

9. Choice of law in IP: Rounding off territoriality

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1. INTRODUCTION

From their inception, the different intellectual property rights (IPRs) have progressively enlarged their geographical sphere of action. Nowadays, international communications between creators and users are facilitated and the very creative processes can take place in trans-boundary scenarios. In this context, Private International Law (PIL) has gained relevance for an effective enforcement of the distinct IPRs, whose defense can be pursued in issues related to the right as such (existence and ownership), to their infringement or to their presence in contractual relationships.

Notwithstanding eventually differentiated analysis, the oscillating intellectual property concept is approached holistically in PIL.¹ Once the jurisdiction issue is resolved, courts (jurisdictional or arbitral) need to establish the law that will apply to the particular IPR dispute. Choice of law is intrinsically linked to the jurisdiction since courts use their own (forum) conflict of law rules. Without forgetting the margin left for forum substantive law, these rules can lead to the application of one or more foreign laws. Therefore, in facing the jurisdiction issue it is advisable to make a prospective analysis of the choice of law rules that would be applied by a particular court. The increasing trend to allow the consolidation of multistate infringement claims before a single court reinforces the practical importance of the applicable law issue.

A number of international conventions introduced substantive harmonization of IPRs² and certain regional integration processes – like the

¹ J. Basedow, "Foundations of Private International Law in Intellectual Property," in J. Basedow, T. Kono and A. Metzger (eds), *Intellectual Property in the Global Arena*, Mohr Siebeck (2010), pp. 5–7.

² Beyond the World Trade Organization Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), http://www.wto.org/english/docs_e/legal_e/27-trips.pdf, many IPR treaties are administered by the World Intellectual Property Organization (WIPO) <http://www.wipo.int/treaties/en/>.

European Union (EU) – have harmonized national laws and created unitary IPRs.³ However, significant divergences remain between national laws and even unitary IPR regulations are not complete. Hence, the need for choice of law does not diminish. Although no IPR international treaty has expressly dealt with this issue, the imperium of the territoriality principle is inferred from the national treatment obligations initially imposed by the Paris Convention on Industrial Property Rights (CUP) and the Berne Convention on Copyright and related rights (Berne).⁴

The concept of territoriality⁵ is mostly transposed to the IPR choice of law field through the *lex loci protectionis* criterion that, despite its ambiguities, is generally understood as the law of the country for which the protection is sought.⁶ This criterion is expressly endorsed by a number of legislations – national⁷ and regional⁸ – and, overall, it reaches an adequate balance in the protection of all the interests involved: those of the right holders, of the users (for private or business purposes) and of the public policy (socio-economic). However, new challenges face IPR enforcement in an increasingly interconnected world.

In the trend to develop international solutions better adapted to an interconnected world in this area,⁹ different academic projects have worked on model rules for IPR choice of law that can be used for the

Accessed in August 2013. In addition, free trade agreements usually incorporate IPR rules (TRIPS Plus).

³ http://ec.europa.eu/internal_market/copyright/acquis/index_en.htm. Accessed August 2013.

⁴ For a detailed analysis of the consequences of the national treatment rule of these and successive international treaties (including TRIPS) see J.J. Faycett and P.L. Torremans, *Intellectual Property and Private International Law*, OUP (2nd ed., 2011) at 12.29–12.47, pp. 678–685 (Berne Convention for the Protection of Literary and Artistic Works of September 9, 1886) and 12.52–12.57 (Paris Convention for the Protection of Industrial Property, March 20, 1883), pp. 686–688.

⁵ F. Rigaux, *Droit International Privé*, Maison Ferdinand Larcier (1968), pp. 13–17.

⁶ J. Basedow, 'Foundations ...', n. 1, pp. 9–10.

⁷ For example, § 34 Austrian PIL, arts. 93–94 Belgian PIL, art. 48 China Law on the Laws Applicable to Foreign-related Civil Relations, art. 54 Italian PIL, art. 9.4 Spanish Civil Code, art. 110 Swiss PIL Act.

⁸ Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) [2007] OJ L199/40. Hereinafter RRII.

⁹ The issue of applicable law was suggested by the EU for future work of WIPO's standing committee on copyright and related rights, WIPO SCCR doc. SCCR/1/74, November 3, 2008, p. 3. See also positive reactions of the US and

interpretation and gap-filling of international and domestic law.¹⁰ These are the American Law Institute (ALI) Intellectual Property Principles,¹¹ the European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP) Principles,¹² the Korean Private International Law Association (KOPILA) Principles,¹³ the Joint Japanese–Korean (J–K) Principles¹⁴ and the Transparency Proposal – particularly oriented to the development of Japanese PIL.¹⁵ The International Law Association is working on a draft document that will bring together all these initiatives.¹⁶

This chapter aims to present the current state of affairs of IPR choice of law, offering a critical analysis with suggestions for future developments. For that purpose, it is convenient to begin with a reference to the general problems in the application of choice of law rules and their respective repercussion in IPR cases. Afterwards, the analysis will be systematized regarding the different IPRs' conflicting areas: first, the rights as such, secondly, the IPR related contracts and, thirdly, the Japanese Delegations at the 17th session of SCCR, WIPO SCCR Doc. SCCR/17/5, March 25, 2009, p. 31.

¹⁰ Anyhow, they are not meant to be applied in purely internal situations. This is expressly stated in art. 1:101(1) CLIP and is a consequence of the definition of their scope in ALI (art. 102), KOPILA (arts. 1 and 3) and the J–K (art. 101) and Transparency (art. 001) Proposals.

¹¹ *ALI Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes*, ALI Publishers, St. Paul (2008).

¹² Principles for Conflict of Laws in Intellectual Property prepared by CLIP, December 1, 2011. http://www.cl-ip.eu/files/pdf2/Final_Text_1_December_2011.pdf. Accessed August 2013.

¹³ Principles on Intellectual Property Litigation on Intellectual Property approved by KOPILA on March 26, 2010.

¹⁴ Joint Proposal drafted by members of the Private International Law Association of Korea and Japanese Waseda University Global COE Project on Intellectual Property Private International Law Principles, October 2, 2010. Published in *The CGOE Quarterly Review of Corporation Law and Society*, 112 (2011).

¹⁵ Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property. In J. Basedow, T. Kono and A. Metzger (eds.) *Intellectual Property ...*, note 1 at 394–402.

¹⁶ The Report of the Committee on Intellectual Property Law and Private International Law, I.L.A. Association, Sofia Conference, August 26–30, 2012 (hereinafter, I.L.A. Report), states its project to prepare an holistic draft document which would sum up the recommendations concerning various issues related to the exploitation of intellectual property in the global arena. <http://www.ila-hq.org/en/committees/draft-committee-reports-sofia-2012.cfm>. Accessed August 2013.

infringements. Beyond the academic projects reflecting the latest thinking of the doctrine in different parts of the world, the EU regional system will receive special attention due to its development, the number of States that use it (27) and its influence beyond EU borders. The piece will finish with conclusions.

2. GENERAL PROBLEMS IN THE APPLICATION OF CHOICE OF LAW RULES

The general problems in the application of choice of law rules are, first, the characterization; then, the scope of reference to the foreign law (*renvoi*); the proof of foreign substantive law, its scope of application and the eventual need of adaptation; and, finally, the mandatory provisions and the public policy of the forum.

(a) Characterization

Before identifying the provisions that will be applicable in an international case, any IPR related legal situation needs to be characterized as falling within the subject matter covered by the choice of law rule. Characterization may also be needed for the application of a choice of law rule that uses legal concepts to determine the applicable law. The complexity of the characterization process is due to the presence of legal concepts whose understanding and scope are not uniform in the different national legal systems whose courts are called to judge a case. Trying to ease this process, it is not uncommon that international and regional instruments incorporate definitions for the use of their norms, be it through express definition provisions or through the description of the case or situation to which they will apply.

The EU PIL instruments, particularly the Rome I and Rome II Regulations on the law applicable to contractual and non-contractual obligations respectively, provide certain definitions and characterizations.¹⁷ CLIP, for example, expressly defines what is understood as

¹⁷ Rome Convention on the Law Applicable to Contractual Obligations, OJ [1980] L266/1 (hereinafter RC), Regulation (EC) No 593/2008 of June 17 2008, on the law applicable to contractual obligations (Rome I – hereinafter RRI), OJ [2008] L 177/6 (together, hereinafter as Rome I System), and RRII note 8. For instance, *lois de police* (arts. 12 RC and 9 RRI), habitual residence (art. 19 RRI, art. 23 RRII), pre-contractual as non-contractual obligations (art. 12 RRII). See also *infra* 5(c) for characterization in other EU rules.

remedies, mandatory provisions and habitual residence in its choice of law chapter¹⁸ and establishes that its contractual rules do not cover pre-contractual relationships (art. 3:506(3)). The other set of principles incorporate certain definitions, such as the habitual residence, in the jurisdiction¹⁹ or the general rules²⁰ chapters. In addition, when defining the situation for which the choice of law rule is provided, instead of using legal concepts that could have different interpretations in various jurisdictions, the choice of laws rules may opt for a factual description of the cases.²¹ Whilst these definitions and descriptions do not definitively resolve the characterization problem, they surely ease the more uniform application of the choice of law norms.

(b) *Renvoi*, Proof of Foreign Law and Adaptation

The scope of the reference made by the choice of law rule to the foreign law could be limited to its substantive provisions or extended to the foreign choice of law provisions. Such a case could result in a *renvoi*. In international choice of law instruments *renvoi* is generally excluded since doing otherwise would risk the final application of the agreed rules. That is the response of EU PIL instruments (art. 20 RRI and art. 24 RRII) as well as of the soft law Proposals.²²

In principle, the scope of the substantive law declared applicable by the choice of law norm (*lex causae*) covers all the aspects related to the particular IPR issue (right as such, contract and infringement). Forum law governs procedural issues. Since the characterization as substantive or procedural of certain matters could diverge between countries, some international instruments expressly define the scope of the *lex causae*, or at least parts of it, to facilitate legal certainty and uniformity on its application. In the EU the Rome I System and Rome II do so in what

¹⁸ See *infra* 2(c) (mandatory provisions) and 5(a) (remedies). Habitual residence for companies and other bodies, incorporated or unincorporated, is “the place of central administration”; for natural persons acting in the course of their business their “principal place of business” and for activities occurring in the course of operation of a branch, agency or any other establishment “the place where ... [it] is located” CLIP art. 3:904.
¹⁹ ALI § 201.

²⁰ Art. 102 J–K Proposal and art. 2 KOPLA.

²¹ For example, see *infra* 5(c), CLIP provision on contributory infringement.

²² CLIP (art. 3:903), Joint J–K Proposal (art. 310). ALI (§ 324) allows it only in respect of choice of courts agreements and the KOPLA and Trans-
parency Proposals do not expressly mention this issue.

concerns their respective objects (contractual and non-contractual obligations).²³ Along this line CLIP (art. 3:906) says that "the law applicable to the substance of the dispute shall apply to the extent that it contains rules which raise presumptions of law or determine the burden of proof"; and, therefore, characterizes these rules as substantive. Without introducing any clarification, the J-K Proposal (art. 303) refers only to the classical application of forum law in respect of procedural matters; which does not really help. ALI's 2006 draft (§ 325) referred to the application of forum law as to characterization and procedural issues except when otherwise provided in the principles, but this rule was removed from the final version. It seems clear that the CLIP type of rule is advisable for clarity and security purposes.

Once the foreign substantive law is determined as applicable by the choice of law rule, forum courts cannot be presumed to know it. To guarantee its adequate application it is necessary to establish an appropriate mechanism for proving, at least, foreign law's content. The Rome I System and Rome II have not done so and each EU Member State's courts apply their own procedures in this regard. The J-K Proposal (art. 311) is the only set of Principles regulating this issue by, first, respecting parties' obligation to prove foreign law if it is so established in forum law and, additionally, by imposing this obligation on courts, which may count on parties' assistance. ALI's 2006 draft (§ 324) had anticipated this situation with full respect to forum law that, when allowing or saying nothing in this regard, would-lead parties to compulsorily prove foreign law whilst courts retain the option to do so on their own motion. When the content could not be established in a timely manner, forum law would apply. Although the rule was removed from the final version, this is a generalized solution in national systems. Nevertheless, the importance of this point should be emphasized since the application of the choice of law rule can be evaded if foreign laws' content ends up not being proved.

When more than one law has to be applied (or taken into consideration²⁴) to resolve a case, courts may need to adapt them to avoid their respective denaturalization as much as untenable results. This is a process that can only be done on an *ad hoc* basis looking at the text, object and purpose of the corresponding norms under the principle of reasonability. In IPR enforcement cases this can happen not only as a consequence of the regular use of the appropriate choice of law rules, but also as the result of the application of forum – or even third States' – mandatory

provisions. National laws and the different Principles do not mention this choice of law applicability problem. Its incorporation into the general rules might be advisable, even with general accompanying guiding criteria.

