 holding that goods in transit or stored in a free trade zone infringed the Spanish patent where the court interpreted the patent act consistently with the trademark act, which expressly made transit and storage infringing acts).

²³¹⁵ WTO WT/DS408/1, G/L/921, IP/D/28, European Union and a Member State - Seizure of Generic Drugs in Transit - Request for Consultations by India, 19 May 2010; WTO, WT/DS408/3, European Union and a Member State - Seizure of Generic Drugs in Transit - Request to Join Consultations - Communication from Brazil, 2 June 2010. India and Brazil claimed that it also violated the freedom of transit. China and Canada also requested to join the consultations in light of the fact that they are large producers of generic drugs. See also WTO WT/DS408/6, WTO European Union and a Member State - Seizure of Generic Drugs in Transit - Request to Join Consultations - Communication from China, 10 June 2010 and WTO WT/DS408/2, European Union and a Member State - Seizure of Generic Drugs in Transit - Request to Join Consultations - Communication from Canada, 1 June 2010.

²³¹⁶ For an application of the manufacturing fiction see *Sosecal Industria e Comercio Ltda v Societa Italiana Lo Sviluppo Dell'Elettronica*, July 18, 2008, Hof Den Haag, The Netherlands, Gielen, Netherlands: patent –transit of Counterfeit Goods, E.I.P.R. 2008, 30(11), N84-85. For the supposed legal basis for the manufacturing fiction see article 6(2)(b) Regulation 3295/94 laying down measures to prohibit the release for free circulation, export, re-export or entry for a suspensive procedure of counterfeit and pirated goods, which is now repealed.

tured in the state of transit.²³¹⁷ As the Customs Regulation itself does not contain any rules on substantive IP law, the answer to the question whether goods in transit or stored in a free trade zone may be seized is one for the Member States' substantive patent laws, which unlike trademark and copyright law are not harmonised at the EU level.²³¹⁸

The CJEU does have the competence however to interpret TRIPS.²³¹⁹ It is not inconceivable that the CJEU could interpret TRIPS as prohibiting Members from introducing the act of transit or storage as such (i.e. mere transit or mere storage) as an infringing act or interpreting their patent laws to encompass mere transit in a free transit zone, because this would arguably create barriers to legitimate trade in contravention with TRIPS.²³²⁰ It is more of a stretch however to interpret TRIPS to prohibit its Members from localising the infringing act of "selling" or "offering to sell" in their domestic territories if an actor makes commercial dealings with the goods while the goods are in transit or stored in a free trade zone on the Member's territory. These

²³¹⁷ See Joined cases C-446/09 and C-495/09, Philips and Nokia. The dispute is listed on the WTO website as being in consultations and that no dispute panel has been established and no withdrawal or mutually agreed solution has been notified. See https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds408_e.htm, visited 12 September 2016.

²³¹⁸ See recital 10 Regulation 608/2013 ("This Regulation solely contains procedural rules for customs authorities. Accordingly, this Regulation does not set out any criteria for ascertaining the existence of an infringement of an intellectual property right."); Case C-281/05, Montex Holdings, para. 40 (stating that the customs regulation does not "introduce[] a new criterion for the purposes of ascertaining the existence of an infringement of trade mark law or to determine whether there is a use of the mark liable to be prohibited because it infringes that law.").

²³¹⁹ Case C-414/11, Daiichi Sankyo and Sanofi-Aventis Deutschland.

²³²⁰ TRIPS is generally understood as establishing minimum levels of protection. The question raised here is whether TRIPS establishes also a maximum level of protection. See generally Grosse Ruse-Khan & Kur 2011. See also recital 11 Regulation 608/2013 ("Under the Declaration on the TRIPS Agreement and Public Health adopted by the Doha WTO Ministerial Conference on 14 November 2001, the TRIPS Agreement can and should be interpreted and implemented in a manner supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all."). Moreover, recital 1 of the TRIPS Preamble and article 41 of the TRIPS Agreement stipulate that IP rights (including patents rights) should not create barriers to legitimate trade. Also, article 7 on objectives and article 8 on principles introduce the idea of balancing the interest of the right holder with that of the users and the general public, which must necessarily include the public interest in the freedom of transit. Transit is also protected under GATT. The CJEU has recognised that the unhindered transit of legitimate trade, e.g. where the goods comply with IP rights in force in both the country of origin and the country of destination, is essential to the development of world trade. Joined cases C-446/09 and C-495/09, Philips and Nokia, para. 63-64.

activities go beyond mere transit and deal with the right of a Member State to regulate commercial dealings within its own territory.²³²¹

It is true that the CJEU has interpreted EU trademark law not to make any distinction between mere transit and other transit encompassing commercial dealings with the goods.²³²² The Trademark Directive and EUTMR autonomously define the concept of infringing trademark use for the EU. There is however no EU instrument in effect that defines the infringing acts of patent infringement, and TRIPS allows its Members to go further than the minimum levels of protection (provided the Members' laws do not create barriers to legitimate trade). With respect to the (former) Trademark Directive and Trademark Regulation, the CJEU reasoned that a trademark's function of controlling the initial marketing of goods in the protected territory is not affected when goods, although physically in a free trade zone in a Member State's territory, are sold or offered for sale for the purpose of putting the goods on the market outside the protected territory. The function or underlying policy objectives of a patent are different from a trademark however and the patent acts of many states attempt to secure for the patent owner the exclusive right to all commercial dealings (even export trade) with the goods while on the protected territory. Indeed, as discussed above, many Member States interpret the territorial scope of their patent laws broadly and localise the infringing act of "offering" on the domestic territory even though the offered goods are to be put on the market and used outside of the domestic territory, and never even enter the domestic territory, simply because the actor doing the offering is within the territory. Thus, until an EU instrument harmonising patent law comes into effect, the Member States may arguably continue to make a distinction between mere transit (which is arguably prohibited by TRIPS), and other transit including selling or offering the goods while they are in a free trade zone, when determining and localising infringing acts within their territories.²³²³

²³²¹ See von Mühlendahl & Stauder 2009 p. 655 ("It is a constant state practice that the territorial scope of protection of intellectual property rights extends to customs-trade zones, free ports, and similar areas which domestic law exempts from customs control. Transactions relating to patent infringing goods which are stored in customs-free zones, even if their destination is a third country where there exists no patent protection, constitute patent infringement.").

²³²² Case C-405/03, *Class International* (holding that selling or offering the goods while they are in a free trade zone does not constitute importing, selling or offering under the Trademark Directive and the Trademark Regulation, unless the acts "necessarily entails the putting of those goods on the market in the [EU].").

²³²³ But see von Mühlendahl & Stauder 2009 p. 659 (maintaining that there is no reason to assume that placing on the market and importation will be interpreted differently when patent law is at issue).

As noted, the CJEU has not ruled on the territorial scope of the Member States' prescriptive jurisdiction to grant damages for infringements taking place in their territories. An unclear question is whether a right holder is entitled to recover damages it suffers outside of the patent territory as a result of the domestic infringement. A classic example is where an infringer makes the product in the patent territory but sells it abroad in competition with the right holder. In that case, the question arises whether the right holder is entitled to recover the profits it lost on foreign sale (or the infringer's profits) as a result of the domestic infringement. Some Member State courts have indicated that foreign damages are recoverable under the general tort law principle that the victim should be restored to the position she would have been in if no wrong had been done.²³²⁴ A question arises however whether this is merely compensating the right holder for injury suffered abroad proximately caused by the domestic infringement or whether such compensation extends the territorial scope of the patent to activities taking place in foreign markets. In light of the fact that the territoriality principle is interpreted most strictly in relation to patents, it might be expected that in most cases, damages arising outside of the patent territory will be found to not satisfy the causation requirement, except in the clearest cases like lost export sales.

In the *United States*, the act of exporting as such is not included as an infringing act in the federal Patent Act.²³²⁵ The rights listed in section 271 of the federal Patent Act are exhaustive; no acts other than those listed in the statute can constitute an infringement, regardless of how great the negative impact of that act is on the economic value of a patent.²³²⁶ Acquiring, stock-

²³²⁴ See *Kirin-Amgen Inc v Transkaryotic Therapies Inc* (No.3), England and Wales High Court, [2002] R.P.C. 3, 2001 WL 825732 ("I accept that there might be a valid claim for damages in respect of activities abroad if they result from [patent] infringement in the jurisdiction."). See also article 13 Directive 2004/48/EC (stating that a right holder is entitled to "damages appropriate to the actual prejudice suffered by him/her as a result of the infringement."). For the situation in Canada, a common law country not unlike the UK, see *AlliedSignal Inc. v Du Pont Canada. Inc.*, Federal Court of Canada, trial division, February 13, 1998, [1998] F.C.J. No. 190 (stating that "if the plaintiff can prove that it would have made those sales in the United States, then the profits lost on those sales flow directly from the manufacture, and the consequent infringement of the patent, within Canada.").

²³²⁵ 35 U.S.C. § 271 (a-g).

²³²⁶ See *Paper Converting Machine Co. v Magna-Graphics Corp.*, 745 F.2d 11, 16 (Fed. Cir. 1984) ("Nevertheless, by the terms of the patent grant, no activity other than the unauthorized making, using, or selling of the claimed invention can constitute direct infringement of a patent, no matter how great the adverse impact of that activity on the economic value of a patent."); *Van Kannell Revolving Door Co. v Revolving Door & Fixture Co.*, 293 F. 261, 262 (S.D.N.Y. 1920) ("[A] patent confers an exclusive right upon the patentee, limited in those terms. He may prevent any one from making, selling, or using a structure embodying the invention, but the monopoly goes no further than that. It restrains every one from the conduct so described, and it does not restrain him from anything else. If, therefore, any one says to a

ing, or keeping are not either listed as infringing acts, and therefore do not infringe the patent owner's exclusive rights.²³²⁷ These acts are however often preceded or superseded by other acts that may be infringing.

It is without question that the act of "making" a product patented in the U.S. is an infringing act even if the product is exclusively destined for export.²³²⁸ It is sufficient that the infringing act of "making" takes place within the U.S. The making in the U.S. of unpatented components from which the patented product easily can be assembled abroad is not however an infringing act of "making" the patented product. In *Deepsouth v Laitram*, the Supreme Court held that the manufacture in the U.S. of a kit of parts to be assembled abroad does not infringe the "making" prong of the U.S. statute.²³²⁹ To close this perceived loophole, the U.S. legislature added section 271(f) making it an infringement "to supply or cause to be supplied" in the U.S. components of a patented invention for assembly outside the U.S.²³³⁰ Thus, the supply from the U.S. of all, a substantial portion, or components that are "especially made or especially adapted for use", with the intention that the unpatented components will be combined outside the U.S. in a manner that would infringe the patent if the combination occurred in the U.S., is an infringing act.

In *Microsoft Corp. v AT&T*, the Supreme Court held that computer software, provided it was embodied in a tangible medium, could qualify as a component under section 271(f) but that software in the abstract did not.²³³¹ However, in order for software to be "supplied" from the U.S., the tangible medium itself that is supplied from the U.S. must be intended to be combined abroad to form the patented invention at issue. Thus, in the *Microsoft*

possible customer of a patentee, "I will make the article myself; don't buy of the patentee," while he may be doing the patentee a wrong, and while equity will forbid his carrying out his promise, the promise itself is not part of the conduct which the patent forbids; it is not a "subtraction" from the monopoly. If it injures the plaintiff, though never performed, perhaps it is a wrong, like a slander upon his title, but certainly it is not an infringement of the patent.").

²³²⁷ *Johns Hopkins University v CellPro, Inc.*, 152 F.3d 1342 (Fed. Cir. 1998) (stating that mere possession of an infringing product as well as mere export of such product from the U.S. are not infringing acts); *Dowagiac Mfg. Co. v Minnesota Moline Plow Co.*, 235 U.S. 641 (1915) (holding that the purchase of infringing goods in the U.S. and exportation to Canada did not violate any of the patent owner's exclusive rights).