(c) Mandatory Provisions and Public Policy

Under mandatory or imperative provisions two different concepts are envisaged. The first can be described in the negative: non-dispositive substantive norms²⁵ which tend to defend a private interest that has become publicly endorsable (as is the case in a number of national legislations with authors' moral rights or the copyright equitable remuneration). The second comprehends those norms for which compliance is regarded as crucial by the State for safeguarding its public interests to such an extent that they are applicable to any situation falling within their scope (Rome I System,²⁶ art. 16 RRII, art. 3:901(2) CLIP, § 323 ALI and art. 312 J-K Proposal). These norms, that tend to cover a more evident public interest (competition, security ...), are also known as *lois de police* or *règles d'application immédiate*.

Beyond the *lex causae* imperative provisions, the EU instruments and the different set of Principles advocate for the compulsory application of forum mandatory rules, except for CLIP and ALI, which do not make a difference between foreign and forum imperative norms.²⁷ Those of a third State with which the situation has a close connection may eventually be given effect. Regulators provide courts with guiding application criteria that, though sometimes limited to facilitate deciding whether or not to apply third States' imperative norms,²⁸ would be advisable to use

²⁵ Art. 3.3 RC and RR I, note 17, refer to these rules when imposing the application of those corresponding to the law with which all the elements of a contract are related at the time when parties made their choice of a *lex contractus*. In addition, art. 3.4 RC refers to the provisions of EU law.

²⁶ Arts. 7.2 RC and 9.2 RRI, note 17.

²⁷ Art. 312.1 J-K Proposal. On its part, ALI (§ 323) and CLIP (art. 3:901 (1 and 3)) establish the possibility to give effect to the mandatory rules of another country with which the situation has a (close) connection, which, as a matter of fact, can be the forum.

²⁸ Rome I System (art. 9.3 RRI restricts the initial RC scope of this rule – art. 7 – by limiting this use to third States where the obligations have to be performed and whose norms would render the performance unlawful), art. 16 RRII, art. 3:901(1) CLIP and art. 312(2) J-K Proposal.

²³ See *infra* 4 (contracts) and 5 (infringements).

²⁴ See *infra* 2(c) (mandatory provisions).

also when considering the application of forum law norms.²⁹ These criteria attend to the nature, purpose and consequences of the application or non-application of the provision.

The relevance of mandatory rules in IPR choice of law issues is particularly present in contractual relations. On the one hand, some IPR transfers can occur by operation of the law or by compulsory licenses; and therefore, as an imposition of the *lois de police*. CLIP (art. 3:507(1)) and ALI (§ 316) expressly refer to this situation. Whilst CLIP resorts to the *lex loci protectionis* in any case, ALI limits the application of this rule to non-registered rights since, according to its principles, registered ones are governed by the law of the registration country.³⁰ On the other hand, other *lois de police* such as competition law and technology transfer rules are applied as long as the IPR contract affects the corresponding national market. Other non-dispositive substantive norms protecting interests such as workers, agents and consumers in IPR related contracts could also be applied.³¹

A different issue is the so-called public policy exception. It arises once the content of the applicable law has been ascertained and proves to be in manifest contradiction with forum public policy. Exclusion of the applicable law is justified to avoid unacceptable consequences in the forum (Rome I System,³² art. 26 RRII; art. 3:902 CLIP, § 322 ALI and art. 312 J-K Proposal). Although it seems difficult to imagine this case occurring in IPR enforcement practice, it cannot be excluded.³³ Regulators do not always provide for a way out of these situations but the most common response is to fall back on the law of the forum.

²⁹ Without distinguishing between the application of forum and third State mandatory rules, CLIP art. 3:901(1) reads: "In considering whether to give effect to these overriding mandatory provisions, regard shall be had to their nature and purpose and to the consequences of their application or non-application."

³⁰ See *infra* 3 (right as such).

³¹ See *infra* 4 (contracts).

³² Arts. 16 RC and 21 RRI, note 17.

³³ J.J. Fawcett and P.L. Torremans, "Intellectual Property ...," note 4, at 14.147, p. 794, give the example of a foreign law leading to the expropriation of the IPR when the right holder decides not to renew a trademark contract at its expiration. Nevertheless, when it comes to the recognition of moral rights, they seem to prefer the application of this exception rather than resorting to the imperative character of forum norms. at. 13.78, pp. 717–718. Both approaches have been used in France for moral rights.

3. IPRS AS SUCH

Notwithstanding their diversity, IPRs' common feature is providing exclusive rights to do certain things and, therefore, excluding others from doing them. Beyond other possible constituencies (such as a moral right), this clearly reveals their patrimonial value. One of the first things that may be questioned in IPR international enforcement is the very existence of the right. Logically, issues such as its creation, term and content (scope, including its limits and exceptions) – which can also be put into question or used as a defense in IPR infringement claims – are dependent on and related to it. Moreover, the ownership and the transferability of the right will also have to be established within this sphere. It seems obvious that all these aspects define the profile of an IPR as such. The EU does not have common choice of law rules in this area.

Before turning to the applicability of the territoriality principle as inspiring the choice of law criteria for the rights as such, it is convenient to be clear that the distinct IPRs have different ways of being brought to existence and these methods may also differ by country. In general terms, whilst some rights are born when publicly registered (patents, trademarks) others do not require registering to exist (copyright, certain trademarks). National public registries, like public authorities, only have power to act within the limits of the sovereign State; therefore, registered rights are recognized to exist only in the territory of the State whose registers incorporate the IPR (registration or grant law), and third States are in no way conditioned for that assertion.³⁴ In the case of non-registered rights, this is not necessarily equal since their recognition is not subject to an administrative act; therefore, their existence can be related to the country where they were first acknowledged (*lex originis*). Whilst opting for registration law leads to the application of as many laws as countries have recognized the right, the option for the *lex originis* favors a single location, avoiding a geographical split of the IPR legal regime.

As anticipated, the national treatment obligation imposed by different IPR treaties limits the possibility of the *lex originis* becoming a choice of law rule in this area except for some cases derived from the Berne³⁵ and Paris³⁶ Conventions. Most countries opt for the *lex loci protectionis* and a

³⁴ Except for the recognition of a priority right according to art. 4 of CUP, note 4.

³⁵ Restrictive interpretation of art. 5 Berne Convention, note 4.

³⁶ Art. 6quinquies CUP, note 4, contains an exception giving preference to the law of the country of origin over the rules concerning the validity of the

number of countries follow the *lex originis* approach for non-registered rights.³⁷ However, as a matter of fact, the national treatment obligation imposed by international conventions limits the *lex originis* applicability to initial ownership and authorship.³⁸ The soft law proposals overwhelmingly opt for the *lex loci protectionis* criteria³⁹ but the use of different terminology is perceived as a sign of a need for clarification.⁴⁰ Once it seems that the authors of the different proposals have reached an agreement on the basic structural elements of the system, this clarification could be achieved through a glossary detailing the understanding that is given to the concepts.

(a) Proprietary Issues: Single and Multiple Law Approaches

As has been noted, it is in this area that national legislations take differing choice of law approaches. Whilst most countries follow the *lex loci protectionis* criteria (China, Japan, Germany, Austria, Belgium), some others follow the *lex originis* when it comes to the initial ownership of non-registered rights (France, United States). Beyond the cases of rights resulting from employment relations and co-ownership situations, the different soft law proposals face this issue from two approaches – with or without differentiating between registered and non-registered IPRs – that result in sticking to the territoriality principle or allowing for a universal determination of ownership.

trademark (*telle quelle* trademark) and art. 6-3 of the Madrid Agreement which relies on the continuation of the protection in the country of origin for the duration of five years.

³⁷ France, Greece, Portugal and Romania (art. 60 PIL Act). See P.A. De Miguel Asensio, “The Private International Law of Intellectual Property and of Unfair Commercial Practices: Convergence or Divergence?”, in S. Leibler and A. Ohly (Eds.), *Intellectual Property and Private International Law*, Mohr Siebeck (2009), at 148–151.

³⁸ D. Moura Vicente, “La Propriété intellectuelle en Droit International Privé,” *Revue Des Cours*, 355 (2008), Leiden, Martinus Nijhoff, pp. 260–294.

³⁹ CLIP art. 3:102 (existence, validity, registration, scope and duration), ALL § 301 (existence, validity and duration; distinguishes between IPR registered – state of registration – and unregistered – *lex loci protectionis*), Transparency Proposal art. 305 (existence, ownership, transferability, effects – granting country); art. 24 KOPIA (refers only to initial ownership distinguishing between IPR registered – state of registration – and unregistered – law of creation), art. 301 Joint J-K Proposal (existence, validity, content, revocation and the like, *lex protectionis*).

⁴⁰ ILA Report, note 16, p. 9.

Registered rights are generally subject to the territoriality principle, and are therefore subject to a distributive application of laws. CLIP (art. 3:201) and the J-K Proposal opt for the country for which protection is sought, whilst ALL (§ 311(1)) and KOPIA (art. 24.1) prefer the country of registration, and the Transparency Proposal (art. 305) speaks of the country that granted the right. These two last expressions seem to refer to the same country since the State where the right is registered is granting the right. In addition, protection can only be sought where the right exists – is granted or registered – therefore, they all refer to the same law, the *lex loci protectionis*.

Non-registered rights are simply treated as registered rights in CLIP and the Transparency Proposal whilst ALL, KOPIA and the J-K Proposal introduce a different approach. KOPIA (art. 24.2) applies the universality rule (habitual residence of creator) to all non-registered rights whilst the J-K Proposal (art. 308.2) limits its use (place of creation) to copyright. In practice, the place of creation is more difficult to ascertain than the residence of the creator. On its part, ALL distinguishes between non-registered trademarks and other non-registered rights. Trademarks (§ 312(1)) are to be governed by the law of the country where the products are identified – in other words, the country of protection, – which leads to territoriality. The other non-registered rights are classified as one author works (§ 313(1)a) – governed by the law of his place of residence – or multiple author works. In the last case (§ 313.b), if there is a contract, the law of the residence of the person recognized as a creator in that contract will apply and, if that has not been agreed, the law with the closest connection to the first exploitation will govern the issue. Admitting that there may be cases where this law may not grant protection to the right, these three proposals have included an escape clause providing for the application of the law of the State where the rights are first exploited and recognized (§ 313(2) ALL, art. 24.2 KOPIA, art. 308.3 J-K Proposal).

As can be noticed, the real difference between the Proposals lies in non-registered IPRs, and, more precisely, in one author works since multiple authors' cases will be governed by the law of the contract or, subsequently, the exploitation (territoriality). It is worthwhile wondering whether this differentiation, finally limited to copyrights, makes any practical contribution. If that was to be the case, which is not absolutely clear, residence of the creator seems to be a more practical and reasonable solution than resorting to the place of creation.

(b) Employment and Other Relationships

The determination of initial ownership can become a delicate question when there are previous relations between parties, particularly in labor contracts. There are no specific international choice of law rules in this regard beyond that of the European Patent Convention (art. 60) calling for the law of the country where the employee is mainly employed and, if this cannot be determined, where the employer has the place of business to which the employee is attached,⁴¹ leaving no room for the possibility of parties agreeing on the applicable law to their contract.⁴² National laws follow different patterns. One is based on the application of the law governing the employment relationships (Belgium⁴³); others resort to the traditional *lex loci protectionis* rule (China⁴⁴) or to the *lex originis* when it comes to unregistered rights (France); and a final approach is a combination of both (Austria⁴⁵).

Without differentiating between the types of contract and including other kinds of possible previous relationship (i.e. succession, matrimonial property ...), ALL previews that where the initial ownership issues arise on IPRs registered (§ 311(2)) or non-registered – trademarks (§ 312(2)) and others (§ 313(1)e) – , the law applicable to that previous relationship governs the initial title. KOPILA (art. 25.1) and the J-K Proposal (art. 308.3) also stick to this rule. Along this line, for claims on registered rights in the framework of contractual relations CLIP refers to its own specific choice of law contractual provisions (art. 3.201(3)).

CLIP adds another rule that establishes that, regardless of the existence of a contract, where the initial ownership issue arises in a situation closely related to the law of a State regulating the work for hire or the transfer or exclusive license of an IPR, “effect may be given to such rules by constructing parties’ relationship under” the law of the State for which protection is sought. This seems a complicated rule that aims at easing (but not imposing) the application of imperative rules (ownership) of a closely related law distinct from *lex causae* and *lex fori*. Beyond the

criticism received by this complicated rule, it could be argued that the result it pursues could be achieved through the provision on the application of mandatory rules.⁴⁶

Resorting to the law of parties’ relationship provides legal certainty in international exploitation. Although it has been argued that it seems not to satisfactorily address the interests of author protective countries and that additional solutions might need to be discussed,⁴⁷ it seems that an adequate equilibrium can be found between the proposals. First, by questioning whether it makes practical sense to distinguish between registered and non-registered rights and, secondly, by leaving aside the special rule on work for hire.

(c) Co-ownership

The co-ownership issue does not receive a clear treatment in national laws. In order to favor legal certainty, both for co-owners and third parties, the Proposals mostly address it from a universality perspective, be it for registered or unregistered rights. ALI (§ 313(1)c) rules in cascade: law assigned by the parties’ agreement – limited to one of the parties’ residence – , the law of the State where the majority of authors reside and, finally, the law with the closest connection to the first exploitation. KOPILA (art. 24.3) also support the parties’ agreement and, when non-existent, turns to the closest connection. The J-K Proposal (art. 308.2) follows the trend but, in the absence of agreement, applies the law of the State where the majority of authors reside. CLIP (art. 3:402) introduces a compromise between the territoriality and the universality approach, distinguishing between the strict proprietary issues from the relationships between co-owners. The first issues (such as who could be the owner and transferability of shares) stick to the *lex loci protectionis* (art. 3:401). It is only the second that is treated universally by resorting to the law governing the legal relationship and, in its absence, that with the closest connection.