²³²⁸ 35 U.S.C. § 271(a) ("whoever without authority makes . . . any patented invention, within the United States . . . infringes the patent."); Halpern et al. 2012 p. 217.

²³²⁹ *Deepsouth Packing Co., Inc. v Laitram Corp.*, 406 U.S. 518 (1972) (holding that there is no "making" of the patented invention in the U.S. when the component parts are assembled abroad). The kit manufacturer might be liable for contributory or inducement infringement under section 271(b-c) if its conduct were intended to lead to use of the patented invention in the U.S.

²³³⁰ 35 U.S.C. § 271(f)(1-2).

²³³¹ *Microsoft Corp. v AT&T Corp.*, 550 U.S. 437 (2007).

case, the fact that Microsoft supplied software on a tangible medium from the U.S. from which it intended for new copies to be made abroad and thereafter combined to form the patented invention, did not infringe section 271(f).²³³² In addition, the Federal Circuit has ruled that section 271(f) cannot apply to method patents.²³³³

Even though exporting as such is not an infringing act under the federal Patent Act, selling goods within the U.S. territory for export abroad may implicate the “to sell” prong. As discussed above, the Federal Circuit has localised the act “to sell” in the U.S. when the U.S. was the place of contracting and place of performance.²³³⁴ Thus, a seller who enters into a contract in the U.S. and delivers the goods to a buyer in the U.S. will infringe the “to sell” prong of the federal Act even if the goods are to be exported for use abroad.²³³⁵

While the Federal Circuit has localised the act “to sell” in the U.S. when the U.S. was the place of performance even though the place of contracting was abroad, it has not yet had the opportunity to answer the question whether a sale may be localised in the U.S. when the U.S. is the place of contracting but the place of performance takes place abroad.²³³⁶ The case *Halo Electronics Inc. v Pulse Electronics, Inc.*, raised almost but not quite such a factual scenario.²³³⁷ In this case, the Federal Circuit held that “pricing and contracting negotiations” in the U.S. alone were not sufficient to localise a sale in the

²³³² See also *Pellegrini v Analog Devices, Inc.*, 375 F.3d 1113 (Fed. Cir. 2004) (holding that the infringing act to supply components under section 271(f) could not be localised in the U.S. based on the fact that a U.S. defendant with headquarters in the U.S. designed the components in the U.S. and supplied the instructions for their manufacture and disposition abroad from the U.S.).

²³³³ *Cardiac Pacemakers, Inc. v St. Jude Medical, Inc.*, 576 F.3d 1348 (Fed. Cir. 2009) (en banc) (overruling *Union Carbide Chemicals & Plastics Technology Corp. v Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005) where the Federal Circuit had previously held that the exportation of a catalyst necessary for performing a patented method was an infringing supply of component parts under section 271(f)).

²³³⁴ *Litecubes, LLC v Northern Light Products, Inc.*, 523 F.3d 1353 (Fed. Cir. 2008).

²³³⁵ *Goodyear Tire & Rubber Co. v Overman Cushion Tire Co.*, 95 F.2d 978 (6th Cir. 1937) (indicating that “sales [that] were completed in the United States, even though for use abroad” would infringe the “to sell” prong of the federal Patent Act).

²³³⁶ See *Carnegie Mellon University v Marvell Tech Group*, 807 F.3d 1283, 1308 (Fed. Cir. 2015) (“The standards for determining where a sale may be said to occur do not pinpoint a single, universally applicable fact that determines the answer, and it is not even settled whether a sale can have more than one location. [citations omitted] Places of seeming relevance include a place of inking the legal commitment to buy and sell and a place of delivery [citations omitted], and perhaps also a place where other “substantial activities of the sales transactions” occurred.”).

²³³⁷ *Halo Electronics Inc. v Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), *vacated and remanded on other grounds*, 136 S.Ct. 1923 (2016).

U.S. for the purpose of the federal Patent Act when all other substantial activities of the sales transaction took place abroad.²³³⁸ The substantial activities of the sales contract taking place abroad included “the final formation of a contract for sale encompassing all essential terms as well as the delivery and performance under that sales contract.”²³³⁹ The court sidestepped the question however whether the act “to sell” could be localised in the U.S. if “the final formation of a contract” had taken place there, even if the contract contemplates performance outside of the U.S. such as the delivery of goods outside of the U.S.²³⁴⁰ However, an important factor for the court’s ruling seemed to be that the patented goods themselves never entered the U.S. territory.²³⁴¹ Other praxis suggests however that the act “to sell” may be localised in the U.S. if some part of the sales transaction took place in the U.S.²³⁴² In a recent case, the Federal Circuit remanded to the district court to determine whether chips made and delivered abroad, and never imported into the United States, could be said to have been sold in the U.S.²³⁴³

²³³⁸ *Halo Electronics Inc. v Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), *vacated and remanded on other grounds*, 136 S.Ct. 1923 (2016) (“we conclude that, when substantial activities of a sales transaction, including the final formation of a contract for sale encompassing all essential terms as well as the delivery and performance under that sales contract, occur entirely outside the United States, pricing and contracting negotiations in the United States alone do not constitute or transform those extraterritorial activities into a sale within the United States for purposes of § 271(a).”).

²³³⁹ *Halo Electronics Inc. v Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), *vacated and remanded on other grounds*, 136 S.Ct. 1923 (2016).

²³⁴⁰ *Halo Electronics Inc. v Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), *vacated and remanded on other grounds*, 136 S.Ct. 1923 (2016) (“On these facts, we need not reach Halo’s argument that the place where a contract for sale is legally formed can itself be determinative as to whether a sale has occurred in the United States because we agree with the district court here that the pricing negotiations and contracting activities in the United States to which Halo points did not constitute the final formation of a definitive, binding contract for sale.”).

²³⁴¹ *Halo Electronics Inc. v Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), *vacated and remanded on other grounds*, 136 S.Ct. 1923 (2016) (“On undisputed facts, the products under discussion here were manufactured, shipped, and delivered to buyers abroad. Halo, 810 F.Supp.2d at 1207 (“All accused products [at issue] were at no point, in transit or otherwise, in the United States.”)).

²³⁴² *Carnegie Mellon University v Marvell Tech Group*, 807 F.3d 1283, 1308 (Fed. Cir. 2015) (suggesting that a sale could be localised where the “inking the legal commitment to buy and sell” took place); *Dowagiac Mfg. Co. v Minnesota Moline Plow Co.*, 235 U.S. 641 (1915) (finding no infringement of the “to sell” prong where defendant purchased drills in the U.S. and exported them to Canada where “no part of the transaction” occurred within the U.S.); *Goodyear Tire & Rubber Co. v Overman Cushion Tire Co.*, 95 F.2d 978 (6th Cir. 1937) (suggesting that “sales [that] were completed in the United States, even though for use abroad” would infringe the “to sell” prong of the federal Patent Act).

²³⁴³ See *Carnegie Mellon University v Marvell Tech Group*, 807 F.3d 1283, 1305-1306 (Fed. Cir. 2015).

Even though the Federal Circuit has not explicitly ruled on this issue, some district courts have treated the place of performance (e.g. delivery of the goods) as controlling for the localisation of a sale of tangible goods, at least when the goods do not have any physical contact with the U.S. territory. When a contract calls for the goods to be manufactured and delivered abroad without ever entering the U.S. territory, some district courts have declined to localise the sale in the U.S. even if the U.S. was the place of contracting.²³⁴⁴ It cannot be excluded however that the situation might be different, if the goods which are the subject matter of a contract have physical contact with the U.S. territory before being exported abroad. This is especially true for goods acquired on the U.S. market because a contract for the sale of domestically made products prejudices the patentee's monopoly on export trade.

The infringing act "to offer to sell" patented goods is localised in the U.S. only if the contemplated sale is to take place in the U.S.²³⁴⁵ Thus, the localisation of an "offer to sell" depends on the localisation of the contemplated "sale" that was just discussed above. Consequently, a seller that offers to sell patented goods abroad will not infringe the "to offer to sell" prong of the federal Patent Act merely based on the fact that the offer as such is made in the U.S.

²³⁴⁴ *Lake Cherokee Hard Drive Technologies, L.L.C. v Marvell Semiconductor, Inc.*, 964 F.Supp.2d 653 (E.D. Tex. 2013) ("there is no dispute that companies abroad submit purchase orders to MAPL in Singapore and that, pursuant to such purchase orders, certain accused products are manufactured abroad, delivered abroad, and never cross United States borders physically or by legal title. No revenues enter the United States. The Court finds as a matter of law that such sales cannot be considered to be "within the United States" under § 271(a). To hold otherwise would convert the act of entering into a product supply agreement within the United States into a springboard for liability each time a purchase order is subsequently placed and fulfilled entirely abroad and where the accused product at no time enters the domestic United States market."); *ION, Inc. v Sercel*, 2010 WL 3768110 (E.D. Tex 2010), *aff'd*, 464 Fed. Appx. 901, 2012 WL 884868 (Fed. Cir. 2012) (holding that the fact that the defendant quoted prices from its U.S. office and received orders and payment in the U.S. did not mean that a sale could be localised there when "the devices were manufactured in Europe and distributed exclusively to Venezuela, Brazil, and Canada without touching U.S. soil.").

²³⁴⁵ *Halo Electronics Inc. v Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), *vacated and remanded on other grounds*, 136 S.Ct. 1923 (2016) ("An offer to sell, in order to be an infringement, must be an offer contemplating sale in the United States. Otherwise, the presumption against extraterritoriality would be breached."). See also *Rotec Industries, Inc. v Mitsubishi Corp.*, 215 F.3d 1246 (Fed. Cir. 2000) (Judge Newman concurring) (stating that an infringing "offer to sell" must be for the contemplated sale of an infringing product). Compare 35 U.S.C. § 271(i) ("As used in this section, an "offer for sale" or an "offer to sell" by a person other than the patentee, or any designee of the patentee, is that in which the sale will occur before the expiration of the term of the patent."). Section 271(i) stands for the proposition that an offer to make a non-infringing sale is not an infringing offer. Section 271(i) deals with the situation where the sale would not infringe because the patent will have expired. By analogy an offer to sell outside the U.S. would not infringe because the sale outside of the U.S. is outside the territorial scope of the federal Patent Act.

Transit and storage are not included as exclusive rights in the federal Patent Act, and therefore these acts as such cannot infringe. However, any exclusive act carried out in relation to goods while in transit or stored in a foreign trade zone in the U.S. will infringe under the Patent Act. The Patent Act applies in full force within U.S. foreign trade zones.²³⁴⁶ Infringement will hinge on whether the act (e.g. “to sell”) can be localised in the U.S. At least one district court has found that the act “to sell” patented goods while the goods are in storage in a free trade zone was an infringing act.²³⁴⁷ In that case, the court localised the act “to sell” in the U.S. because the title passed while the goods were in the U.S. and because the sales contract was entered into in the U.S. even though the goods were destined for Japan.²³⁴⁸ However, as discussed above, the Federal Circuit has cast doubt upon the viability of localising the infringing act “to sell” based solely on the passage of title. Whether this transaction will infringe may hinge upon whether place of contracting may be used as a localisation criteria.

Transit, at least in a purely physical sense, does involve the introduction of goods into the domestic territory, which at first blush might be said to violate the act of “importing” under the federal Act. The plain text of the federal Patent Act is not qualified to require that importing must be for the purpose of some further infringing act such as using, selling, or offering for sale.²³⁴⁹ Moreover, the term importation has been defined pursuant to its plain meaning to mean physically bringing goods into the U.S. from a foreign country.²³⁵⁰ On the other hand, a canon of statutory interpretation instructs that

²³⁴⁶ *G.D. Searle & Co. v Byron Chemical Co.*, 223 F.Supp. 172 (E.D.N.Y. 1963) (stating that there was nothing to indicate an intention on the part of Congress to insulate free trade zones from the force of the patent laws and therefore the act “to sell” goods while in storage in a free trade zone was an infringing act). See also *Denbicare U.S.A. Inc. v Toys R Us, Inc.*, 84 F.3d 1143, 1149 (9th Cir. 1996) (stating that copyright laws apply fully within U.S. free trade zone).