⁴⁶ R. Matulionyte, “IP and Applicable Law in Recent International Proposals: Report for the International Law Association,” (2012) *jipitec*, at 63, pp. 274–275, gives the following criticisms: 1. the application of the rule is subject to three cumulative conditions (contractual relation; another country connected; that the country has a work for hire provision); 2. these requirements are not sufficiently defined; 3. I is a substantive rule, not a PIL; 4. It enables the employer to acquire only economic rights (not defined); 5. it allows but does not impose the use of the rule; 6. it has a limited geographical scope.

⁴⁷ R. Matulionyte, “IP and Applicable Law ...,” at 67, p. 275.

⁴¹ This provision does not refer to the autonomous will of parties and it is controversial whether *renvoi* is allowed or excluded. A. Metzger, “Applicable Law under the CLIP Principles: A Pragmatic Reevaluation of Territoriality,” in J. Basedow, T. Kono and A. Metzger (eds.), *Intellectual Property* ... note 1, at 169.

⁴² See *infra* 3 (right as such).

⁴³ Art. 93.2 Belgian Code of Private International Law.

⁴⁴ Art. 48 China Law on the Laws Applicable to Foreign-related Civil Relations, October 28, 2010.

⁴⁵ Art. 34.2 Austrian Private International Law Statute.

CLIP's restrictive scope of party autonomy has been questioned as not providing true legal certainty to parties since different laws can have different approaches to co-ownership and, therefore, potentially affect the parties' agreed exploitation of co-owned rights. Moreover, as long as party autonomy is accepted as the applicable law criterion for determining the initial ownership in labor contracts, there should be no difficulty in extending this type of rule to a co-ownership situation⁴⁸ since it is already admitted that the law governing the parties' legal relationship applies. In the same way that there are limiting protective rules as to labor contracts, these safeguards could be conceived for co-ownership.

Despite its limits in ALI and its restricted scope in CLIP, the introduction of party autonomy hints at a relaxation of the strict territoriality principle in certain aspects concerning the right as such. This relaxation is based on the existence of a legal relationship between the parties. The closing criteria end up with the closest connected law, which, although it can always be criticized for lack of certainty or foreseeability, is clearly the best choice of law solution. It could, nevertheless, be helped out by guiding application criteria.

(d) Transferability

Whether an IPR is transferable and to what extent it can be transferred is an essential issue dependent on the existence of the right and its content; therefore, it is consistent to apply the same choice of law rule. In this regard, the fact that the transfer is materialized in the framework of a contractual or other kind of relationship between the parties has no particular relevance. This is the approach followed by national systems⁴⁹ as much as by the soft law proposals,⁵⁰ which expressly confirm it regarding contracts in general and even security interests.⁵¹ The difference in their respective responses – single law or territoriality – results in

⁴⁸ R. Matulionyte, "IP and Applicable Law ...," at 50 and 58, pp. 272, 274. Some authors have even argued in favor of characterizing co-ownership as a contractual issue. A. Metzger, "Applicable Law ...," note 41, pp. 161–162.

⁴⁹ See note 7.

⁵⁰ Art. 3:301 CLIP; art. 19 KOPLA; art. 305 Transparency – where the right was granted –, § 314 ALI – all distributive application – art. 309.1 J-K Proposal – single law could result if parties have agreed and only with *inter partes* effects. The practical application of the J-K rule seems questionable. R. Matulionyte, "IP and Applicable Law ...," note 46, at 69, p. 275.

⁵¹ § 317(2) ALI establishes the application of the rules regarding the right as such.

the application of one law (unregistered rights) or, most generally, on the distributive application of a number of laws.

(e) Unitary Rights

In unitary IPRs, the idea is to count with a unique right and regulation for the territories of all the States involved. The EU has created a community trademark,⁵² a plant-variety protection,⁵³ a design right⁵⁴ and, lately, a patent right.⁵⁵ However, none of the uniform regulations fully covers all the issues that may be required for their appropriate enforcement. Although most of these matters are related to infringement claims, some refer to the right as such.

Regarding the community trademark, property and earlier rights issues have to be mentioned. As a property, a Community trademark has to be treated in accordance with the law of the Member State where the proprietor has his seat or, subsequently, his establishment. If he does not have one, the law of the Member State where the trademark office has its seat will apply (art. 16; similarly, art. 27 of the Community Design Regulation and art. 7 of the European Patent with Unitary effect, whilst art. 22 of the Community Plant Variety Regulation only refers to the law where the right holder has a seat or establishment at the time of registration). This law will also govern third party effects of the trademark (art. 23; similarly, art. 33 of the Community Design Regulation). Since earlier rights may apply to a particular territory where, in principle, the owner can prohibit the use of the Community trademark, the Regulation allows for such a prohibition only if the law of that member State so permits (art. 111). The performance of restricted acts in the time between the publication of the application for the grant of a Community plant variety right and the eventual disposal of that request are governed by forum law (art. 97.2; Community Plant Variety Right Regulation).

It is by no means surprising that no rule is previewed in this regard by the soft law initiatives since, logically, the legal regime of the unitary

⁵² Council Regulation 207/2009, of 29 February 2009, on the Community Trademark, OJ [2009] L78/1.

⁵³ Council Regulation 2100/94, of 27 July 1994, on Community Plant Variety Rights, OJ [1994] L227/1.

⁵⁴ Council Regulation 6/2002, of 12 December 2001, on Community designs, OJ [2002] L 3/1 and successive amendments.

⁵⁵ Regulation 1257/2012 of the European Parliament and of the Council, of 17 December 2012, implementing enhanced cooperation in the area of the creation of unitary patent protection, OJ [2012] L361/1.

right has to be uniform, anticipated and resolved by its corresponding Regulation. Hence, CLIP limits itself to providing for the construction of choice of law rules “as to designate the pertinent law of the (regional) Organization, including its provisions on private international law” (art. 3:905); hence respecting the way it solves the eventual need to internally resort to choice of law rules.

4. IP CONTRACTS

International contracts on IP are frequent and very diverse. However, they all involve a transfer (assignment or license) of certain rights (proprietary) to do certain acts (exploitation) which, otherwise, would constitute an IPR infringement.⁵⁶ IPR related contracts are always conditioned on the IPRs themselves and, therefore, on the law governing the rights as such. As has been mentioned, that law decides on the very existence of the right as well as on who has it at his disposal for contractual purposes and whether and, in the affirmative, to what extent, the IPR’s prerogatives can be transferred and which conditions have to be satisfied to do so (i.e. public registering of the contract⁵⁷). Although the distinction between contractual and non-contractual issues may be difficult sometimes,⁵⁸ it can be easily inferred that this conditioning has significant practical implications since contracting parties cannot exclude the application of the law of the right as such to these issues, whatever the law governing the contract may be.⁵⁹ For example, copyright systems recognizing authors’ moral right tend to qualify it as inalienable and non-waivable. This character of the right may cause problems for copyright contracts authorizing derivative works; as the Creative Commons licenses.⁶⁰ Moreover, IPR contracts can also be conditioned by the impact of forum and

⁵⁶ J.J. Fawcett and P.L. Torremans, “Intellectual Property ...”, note 4; at 14.01, 14.14–14.15, pp. 745, 748–749.

⁵⁷ For example, Sentencia de la Audiencia Provincial de Barcelona (Secc. 14^a) núm. 123/2012, March 8 (JUR/2012/150503).

⁵⁸ P.L. Torremans, “Licenses and Assignments of Intellectual Property Rights under the Rome I Regulation,” (2008) *IPIL*, pp. 397–399.

⁵⁹ P.A. De Miguel Asensio, *Contratos internacionales sobre propiedad industrial*, Civitas (2nd ed, 2000) at 168–184.

⁶⁰ P.A. De Miguel Asensio, “The Law Governing International Intellectual Property Licensing Agreements (A Conflict of Laws Analysis),” in J. de Werra (ed.), *Research Handbook on Intellectual Property Licensing*, Edward Elgar Publishing (2013), http://eprints.uclm.es/18063/1/pdemiguelasensio-IP_Licensing_2013.pdf, p. 8. Accessed August 2013.

even third State mandatory rules, such as those in competition and transfer of technology laws.

IPR contracts’ choice of law provisions can hardly be found in national,⁶¹ not to mention international, binding instruments. In the EU, legislative attempts to elaborate such special rules have not been successful so far due to the variety of contracts.⁶² Hence, the issue is resolved by resorting to the general contracts’ choice of law rules found in the Rome I Regulation that replaced the Rome Convention on the Law Applicable to Contractual Obligations. The Convention universally applied in Member States to contracts signed from April 1, 1991, whilst the Regulation universally applies in EU Member States (except for Denmark, still applying the Convention) to contracts signed from December 17, 2009.⁶³ It is important to note that the different Principles have managed to develop specific soft law solutions on IPR contracts.

The law governing the contract can apply to its formation⁶⁴ and formalization⁶⁵ and will in any case govern its validity,⁶⁶ content (including the obligations, their breach and damage assessment, and their extinction – prescription included), interpretation, performance (although regard shall be taken to the law of the place where this occurs), and the

⁶¹ Art. 122 Swiss PIL Act (1987) points to the habitual residence of the transferor or licensor; and art. 43(1) Austrian PIL Act (not in force) referred to the *lex loci protectionis* and, if there were more than one, to the law of the habitual residence of the transferor or licensor.

⁶² Art. 4.1(f) of the Proposal of the Rome I Regulation, COM (2005) 650 final, established the application of the law of the assignor or transferor residence to contracts having as their main object the IPR transfer or license.

⁶³ Arts. 2 and 29 RC and RRI, note 17.

⁶⁴ Characterization of pre-contractual situations as contractual or non-contractual can be a conflictive issue. See *supra* 2(a).

⁶⁵ According to art. 11 RRI (or 9 RC), note 17, the form of the contract can be governed by the *lex contractus*, by the law where it is concluded or of that of the parties’ residence at its conclusion. Similarly, art. 3:504 CLIP (law of the States in which either of the parties or their agents is present at the time of the conclusion of the contract, or of the State in which either party is habitually resident at that time). In this regard, where existing, it is advisable to follow the formal requirements of the *lex loci protectionis* (documents, registers ...) since they may have an imperative character and, therefore, not complying with it would render the contract void. J.J. Fawcett and P.L. Torremans, *Intellectual Property ...*, note 4 at 14.181 p. 796.

⁶⁶ Art. 10 RRI Art. 3:505 CLIP; unless, regarding a party lack of consent, the circumstances show that it would not be reasonable to affirm its existence according to the *lex contractus*; then the law of his place of residence will apply in this respect.

consequences of nullity. All these aspects are, therefore, characterized as substantive. This is similarly established in the Rome I System⁶⁷ and in CLIP Principles (art. 3:506). Moreover, CLIP (art. 3:507(2)) and ALI (§ 316) expressly exclude from the application of ALI's contractual choice of law rules the IPR transfers operated by the law or based on other grounds such as company, competition, insolvency, succession or family law.⁶⁸

(a) From Parties' Contractual Autonomy to the Most Closely Connected Law

Parties' freedom to choose the law applicable is a generally accepted contractual conflicts of law rule. The Rome I System (art. 3) recognizes it in broad terms as to the form – express or implicit⁶⁹ – and time of the choice – before or after contracting (in this case, safeguarding the contract's validity and the acquired rights of third parties) – and the law chosen – which does not need to have any connection with the contract.⁷⁰ In any case, it is clear that what parties can choose has to be a law.⁷⁰ Principles or any kind of non-legally binding instruments can be incorporated within the margin of the parties' material autonomy. Parties should be advised to choose the contract applicable law not only for their legal certainty but also to skip the need for determining the applicable law in a different way. All the Principles support a wide application of the parties' autonomous will (art. 3:501(1) CLIP,⁷¹ § 315 ALI, art. 23 KOPIA, arts. 306–307 Transparency Proposal and art. 307 J-K Proposal). However, it is possible that IPR related contracts do not include a choice of law clause simply because parties' differing interests often impede reaching an agreement.

If parties do not choose the law applicable to their contract, legislators base their subsidiary rules on the principle of proximity. For this purpose, the EU Rome I System has generally turned to the characteristic

performance criteria (characteristic performer's residence); in principle basically as a presumption to determine the law most closely connected to the contract⁷² and, from the Rome I Regulation, as the general subsidiary choice of law criterion (art. 4.2) from which it is possible to escape when another law is proved to be more closely related to the contract (art. 4.3).

The characteristic performance is what allows a particular contract to be distinguished from others. In contracts authorizing the use of IPRs it is the right holder (transferor, licensor, assignor) who, in principle, performs the most characteristic obligation. However, it may well be that the other contracting party (transferee, licensee, assignee) can assume obligations exceeding the usual payment (such as obligations to exploit, to provide technical assistance, to supply goods, marketing ...) so that his obligations could eventually be considered more characteristic.⁷³ Nevertheless, it has been argued that in regular licensing agreements these eventual additional obligations are often linked, on the one hand, to the IPRs as such (and, therefore, to the *lex loci protectionis*) and, on the other, to the contract price determination. Moreover, the licensor additional obligations should not be disregarded since it is not uncommon that he also has to provide guarantees on the IPR or/and assistance for its use.⁷⁴

Hence, it must be admitted that IPR related contracts are very diverse. They can have the IPR as their central object or, on the contrary, this object can appear combined with some others (mixed contracts). In the first case, the contract can be from the typical license – in a business or consumer relationship – (simple contracts) to the reciprocal licenses, or entail a number of diverse obligations for the parties (complex contracts). In the second case (mixed contracts), the IPR appears combined with objects such as labor, distribution, construction, research or the development of a business model – franchising –, not forgetting the cases where the IPR can be an asset to constitute a company. When mixed and/or complex contracts are signed, IPR related obligations can be somehow functionally subordinated to other obligations. If this is the case, beyond

⁶⁷ Art. 10 RC and art. 12 RRI, note 17.

⁶⁸ See *supra* 2(c) (imperative norms) and *infra* 3(b) (employment and other relations).

⁶⁹ Implicit choice of law has to be demonstrated “clearly,” with “reasonable certainty.”

⁷⁰ Though being modeled under the Rome Convention, this is not the case of the Mexican Convention on the law applicable to contractual obligations, March 17, 1994, <http://www.oas.org/juridico/spanish/tratados/b-56.html>.

⁷¹ This rule incorporates a presumption of choice of law in favor of that of the State whose jurisdiction has been chosen to hear and determine the disputes arising out of the contract.

⁷² Arts. 4.2 and 4.5 of the RC.

⁷³ Y. Nishitani, “Contracts Concerning Intellectual Property Rights,” in F. Ferrari and S. Leible (eds.), *Rome I Regulation – The Law Applicable to Contractual Obligations in Europe*, Sellier (2009), p. 66; P. Mankowski, “Contracts Relating to Intellectual or Industrial Property Rights under the Rome I Regulation,” in S. Leible and A. Ohly (eds.), *Intellectual Property and Private International Law*, Mohr Siebeck (2009), p. 54.

⁷⁴ P.A. De Miguél, “The Law Governing ...,” note 60, pp. 18–20.

the eventual application of different special choice of law rules⁷⁵ it would be necessary to make an *ad hoc* analysis of each party's obligations to establish which of them is the most characteristic and, therein, apply the law of the country where its performer resides. This *ad hoc* analysis can lead to litigation between the parties on the law applicable to the contract, whose predictability and certainty are not being – could hardly be – normatively guaranteed. However, as has been stated, the best way to avoid arbitrariness or forced solutions is to accept the limitations of the characteristic performance doctrine.⁷⁶

Moreover, if the law determined by the characteristic performance criteria can be proven not to be the contract most closely connected law, an escape clause allows for applying the last one (art. 4.3 RRI) – this would anyhow be the applicable law when the characteristic performance cannot be established (art. 4.4 RRI). It has been argued that, when a single characteristic performance cannot be identified, the closest connection could be with the place of the IPR exploitation, which normally takes place in its protecting country.⁷⁷ Other relevant connecting indexes would be the existence of a close relation with another contract (Recital 20 RRI) – as could be the case of an IPR license accessory to a main agreement in a cooperation project such as a joint venture –, or the common habitual residence of licensor and licensee, whatever is the country of the IPR protection.⁷⁸ The guiding criteria to ascertain the most closely related law would, therefore, be the structure and the content of the contract, its subject matter, the places where obligations are performed and where parties reside as well as those where the contract's negotiations or conclusion took place. It seems clear that, despite the always arguable close relationship of an IPR contract with the IPR *lex loci protectionis*, this connection would not be enough *per se* to allow for the use of the escape clause.

In reciprocal licenses these criteria may not be of help in searching for the characteristic performance or the closest connected law. The EU has adopted a Directive harmonising the multi-territorial licensing of rights in musical works for online uses that Member States have to transpose by 10 April 2016.⁷⁹ For these cases, splitting the contract in two

⁷⁵ See *infra* 3(b).

⁷⁶ P.A. De Miguel, "The Law Governing ...", note 60, p. 13.

⁷⁷ J.J. Fawcett and P.L. Torremans, "Intellectual Property ...", note 4, at 14.87–14.97, pp. 771–774, with a detailed analysis of this location advantage.

⁷⁸ P.A. De Miguel, "The Law Governing ...", note 60, pp. 22–23.

⁷⁹ Directive 2014/26/EU of the European Parliament and of the Council on collective management of copyright and related rights and multi-territorial

licensing territories has been suggested, particularly in IPRs' collective management.⁸⁰

Notwithstanding their differences, all the soft law proposals opt for the closest connection with the contract. To ease the application of this rule they establish presumptions. ALI (§ 315(2)) and the J–K Proposal (art. 20.2⁸¹) favor the law of the licensor's residence at the time of contracting; whilst KOPILA (art. 23.1) favors the place of residence of the licensee. There are arguments in favor of and against each option⁸² and, therefore, both CLIP and the Transparency Proposal tend to establish a balance. The Transparency Proposal (art. 306) distinguishes between IPR contracts related to one country (presumption in favor of the country of the granted right) and those related to more than one country (presumption in favor of the right holder's habitual residence provided that there is no other country with a closer connection).

CLIP begins by providing two lists of guiding interpretative factors leading to the application of different laws (art. 3:502(2)). In favor of the application of the law of the transferor's residence are: that contract concerns IPRs granted for the State of his habitual residence; that there is no other explicit or implicit obligation but to pay him a flat sum of money; that the license is for a single use; and that the creator of the subject matter has the duty to create that matter. The list in favor of the law of the transferee's place of residence encompasses: that the contract concerns IPR granted for the State of his habitual residence or place of

licensing of rights in musical works for online uses in the internal market, [2014] OJ L74182.

⁸⁰ M. Saucedo Rivadeneyra, *La gestión colectiva de los derechos de autor en el ámbito internacional: régimen jurídico general y contractual*, UCM (2012), at 168–170, pp. 677–679. <http://eprints.ucm.es/16323/1/T33941.pdf>. Accessed August 2013.

⁸¹ For this purpose, a list of interpretative factors is provided.

⁸² R. Matulionyte, "IP and Applicable Law ...", note 46, at 84 to 87, pp. 278–279. In favor of licensors' residence it is argued: 1) in regular licenses licensors are the regular characteristic performance; 2) it would normally refer to the place where most contacts will be located; 3) the existence of the license depends on that of the right; 4) it leads to the application of a single law; 5) it provides confidence to small and medium sized enterprises; 6) it ends up in the right holder's residence, considered a weaker party; and 7) it brings legal certainty and predictability. In favor of licensee's residence it is argued: 1) the closest connection since the rights would be exploited there; and 2) the licensee can assume stronger obligations than the licensor. For a more detailed analysis see J.J. Fawcett and P.L. Torremans, "Intellectual Property ...", note 4, at 14.69–14.86, pp. 767–771 (patent and industrial design license), at 102, p. 775 (knowhow), and at 14.111–14.118, pp. 776–778 (copyrights).

business; that he has explicit or implicit obligation to exploit the right; that the payments are expressed as a percentage of the sales price; and that he has a duty to report about his efforts to exploit. If these criteria do not allow a clear decision to be reached (art. 3:502 (3)) distinction should be made between contracts concerning one country (presumed to be most closely connected to that country) or for multiple States (presumed to be more closely connected with the law of the place of residence of the creator, transferor, licensor). This approach reaches a good compromise between flexibility and foreseeability.

(b) IPR Complex or Mixed Agreements: Applicability of Special Choice of Law Rules

Respecting parties' autonomy, special choice of law rules can be found for some IPR complex and mixed contracts. For example, in the Rome I Regulation distribution contracts – that can incorporate trademark licenses – would be governed by the law of the country where the distributor resides (art. 4.1(f)); in franchise agreements – that always include trademarks or copyrights licenses – the law applicable is that of the franchisee habitual residence; and in services contracts – when the IPR related obligations are not the main object of the service⁸³ – the applicable law would be that of the service provider's residence (art. 4.1(b)). In cases where mixed IPR contracts could fall into two or more of these types of contract's choice of law rules, a case by case analysis would have to be done to determine the characteristic performance for the application of the law of its performer's residence (art. 4.2). This analysis will attend to the functional and economic relevance of the parties' respective obligations. Whilst in some cases, this process would amount to a choice of law's false problem,⁸⁴ in others the option for one

⁸³ Although after the ECJ sentence in C-533/70, *Falco Privatissfuhung v. Gisella Weller-Lindhorst*, (2009) ECDE 14, some authors have discarded the possibility of characterizing an IPR related contract as a service – see J.J. Fawcett and P.L. Torremans, "Intellectual Property ...", note 4, at 14.47 p. 764 – it seems that this case cannot be absolutely excluded. P.A. De Miguel, "The Law Governing ...", note 60, p. 13, exemplifies this situation: license of a patent functionally subordinated to providing services to the contracting party (technical assistance and employees' training in a broader technological area).

⁸⁴ P.A. De Miguel, "The Law Governing ...", note 60, p. 17 exemplifies the situation: a production patent license within a production-supply contract implies providing services (production) and selling products (supply). Both art. 4.1(b) for sales and (b) for services lead to the application of the law of the producer/services provider residence; who is the same party in the contract.

of the obligations or another as the one characterizing the contract could lead to the application of different laws. Hence, this characterization debate could eventually lead to additional litigation. Guiding application criteria may be of help in this respect.

In any case, if the characteristic performance cannot be determined (art. 4.4), or once it is established it becomes clear that the contract has manifestly closer contacts with another law (art. 4.3), the law with which the contract has the closest links will apply. So, IPR related franchise, distribution or service contracts can end up being governed by a different law than that initially thought.

It is interesting to look at IPR related contracts where one of the parties is considered to be weaker. In the field of labor contractual relations the results of the work could well be IPRs. Consumers could contract the purchase or use of IPR material. The Rome I System includes special protective choice of law rules for both consumers⁸⁵ and labor contracts, basically setting limits to the autonomous choice of law to avoid possible abuses from the stronger contracting party and imposing the application of the mandatory protective norms of the weaker party (those of the place of work in the first case – though this can be escaped if there is a closer connection with another law – and the consumer's residence in the second).⁸⁶ Establishing which IPR related protective norms could be mandatory can be a delicate issue.⁸⁷ The application of none of these special choice of law rules can be derogated.

Whilst consumer contracts have not merited special attention from the soft law proposals, ALI contains a provision concerning the validity of contractual choice of law in mass market agreements (§ 302(5)), and labor contracts count with a special norm in CLIP. In standard contracts, ALI's rule aims to protect the non-drafter by requiring the reasonability

⁸⁵ As defined in art. 5 RC and art. 6 RRI. Basically, a contract where one party is a natural person concluding the contract for a purpose outside his commercial activity and the other exercises – or directs – his professional commercial activity in the country where the consumer resides.

⁸⁶ Arts. 5 (consumers) and 6 (workers) RC and arts. 6 (consumers) and 8 (workers) RRI. In the worker's case, if there is no habitual place of work, reference is made to the law of the place where the employer is located.

⁸⁷ J.J. Fawcett and P.L. Torremans, "Intellectual Property ...", note 4, at 13.120, pp. 731–732. Contrary to Ulmer's opinion supporting the mandatory character of employee ownership rules, they advocate for the analysis of each rule so that, whilst generally they will not be mandatory, when it comes to the possibility of the employee obtaining compensation in cases where the ownership is given to the employee (patents), it should be so since it is a matter of social justice.

and accessibility of the choice of law clause. Reasonability is established in the light of the closeness of the connection between the chosen law and the contract (parties' residences, interests, substance of the agreement and the circumstances of the non-drafting party).

Regarding employment relationships, whilst most soft law proposals refer to them as an issue of initial title,⁸⁸ CLIP has developed a special rule on the transfer or license of the IPR resulting from the labor relationship, and in particular the right of the employer to claim the IPR and the right of the employee to remuneration (art. 3:503). Along Rome I System lines, the rule imposes certain limits to the autonomous parties' agreement on the choice of law by impeding this agreement to elude the application of the protective rules of the law that would have been applied in the absence of choice. That is the law of the place where the employee habitually performs his labor obligations. Nevertheless, if there is another law more closely related to the contract, that law shall apply.

IPRs could be used as the securities provided to grant financial obligations of IPR owners. These obligations are often acquired with financing institutions through contracts, usually governed by a single law chosen by the parties. Obviously, this law applies the contractual aspects of the relationship. The doubts arise – again – around the proprietary consequences of this agreement; the creation of the security. There are national laws that distinguish the contractual from the proprietary aspects whilst others do not. Regarding the proprietary aspects as a separated issue, one option would be extending the application of the *lex contractus* (Recital 38 RRD). This solution, however, generates uncertainty to third parties that would have to know about the contract and its applicable law to acknowledge if the IPR is burdened with a security. Therefore, another option could be resorting to the law of the grantor, which would make the system simple and predictable.⁸⁹

Considering the different approaches of national legal systems on the dichotomy between contractual and proprietary aspects, CLIP Principles expressly propose (art. 3:801) to, first, allow parties to choose the law applicable and, subsequently, to apply the law of the habitual residence of the grantor except if it is clear from all the circumstances of the case that the contract is manifestly most closely connected with another State, whose law would then apply. The scope of application of this law (art.