²³⁴⁷ *G.D. Searle & Co. v Byron Chemical Co.*, 223 F.Supp. 172 (E.D.N.Y. 1963) (holding that the act of selling patented goods in U.S. free trade zone is an infringing sale within the scope of the federal Patent Act).

²³⁴⁸ *G.D. Searle & Co. v Byron Chemical Co.*, 223 F.Supp. 172 (E.D.N.Y. 1963) (“Since title passed in the Foreign Trade Zone in New York, pursuant to a contract consummated in Long Island City, New York, the sale, which constituted the claimed infringing act, occurred within the territorial limits of this district court.”).

²³⁴⁹ *Fellowes, Inc. v Michilin Prosperity Co., Ltd.*, 491 F.Supp.2d 571, 583 (E.D.Va. 2007) (“Thus, to directly infringe under § 271(a), an importation of an infringing product need not include, nor be followed by, a sale, offer to sell, or any other particular course of action; the infringing activity is the unauthorized importation of an infringing product itself.”).

²³⁵⁰ *Bristol-Myers Co. v Erbamont Inc.*, 723 F.Supp. 1038 (D.De 1989) (stating that it is not necessary that the goods have passed through U.S. Customs to be imported into the U.S. for the purpose of the Patent Act, and therefore the goods were not infringing because they entered the U.S. before section 271(g) on the importation of products made by a patented pro-

federal law should be construed so as not to conflict with international law.²³⁵¹ As noted, applying IP law to goods in transit through a WTO Member, at least when the goods do not infringe in the state of origin or state of destination, arguably creates barriers to legitimate trade in contravention of TRIPS.

In addition, the Supreme Court case *Brown v Duchesne* suggests that an interpretation of the act of “importing” to cover goods merely in transit or storage in the U.S. could not have been “in the contemplation of Congress in enacting the patent laws.”²³⁵² In the *Brown* case, a foreign owner of a foreign vessel was alleged to infringe a U.S. patent by the “use” of a patented gaff on the sailing vessel in the U.S. The gaff was manufactured and placed on the vessel abroad where it was permissible under the law of that country, and was only used in the U.S. in order to navigate the vessel in and out of the harbour. The Court denied the plaintiff’s infringement action because the vessel was in lawful transit in the U.S., and the gaff installed in a foreign port was lawful under the laws of the country to which the vessel belonged.²³⁵³ While the act of “using” the invention in strictly territorial terms did in fact occur when the vessel entered and left the U.S. territory, the Court viewed the application of the law to these facts to be extraterritorial.²³⁵⁴ The Supreme Court reasoned that to hold otherwise would “seriously embarrass the commerce of the country with foreign nations.”²³⁵⁵

cess); *Cunard S. S. Co., Ltd. v Mellon*, 262 U.S. 100 (1923) (holding that importation “consists in bringing an article into a country from the outside” and that “entry through a custom house is not of the essence of the act”). In the *Cunard* decision, the Court held that the Volstead Act prohibiting the importation of alcoholic beverages into the U.S. applied to foreign ships in transit through the U.S. even though the alcoholic beverages were sealed off by customs for the duration of the time the ship remained in U.S. territory. The *Cunard* decision was ultimately overcome by treaty arrangements with various European states affected by the decision. See Trautman 1961 p. 598.

²³⁵¹ *Murray v The Charming Betsy*, 6 U.S. (2 Cranch) 64 (1804) (“an act of Congress ought never to be construed to violate the law of nations if any other possible construction remains . . .”).

²³⁵² *Brown v Duchesne*, 60 U.S. 183, 196 (1856).

²³⁵³ *Brown v Duchesne*, 60 U.S. 183, 198 (1856) (“a foreign vessel lawfully entering one of our ports; and that the use of such improvement, in the construction, fitting out, or equipment of such vessel, while she is coming into or going out of a port of the United States, is not an infringement of the rights of an American patentee, provided it was placed upon her in a foreign port and authorized by the laws of the country to which she belongs.”).

²³⁵⁴ *Brown v Duchesne*, 60 U.S. 183, 195 (1856) (“But these acts of Congress do not and were not intended to operate beyond the limits of the United States, and as the patentee’s right of property and exclusive use is derived from them, they cannot extend beyond the limits to which the law itself is confined.”).

²³⁵⁵ *Brown v Duchesne*, 60 U.S. 183, 197 (1856).

As noted, an infringement of a U.S. patent entitles the right holder to damages “adequate to compensate for the infringement.”²³⁵⁶ An unclear question is whether a right holder is entitled to recover damages it suffers outside the U.S. as a result of the domestic infringement. The general tort principle that the victim should be restored to the position she would have been in if no wrong had been done applies generally to IP infringements.²³⁵⁷ The difficulty arises in determining to what extent a right holder may recover foreign damages that arise as a result of a domestic infringement.

The Federal Circuit recently held if a physical product is being used to measure damages, the product itself must have been made, sold, used or imported into the U.S.²³⁵⁸ In *Carnegie Mellon University v Marvell Tech Group*, the defendant used the right holder’s patented methods in the U.S. to test their chip design, which was later used to manufacture chips abroad. The jury awarded a reasonable royalty for the infringing use of the patents corresponding to a 50–cents–per–chip royalty on the defendant’s worldwide chip sales. On appeal the defendant objected that this was an extraterritorial application of the Patent Act because a portion of the damage award rested on sales of chips that were manufactured, sold and used abroad without ever entering the U.S. The Federal Circuit agreed stating that although the defendant’s worldwide sales were strongly enough tied to its domestic infringement as a causation matter to have been part of the hypothetical-negotiation agreement, this conclusion was not enough to use the sales as a direct measure of the royalty unless the sales had taken place in the U.S. (as there was no domestic making, using or importing of the chips).²³⁵⁹ The court remanded the case to the lower court to determine whether the chips sales could be localised in the U.S.

Applying the Carnegie Mellon court’s reasoning, it seems clear that a reasonable royalty could be based on the infringer’s foreign sales (or damages could be based on the patentee’s lost foreign sales) resulting from an infringing manufacture in the U.S. While the Supreme Court has not addressed this

²³⁵⁶ 35 U.S.C. § 284.

²³⁵⁷ *Rite-Hite Corp. v Kelley Co.*, 56 F.3d 1538 (Fed. Cir. 1995) (applying general tort principles on full compensation, reasonable, objective foreseeability and proximate cause to determine patent damages).

²³⁵⁸ *Carnegie Mellon University v Marvell Tech Group*, 807 F.3d 1283 (Fed. Cir. 2015) (“Where a physical product is being employed to measure damages for the infringing use of patented methods, we conclude, territoriality is satisfied when and only when any one of those domestic actions for that unit (e.g., sale) is proved to be present, even if others of the listed activities for that unit (e.g., making, using) take place abroad.”).

²³⁵⁹ *Carnegie Mellon University v Marvell Tech Group*, 807 F.3d 1283, 1307 (Fed. Cir. 2015).

issue head on, its case law does suggest and support this conclusion.²³⁶⁰ In contrast, the Federal Circuit has held that the right holder cannot recover damages on the foreign use of the invention following a domestic act of infringement.²³⁶¹ In *WesternGeco L.L.C. v ION Geophysical Corp.*, the infringer was found to violate section 271(f) by supplying components of a patented invention from the U.S. for assembly outside the U.S. As a result of the infringing supply, the right holder lost service contracts to third parties who purchased the components from the defendant for use on the high seas to perform services that the right holder would have otherwise performed.²³⁶² The court denied recovery based on the foreign lost service contracts on the ground that it was an extraterritorial application of the Patent Act. The court referred to its previous decision in *Power Integrations, Inc. v Fairchild Semiconductor Int'l, Inc.*, where it stated that the right holder was incorrect in its assumption that having established one or more acts of direct infringement in the U.S., it could recover damages arising from the infringer's worldwide

²³⁶⁰ See *WesternGeco L.L.C. v ION Geophysical Corp.*, 791 F.3d 1340, 1356-1357 (Fed. Cir. 2015), *denying reh'g en banc*, 621 Fed.Appx. 663 (Fed. Cir. 2015), *vacated on other grounds*, 2016 WL 761619 (U.S. 2016) (Wallach dissenting in part) (maintaining that the Supreme Court has used non-infringing foreign sales to calculate lost profits where the patented product is manufactured in the U.S., citing *Goulds' Manufacturing Co. v Cowing*, 105 U.S. 253, 254 (1881), *Dowagiac Manufacturing, Co. v Minnesota Moline Plow Co.*, 235 U.S. 641, 642-43 (1915), and *Brown v Duchesne*, 60 U.S. 183, 196 (1856)); *Ibid.* at 1351-1352 (majority opinion) (conceding that the cases cited by the dissent "suggest that profits for foreign sales of the patented items themselves are recoverable when the items in question were manufactured in the United States and sold to foreign buyers by the U.S. manufacturer" but distinguishing the case where physical product used to measure damages has no contact with the U.S.). See also *Schneider (Europe) AG v Scimed Systems, Inc.*, 60 F.3d 839 (Fed. Cir. 1995) (upholding district court's award of lost profits on foreign sales stating that it was "aware of no rule that a plaintiff cannot recover lost profits for foreign sales of infringing products manufactured in the United States."); *Datascope Corp. v SMEC, Inc.*, 879 F.2d 820 (Fed. Cir. 1989) (assuming that lost profits on foreign sales were possible but upholding district court's denial of lost profits in this case because right holder failed to show that it would have made those sales but for the domestic infringement). See also *Panduit Corp. v Stahlin Bros. Fibre Works, Inc.*, 575 F.2d 1152 (6th Cir. 1978) (articulating a four-factor test to determine whether a patentee is entitled to lost profits damages).

²³⁶¹ *WesternGeco L.L.C. v ION Geophysical Corp.*, 791 F.3d 1340, 1350 (Fed. Cir. 2015), *denying reh'g en banc*, 621 Fed.Appx. 663 (Fed. Cir. 2015), *vacated on other grounds*, 2016 WL 761619 (U.S. 2016) ("It is clear that under § 271(a) the export of a finished product cannot create liability for extraterritorial use of that product.").

²³⁶² *WesternGeco L.L.C. v ION Geophysical Corp.*, 791 F.3d 1340, 1351 (Fed. Cir. 2015), *denying reh'g en banc*, 621 Fed.Appx. 663 (Fed. Cir. 2015), *vacated on other grounds*, 2016 WL 761619 (U.S. 2016) ("Just as the United States seller or exporter of a final product cannot be liable for use abroad, so too the United States exporter of the component parts cannot be liable for use of the infringing article abroad.").

sales of the patented invention that were the “direct, foreseeable result” of the domestic infringement.²³⁶³ The Power Integrations, Inc. court explained:

the entirely extraterritorial production, use, or sale of an invention patented in the United States is an independent, intervening act that, under almost all circumstances, cuts off the chain of causation initiated by an act of domestic infringement.²³⁶⁴

The dissent in *WesternGeco L.L.C.* maintained that the presumption against the extraterritorial application of the Patent Act does not mean that activities occurring outside the U.S. are categorically disregarded, in particular when determining damages. The dissent rejected the statement made in *Power Integration* that direct and foreseeable foreign damages were not recoverable, and maintained that the reason for denying damages in that case was because the foreign damages were in fact not sufficiently related to the domestic infringement.²³⁶⁵ Indeed, in *Power Integrations*, the patentee held patents on technology used in power supplies for electronic devices. It sought to recover lost profits on foreign sales it would have made but for the defendant’s infringing acts in the U.S. The patentee argued that their customers were interested in using the same product everywhere in the world, and the infringing sales in the U.S. enabled the infringer to make foreign sales, which the patentee otherwise would have made.²³⁶⁶ Moreover, the dissent found that the *WesternGeco L.L.C.* was distinguishable from *Power Integrations* because in the former case, the use was on the high seas so that concerns about double recovery and interference with the sovereignty of

²³⁶³ *Power Integrations, Inc. v Fairchild Semiconductor Intern. Inc.*, 711 F.3d 1348, 1371 (Fed. Cir. 2013), *cert. denied*, 134 S.Ct. 900 (2014) (“*Power Integrations* is incorrect that, having established one or more acts of direct infringement in the United States, it may recover damages for Fairchild’s worldwide sales of the patented invention because those foreign sales were the direct, foreseeable result of Fairchild’s domestic infringement.”).