⁸⁸ See *supra* 3(d).

⁸⁹ Compare with art. 19 of the Community Trademark Regulation, note 53.

3:802.1) covers a wide range of issues.⁹⁰ In any case, for each IPR the corresponding *lex loci protectionis* applies to establishing their respective existence, ability to be used as a security, the third party effects, the priority of the security right and their enforcement (3:802.2). Although ALI does not have a special rule in this area, the distinction between proprietary and contractual aspects is expressly acknowledged.⁹¹ The special norms in this field resort to the application of the regular contractual rules in KOPILA (art. 32) and in the Transparency Proposal (art. 308). The UN Commission on International Trade Law (UNCITRAL) has specifically developed a legislative guide for IP securities choice of law⁹² that, basically, coincides with what is proposed in the five IPR soft law proposals.⁹³

5. IPR INFRINGEMENTS

Regarding IPR infringements, there are good reasons to follow a territorial approach based on the *lex loci protectionis* criteria: 1) it is easy to ascertain whereas the general tort choice of law rule – law where the tort was committed – could be more difficult to determine; 2) it also governs validity, so there is no need to distinguish between validity – which may be argued as a defense – and infringement for choice of law purposes; 3) it also applies to the scope of the IPR, its existence and duration, and there is a strong link between the scope of the right and its infringement in substantive law; and, finally, 4) the State created the right as a tool of its economic policy.⁹⁴

⁹⁰ Existence, validity, scope and all other issues concerning the IPR (including whether it may be transferred); the ownership, its bona fide acquisition, any registration requirements in the protection State and the effects of registration or non-registration, and the priority or third party effects of security rights in IPR.

⁹¹ See *supra* 3(b).

⁹² UNCITRAL Legislative Guide on Secured Transactions Supplement on Security Rights in Intellectual Property, 2011, http://www.uncitral.org/pdf/english/texts/security-ig/e/10-57126_Ebook_Suppl_SR_IP.pdf. Accessed August 2013.

⁹³ For a detailed study, see chapter 12 of this book.

⁹⁴ M. Pertegas, "Intellectual Property and Choice of Law Rules," in A. Malatesta (ed.), *The Unification of Choice of Law Rules on Torts and other Non-Contractual Obligations in Europe*, CEDAM(2006), at 238; J.J. Fawcett and P.L. Torremans, "Intellectual Property ...," note 4, at 1.5.24, pp. 807–808.

The Rome II Regulation⁹⁵ establishes the choice of law rules universally applicable (art. 3) in EU Member States – except for Denmark (art. 1.4) – to non-contractual obligations. These rules apply from January 11, 2011 to events that occurred after August 20, 2007.⁹⁶ After establishing general conflict of laws rules, RRII includes a specific provision on IPR infringements (art. 8) that excludes resorting to the general norms in IPR cases. The reference to the IPRs covered by the rule is only found in Recital 26 with an open-ended approach;⁹⁷ therefore, it is understood to comprise all those cases where the right holder has an exclusive right.⁹⁸

As in any PIL situation, the application of the conflict of laws rule is dependent on the characterization of the litigation cause as a non-contractual obligation. In this regard, RRII manages an autonomous concept⁹⁹ that, obviously, comprises IPR infringements. Nevertheless, it has to be noted that, in practice, IPR infringement cases can be related to contractual situations or even other non-contractual obligations (e.g. unfair competition – which counts with another special choice of law rule –, passing off, breach of confidence); therefore, its initial characterization is essential to decide the application of the proper choice of law rule.

In the special IPR infringement choice of law rule, RRII adopts the *lex loci protectionis* criteria in absolute terms through this formula (art. 8.1 and 3):

The law applicable to a non-contractual obligation arising from the infringement of an intellectual property right shall be that law of the country for which protection is claimed. (Emphasis added)

⁹⁵ Note 9.

⁹⁶ Arts. 31 and 32 RRII. The Regulation entered into force 20 days after its official publication on July 31, 2007.

⁹⁷ Recital 26 reads: “For the purposes of this Regulation, the term ‘intellectual property rights’ should be interpreted as meaning, for instance, copyright, related rights, the sui generis right for the protection of databases and industrial property rights.”

⁹⁸ Hence, geographical indications and denominations of origin are included despite there not being a single owner of the right. J.J. Fawcett and P.L. Torremans, “Intellectual Property ...”, note 4, at 15.19–15.20, pp. 804–805.

⁹⁹ Recital 7 of the RRII refers to the consistency of its substantive scope with Council Regulation (EC) 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ [2001] L 12, as amended by Regulation 1215/2012, of 12 December 2012, OJ [2012] L 351. To establish the existence of a contractual obligation the ECJ consistently requires parties’ freely consented agreement.

The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14. (Emphasis added)

Without prejudicing third parties, art. 14 allows litigants to choose the law applicable to a non-contractual obligation. This option is fully excluded in cases of IPR infringements due to their link with national economic policies. This absolutely closed approach has been criticized, particularly regarding multistate infringements and in what concerns the IPR remedies. Beyond the complexity, length and costs of litigation when a handful of national laws have to be applied distributively, critics of this prohibition argue the existence of enough safeguards to preserve public interests in art. 14.¹⁰⁰ Moreover, the general public order exception (art. 26) is always available to impede the application of foreign incompatible laws.

The issues that this applicable law covers (art. 15) range from defining what constitutes an infringement, who is responsible for it (be it primarily or secondarily¹⁰¹), the grounds for exemptions, limitations or

¹⁰⁰ J.J. Fawcett and P.L. Torremans, “Intellectual Property ...”, note 4, at 15.43, p. 817. Art. 14 RRII reads:

Freedom of choice.

[...]

2. Where all the elements relevant to the situation at the time when the event giving rise to the damage occurs are located in a country other than the country whose law has been chosen, the choice of the parties shall not prejudice the application of provisions of the law of that other country which cannot be derogated from by agreement.

3. Where all the elements relevant to the situation at the time when the event giving rise to the damage occurs are located in one or more of the Member States, the parties’ choice of the law applicable other than that of a Member State shall not prejudice the application of provisions of Community law, where appropriate as implemented in the Member State of the forum, which cannot be derogated from by agreement.

¹⁰¹ Contributory or secondary liability exists when the role of one actor in the infringement is that of a facilitator for the direct infringer. In this regard, it is also called indirect infringement. However, it would be possible to distinguish degrees of participation in IPR facilitator behaviors (providing a machine to pirate a trademark could not be equated to facilitating internet access). National IP laws adopt different approaches in this substantive area. The differences lead to two possible characterizations of these behaviors: necessarily (EU) or possibly (US) included within IP regulation. See J.J. Fawcett and P.L. Torremans, “Intellectual Property ...”, note 4, at 15.20–15.29, pp. 809–810. See *infra* 5(e) (secondary liability).

divisions of liability, what constitutes a damage, which remedies are available and to what extent, who is entitled to compensation, and, on the one hand, the manner in which an obligation is terminated and, on the other, the measures that can be adopted to prevent or terminate the injury within the limits of powers conferred on courts by their respective procedural laws. Therefore, RRII characterizes all these issues as substantive. This way, the same law is applied to all issues related to a non-contractual obligation contributing to promote legal certainty and uniformity, the basic goals of EU PIL instruments. The only limit to the application of the *lex causae* would be, beyond the general forum public order exception, the powers that procedural *lex fori* provides for adopting measures to prevent or terminate the injury. No need to say that countries with more efficient and rapid procedures will more easily attract the interest of claimants as a forum.¹⁰²

It is important to realize that, in practice, non-contractual IPR cases can bring about contractual issues, for example as a defense. Claims regarding behaviors that are alleged to be in excess of what a license permits could confront a defense alleging that the conduct was covered by the contract. Under the Rome II Regulation it is clear that these claims are non-contractual and that the admissibility of the contractual defense as well as its liability exempting or limiting character are to be determined according to the law applicable to the claim. However, determining the contract coverage of defendants' behavior is a contractual issue, and therefore, governed by the *lex contractus*. Of course, this could lead to situations where the determination of the conducts covered by the contract is governed by one law (*lex contractus*) and the determination of the infringement by another (*lex loci protectionis*). This is without forgetting that what can be authorized or licensed to be done by the contract depends on the scope of the right and is, therefore, decided by the *lex loci protectionis*.

The good reasons for this wide territorial approach explain that the different IPR choice of law model rules proposed to internationally harmonize the issue stand for its general preservation in infringement cases,¹⁰³ except for the Transparency Proposal, that opts for a market effects rule, and ALI and J-K Proposal recourse to parties' (limited) autonomous will. Moreover, some reforms have been suggested at the edges of the territoriality principle aiming to avoid the application of

¹⁰² M. Pertegás, "Intellectual Property ...," note 94, at 239–240. See chapter 8 in this book.

¹⁰³ CLIP (art. 3:601), ALI (§ 301), J-K Proposal (art. 301) and KOPILA (art. 19).

laws with which the infringement has a minor effect and to simplify the application of a number of laws in multistate/ubiquitous infringements.

The market effects rule of the Transparency Proposal (art. 301) incorporates a diverse modality of the territoriality principle, the generally accepted choice of law rule in unfair competition cases. In practice, it seems to lead to the same result as the *lex loci protectionis* criteria since the place where the IPRs are protected is where the infringements of, at least, their economic rights have market effects. However, it could be more difficult to determine the applicable law to moral rights' infringements under this rule.

As has been mentioned, ALI (§ 302) and the J-K Proposal (art. 302)¹⁰⁴ contemplate the possibility of parties agreeing on the law applicable to IPR infringements. The practical use of a general IPR infringement rule leaving parties the freedom to choose the applicable law could be anticipated as limited, be it in situations of pre-litigation – where parties may not even know each other – or of post-litigation – where parties' different interests will make it difficult for them to agree. However, the convenience of these agreements for parties' interests cannot be excluded, particularly in multistate cases. As a matter of fact, practice shows that where defendants do not dispute the law applicable proposed by the claimant (tacit agreement) and that law is *lex fori*, courts apply it without raising the choice of law issue.¹⁰⁵ Nevertheless, it has been argued that the strong link between a territory and the IPR, its specific limitations and exceptions, and the national public policy are sufficiently strong arguments to reject the autonomous will option¹⁰⁶ in general terms. In this regard, it has been noted that, although States are interested in preserving their IPR policies, private parties' interests in IPR enforcement cannot be out-weighted. Moreover, this private interest eventually corresponds to the interests of the States themselves.¹⁰⁷ The parties' agreement on the law applicable eases the way towards the application of a single law without abandoning, on the basis of the norms on the *lois de police* and on the public policy exception, forum and even third States' public policy interests.

¹⁰⁴ Parties are allowed to choose the law applicable to proprietary (with exceptions and only with *inter partes* effects) and infringement issues.

¹⁰⁵ R. Matulionyte, "TP and Applicable Law ...," note 46, at 114–115, p. 284.

¹⁰⁶ J.J. Fawcett and P.L. Torremans, "Intellectual Property ...," note 4, at 18.34, p. 935.

¹⁰⁷ R. Matulionyte, "TP and Applicable Law ...," note 46, at 111–112, p. 283.

Trying to limit the number of applicable laws in IPR trans-boundary infringements, CLIP introduces a *de minimis* rule. The rule requires substantial local activity or preparatory action or, alternatively, substantial effects or specific direction of the activity to that territory to establish an infringement, whatever the applicable law is. The rule can, however, be neglected "when reasonable under the circumstances of the case" (art. 3:602). This exception is intended to cover, for instance, disputes over moral rights where the substantial conduct or effects of the IPR infringement are difficult to establish in a particular country. It is clear that the rule does not impede the application of a number of different laws; it only provides for the exclusion of those with which the infringement has a non-significant connection. Among the other Principles, only the J-K Proposal includes a (confusing) but related provision (art. 305).¹⁰⁸ WIPO had already recommended this kind of solution for online trademark cases, proposing that an infringement only occurs in the countries where the conduct has a commercial effect.¹⁰⁹

The CLIP provision has been considered as a modified "market effect" rule¹¹⁰ that, in reality, establishes a substantive infringement standard to which a truly open exception is added. Beyond WIPO Recommendation, such a *de minimis* rule has already had some support in different jurisdictions.¹¹¹ In addition it is presently compatible with IPR choice of law rules in force – particularly those of the Rome II Regulation¹¹² –

¹⁰⁸ This provision is quite vague and difficult to comprehend. It seems to be limited to secondary infringement and will require the courts to apply the law of the affected market when the conduct is directed to the State of protection and there is a threat of a local direct and substantive injury. Moreover, it seems that the purpose of this rule is to extend the scope of IPR protection. R. Matulionyte, "IP and Applicable Law ...," note 46, at 117 and 119, pp. 284–285.

¹⁰⁹ Art. 2 of the Joint Recommendation Concerning Provisions on the Protection of Marks and other Industrial Property Rights in Signs on the Internet. Adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the World Intellectual Property Organization (WIPO) at the 36th Series of Meetings of the Assemblies of the Member States of WIPO, September 24 to October 3, 2001.

¹¹⁰ R. Matulionyte, "The Law Applicable to Online Copyright Infringements in the ALI and CLIP Proposals: A Rebalance of Interests Needed?," (2011) *jiptec*, at 9, p. 28.

¹¹¹ Copyright infringement cases in the US (if the US audience is the target of the conduct). In the EU some Member State courts have adopted it in online copyright cases R. Matulionyte "The Law Applicable ...," note 110, at 14, p. 266.

¹¹² J.J. Fawcett and P.L. Torremans, "Intellectual Property ...," note 4, at 15.49, pp. 819–820.

since, due to its substantive nature, it could appear anytime in any of the applicable national laws.

Criticism of CLIP's *de minimis* rule formula has various fronts. The first lies on the very need of applying this rule beyond trademarks, on the one hand, and copyright infringement in internet on the other. In this regard, it has been argued that the rule may effectively limit the scope of IPR protection.¹¹³ It is possible to counter-argue by questioning why the limitation of the IPR protection should therefore be allowed in trademarks and internet copyright infringements. In both cases the reasoning for accepting the application of a reduced number – or even just one – law is leaving aside the costs of applying a number of different laws when some of them could have had a minor impact in the infringement causes and/or damages. Admitting that transnational trademarks and internet copyright infringements could be more frequent in practice, it does not seem justified to introduce differences in factors to be considered for trans-boundary infringements between the various IPRs and/or the communication medium that serves as means of infringement. A second issue could be the determination of the existence of "substantial" effects or infringing conduct in a particular territory. In this regard there are no references and (it goes without saying) each competent court will have to evaluate according to objective data whether the cause or the damage are or are not substantial in a territory. Having a guiding list of factors could assist the competent courts as well as provide a basis for a choice of law prospective analysis, helping to facilitate for all parties a certain predictability level. For example, there is enough jurisprudence arguing that the mere accessibility of a website in a country does not support a finding that the site produces a significant market impact in that country.

Thirdly, it has been said that the CLIP *de minimis* rule favors right holder-claimants because they can choose to base their claim in the law they consider advantageous for their interests that, moreover, when applied to remedies, can end up having extraterritorial effects – particularly in internet cases due to technical reasons.¹¹⁴ Leaving aside the extraterritorial effects of remedies – which can be a problem regardless of how the choice of law is made – this reasoning shows nothing new in IPR trans-boundary infringing cases since right holders having a number of territorial rights in different countries can always decide which infringements they want to claim (hence, "choosing" the applicable

¹¹³ R. Matulionyte, "IP and Applicable Law ...," note 46, at 123, p. 285.

¹¹⁴ R. Matulionyte, "The Law Applicable ...," note 110, at 16, p. 29.

laws). In addition, it has to be noted that the right holder is not necessarily always the claimant (i.e. non-infringement declarative actions); so the rule does not necessarily favor right holders. Even when the right holder is the claimant and, therefore, “chooses” the applicable law(s), this *de minimis* rule could relieve the defendant from arguing on the basis of laws with which the infringement (conduct or result) does not have a significant connection.

Fourthly, the potential practical consequences of the rule’s exception are envisaged as so wide that the rule could be generally disregarded. Courts have discretion to derogate from the rule when “reasonable” and given their tendency to apply forum law they could easily defend the “reasonability” of its application.¹¹⁵ Beyond the claim’s reasonable contact with the forum that the existence of jurisdiction could prove,¹¹⁶ this reasoning does not fundamentally question the utility of such a *de minimis* rule since it could still help to exclude other non-significantly connected laws.

Some doubts have also been put forward as to whether a conflict of laws instrument is the proper place to introduce a substantive rule.¹¹⁷ In this regard, it can be argued that it would not be the first time that a PIL instrument had incorporated a substantive standard rule¹¹⁸ and there should be no problem incorporating this one. Moreover, this substantive rule is given only for the application of choice of law provisions; determining the cases in which they will be applied.

Although the need and reasonability of this *de minimis* rule are questioned,¹¹⁹ it seems that it could generally be useful. To facilitate its application, guiding criteria on minimum effects could be provided.

(a) Remedies: Convenience of a Party Autonomy Rule

Once the infringements have been established according to a distributive application of different laws, it may be useful for the parties to have one single law deciding on the remedies. This way, proving the different

¹¹⁵ R. Matulionyte, “IP and Applicable Law ...” note 46, at 119, p. 285.

¹¹⁶ See chapter 8 of this book.

¹¹⁷ R. Matulionyte, “IP and Applicable Law ...” note 46, at 125, p. 286.

¹¹⁸ To illustrate the case, it could be enough to mention art. 14 of The Hague Protocol 23 November 2007 on the law applicable to maintenance obligations requiring to take into consideration the needs of the creditor, the resources of the debtor as well as any compensation which the creditor was awarded in place of periodical maintenance payments in determining the amount of maintenance.

¹¹⁹ ILA Report, note 16, p. 12.

laws’ rules and making, for example, the different calculations for compensation could be avoided. Moreover, cumulative and even conflicting remedies could be reached as the result of applying different laws, particularly when adopted by different national courts.¹²⁰ In this regard, it is important to note that, particularly when it comes to internet infringements, a domestic injunction may lead to the overall shutdown of the website; having, consequently, undesired extraterritorial effects.

Resorting to one law would only be reasonable when all the parties agree on which would be the one governing the remedies. Therefore, for this purpose, the option for a choice of law rule based on parties’ will has been defended by CLIP (art. 3:606.1), ALI (§ 302) and the J-K Proposal (art. 302). The agreement could be reached before or after the dispute arises.

Convinced of the convenience of the application of a single law to remedies, CLIP (art. 3:606.2) proposes that, when there is a previous relationship between the litigants, the law applicable to that relationship – in practice, usually a contract – is extended to cover the remedies that will be awarded for the IPR infringement. This rule can only be escaped if (1) the parties have expressly excluded it; therefore showing their lack of will in what concerns the application of this law (but does not exclude that they can reach an agreement on the application of a different single law for the purpose of determining the infringement’s remedies); or (2) it is clear from all the circumstances that the case is most closely connected with another State. Although the search of a single law regarding remedies may eventually lead to the interpretation that, in this last case, the most closely connected law could be applied, this reading of the rule is not admissible. In this regard, it cannot be forgotten that the autonomous will of the parties is the governing connection and that their agreement could be reached in favor of any law at any time. This agreement is only presumed if there is a previous relationship between the parties but the presumption disappears when the law governing the previous relationship is not the most closely connected with the infringement claim. On the determination of the connection of the infringement and that particular law, CLIP does not include particular criteria or factors to be taken into account. Nevertheless, such criteria can be found on the special rule regarding ubiquitous infringements¹²¹ and there is no reason that speaks against their possible use in this case. Considering this

¹²⁰ In internet infringement cases, damages are often calculated on the basis of overall access numbers regardless of where the access originates. R. Matulionyte, “The Law Applicable ...” note 110, at 16, p. 29.

¹²¹ See *infra* 5(d) (secondary liability).

normative situation, it might be reasonable to formulate these guiding factors as the general criteria to be used to establish which is the most closely connected law.

It is interesting to note that CLIP (art. 3:605) incorporates a definition of remedies comprising: (1) injunctions, damages and other means of redress for injury caused or threatened;¹²² including the right of information; (2) claims based on unjust enrichment and *negotiorum gestio*, to the extent they concern the non-contractual obligations arising out of the violation of an IPR, without encompassing the violation as such; (3) the question of whether a right to claim damages or other remedies may be transferred, including inheritance; and (4) various ways of extinguishing obligations, and the prescription and limitations of actions.

As to cumulative and conflicting remedies, beyond parties' choice of a single law and CLIP's presumption, the Principles offer no express solutions except in the ubiquitous/multistate infringement cases, where recourse to a single law can prevent this problem. In any case, it is not uncommon that in PIL cases different laws have to be applied and courts habitually deal with this reality through their adaptation.¹²³

(b) Determining Infringement for the Adoption of Border Measures

Beyond the obvious importation cases, States' courts could eventually adopt injunctions prohibiting the exportation of goods to a third country where they would infringe IPR. This outcome cannot be excluded as once a State's court jurisdiction is established, the *lex loci protectionis* choice of law rule would lead to the application of the law of the infringing foreign country – that would end up being the importing country – and, beyond establishing the infringement, this law can contemplate ordering the adoption of border measures (seizures). Moreover, even if that foreign law does not call for ordering the seizure of goods, where existing, forum imperative rules imposing them would be applied.¹²⁴

As a result of TRIPS commitments, WTO members have legal systems authorizing national customs to intervene (*ex parte* and, eventually, *ex officio*) for the enforcement of IPRs at the border, essentially to prevent the importation or exportation of IPR infringing products. Beyond the

¹²² See chapter 13 in this book.

¹²³ See *supra* 2(b) (*renvoi*, proof of foreign law and adaptation).

¹²⁴ J. Fawcett and P.L. Torremans, "Intellectual Property," note 4, at 15.45, p. 818, on the basis of art. 16 RRII and considering that both the TRIPS Agreement and Directive 2004/48 hint at the minimum standard character of this kind of measure.

differences between national border measures systems, customs' authorities can be called upon to determine *motu proprio* the existence of infringement or suspicion of it. The law applicable to this end is not always expressly pointed by national or, as happened in the EU, regional regulations.¹²⁵ Therefore, in principle, this issue has to be clarified indirectly considering that, for a customs authority to intervene, the IPR has to exist in its territory.¹²⁶ This approach conforms to the territoriality principle as much as to the application of its own law by national public administrations – even if it is private law, such as IP regulation.

Nevertheless, some national legal systems establish the customs situations in which these authorities have to intervene so that the cases where the infringement, or the suspected infringement, can take place are, therefore, defined. This means that, for border measures purposes, the infringement is somehow established independently from the national IPR law in this respect. In the EU, this posed a clear problem that had international consequences when India and Brazil presented requests for consultations under the WTO Dispute Settlement Procedure due to EU customs seizures in the Netherlands of medicines (patented in the Netherlands) in transit between the countries.¹²⁷

The European Court of Justice was called to interpret the border measures Regulation as to the customs situations that would entail infringement; particularly when it came to cases where the final destination of the goods was not, or was not clear to be, the EU internal market. In the *Nokia* and *Philips* case, the Court concluded that, in order to decide on the infringement in these situations, administrative authorities as much as courts (each of them in exercising their respective competences) had to have clear proof of the entry, or risk of deviation, of the goods to the internal market.¹²⁸ Hence, goods in transit or in any

¹²⁵ Council 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, [2003] OJ L 196, repealed by Regulation 608/2013 of 12 June 2013, OJ [2013] L 181, that will be applicable from January 1, 2014 (see Recital 10).

¹²⁶ In the EU, arts. 2.1c, 3 and 5 of Regulation 1383/2003 refer to the law of the Member State where the application for customs' intervention is presented. Arts. 2.1c, 1, 3 and 4 of Regulation 608/2013 preserve the same approach.

¹²⁷ WTO Cases European Union and a Member State (the Netherlands) – Seizure of Generic Drugs in Transit; DS407, presented by Brazil on May 11, 2010, and DS408 presented by India on May 12, 2010.

¹²⁸ ECJ judgment of December 1, 2011 in joined cases C-446/09, *NV Koninklijke Philips Electronics v. Far East Sourcing Limited* and C-495/09, *Nokia Corporation v. Her Majesty's Commissioners of Revenue and Customs*.

customs' suspensive regime, can only infringe protected IPR as long as there are clear indications that they are, or may be, commercialized in the EU. In this way the Court has not only clarified IPR scope in customs situations but, most probably, has also contributed to cases such as the controversy between India and Brazil, on one side, and the EU, on the other side.¹²⁹ In this regard, it must be acknowledged that both TRIPS (art. 41) and GATT (art. V) set limits to IPR enforcement in order to avoid the means for IPR defense creating trade obstacles exceeding what is necessary to protect the essential content of those rights.

In addition, *Philips/Nokia* helped to minimize the scope that the Proposal reforming the EU IP Customs Regulation could eventually have reached. The Proposal expressly referred to the Rome II Regulation for establishing the infringement of an IPR.¹³⁰ However, in principle, IPR infringement of goods in transit towards third countries is done according to the *lex loci protectionis* – that is, the destination/third State law –, considering that the existence of infringement in the Member State whose customs authorities are called to intervene is required, the situation is just a non-material one. The reason is clear: if it is not proven that the goods in transit are under the risk of being diverted to the EU market – since their destination is a third country – it would be impossible to establish the existence of infringement (or risk of infringement) and customs authorities would not be allowed to intervene without a court order.