²³⁶⁴ *Power Integrations, Inc. v Fairchild Semiconductor Intern. Inc.*, 711 F.3d 1348, 1371-1372 (Fed. Cir. 2013), *cert. denied*, 134 S.Ct. 900 (2014).

²³⁶⁵ See *WesternGeco L.L.C. v ION Geophysical Corp.*, 791 F.3d 1340, 1359-1360 (Fed. Cir. 2015), *denying reh’g en banc*, 621 Fed.Appx. 663 (Fed. Cir. 2015), *vacated on other grounds*, 2016 WL 761619 (U.S. 2016) (Wallach dissenting in part) (“However, despite its use of the word “direct,” the court in *Power Integrations* was clearly concerned with the sufficiency of the connection between the foreign activity and the domestic infringement. *Power Integrations* explained the plaintiffs had cited no case law supporting the use of “sales consummated in foreign markets, regardless of any connection to infringing activity in the United States,” when calculating damages. [citation omitted] It noted the “estimate [of the plaintiff’s expert witness] of \$30 million in damages was not rooted in [the defendant’s] activity in the United States.” [citation omitted] Similarly, the district court decision expressed concern that the “estimate [of the plaintiff’s expert witness] of \$30 million in damages was not related to parts that were manufactured, used, or sold in the United States by [the defendant].”).

²³⁶⁶ See Chao 2014 p. 80.

other states was of minimal relevance.²³⁶⁷ In a dissent from a denial for a petition for rehearing en banc, three judges lamented that the denial prevents consideration of whether the extension of the presumption against extraterritoriality to patent damages is at odds with the longstanding and analogous “predicate act” doctrine in the copyright context.²³⁶⁸

Summing up, under the Member States and U.S. patent laws, dealings with tangible goods physically present within the territory where the goods are protected by patent may infringe some of the exclusive rights of the patent owner. This is undoubtedly the case for the domestic manufacture of patented goods for export. It is unclear whether the export of unpatented components for assembly abroad is an infringing act in the Member States, whereas this is clearly an infringing act under U.S. law. Under some Member States patent laws, offers and sales physically made on the territory infringe even if the goods do not have any contact with the domestic territory. Under U.S. law, it is unclear whether a sale can be localised in the U.S. at the place of contracting if the performance is contemplated abroad, and an offer will not be localised in the U.S. unless it contemplates a sale in the U.S. It is likely that mere transit as such does not infringe under either EU or U.S. law but dealings with the goods while in transit may infringe if those acts can be localised to the domestic territory. Under U.S. law, foreign damages arising from a domestic infringement are recoverable if the measure of the damages is based on the infringer’s dealings with tangible goods that can be localised to the U.S. territory. The CJEU has not ruled on the territorial scope of the Member States’ prescriptive jurisdiction to grant damages for patent infringements taking place in their territories under the Enforcement Directive.

²³⁶⁷ *WesternGeco L.L.C. v ION Geophysical Corp.*, 791 F.3d 1340, 1360 (Fed. Cir. 2015), *denying reh’g en banc*, 621 Fed.Appx. 663 (Fed. Cir. 2015), *vacated on other grounds*, 2016 WL 761619 (U.S. 2016) (Wallach dissenting in part) (“For similar reasons, concerns that extraterritorial application of U.S. patent law could result in double recovery (e.g., by parallel suits brought under the patent laws of more than one country based on the same infringing act) or possibly interfere with foreign sovereignty are of minimal relevance here.”). See also Chao 2014 p. 86-89 (discussing how an award of damages for lost foreign sales may implicate principles of comity because it may interfere with the patent policies of other states but that any potential comity issues are mitigated because the foreign damage awards will mostly affect U.S. infringers); Trimble 2015:2 p. 365 fn 91 (submitting that right holder would not be entitled to double compensation).

²³⁶⁸ *WesternGeco L.L.C. v ION Geophysical Corp.*, 621 Fed.Appx. 663 (Fed. Cir. 2015) (*denying rehearing en banc*) (Wallach, Newman & Reyna dissenting).

Domestic acts where the primary IP impairing effects occur abroad (outbound regulation)

The question addressed is whether domestic acts within the protected territory where the primary IP impairing effects occur abroad fall within the scope of the domestic patent law. For example, an actor may sell or offer in the protected territory a patented process for use abroad. Another example is where an actor in the protected territory is alleged to use the invention on equipment located in the protected territory even though the primary effects of the inventions are felt abroad.

In the *European Union*, there does not appear to be an autonomous position among the Member States with respect to whether an actor may offer in the protected territory a patented process for use abroad. In some Member States such as Bulgaria and Romania, a process patent may only be infringed by use.²³⁶⁹ In contrast, the Member States whose patent acts are based on the CPC make “offering a process for use” an infringing act, but require that the offer be “for use within the [patent] territory.”²³⁷⁰ In these Member States, offering, effecting a sale (e.g. signing a contract), or even putting on the market in the patent territory an apparatus intended for performing a patented process outside the patent territory will not infringe the patent.²³⁷¹ The patent acts of other Member States like the Czech Republic and Estonia that do include “offering a process for use” as an infringing act in their patent acts, do not (at least explicitly) require that the offered use must be for use within the domestic territory.²³⁷² Thus, in these Member States, it cannot be excluded that offering within the patent territory a process for use abroad could fall within the territorial scope of the patents acts if there are some acts taken within the patent territory such as negotiations or contracting. The same goes for Member States like Italy that have an open-ended patent statute that encompasses any act whereby individuals not having the patentee’s

²³⁶⁹ See article 19(3 & 5) Bulgaria Law on Patents and Utility Model Registration (as last amended 2012); article 31(2)(b) Romania Law No. 64/1991 on Patents (as amended up to Law No. 83/2014).

²³⁷⁰ See e.g. article L613-3 French Intellectual Property Code (consolidated version of April 25, 2016); article 9(2) German Patent Act (as amended up to Act of December 3, 2015).

²³⁷¹ Benyamini maintains that if offering or putting on the market a kit of all components needed to make the patented product is an infringing act then offering or putting on the market materials and information necessary to perform a patented process should also infringe. Indeed, he maintains that both results are consistent with the underlying rationale that dealing commercially with the subject matter of the invention comprises part of the patentee’s monopoly, whether it is a patented product or a patented process. Benyamini 1993 p. 258.

²³⁷² See section 13(b) Czech Republic Law No. 527/1990 of November 27, 1990 on Inventions and Rationalization Proposals (as last amended by No. Act No. 378/2007 Coll.); article 15(4) Estonia Patent Act (Act No. RT I 1994, 25, 406, as last amended by Act No. RT I, 28.12.2011,1).

consent implement the invention and obtain a reward therefrom in the territory.²³⁷³ This wording is arguably sufficiently broad to cover offering in Italy a patented process for use abroad.²³⁷⁴

Member States vary with respect to the question whether patent use could be localised in a Member State where an actor and equipment is located even though the primary effects take place abroad. As noted, the UK seems to apply a claims based approach, which focuses on from whose perspective the claims are drafted.²³⁷⁵ In the *Research in Motion UK Ltd. v Motorola Inc.*, the UK court localised use in Canada where the actor and server were located even though the primary benefit from the invention might to said to take place in the UK where the owners of BlackBerry devices were able to get wireless access to their email.²³⁷⁶ This suggests that if the situation was reversed, the UK court would be willing to localise use in the UK. In contrast, in a somewhat similar scenario where most of the tangible steps of the invention were carried out abroad, the German court localised use in Germany based largely on the economic effects in Germany.²³⁷⁷ Of course, this does not exclude that a German court would localise use in Germany based on the location of acts and tangible connections in Germany even though the primary effects take place abroad.

In the *United States*, the text of the federal statute does not clearly answer the question whether exporting a patented process falls within the territorial scope of the Patent Act. Section 271(a) states that “whoever without authority . . . offers to sell, or sells any patented invention . . . infringes the patent.” This would seem to suggest that any patented invention (product or process) that is offered or sold in the U.S. would fall within the scope of the federal Patent Act. The plain text of the statute does not make any distinction between product patents and process patents.²³⁷⁸ Nevertheless, the Federal Cir-

²³⁷³ Article 66(1) Italian Industrial Property Code (Legislative Decree No. 30 of February 10, 2005, as amended up to Decree-Law No. 1 of January 24, 2012, converted into law with changes by Law No. 27 of March 24, 2012).

²³⁷⁴ See *Aktiebolaget Hassle v Effechem s.r.l.*, Italian Supreme Court, 3 April 2003, IIC 2004, 35(9), 1037-1039 (stating that given the breadth of the wording of the infringement statute, it is intended to cover any benefit that can be drawn from the patented invention).

²³⁷⁵ Romandini & Klicznik 2013 p. 532-533.

²³⁷⁶ *Research in Motion UK Ltd. v Motorola Inc.*, England and Wales High Court, [2010] EWHC 118 (Pat).

²³⁷⁷ 2 U 51/08 (Prepaid Card), Court of Appeals Düsseldorf, 10 December 2009, referenced in Bardehle Pagengerg IP report 2010/I, http://www.bardehle.com/en/publications/search_in_all_publications.html, viewed 24 August 2016.

²³⁷⁸ The text of section 154 of the Patent Act defining the contents of a patent does not provide any clear guidance either. Indeed, “every patent” does not seem to distinguish between product and process patents. 35 U.S.C. § 154.

cuit has suggested, but not decided, that a method patent may be directly infringed only by use.²³⁷⁹

In the absence of a binding precedent by the Federal Circuit, the district courts have been split on the issue whether a method patent may be directly infringed by "selling" or "offering to sell."²³⁸⁰ For those district courts holding that a method patent can be infringed by the act "to sell" or "to offer to sell", it is of no consequence that the offer or sale contemplates use abroad, e.g. that some or even all of the process steps are performed outside the U.S., provided the act "to sell" or "to offer to sell" is localised in the U.S.²³⁸¹ As noted above, with respect to tangible goods, it is unclear whether the act "to sell" must be located exclusively at the place of performance of the contract or whether localisation at the place of contracting is viable. Regardless of the proper localisation of the act "to sell" with respect to product patents, one district court reasoned that the infringement of a method patent may "necessitate a unique analysis as to where a sale can be said to have taken place" because the sale of a method does not require the delivery of tangible goods.²³⁸² The court reasoned that if the act "to sell" an infringing method was to be localised at the place of contract performance, this would be the same place where the act "to use" occurred, which would make one of the

²³⁷⁹ See *Ricoh Co., Ltd. v Quanta Computer Inc.*, 550 F.3d 1325 (Fed. Cir. 2008) (declining to answer the question whether selling or offering to sell a patented method is an act of direct infringement under section 271(a)); *NTP, Inc. v Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006) (observing the inherent difficulty of applying the concept of a "sale" to a method claim that consists of a series of acts as opposed to tangible components and that the legislative history of § 271(a) indicated the U.S. legislature's understanding that method claims could be directly infringed only under the "use" prong of § 271(a) but declining to decide the issue) ("We need not and do not hold that method claims may not be infringed under the "sells" and "offers to sell" prongs of section 271(a)."); *Joy Technologies, Inc. v Flakt, Inc.*, 6 F.3d 770, 775 (Fed. Cir. 1993) ("A method claim is directly infringed only by one practicing the patented method."); *Outbound Standard Havens Products, Inc. v Gencor Industries, Inc.*, 953 F.2d 1360, 1374 (Fed. Cir. 1991) (finding that a sale in the U.S. of an unclaimed apparatus for implementing a patented process does not infringe a method patent). The Supreme Court has not directly dealt with this question. The Supreme Court has held however that a method patent could be sold for the purpose of patent exhaustion. See *Quanta Computer, Inc. v LG Electronics, Inc.*, 553 U.S. 617 (2008).

²³⁸⁰ Compare *CLS Bank Int'l v Alice Corp. Pty. Ltd.*, 667 F.Supp.2d 29 (D.D.C. 2009); *Optigen, LLC v Int'l Genetics, Inc.*, 777 F.Supp.2d 390 (N.D.N.Y.2011); *Synaptic Pharm. Corp. v MDS Panlabs, Inc.*, 265 F.Supp.2d 452 (D.N.J.2002) with *Isis Pharmaceuticals, Inc. v Santaris Pharma A/S Corp.*, 2014 WL 2531973 (S.D. Cal. 2014).

²³⁸¹ *CLS Bank Int'l v Alice Corp. Pty. Ltd.*, 667 F.Supp.2d 29, 37 (D.D.C. 2009) ("notwithstanding that all of the steps of a method are performed abroad, an infringing "sale" or "offer to sell" can still occur within the United States if "all of the essential activity pertaining to the offer and sale of that activity has taken place in the United States."").

²³⁸² *WesternGeco L.L.C. v ION Geophysical Corp.*, 2012 WL 1708852 (S.D. Tex. 2012).

restricted acts superfluous.²³⁸³ Thus, the court found that activities in the U.S. pertaining to the offer and sale of the method abroad could violate the “to sell” or “to offer to sell” prong of the federal statute. In contrast, another district court has held that it is not an infringement “to sell” or “to offer to sell” in the U.S. a patented method for use abroad given the Federal Circuit’s clear precedent that a method patent may only be infringed when each of its steps are performed within the U.S., as well as the Federal Circuit’s indication that a method patent may only be infringed by use.²³⁸⁴

The question whether patent use could be localised in the U.S. where an actor or equipment is located even though the primary effects take place abroad does not seem to have been considered by the U.S. courts. In *Centillion Data Systems, LLC v Qwest Communications Intern., Inc.*, the Federal Circuit considered an analogous question (albeit in a purely national context) concerning whether a service provider “used” a patented system for collecting, processing and delivering information from a service provider to a customer.²³⁸⁵ Applying the test it developed for localising infringing use in the *NTP* case, the court found that the service provider did not “use” the patented invention because it did not control the system and obtain a benefit from it.²³⁸⁶ Even though the service provider maintained and operated the back-end system and supplied the user with the software, it did not “use” the system because it did not put into service the personal computer data processing. This case may suggest that merely maintaining and operating the physical infrastructure is not enough to localise use in the U.S. unless the party maintaining and operating it controls the entire system and benefits from it. On the other hand, one should not underestimate the strength of tan-

²³⁸³ *WesternGeco L.L.C. v ION Geophysical Corp.*, 2012 WL 1708852 (S.D. Tex. 2012) (“if the location of the sale of the infringing method were the place of performance - then the “sale” prong of 35 U.S.C. 271(a) would essentially become coterminous with the use prong, as liability under both would derive from the performance of the patented method within the U.S. This would make one of these prongs superfluous.”).

²³⁸⁴ *Isis Pharmaceuticals, Inc. v Santaris Pharma A/S Corp.*, 2014 WL 2531973 (S.D. Cal. 2014) (“Given clear precedent that a method patent may only be infringed when each of its steps are performed within the United States, and given the Federal Circuit’s near categorical rejection of claims for infringement of a method patent under the “sale” and “offers to sale” prongs of § 271(a), this Court concludes that, to the extent Plaintiff’s infringement claims against Defendants are based on Defendants’ infringement of Plaintiff’s method claims through the sale or offer for sale of such claims, Plaintiff’s infringement claims must be dismissed.”).

²³⁸⁵ *Centillion Data Systems, LLC v Qwest Communications Intern., Inc.*, 631 F.3d 1279, 1286-1287 (Fed. Cir. 2011).

²³⁸⁶ See *NTP, Inc. v Research in Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006) (localising use where “the system as a whole is put into service, i.e., the place where control of the system is exercised and beneficial use of the system obtained.”).

gible acts and physical connections when applying the territoriality principle of patent law.²³⁸⁷ The control and beneficial use test may arguably be a substitute for an absent physical connection rather than an additional criterion so that the infringing act is localised by purely physical occurrences or the beneficial use and control test.²³⁸⁸ With respect to method patents however use will not be localised in the U.S. unless every method step is carried out in the U.S.²³⁸⁹

Summing up, under the Member States and U.S. patent law, it may be possible to localise an infringing act based on tangible criteria such as the presence of the actor and equipment in the protected territory even though the primary IP impairing effects take place abroad although in many situations it is not clear.

Comparative Analysis on the Territorial Scope of Application of Substantive IP Law

The objective of this chapter has been to investigate and compare the interpretation and operation of the principle of territoriality of IP law on the territorial scope of application of substantive IP law in the EU and the U.S. legal systems. More specifically, the chapter investigated and compared the role of physical, tangible criteria and/or effects (IP impairing effects or otherwise) to support claims of prescriptive jurisdiction. The chapter investigated and compared whether, in light of the important state interests underlying IP rights, the territoriality principle operates in an affirmative manner, extending the domestic law to acts and/or effects outside the domestic territory, or in a restrictive manner, limiting the domestic law to act and/or effects within the domestic territory. This section summarises the findings, explores the possible reasons for the similarities and differences, and offers some critical commentary.

It is a truism that the EU and the U.S. IP laws are generally based on the principle of territoriality. The interpretation and the operation of the principle differs among the different IP rights reflecting their different origins,

²³⁸⁷ See *NTP, Inc. v Research in Motion, Ltd.*, 418 F.3d 1282, 1316 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006) (stating that the situs of the infringing act of patent infringement is a “purely physical occurrence.”).

²³⁸⁸ See *NTP, Inc. v Research in Motion, Ltd.*, 418 F.3d 1282, 1316 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006) (“In terms of the infringing act of “use,” courts have interpreted the term “use” broadly.”).

²³⁸⁹ *NTP, Inc. v Research in Motion, Ltd.*, 418 F.3d 1282, 1317-18 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006).

functions, and character and also within the compared legal systems reflecting the different character of the legal systems (supranational v national) and their different legal traditions.

Tangible criteria and/or effects: Trademarks

In the *European Union*, the territoriality principle of trademark law is interpreted in accordance with the location of trademark impairing effects. The CJEU has localised the infringing act of trademark use, within the limits of the objective territorial principle, depending on where the use is liable to affect a trademark function. The sale and dispatch of tangible goods under the mark into the EU and the use of a mark in connection with the sale, offer for sale or advertising of goods or services targeting the EU falls within the territorial scope of EU trademark law regardless of the fact that the actor, goods or website are located in a third state. Indeed, the infringing act can be localised where the goods tangibly enter the EU and also where the mark is perceivable on a digital device tangibly located in the EU, provided EU consumers are targeted.

On the other hand, the infringing act of trademark use will not be localised at the location of the actor that carries out activities in connection with tangible goods or the communication devices physically present in the EU (subjective territorial principle) unless the use is liable to affect a trademark function in the EU. A newly minted legislative exception to reverse the CJEU's interpretation of the territoriality principle concerning where the trademark impairing effects occur, is the new rule in the recast of the Trademark Directive and the EUTMR localising the act of trademark infringement in the EU if counterfeit goods transit through or are stored in the EU territory, even though this use does not (directly) affect a trademark function in the EU.

In the *United States*, the courts are not always consistent with the interpretation of the territoriality principle of trademark law. Some courts have localised infringing use in relation to tangible connections such as the location of the actor or tangible equipment on which the use is made. Other courts have interpreted the territoriality principle in accordance with the location of the trademark impairing effects. In any case, tangible connections are significant because they can bolster the U.S. claim to regulatory authority when the trademark impairing effects in the U.S. are not particularly strong. The significance of a U.S. localisation is that if the court localises the infringement in the U.S., it does not usually consider the possible effects on international comity.

U.S. trademark law does not strictly adhere to the territoriality principle, and the trademark act will be applied to foreign acts of trademark use that affect

U.S. commerce (effects doctrine). In many cases, the effect on U.S. commerce consists of trademark impairing effects on the U.S. market due to the likelihood of consumer confusion and good will injury. However in other cases, U.S. trademark law is applied to prevent the diversion of sales in foreign markets, which have indirect effects on U.S. commerce. When the U.S. trademark act is applied extraterritorially, apart from the requirement of effects on U.S. commerce, the courts take into consideration whether the defendant is a U.S. national (or otherwise has close ties to the U.S.) (nationality principle) and whether the infringer has a superior right in the foreign state.

The difference between the interpretation and operation of the territoriality principle in EU and U.S. trademark law may be explained by their different perspectives on the public/private character of trademarks. From an EU law perspective law, trademarks are seen largely as state (or supranational) granted restrictions on competition with the aim of fostering a well-functioning internal market for the benefit of the growth and the competitiveness of European businesses. Viewing trademarks predominantly as instruments of EU policy, the EU adheres to the territoriality principle so as to not interfere with the trademarks of other states, not least the sovereign Member States comprising the EU. The EU view of trademarks as predominantly policy instruments is reflected in the rule on regional trademark exhaustion, which permits right holders to prevent the use of a mark in connection with genuine goods (parallel imports) from third states (EU law prohibits national exhaustion because it hinders the free movement of goods and services within the internal market).

The infringing act of transit of counterfeit goods is an exception to the general rule that the principle of territoriality is defined in relation to the trademark impairing effects. Here, the EU gives its trademark law extraterritorial effect, albeit within the limits of the subjective territorial principle using the domestic hook of transit through the EU to support its regulatory authority. The EU's exercise of extraterritorial regulatory authority is however not to unilaterally export EU policy goals but is in accordance with internationally agreed upon norms.

In contrast, the U.S. views trademarks as common law property rights rather than state granted restrictions on competition. A U.S. right arises through use of the trademark on the market (not registration), and will be protected even in foreign markets where the right holder uses or is likely to use the mark. However, if the infringer has a superior right to the trademark under foreign law, the U.S. courts will take this into consideration either in restrictively interpreting the territorial scope of the U.S. law or in determining the scope of the injunction so as to not offend the interests of foreign states in their registered rights. While the U.S. global exhaustion rule for trademarks is

usually explained with respect to trademark law's primary aim to prevent consumer confusion, it may also arguably be understood as a consequence of the U.S. view of trademarks as property rights entitled to protection everywhere but only with respect to the first sale of the goods under the mark.

Tangible criteria and/or effects: Copyright

With respect to copyright law, the EU and U.S. legal systems interpret the territoriality principle in relation to both tangible activities as well as the copyright impairing effects on the market. An infringing act will be localised at the location of the actor or equipment physically present in the protected territory (subjective territorial principle) even though the effect on the right holder's market in the domestic territory is negligible. In general, dealings with tangible works physically present in the domestic territory as well as making a work available from the domestic territory will constitute an infringement localised to the domestic territory. At the same time, the infringing act will be localised in the domestic territory, within the limits of the objective territorial principle, if necessary to protect the right holder's domestic market even in the absence of tangible conduct on the territory. The act of distribution can be localised in the domestic territory to which the sale and dispatch of infringing copies are made and an infringing act can be localised where a work is made accessible by broadcasting or digital transmission, if the infringer has targeted (EU) or the work has been downloaded, viewed or accessed (U.S.) by the public in the protected territory. Moreover, under both legal systems, courts seem willing to grant damages even for injuries sustained outside the domestic territory as a result of the domestic infringement. The U.S. predicate act doctrine goes significantly further in that it permits a right holder to recover damages (or at least the infringer's profits) arising from additional foreign exploitation made possible due to a domestic infringement.