Therefore, it seems obvious that what has been done is a substantive interpretation of what constitutes an infringement in customs situations. This interpretation leads to the establishment of infringements only when goods are to enter the territory of customs authorities. Hence, in order to establish the IPR infringement that allows for their intervention, customs authorities will always rely on their own national laws and community rules so that the practical effects of the *lex loci protectionis* criteria are limited to this territory. In any case, beyond compliance with eventual court injunctions, customs interventions in respect of goods which are under their surveillance but destined for third countries will have to be articulated, as TRIPS already previews (art. 69), through international

¹²⁹ As of August 2013, the cases remain in their consultation phase, http://www.wto.org/english/tratop_e/dispu_e/cases_e/ds409_e.htm. Accessed August 2013.

¹³⁰ Proposal for a Council Regulation 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 COM (2003) 20 final; 20.01.2003.

cooperation. As adopted by the new EU IP Customs Regulation, this cooperation will be articulated through exchanging information on suspected breaches of IPRs with the relevant authorities of third countries, including on goods which are in transit through the territory of the Union and originate in or are destined for those third countries.¹³¹

(c) Broadcasting and Communicating through the Web

Broadcasting is part of copyright and related right holder exclusive right. There is a general agreement on considering the point of emission of the signal as the place where the broadcast takes place, regardless of where the signal can be received (emission theory). In the EU this rule has been adopted in satellite broadcasting, so that, after defining what communication is, it is deemed to occur solely in the country where the signal is emitted¹³² except where the emission is done in a non-Member State country and its laws do not provide with a minimum protection. In that case, the broadcast is deemed to occur in the Member State where the up-link ground station is located or in which the broadcasting organization has its principal establishment.¹³³ Although this is not a choice of law rule, it has been argued to have an effect on choice of law matters since the broadcast of a copyright will only be considered to exist in the broadcasting country, so IPR infringement consisting in the unauthorized broadcast could only be claimed there.¹³⁴ Therefore, by characterizing a situation, these rules determine the application (or non-application) of IPR choice of law rules.

(d) Multistate and Ubiquitous Infringements: Searching for One Law

It is by no means strange that, in an open world, similar facts lead to IPR infringements taking place in multiple territories in a simultaneous or

¹³¹ Recitals 21 and 27 and arts. 1.2 and 22 of Regulation 608/2013.

¹³² Although not in an IPRs infringement case, but in a related radio broadcasting case, the ECJ decided to apply only one law – that where the effects were substantial – leaving aside another law – that where the effects were minimal. Case C-192/04, *Legardere v. SPRE* [2005] ECR I-7199.

¹³³ Arts 1.2 (b) and (d) of EC Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission, OJ [1993] L248/15.

¹³⁴ J.J. Fawcett and P.L. Torremans, "Intellectual Property ...", note 4, at 13.61, p. 712.

successive way. In particular, when considering the internet as a means of communication, infringements could potentially occur worldwide. Thus, when such a means of communication is the infringement scenario, it is directly qualified as ubiquitous. From the majority of the infringements choice of law rules, it is clear that determinations on the infringements taking place in a number of countries are to be decided on the basis of each of these States' laws. The result is, therefore, that a handful of different laws are applied in a distributive manner.

Claimants could abuse as much as be burdened with this situation. They could abuse by claiming infringements everywhere, despite infringements being non-existent or not to the same degree in each country. They could be burdened by the need to prove the existence of the infringement according to multiple laws. On the other side, defendants could be accused of infringements committed everywhere and would have to defend themselves resorting to multiple laws. Reasonability arguments speak in favor of opting for the application of a single law to judge these cases (universality approach). To this end, the soft law proposals incorporate special choice of law rules on ubiquitous infringements. Although some voices have defended with sound reasons resorting to parties' freedom of choice,¹³⁵ none of the normative proposals expressly admitting it for infringements in general has incorporated its use in its ubiquitous infringement special rules.

It seems obvious that the applicable law should be one narrowly connected to the infringement but it is not an easy task to establish, on the one hand, a set of conditions under which this unique law would apply and, on the other hand, how to identify it. A clear illustration of these difficulties is found in the abandonment of the CLIP Group's initial attempt to create a particular conflicts rule on multistate infringements.¹³⁶ However, KOPIA (art. 21) and the J-K Proposal (art. 306) formulate a rule that does not distinguish between the infringement media and seems to cover not only internet cases but also multiple-States claims when the concerned countries are not specific or unidentifiable.¹³⁷

The other three sets of Principles have only offered a clear-cut solution for internet infringements.¹³⁸ The "spill over" effect of this medium

¹³⁵ See *supra* 5. See also R. Matulionyte, "IP and Applicable Law ...," note 46, at 116, p. 284, and "Calling for Party Autonomy in Intellectual Property Infringement Cases," *JPL*, vol. 9 no. 1, pp. 77-99.

¹³⁶ Explaining an initial proposal and its rejection see J.J. Fawcett and P.L. Torremans, "Intellectual Property ...," note 4, at 18.37-18.42, pp. 935-937.

¹³⁷ R. Matulionyte, "IP and Applicable Law ...," note 46, at 131, p. 287.

¹³⁸ See chapter 11 of this book.

explains why it is generally accepted that, in principle, there is no need to ascertain the infringement in each and every State of the world despite the fact that the particular IPR may not have been infringed everywhere or that it may not have been so to the same extent. Without forgetting the general possibility to exclude the application of certain laws opened by CLIP's *de minimis* rule,¹³⁹ the Transparency Proposal (art. 302.1), ALI (§ 321) and CLIP (art. 3:603) norms expressly turn to the universality principle (relative in ALI) only in these cases. Nevertheless, they have a different material scope. Whilst ALI provides for a wide coverage (ubiquitous media if the laws of multiple States are pleaded), CLIP limits it by requiring the existence of infringement in all the States where the signal can be received. Therefore, in practice, CLIP's rule could only be applied to copyrights, related rights and, exceptionally, to trademarks.¹⁴⁰

The Transparency Proposal opts for the compulsory application of the "law of the place where the results of the IPR exploitation are or are to be maximized" – a variation of the "effects" rule – whilst the other four sets of rules turn to the possibility of applying the closely connected law.¹⁴¹ It is important to note that ALI does not necessarily refer to a single law since its wording reads "the law or laws of the State or States"; thus, its rule can result in the application of more than one law so that its "universal" approach may fail in certain cases. Following CLIP, ALI or the J-K Proposal, opting for this universal solution would be in the courts' hands, most probably at the plaintiffs' request (ALI requires consultation with parties) that, obviously, would claim it as long as it suits their interests.¹⁴²

In order to decide where IPRs are "maximized" (Transparency Proposal) or which is the law closely connected to the case (J-K Proposal, KOPIA, CLIP and ALI), some of the proposals list a number of factors to be taken into account.¹⁴³ Whilst in CLIP and ALI the lists are

¹³⁹ See *supra* 5.

¹⁴⁰ A. Metzger, "Applicable Law ...," note 41, p. 175.

¹⁴¹ The CLIP and J-K Proposal refer to the "closest connection" whilst for ALI a "close connection" is enough.

¹⁴² R. Matulionyte, "The Law Applicable ...," note 110, at 15, p. 29.

¹⁴³ These factors are in ALI: parties' residence, where the parties' relationship is centered, the extent of parties' activities and investment, and the principal markets towards which they direct their activities. In CLIP: the location (residence or business place) of the alleged infringer; the place where substantial activities in furthering the infringement have been carried out; and the place where the harm caused is substantial. In the J-K Proposal: infringers' residence or place of business; State where the infringement activity mainly occurs or is directed; and the place where the injury takes place and where the IPR owner has

exemplary, in the J-K Proposal the list seems to be exhaustive. It has been argued that ALI's factors seem to be more neutral and flexible, less predictable and more in favor of the right holder-claimant than those of CLIP, which are more favorable to the defendant, serving to restore the balance between both parties' positions.¹⁴⁴ At the core of the debate on the application of the choice of law criteria is the always difficult balance between flexibility and predictability.

Overall, the close connection rule is criticized for its flexibility, which allegedly creates lack of security and foreseeability for claimants and defendants.¹⁴⁵ This criticism is followed by another one stressing the likeness of courts establishing the close connection with the forum.¹⁴⁶ Up to now, no cases have been identified where the courts applied foreign law for the adjudication of online infringements,¹⁴⁷ which stresses the importance of determining the jurisdiction. Although, in principle, the "maximized results" rule could seem less flexible and therefore more predictable, it ends up having similar determination difficulties.

In any case, all sets of Principles introduce an escape clause "retreating to territoriality"¹⁴⁸ whenever a party¹⁴⁹ proves (ALI, CLIP, J-K Proposal) or claims (KOPIA)¹⁵⁰ that the law of any of the connected States differs principal interests. The application of the "maximization of IPR exploitation" rule of the Transparency Proposal is determined through the quantity of exploitation.

¹⁴⁴ P.A. De Miguel Asensio, "Internet Intermediaries and the Law Applicable to Intellectual Property Infringements," (2012) *JIPITEC*, 3, at 25, p. 356; R. Matulionyte, "IP and Applicable Law ...," note 46, at 129, p. 286. A. Metzger, "Applicable Law ...," note 41, at 173-176. For a critical point of view, defending a substantive law reform, see P.E. Geller, "Repenser le cadre 'Bernes-Plus': des conflits de lois aux réformes du droit d'auteur," (2010) *Propriétés Intellectuelles*, pp. 699-703.

¹⁴⁵ R. Matulionyte, "IP and Applicable Law ...," note 46, at 144, p. 289.

¹⁴⁶ P.A. De Miguel Asensio, "Internet Intermediaries ...," note 144, at 25, p. 356; R. Matulionyte, "IP and Applicable Law ...," note 46, at 32, p. 269.

¹⁴⁷ R. Matulionyte, "IP and Applicable Law ...," note 46 at 142, p. 288.

¹⁴⁸ R. Matulionyte, "The Law Applicable ...," note 110, at 11, p. 28.

¹⁴⁹ Any party (ALI, CLIP and J-K Proposal) or only the defendant (KOPIA). The Transparency Proposal text makes no reference to this aspect and could be interpreted as allowing both *ex parte* and courts *ex officio* to appreciate the "extremely unreasonable" result of the application of the choice of law rule "in relation with specific country."

¹⁵⁰ The claiming party has the burden of proof (ALI, CLIP and J-K Proposal) or it just has to be argued and the Court will decide on the burden of proof (KOPIA). R. Matulionyte, "IP and Applicable Law ...," note 46, at 133, p. 287.

from the applicable law in aspects which are essential for the decision (e.g. there is no infringement in that country, the liability is limited, less stringent remedies are available ...). It has been argued that this escape clause is not likely to resolve problems if the burden of proof lies in any case on the interested party, and that it should be reformulated for the courts to decide in each case who takes this burden.¹⁵¹ In this regard, it could be useful to consider the objective of the escape clause which, whilst preserving the territorial interests of the connected States, seems to aim at assuring recognition and enforcement of the final decisions through respect of imperative rules of the potential recognizing States.

(e) Secondary Liability: Convenience of a Special Conflicts' Rule?

The role of Internet Service Providers (ISPs) in ubiquitous infringements is a particularly sensitive issue. Notwithstanding the diversity of ISPs' activities,¹⁵² their involvement in internet functioning makes them an essential party for the implementation of the infringing behaviors as well as for IPR enforcement. Beyond cases where ISPs directly infringe IPRs, they could also be held "indirectly" liable for taking part in their users' infringements. The intermediation could entail contributory or secondary infringement; an area where substantial differences between national laws remain. Moreover, even when they do not have a direct or indirect responsibility in the infringement, their intervention may be requested to prevent or terminate it. From the right holder-claimant perspective, ISPs are in many occasions the ideal defendants since, on the one hand, they have access to the infringing conduct information – that they can easily provide – as well as the means to restrain the infringing conduct, and, on the other hand, they tend to be large companies with the financial resources to satisfy compensation to IPR holders.¹⁵³

On ISP liability the US and the EU have similar – despite their differences – exclusion systems that have gained a clear international

¹⁵¹ R. Matulionyte, "The Law Applicable ...," note 110, at 28 and 33, argues that when a defendant acting in good faith claims it – because the application of a different law better suits his interests – imposing the burden of proof on him could be questionable.

¹⁵² P.A. De Miguel Asensio, "Internet Intermediaries ...," note 144, at 1, p. 350, refers to access to communications networks, transmission of information in the networks, hosting services, hyperlink and search engines, and distribution of tools, such as software, that may be used to carry out allegedly infringing activities.

¹⁵³ P.A. De Miguel Asensio, "Internet Intermediaries ...," note 144, at 3, p. 351.

influence. The exclusion of ISP liability is generally linked to their unawareness of the illegal activity. However, whether ISPs have a certain obligation to monitor users' behavior or what level of knowledge is required for them to incur liability are complex issues still uncertain even under US and EU national laws.¹⁵⁴ Whilst it is generally accepted that internationally harmonized law in this area is the only way to guarantee legal certainty to ISPs, it is clear that the different initiatives have been unsuccessful so far¹⁵⁵ and, in any case, it is doubtful that they would reach a level where the choice of law rules would be unnecessary.