The broad interpretation of the territoriality principle of copyright law in both EU and U.S. law may be explained by the origin and character of the right itself. Copyright (more so than patents or trademarks) has a natural rights origin that supports the author's right to control the use of her work (even from the domestic territory where there are no domestic effects). Also, unlike patents, copyright only prevents free riding (copying), which can be justified on natural rights and moral grounds. It does not prevent the use of independently created content. Copyright also arises automatically without state grant. In these respects, the character of copyright is closer to a private right rather than a state sponsored restriction on competition.

Still, the EU's perspective on copyright is foremost utilitarian. Its aim is to stimulate the development and marketing of new works for the benefit of the

growth and the competitiveness of European businesses. This utilitarian view is reflected in the regional exhaustion policy that allows right holders to control the distribution of their works in the EU insulated from competition from their own works released in third state markets. At the same time, in those areas where EU copyright law is not harmonised, the EU copyright law aims to ensure that the protection granted in one Member States does not encroach on the sovereign right of another Member State to shape its own national copyright policies.

While a utilitarian origin underlies copyright law in the U.S, copyright is understood as a private property right, albeit protected in the public interest to encourage the creation of works. A property perspective on copyright might, like trademark, be assumed to entitle a right holder to protection everywhere. However, the U.S. courts have held that the general presumption against extraterritorial application of statutes has not been overcome with respect to the copyright act. Still, the adherence to the territoriality principle is more nominal than real. This private property perspective explains the broad application of the U.S. Copyright Act, not least as reflected in the predicate act doctrine, which is an equitable remedy for a wrongful act in connection with another's property right. As noted, the predicate act doctrine allows the right holder to recover profits made from a foreign exploitation of the right holder's work provided the foreign exploitation has its origin in a domestic act of infringement. In addition, a perspective on copyright as a single property right is suggested in the global first sales doctrine, which treats even foreign sales of genuine copies as exhausting the right holder's right to control the further distribution of the work. A logical conclusion drawn from the global first sales doctrine may be that the U.S. does not view copyright as a bundle of separate national titles but as a single property right.

In addition, the U.S. courts seem to be less concerned with state interests when it comes to copyright protected in foreign states than with registered rights protected in foreign states. Part of the explanation may be that the principle of territoriality (and its counterpart, the presumption against extraterritoriality) itself serves to protect against unintended clashes between U.S. law and foreign laws that could result in international discord. Thus, if the court has localised the infringing act in the U.S., the U.S. copyright law is mechanically applied. Still, the U.S. courts do not seem to be overly concerned with foreign state interests in localising the infringing act in the first place or in limiting the scope of relief to capture only copyright impairing effects in the U.S. A reason for this may be the different character of the rights. Copyright is understood as a private right whereas foreign registered trademarks are understood as state granted rights granting the trademark holder a "licence" to use the mark.

Tangible criteria and/or effects: Patents

Of all the IP rights discussed (trademark, copyright and patent), patent is the most strictly territorial. Traditionally, both the EU Member States and the U.S. have localised the act of patent infringement largely pursuant to the location of the actor's conduct (subjective territorial principle). When an actor's foreign conduct has direct effects on the right holder's market however the infringing act has been localised in relation to the patent impairing effects, albeit within the limits of the objective territorial principle. An infringing act can be localised where tangible goods embodying the patented invention are sold and dispatched. Offers for sale can be localised in the domestic territory if the offer is accessible in (by phone, fax or internet) and targets the domestic market. Telecommunication patents have presented the greatest challenges. The Member State and U.S. courts have localised the infringing act of use in the domestic territory where patent impairing effects arise even though some physical components or steps of the invention are located or carried out abroad. In the cases decided thus far however there has been at least some tangible connection to the domestic territory.

A significant difference however between the Member States and the U.S. is that recently, the U.S. has localised the infringing act of offering to sell and selling in the U.S. based solely on domestic patent impairing effects even in the absence of any tangible connection to the U.S. territory. Indeed, in the *Transocean* case, an offer or sale carried out wholly abroad is localised in the U.S. if it contemplates the delivery of the patented product into the U.S. territory. In this respect, the U.S. goes beyond the objective territorial principle because unlike an offer on a computer screen directed at the U.S., an offer or sale carried out wholly abroad cannot be tangibly localised in the U.S. This is not the same as the effects doctrine applied in relation to U.S. trademark law however because the relevant effects are the usurpation of the right holder's domestic market and not general effects on U.S. commerce. In contrast, the Member States have not been willing to go beyond the limits of the objective territorial principle. In the Member States, putting on the market, offering, selling and offering to sell will be localised in the domestic territory only if there is some tangible connection such as an offer targeting and accessible in the patent territory.

It is not surprising that of all the IP rights studied, patents remain the most territorial. This may be explained by a shared view of patents as predominantly artificial rights created by the state to fulfil utilitarian goals. Even in the EU where all IP rights may be said to fulfil the EU's goals, the state interests in patents are often assumed to be of a different character as patents may be granted for inventions vital to national security and defence. Moreover, unlike copyright and trademarks, the grant of a patent is a true monop-

ly that restricts the exploitation of knowledge and ideas even by others who independently made the same invention. The public law character inherent in patent rights may explain the Member States' strict adherence to the territoriality principle in patent law more so than compared with copyright law.

While it is true that the U.S. first-to-invent system (now abandoned) may suggest a (natural) property right to one's invention that might give rise to the idea of ubiquitous protection, the perspective of patents as an instrument for market regulation suggests otherwise. Moreover, the presumption against the extraterritorial application of federal law applies with particular force in U.S. patent law because the territorial limitation on the rights conferred are explicit in the U.S. Patent Act. In addition, the public law perspective on patent law permeates the Supreme Court rulings that take foreign state interests into account in determining whether an infringing act can be localised in the U.S. territory.²³⁹⁰ This is more apparent than in trademark law where foreign interests are considered only once the act is applied extraterritorially, and in copyright law where foreign interests do not appear to be considered at all provided the infringing act is localised in the U.S.

In light of the inherently public law character of patent law, it is perhaps surprising that the Federal Circuit has taken a market effects approach with respect to localising the infringing act of offering and selling, giving only lip service to the presumption against extraterritoriality. In the court's view, however, it was applying the Patent Act in accordance with the principle of territoriality. Although the court does not cite the Supreme Court's Morrison case decided only three months earlier, it appears to apply the Morrison test of territoriality that looks to the "focus" of congressional concern in the relevant statute and not to the location of the harmful conduct.²³⁹¹ Indeed, it may not be mere coincidence that the Federal Circuit states: "The *focus* should not be on the location of the offer, but rather the location of the future sale that would occur pursuant to the offer." (emphasis added).²³⁹² Having localised the infringing act in the U.S., the court seems to consider the matter settled, and does not inquire into possible foreign state interests.

²³⁹⁰ See *Microsoft Corp v AT&T Corp*, 550 U.S. 437 (2007); *Brown v Duchesne*, 60 U.S. 183 (1856).

²³⁹¹ *Morrison v National Australia Bank Ltd.*, 561 U.S. 247, 249 (2010) (interpreting territoriality by looking to the "focus" of congressional concern in the relevant statute).

²³⁹² *Transocean Offshore Deepwater Drilling, Inc. v Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010), *petition for writ of cert. dismissed*, 134 S.Ct. 2333 (2014).

General remarks

As a general matter, the differences between the EU and U.S. application of the territoriality principle may be explained by the different character of the legal systems and their different legal traditions. The (continental) Member States subscribe to a classical conception of law that gives priority to such values as uniformity, logical and systematic coherency, and authoritative and autonomous rules that are applied by the judge in a politically neutral manner. True, the EU has introduced changes to this classical conception of law, not least with respect to the role of the CJEU. However, to date, there are few authoritative rulings from the CJEU. In any case, the EU also subscribes to many of these values because they provide legal certainty and uniformity, which ensures mutual respect among the Member States and the proper functioning of the internal market. Indeed, the mutual trust among the Member States might be undermined if the scope of one Member State IP law would extend into the other Member States. In contrast, the U.S. subscribes to a postclassical conception of law that is pluralistic, often inconsistent, and sometimes experimental, where judges play an active role in trying to solve real life problems.

As the EU and the U.S. IP laws were not specifically written with cross border situations in mind, it is often unclear how the infringing act is to be localised, not least in the technical context of digital communications.²³⁹³ The U.S. courts have been more willing to adapt and experiment with the territoriality principle in response to changed conditions. The U.S. courts look more to the substance of the dispute, looking behind the surface, and assessing the totality of circumstances. In attempting to resolve the dispute at hand, the courts make *in casu* determinations that frequently arrive at a just result, but it is not always clear exactly what the relevant connecting factor was that determined the territorial scope of the IP law. In later decisions, the courts will distinguish the case based on different facts. The results are not systematic but pragmatic.

In contrast, the Member States courts rely more on the traditional conception of territoriality and applying the laws as intended by the legislator. The legislators, in subscribing to the principle of territoriality, ensure that state inter-

²³⁹³ Two examples of infringing acts where the legislator specifically considered cross border scenarios are article 9(4) Regulation 207/2009, amended by 2015/2424; article 10(4) Directive 2015/2436 (establishing that transit of counterfeit goods through the EU territory is an infringing act unless the declarant or the holder of the goods proves that the trademark proprietor is not entitled to prohibit the placing of the goods on the market in the country of final destination) & 35 U.S.C. § 271(f) (making it an infringement to supply or cause to be supplied components of a patented invention for assembly outside the U.S.). Both statutory rules were enacted to remedy court rulings localising the infringing act outside the domestic territory.

ests are taken into consideration, and the Member States courts do not seem to (at least explicitly) take third state interests into account in the interpretation of the territorial scope of the IP laws. The courts seem primarily concerned with the effectiveness of the IP law as intended by the legislator. The courts neutrally apply the legal rules to the facts of the case in a systematic, coherent fashion.

The differences between the Member States systems and the U.S. system is exemplified by comparing the Federal Circuit's decision in *Transocean* with the decision by the Austrian Supreme Court in 4 Ob 140/13m.²³⁹⁴ Both cases involved similar facts where offers were made wholly outside the protected patent territory but contemplating the sale of a patented invention into the patent territory. The Austrian Supreme court applied the territoriality principle in the traditional fashion looking for an infringing act that could be localised in the patent territory. As there was no act in the patent territory, the infringement claim did not succeed. In contrast, when faced with similar facts, the Federal Circuit adapted the territoriality principle to fit the circumstances of the case at hand. While there was no act in the patent territory, the foreign act had a direct effect on the right holder's exclusive market in the patent territory, which in the court's view must have been the focus of the U.S. legislature's concern. Thus, the Federal Circuit reconfigured the principle of territoriality to meet the needs of the changing transborder marketplace.²³⁹⁵

²³⁹⁴ 4 Ob 140/13m, Austrian Supreme Court, 22 October 2013, referenced in Helmut Sonn, Austria: No infringement through exhibition abroad, *Managing Intellectual Property*, 27 February 2014, <http://www.managingip.com/Article/3313961/Austria-No-infringement-through-exhibition-abroad.html>, viewed 24 August 2016.

²³⁹⁵ See Dinwoodie 2009 (advocating for a "reconfiguration" of the territoriality principle).

Chapter Six: General Conclusions, Implications, and Perspectives for the Future

The objective of the dissertation has been to investigate and compare the interpretation and operation of the principle of territoriality of IP law in the private law resolution of transborder IP infringement disputes in the EU and the U.S. The dissertation investigated and compared the role of physical, tangible criteria and/or effects (IP impairing effects or otherwise) to support the EU and the U.S. claims of adjudicative and prescriptive jurisdiction. In addition, the dissertation investigated and compared whether, in light of the important state interests underlying IP rights, the territoriality principle operates in an affirmative manner, enabling or mandating the exercise of jurisdiction or application of domestic law, or in a restrictive manner, limiting the exercise of jurisdiction or application of domestic law. More specifically, the dissertation investigated and compared the interpretation and operation of the principle of territoriality on international civil jurisdiction, choice of law, and the territorial scope of application of substantive IP law in the EU and U.S. legal systems, explored the reasons for the similarities and differences, and offered some critical commentary. This chapter concludes with a general overview of how the rules on international civil jurisdiction, choice of law, and territorial scope of application of substantive IP law operate in tandem in the respective compared legal systems, reflects over the possible implications for international exchange in an interdependent and inter-connected world, and provides some perspectives for the future.

General Conclusions

Even if the resolution of transborder IP infringement disputes in the EU and U.S. legal systems are functionally equivalent insofar as they deal with similar problems, the investigation showed that the principle of territoriality is interpreted and operates somewhat differently in the two legal systems. The EU and the U.S. legal systems both rely on physical, tangible criteria and/or effects to support their claims of adjudicative and prescriptive jurisdiction. A careful conclusion is that the EU more readily than the U.S. relies on IP impairing effects (or the possibility of them) to support its claim for adjudicative jurisdiction whereas the U.S. more readily than the EU relies on IP im-

pairing effects to support its claim of prescriptive jurisdiction. In addition, while the territoriality principle operates both affirmatively and restrictively in both legal systems, another careful conclusion is that the territoriality principle operates more forcefully in the EU at the level of prescriptive jurisdiction and more forcefully in the U.S. at the level of adjudicative jurisdiction.

In the EU, infringement jurisdiction is always established in the Member State of registration, or protection and alleged damage. In other words, the mere possibility of an infringement of a right protected in the EU, which can cause IP impairing effects, is sufficient to establish jurisdiction in the EU. The applicable law is mandatorily that of the country for which protection is claimed, which in practice leads to the law of the country of registration, or protection and alleged infringement. It is primarily on the level of substantive law that the territoriality principle operates in a restrictive manner, limiting the EU and Member State IP laws to infringing acts within the domestic territory. While targeted foreign conduct causing harmful effects in the EU is increasingly recharacterised as an infringing act, the EU is careful to stay within the bounds of the objective territorial principle. Hence, a holder of an IP right registered or protected under EU or Member State law can always bring an infringement claim before the Member State that granted or protects the right and have the law of that Member State applied (or EU law in case of a unitary right). The claim will be denied however on the substantive law level unless the dispute has a sufficiently close connection to the EU or the specific Member State so that the infringing act can be localised there.

When it comes to infringement claims arising under third state rights, the principle of territoriality does not operate restrictively in the EU at the level of jurisdiction to exclude the international jurisdiction of the Member States' courts. Jurisdiction might be based *inter alia* on the domicile of the defendant in a Member State, a harmful act in a Member State, or a prorogation agreement to a Member State court. The bases for jurisdiction with respect to third state defendants might be even more generous. In the same manner as with respect to EU and Member State IP rights, the applicable law is mandatorily the law of the country for which protection is claimed. This means that a holder of an IP right registered or protected in a third state may have its infringement claim adjudicated before a Member State court under the applicable third state law, provided a basis of jurisdiction otherwise exists. The third state IP law will be applied pursuant to its own territorial scope of application as intended by the third state's legislator (although most likely within the flexible framework of territoriality). A third state IP law that claims extraterritorial application may be avoided or displaced however if it interferes with the overriding mandatory rules of the forum Member State or is manifestly incompatible with forum public policy.

In the U.S., the fact that a claim arises under U.S. federal IP law, that is, the existence of potentially IP impairing effects, is not in itself sufficient to establish jurisdiction in the U.S. The defendant must have minimum contacts with the U.S. for (personal) jurisdiction to be established. Minimum contacts will be satisfied by activities in or purposefully directed toward the forum state. Provided (personal) jurisdiction is established however, if the right holder raises a claim under the federal Patent Act or the federal Trademark Act, the principle of territoriality operates in an affirmative, but unilateral, manner resulting in the application of U.S. federal patent or trademark law. The federal patent or federal trademark law claims applicability on the substantive law level if an infringing act is localised in the U.S. territory. This does not necessarily require a tangible act in the U.S. Indeed, an act of patent infringement may be localised in the U.S. if it usurps the right holder's U.S. market even if the act itself is not physically carried out in the U.S. or is not otherwise tangibly perceptible in the U.S. In addition, the federal trademark law might be applied to foreign acts of infringement if such acts have effects on U.S. commerce including indirect effects due to foreign market diversion. An extraterritorial application of U.S. trademark law usually, but not exclusively, affects U.S. defendants or defendants with a close nexus to the U.S. In either case, the court takes into consideration foreign trademark rights. When it comes to infringement claims arising under foreign patents and foreign registered trademarks, the principle of territoriality operates restrictively at the level of jurisdiction to exclude the international jurisdiction of the U.S. courts.

With respect to copyright, provided (personal) jurisdiction is established, the U.S. courts apply the *lex loci delicti* against the backdrop of a broader interest analysis, although the interest of a state in regulating conduct within its territory appears to be significant. In practice however U.S. copyright law is usually applied. While a tendency for a strong homeward trend in the application of forum law may partly explain the frequent application of U.S. law, a right holder usually has an incentive to formulate its claim under U.S. copyright law in light of the possibility for broad and generous relief. Indeed, under the predicate act doctrine, the U.S. copyright law will extend even to foreign acts of exploitation made possible because of the U.S. infringement. The predicate act doctrine requires that an act of infringement is localised in the U.S. This usually (but perhaps not necessarily) means that the defendant is physically acting from the U.S. From a U.S. perspective, the state interests in copyright law are not perceived as sufficiently strong to defeat the parties' choice of law.

The U.S. appears to take an "all or nothing" approach with respect to trans-border trademark and copyright infringement claims. If there is a sufficient

U.S. connection to establish U.S. jurisdiction and the application of U.S. law, U.S. law may be applied to the entire case. The fact that the U.S. has a sufficient connection for the application of U.S. law does not always amount however to it having the closest connection to the dispute. As noted, the U.S. Trademark Act has been applied by some courts when there are only “some effects” on U.S. commerce, and the effects are not always trademark impairing effects but may be indirect economic effects on U.S. right holders. The courts do however take into account foreign trademark rights in determining the extraterritorial scope of application or in limiting the remedy. With respect to copyright law, the predicate act doctrine does not always lead to the law with the closest connection but may be based on the arbitrary occurrence of one single infringing copy made in the U.S. Moreover, the courts applying the predicate act doctrine do not consider whether the foreign acts of exploitation were infringing under the foreign law otherwise claiming applicability. While in some cases a single law approach might be more in line with the protection of justified expectations and serve litigational efficiency, the U.S. courts are not attentive to legitimate foreign state interests in the application of their IP laws and legitimate party expectations in the application of a fair and foreseeable law. On the other hand, the U.S. courts exclude transborder cases that are “too foreign.” Jurisdiction over cases arising under foreign registered rights will be declined, and disputes implicating foreign copyright law risk *forum non conveniens* dismissal unless there is a sufficient U.S. connection to the dispute.

In contrast, the EU approach to transborder IP infringement claims might be described as a “nothing and everything” approach. That is, the Member State courts have jurisdiction over infringement claims arising under domestic IP rights even though there is nothing, apart from a bald allegation of an alleged infringement of a domestic right, to connect the defendant to the Member State court. In addition, as against third state defendants, jurisdiction might be based on exorbitant rules of jurisdiction. The EU’s approach to choice of law might be described as “everything” because it mandatorily leads to a distributive application of every country’s law for which protection is claimed.

The differences in the EU and the U.S. approaches may be partly explained by the different character of the legal systems. The EU’s approach to the resolution of transborder IP infringement disputes must be understood against the broader aim of European integration within the confines of a Union of sovereign national Member States. An important step toward integration is the facilitation of the internal market and the maintenance and development of an area of freedom, security, and justice for European citizens. From the EU’s perspective, legal certainty is essential for the proper functioning of the internal market and maintaining mutual trust among the

Member States. Access to justice ensures that EU citizens can freely move across the EU territory and fully take advantage of their rights.

In the U.S., the resolution of transborder IP infringement disputes must be understood against the U.S. aim to preserve relations among nation-states. Indeed, the exercise of adjudicative jurisdiction is traditionally viewed as an exercise of state sovereignty, and exercising jurisdiction over foreign defendants or over foreign subject matters may cause international discord. As the resolution of transborder IP infringement disputes is predominantly a federal law matter and of federal interest, the state/federal relationship has little or no role in the adjudication of federal and foreign law infringement claims. The resolution of transborder IP infringement disputes raises separation of powers concerns however about whether courts should exercise extraterritorial adjudicative and prescriptive jurisdiction unless clearly authorised to do so by the legislature.

The differences in the EU and the U.S. approaches may also be explained by their different legal traditions. The EU rules reflect its (primarily) civil law legal traditions that subscribe to a classical conception of law. Pursuant to this concept, the law is a logical system consisting of abstract rules divided into clearly defined categories. One example is the dichotomy between public and private law. In the EU, the adjudication of private rights is separate from the public role of the state. This may explain why the principle of territoriality does not operate strongly at the level of jurisdiction. On the other hand, state claims of prescriptive jurisdiction over their own IP rights protected to fulfil state policy goals is foremost a public function, which may explain why territoriality operates more strongly in the EU on this level.

A sharp distinction between public and private law does not exist under U.S. law. The exercise of jurisdiction over private law disputes implicates the interests of states as well as the private interests of the parties. The state interests vary however depending on the type of IP right at issue. Patents and trademarks are understood to more strongly implicate state interests than copyright. This may explain the strong U.S. disinclination to exercise adjudicative jurisdiction over foreign claims, in particular arising under registered rights. However, if the U.S. has jurisdiction (and has not declined to exercise it), this already indicates a strong U.S. interest, which supports the application of U.S. law. Thus, the principle of territoriality does not need to operate as strongly at this level because this function has already been carried out at the level of adjudicative jurisdiction.

Implications

The different approaches taken by the EU and U.S. legal systems may provide a fertile battleground for those parties with deep pockets that can afford to litigate on both sides of the Atlantic. The possibility of adjudicating trans-border trademark and copyright claims under a single law provides incentives for right holders to bring cases before U.S. courts claiming infringements under U.S. law if the dispute has a sufficient connection to the U.S. to establish jurisdiction over the defendant and localise an infringement in the U.S. In light of the liberal U.S. approach to party autonomy, at least for copyright, a sufficient U.S. connection might be created by a choice of court and choice of law agreement. At the same time, the ease of establishing jurisdiction before the Member States courts might lead a right holder or a would-be infringer to file multiple cases for each separate national part of the trans-border IP case in an effort to harass, bring about a settlement, or potentially block the enforcement of a U.S. judgment. If a U.S. infringement action is filed first, the Recast or national Member States rules on international *lis pendens* or related actions may be engaged. In addition, the doctrine of *forum non conveniens* may be available in a few Member States. However, the Member State courts will not stay or decline jurisdiction unless this serves the proper administration of justice. This will not be the case if there is a risk that the U.S. court will ignore the interests of the Member States in the application of their IP laws and the interest of the parties in a law that is fair and foreseeable.