As the situation stands, it is generally accepted that the law applicable to IPR infringements extends to secondary liability as that of ISPs. According to the Rome II Regulation, the scope of the law applicable to IPR infringements includes the acts of another person (art. 15(a)) as well as the "measures which a court may take to prevent or terminate injury or damage ... within the limits of powers conferred on the court by its procedural law" (art. 15(d)). It is interesting to note that the delimitation between the law applicable to the infringement and *lex fori* procedural law¹⁵⁶ may raise particular difficulties with regard to the measures that can be adopted against intermediaries.

Even if moderated by the application of a *de minimis* or reasonability rule, the application of the traditional *lex loci protectionis* rule can easily lead to the distributive application of multiple national laws in establishing ISP liability. This solution may conflict with achieving a reasonable balance between the IPR territoriality and the internet's global reach since intermediaries may have to bear excessive legal uncertainties. In search of a solution CLIP (art. 3:604) proposes an autonomous choice of law provision and the J-K Proposal (art. 305) sets a material standard for establishing liability (acts have to be directed to the State of protection).¹⁵⁷

Departing from the application of the *lex loci protectionis*, secondary infringement of any IPR will be governed in certain cases by a single law: that of the territory where the center of gravity of the alleged

¹⁵⁴ P.A. De Miguel Asensio, "Internet Intermediaries ...", note 144, at 4-6, p. 351. These issues may conflict with due respect to fundamental freedoms (conduct a business) and/or rights (data protection).

¹⁵⁵ The Anti-counterfeiting Trade Agreement does not include ISP liability exemptions. Global Business Dialogue on Electronic Commerce, "Recommendations presented by the IPR Working Group on Notice and Takedown Procedures, September 2000"; <http://www.gbd-e.org>. Accessed August 2013.

¹⁵⁶ D. Moura Vicente, "La Propriété intellectuelle ...", note 39, pp. 375-379.

¹⁵⁷ R. Matulionyte, "IP and Applicable Law ...", note 46, at 152, p. 291.

infringer is located. For a case to be covered by this rule two conditions have to be met. First, a factual one requires that the intermediary services or facilities have to be "capable of being used for infringing and non-infringing purposes by a multitude of users without intervention of the persons offering or rendering the facilities or services in relation to the individual acts resulting in infringement." So to speak, the service has to be neutral and the process or services fully automated so that the provider has no control over its use. Although this is something that could more easily happen in internet, the use of the rule could eventually not be limited to this environment. The media neutrality of the provision is a positive sign in this respect. Secondly, a substantive condition requires that the chosen law establishes liability, at least, for active inducement and for failure to react in cases of actual knowledge of a primary or a manifest infringement. In any case, the scope of this prescription excludes claims related to information on the identity and the activities of primary infringers to avoid undermining the possibility of initiating an action against the direct infringer under the *lex loci protectionis*.¹⁵⁸

The rule leads to the application of the law most closely connected to the activity enabling the infringement, which is neutrally chosen and, therefore, expected to provide enough flexibility and predictability for claimants as well as for intermediaries offering services at a global scale. Nonetheless, it presents certain practical difficulties.

Its first practical problem is characterization itself. Initially, to apply the rule it is necessary to distinguish between direct or indirect liability, on the one hand, and, on the other hand, the type of intermediary, particularly ISP, covered by the rule.¹⁵⁹ Although it has been argued that the introduction of the special norm may result in additional uncertainty and complexity,¹⁶⁰ the factual requirements of the rule entail certain assisting substantive harmonization, notwithstanding the risk of its divergent interpretations by national courts. It is true, nevertheless, that whenever intermediaries could be claimed to infringe IPRs directly and indirectly, two different laws would eventually apply to establish their

¹⁵⁸ P.A. De Miguel Asensio, "Internet Intermediaries ...", note 144, at 15, p. 354.

¹⁵⁹ What would be considered an "active" role could be controversial. Regarding hosting services there is differing national jurisprudence. The ECJ has provided some guidance on this issue. R. Matulionyte, "IP and Applicable Law ...", note 46, at 165, p. 293.

¹⁶⁰ P.A. De Miguel Asensio, "Internet Intermediaries ...", note 144, at 17, p. 354.

respective responsibilities.¹⁶¹ Though, in principle, this should not be a special problem from the perspectives of PIL – two laws can be applied to establish responsibilities on different basis – or IPR – there could be primary and not secondary liability or vice versa –, opting for one law could be cost-effectively advisable. In these cases the law applicable to the primary and secondary liability could be the *lex loci protectionis* according to the unitary approach. Along these lines, if this double action (primary-secondary infringements) appears in an internet case, in principle the special ubiquitous infringement rule could apply to the primary infringement whilst this special contributory norm would govern the secondary liability. Nevertheless, cost-effective arguments could support globally turning to the ubiquitous infringement rule.

In addition, determining the center of gravity is not easy. Differing from the ubiquitous infringement norm, in this case there is no open list of guiding factors. Although it has been argued that this approach fully respects the proximity principle by allowing courts to consider all circumstances of the case, it may well prejudice legal certainty and uniform application of the rule.¹⁶² Incorporating a list of guiding factors can reduce the impact of this risk. In this regard, the already existing references for the ubiquitous infringement cases could be of use.

Finally, situations where the infringement has a geographically limited impact cannot be excluded, particularly in internet. It has been argued that in these cases the intermediary liability should be established according to the law of that territory instead of that of the center of gravity of an intermediary's activities, particularly to avoid the risks of facing the application of a law that, contrary to the law applicable to the infringement, excludes his liability or impedes ordering the intermediary to adopt measures aimed at terminating or preventing the infringing conduct.¹⁶³ Beyond the fact that the infringement place can be established as the center of gravity of the ISP activities – as has been noted, the absence of a list of factors to take into consideration allows courts to

¹⁶¹ R. Matulionyte, "IP and Applicable Law ...", note 46, at 162, p. 292.

¹⁶² P.A. De Miguel Asensio, "Internet Intermediaries ...", note 144, at 19, p. 355.

¹⁶³ P.A. De Miguel Asensio, "Internet Intermediaries ...", note 144, at 19–22, p. 355. In his example, a user-generated content service site based in the US, a user uploads infringing material particularly interesting to the Danish public, who frequently use this ISP service and end up downloading the infringing content massively. There are only occasional downloads in other countries. The right holder brings a claim before Danish courts asking the ISP to remove the content.

consider all circumstances of the case and, in this regard, the local market is particularly relevant for the ISP economic interests – it has been argued that "in such situations application of the *lex loci protectionis* with regard to the ISP seems almost subconscious."¹⁶⁴ However, the CLIP provision contains no exception in this regard.

Despite lacking a special provision for secondary infringement, ALI and the J-K and Transparency Proposals may lead to the application of a single law through their respective ubiquitous infringement norms since their scope covers secondary infringement.¹⁶⁵ As a matter of fact, the appearance of the secondary infringement rule in the CLIP is said to stand in the limited coverage of its ubiquitous infringement rule.¹⁶⁶ Whilst the CLIP ubiquitous infringement rule is limited to certain infringements in internet, the secondary liability rule materially applies to all media.

The option for a special conflicts rule on secondary liability may remain a debatable issue. Whilst some welcome the special rule initiative and encourage work on it,¹⁶⁷ a number of arguments have been put forward in support of the traditional unitary approach. The simplification rationale of the special rule becomes dubious when considering, on the one hand, the technological developments and, on the other hand, the ISPs' business interests in adapting to the tastes and desires of users in different geographical locations, which leads to limiting the number of territories where a certain IP infringing conduct may (with substantial repercussion) take place. Hence, as long as effective territorial measures can be adopted in a global service network, there seems to be no particular need of a special conflicts rule to establish the liability of

¹⁶⁴ P.A. De Miguel Asensio, "Internet Intermediaries ...", note 144, at 19–22, p. 355.

¹⁶⁵ Although it has been argued that ALI localizing factors should be developed so as to particularly take into consideration secondary infringement (G. Dinwoodie, R. Dreyfuss and A. Kur, "The Law Applicable to Secondary Liability in Intellectual Property Cases," *New York University Journal of International Law and Politics*, vol. 42, pp. 214–216), other arguments point to the fact that the interpretation of connecting factors does not escape uncertainty (D. Yakomizo, "Intellectual Property Infringement on the Internet and Conflict of Laws," *AIPPI Journal*, May 2011, p. 109). P.A. De Miguel Asensio, "Internet Intermediaries ...", note 144, at 26, pp. 356–357.

¹⁶⁶ P.A. De Miguel Asensio, "Internet Intermediaries ...", note 144, at 24, p. 356.

¹⁶⁷ R. Matulionyte, "IP and Applicable Law ...", note 46, at 168, p. 294.

intermediaries, particularly when this special rule could entail the application of different laws to establish direct and indirect liability.¹⁶⁸ Moreover, the ubiquitous infringement rule turns to the application of a single law when necessary using a connecting factor (closest connection) that is not substantially different from the one provided in this contributory infringement special rule (center of gravity) and for which there are already guiding application criteria. Nevertheless, it is true that ubiquitous infringement rules are centered in internet cases but this lack of media neutrality could reinforce the idea of bringing to the debate the convenience of opening this rule to multistate infringements.¹⁶⁹

(f) Unitary Rights

Unitary IPRs are those created in accordance with a unitary regulation whose reference territory comprises, jointly, that of a number of countries. As has been noted, in recent years this has been a phenomenon increasingly experienced in the EU. Acknowledging from the start that the unitary regulation does not cover every single regulatory aspect that litigation would face in reality, each of these normative instruments anticipates the application of a national law to cover its gaps; and, therefore, to complement it,¹⁷⁰ particularly when it comes to infringement.

In general terms, the Community Trademark Regulation previews the application of forum law to matters not covered by the Regulation (art. 101, including provisional measures, art. 103). On sanctions, prohibition orders are to be governed by forum law and all other sanctions according to the law of the State where the infringement takes place, including the choice of law rules¹⁷¹ (art. 102). The Community Design Regulation (arts. 88 and 89) and Plant Variety Regulation (art. 97) resolve the issue along the same lines. The recent European Unitary Patent establishes that the acts against which patent provides protection are governed by the law

of the Member State where the applicant has his residence or principal place of business at the filing date. If this is not possible, then that of his place of business and, finally, where the European Patent Office has its headquarters (Germany) (arts. 5.3 and 7). Moreover, Recital 9 states that “the [European Patent Convention], the Agreement on a Unified Patent Court ... and national law, including rules of private international law, should apply in matters not covered by the Regulations.”

The EU unified choice of law rule for unitary IPR in the Rome II Regulation provides for the application of the law of the country in which the act of infringement was committed (art. 8.2); that is, the country in which the IPR was illegally used. This provision, consistent with the general non-contractual obligation choice of law rule, is a necessary exception to the *lex loci protectionis* criteria because the IPR protection is sought in the whole EU territory. In any case, it leads to the same result since the acts of infringement can only be committed where the right exists and is protected. Nevertheless, it does not seem coherent to complete the substantive regulation of a unitary IPR with a distributive application of different laws. In this regard, it has been argued that parties should be allowed to agree on the applicable law and, when the agreement is absent, forum law could be applied.¹⁷² CLIP Principles open a way to exclude some of the eventually applicable national laws through its *de minimis* rule. Moreover, CLIP would allow for the application of *lex fori* on the basis of the *lex loci protectionis* exception that can be used “when reasonable under the circumstances of the case” (art. 3:602). Being of European origin, it is not strange that CLIP is the only set of principles that, as has been noted, mentions IPR unitary regional rights in order to construe choice of law rules “as to designate the pertinent law of the (regional) Organization, including its provisions on private international law” (art. 3:905).

6. CONCLUSION

IPR choice of law has been a very much debated issue in recent years. No doubt the intense works and exchange of opinions headed by academics have resulted in what can be perceived as a broad consensus in the field. Territoriality is soundly the principle around which the system spins. However, globalization seems to be bursting its traditional absolutism, opening the way towards a more adapted, fair and efficient

¹⁶⁸ P.A. De Miguel Asensio, “Internet Intermediaries ...”, note 144, at 27–28, p. 357.

¹⁶⁹ See *supra* 5(d).

¹⁷⁰ These are not choice of law rules (despite being entitled “law applicable”) since it would make no sense that RRII include a special rule for unitary rights when its art. 27 states that whenever another EU provision provides a choice of law rule, the last one will apply. J.J. Fawcett and P.L. Torremans, “Intellectual Property ...”, note 4, at 15.37–15.38, pp. 814–815.

¹⁷¹ Although *renvoi* could eventually take place, the EU unification of choice of law rules on IPR infringements through RRII (art. 24) excludes this possibility.

¹⁷² M. Pertegás, “Intellectual Property ...”, note 94, at 246–247. J.J. Fawcett and P. Torremans, “Intellectual Property ...”, note 4, at 15.38, pp. 815–816.

path in international enforcement of IPRs by eventually allowing for the adoption of a single law approach. This single law approach is allowing the recognition of parties' autonomous will as a connecting factor whose applicability could possibly be widened. In the end, any choice of law system searches for adequate solutions balancing flexibility and predictability as well as the protection of local policies. Conciliating all the soft law proposals and, where possible, deepening some of its rules, could well be the next research steps in this area. It seems obvious that reaching a common worldwide academic project could be very influential but, in any case, whether its rules and balances are finally accepted will entail political decisions.