The disinclination of the U.S. courts to hear foreign patent claims in the aim to preserve the independence of each state to adjudicate its own patent disputes may not have the desired effect. Some right holders may be tempted to tack on the U.S. patent claim to a parallel domestic European patent claim raised before a Member State court in the hope that both claims might be decided before one forum. Although it is not completely clear, the Member State courts are arguably obligated to exercise the jurisdiction assigned to them under the Recast even in cases where the validity of the third state patent is raised (*inter partes*). It is only a matter of time before a right holder attempts this strategy. Unless the would-be infringer brings a claim for the non-infringement of the U.S. patent before the U.S. court before the right holder brings its infringement claims before a Member State court, the rules in the Recast on international *lis pendens* do not engage. In light of the purported public interests in U.S. patents as indicated by the Federal Circuit, the district courts will be unlikely to dismiss the U.S. claim under the doctrine of *forum non conveniens*. In this case, there is a risk for conflicting judgments. In light of the ever-increasing exploitation of IP rights over national borders, the significant value of these rights to EU and U.S. companies, and a decrease in physical and psychological barriers to litigating abroad, it can be

expected that these conflicts will increase in the future. This will increase litigation costs for the parties and may have a negative impact on international comity.

On the bright side, the rules worked out by the ALI, CLIP, and the other academic projects on private international law and IP law would go a long way in eliminating many of these conflicts. While the various projects differ in their details, they share a few basic views. One is that the territoriality principle should not operate affirmatively to enable a state to exercise infringement jurisdiction over disputes concerning its own domestic rights when there is nothing to connect the defendant to the forum state. Indeed, all of the projects require targeting or at least some minimum threshold of effects in the forum state for the exercise of international civil jurisdiction. This view recognises that the interest of a state in its own IP rights or in providing a forum for its own residents is not of such great importance that it overrides the interest of a foreign defendant not to be subject to the jurisdiction of a state with which it does not have any connection.

Another shared view is that the principle of territoriality of IP law should not operate restrictively at the level of jurisdiction to exclude the international jurisdiction of courts over transborder IP infringement proceedings implicating foreign rights, including disputes where invalidity is raised as an incidental question *inter partes*. Indeed, refusing to hear claims arising under foreign rights, in particular those raised against defendants “at home” in the forum state, may also offend foreign sovereigns. Moreover, it increases litigation costs for the parties who will have to litigate one transborder dispute in different fora. The importance of IP rights to both states and private parties suggests that positive comity may be more important than negative comity in upholding international relations and the international system.

The academic projects also share the view that the territoriality principle should not mandatorily require, on a distributive basis, the application of all laws claiming applicability under the territoriality principle when this is not consistent with the needs and expectations of the parties or the international system. Recognising this need, all of the proposals allow for a single law approach based on the closest connection in the case of ubiquitous infringements. While the projects may differ on what constitutes the closest connection, a requirement to identify the closest connection would require courts to openly evaluate the various state and party interests affected in the choice of law determination instead of bringing a transborder dispute within the control of a single law through the mechanism of localisation under substantive law.

In the same vein, the academic projects would allow the parties to choose the applicable law, at least to certain aspects of their infringement disputes that do not implicate public interests. While these proposals are applauded in this respect, in light of the fact that the parties have the freedom to dispose over their private law disputes largely as they wish (the right holder can decline or deregister any protection, the parties can settle the dispute), some of the proposals seem overly cautious in protecting the public interests in the dispute. It is submitted that choice of law clauses between commercial parties should be generally enforced provided they do not adversely affect the rights of third parties. The risk of negative externalities on the public can be resolved by the rules of competition law and public policy exception.

Perspectives for the Future

Looking to the future, states should strive after an international consensus (perhaps through a soft law instrument) with respect to identifying and localising the various infringing acts - that is, whether they are localised in terms of physical, tangible criteria and/or IP impairing effects - not least in the technical context of digital communications. A successful example of such a consensus is the WIPO Recommendation 2001 concerning provisions on the protection of marks and other industrial property rights in signs on the internet, which localises trademark use by the criterion "commercial effect". Another step in the right direction is the rule on substantive IP law in the CLIP principles that instructs that a court shall only find for an infringement under the applicable law if the defendant has substantially acted or caused a substantial effect in the protecting state. The application of this rule would assumedly eliminate prescriptive jurisdiction based on inconsequential tangible contacts with and *de minimis* effects in a state's territory. The underlying premise of the WIPO and CLIP rules is that a state should not exercise prescriptive jurisdiction where it does not have a legitimate interest (or genuine link) in regulating a dispute.

In theory, a state should primarily have a legitimate interest in regulating only conduct that has IP impairing effects within its own territory regardless of where the conduct takes place. In practice however both the U.S. and to a lesser extent the EU, rely on physical, tangible criteria within their own territories to extend the reach of their own IP laws to prevent indirect effects on their markets or protect domestic right holders. Provided the domestic regulation only enforces internationally agreed upon norms and is applied indiscriminately to protect both national and eligible foreign right holders, this type of regulation would not likely offend state interests or the interests of the international IP system, and is consistent with the interests of justice, and the facilitation of international commerce. An example is the new rule in the

recast of the Trademark Directive and EUTMR that localises the act of trademark infringement in the EU if counterfeit goods transit through or are stored in the EU territory, even though this use does not (directly) affect a trademark function in the EU.

The difficulty lies however in defining when conduct has IP impairing effects within a state's territory thereby justifying that state's exercise of prescriptive jurisdiction. The rights conferred under each IP right (i.e. exclusive rights and infringing acts) and limitations are tailored to effectuate the basic policy objectives underlying the different IP laws, namely to stimulate the creation, investment and dissemination of works and inventions, and to regulate competition on the domestic market. On a general level, the rights conferred attempt to grant the right holder the exclusive right to exploit the work or invention or use the commercial sign within the protected territory. The specific rights conferred under each IP right may no longer accurately capture what it means to exploit the IP right in today's global market and information society. This is already being reflected in trademark law where the focus is shifting from the "holey" act of affixation to the effects on the market. In a similar vein, in the field of copyright there are discussions about whether the act of copying should be replaced with only a communication to the public right when it comes to exploitation in a digital environment. Likewise, it might be questioned whether "making" and "selling" a patented invention captures the essence of exploiting the invention when the acts are not done for the purpose of using the invention on the patent territory. This raises difficult questions, and may be utopian goals, especially where the political mechanisms for international consensus are sluggish and current international agreements on basic IP rights should not be tampered with lightly. Still, new research in these areas could offer additional new perspectives for the future.

Sammanfattning på svenska

Territorialitetsprincipen är en truism inom immaterialrätt. En förutsättning som ligger bakom principen är att varje stat avgör i vilken utsträckning immateriella rättigheter finns och skyddas inom sitt eget territorium för att uppfylla sina egna ekonomiska, sociala och kulturella politiska mål. Detta görs genom att berättiga rättighetsinnehavaren att hindra andra inom det skyddade territoriet från att vidta sådana handlingar som uteslutande är förbehållna rättighetsinnehavaren. Territorialitetsprincipen betyder att immateriella rättigheter som beviljats eller skyddas i en stat är självständiga i förhållande till rättigheter som beviljats eller skyddas av andra stater, och att rättigheter begränsas till territoriet i den stat som skapade de immateriella rättigheterna. Eftersom territorialprincipen fördelade behörighet mellan stater på en territoriell basis, ansågs behovet av internationell privaträtt undanröjt. Varje stat utövar jurisdiktion över sina egna rättigheter och tillämpar sin egen inhemska immaterialrätt. Det tjänar både staternas och parternas intressen.

I och med att immateriella rättigheter numera är skyddade i fler länder och utnyttjande av immateriella rättigheter sker över nationsgränserna, begränsar sig intrång inte till hermetiskt tillslutna nationella territorier. Handlingar i en stat kan ha effekter i andra stater och påverka möjligheterna att uppfylla de politiska mål som givna rättigheter var avsedda att uppfylla. Detta väcker frågor om det territoriella tillämpningsområdet för den inhemska immaterialrätten, det vill säga om den tolkas i förhållande till en inhemsk konkret handling eller effekter på ett inrikespolitiskt mål - eller båda. Dessutom väcker det frågor inom internationell privaträtt med avseende på hur jurisdiktion och lagval bestäms, dvs fastställs anknytningen av om det är en rättighet under inhemsk lag som kränkts eller för att handlingen begåtts inom territoriet - eller båda. En mängd olika faktorer kan vara av betydelse, såsom parternas och staters intressen, rättstraditioner på vilka rättssystem bygger, och egenskaper och funktioner hos de immateriella rättigheterna som sådana.

Denna avhandling jämför tolkningen och tillämpningen av territorialitetsprincipen vid privaträttsliga gränsöverskridande immaterialrättsintrångsvinster i EU:s respektive USA:s rättssystem; två helt olika rättssystem med betydande handels- och investeringsförbindelser med varandra. I kapitel två undersöks innebörden och utvecklingen av territorialitetsprincipen i folkkrätten, och förbinder denna med territorialitetsprincipen i internationell pri-

vaträtt och internationell immaterialrätt. Det här kapitlet är en teoretisk bakgrund till jämförelserna i senare kapitel av avhandlingen. I kapitel 3-5 undersöks och jämförs tolkningen och tillämpningen av territorialitetsprincipen i immaterialrätten avseende jurisdiktion och lagval samt det territoriella tillämpningsområdet för den materiella immaterialrätten inom EU och USA. Mer specifikt undersöks och jämförs i kapitlet rollen av fysiska, materiella kriterier och/eller effekter för att underbygga EU:s och USA:s påståenden om dömande och normativ behörighet. Dessutom undersöks och jämförs, mot bakgrund av staters intressen bakom immateriella rättigheter, huruvida territorialitetsprincipen fungerar på ett positivt sätt, för att möjliggöra eller kräva utövande av jurisdiktion eller restriktivt, för att begränsa utövandet av jurisdiktion. Slutsatserna som presenteras i kapitel sex är att även om behandlingen av gränsöverskridande immaterialrättsintrångstvister i EU:s och USA:s rättssystem är funktionellt likartade i den mån de behandlar fördelningen av dömande och normativ behörighet mellan stater och av privata parter rättigheter, tolkas och tillämpas territorialprincipen på olika sätt i de två rättssystemen. EU:s och USA:s rättssystem är båda beroende av fysiska, materiella kriterier och/eller effekter till stöd för sina påståenden om dömande och normativ behörighet. En försiktig slutsats är dock att EU mer än USA förlitar sig på relevanta effekter av de immateriella rättigheterna för att underbygga sin dömande behörighet medan USA mer än EU förlitar sig på relevanta effekter av immateriella rättigheter till stöd för sin normativa jurisdiktion. Dessutom, medan territorialitetsprincipen fungerar både positivt och restriktivt i båda rättssystem är en annan försiktig slutsats att territorialitetsprincipen fungerar mer kraftfullt inom EU vad avser normativ behörighet och mer kraftfullt i USA avseende dömande behörighet.

De olika tillvägagångssätt som de europeiska och amerikanska rättssystemen använder ”premierar” parter med finansiell förmåga att driva processer på båda sidor av Atlanten. Medan ALI, CLIP, och andra akademiska projekt om internationell privaträtt och immaterialrätt har kommit långt med att presentera förslag för att eliminera potentiella konflikter, bör deras arbete kompletteras. Om man blickar framåt bör stater sträva efter ett bredare internationellt samförstånd med avseende på principer för att identifiera och lokalisera intrångshandlingar - det vill säga om de är lokaliserade i termer av fysiska, konkreta kriterier, och i så fall vilka kriterier, eller i termer av relevanta immaterialrättsliga effekter - inte minst inom digital kommunikation. Detta kräver ett samförstånd om vilka handlingar eller effekter som berättigar en stat att utöva normativ jurisdiktion. För att nå en samsyn kan vidare forskning om vilka handlingar eller effekter som fångar essensen av att utnyttja de immateriella rättigheterna erbjuda värdefulla nya perspektiv för framtiden.

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