

**INTELLECTUAL PROPERTY IN  
EUROPEAN PRIVATE LAW**

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## INTELLECTUAL PROPERTY IN EUROPEAN PRIVATE LAW

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I.- Introduction. II.- Intellectual Property and EU Law: New Foundations? III.- Private and Public Law: Intellectual Property as a mixed field. IV.- International cooperation and its impact on the evolution of EU law. V.- Territoriality of rights and the functioning of the internal market. VI. Approximation of laws by means of directives: achievements and shortcomings. VII. Optional unitary rights. VIII. Coordination of national laws through unitary conflict of laws rules.

### I. Introduction

The progressive development of uniform intellectual property (IP) law in the European Union is mainly the product of a voluminous but fragmentary legislation subject to the uniform interpretation of the Court of Justice. In the context of a general discussion on the boundaries of European private law, particular attention should be devoted to the specific features of Union intellectual property law in comparison with other areas of the law. Indeed, some special characteristics of intellectual property law have decisively influenced the evolution of European Union law in this area and will continue to be determinative in the future. First, the importance of international conventions which are or may become binding on the EU or its Member States. Second, the peculiar nature of intellectual property rights as territorial exclusive rights which traditionally have been confined to the territory of the respective Member State<sup>1</sup>. Additionally, with a view to assess the achievements and the current situation in this area as well as the future perspectives related to the challenges that lay ahead,

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<sup>1</sup> J. Basedow, “Foundations of Private International Law in Intellectual Property”, in J. Basedow, A. Metzger and T. Kono (eds.), *Intellectual Property in the Global Arena - Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US*, Tübingen, Mohr Siebeck, 2010, pp. 3-29, at p. 8.

an analysis of the level of uniformity attained and the merits and drawbacks of the different techniques used to establish Union intellectual property law seems necessary. However, the starting point of a study in this field has to be now the recent evolution of primary EU law since the new amendments to the treaties have introduced new references to the possibility by the Union institutions to legislate in this field and have also confirmed the consideration of intellectual property protection as a fundamental right.

## **II. Intellectual Property and EU Law: New Foundations?**

Among the amendments to the founding treaties introduced by the 2007 Lisbon Treaty<sup>2</sup>, entered into force on 1 December 2009, some have special significance for EU legislation in the area of intellectual property. A new provision in this field has been included in the chapter on “Approximation of Laws” of the Treaty on the Functioning of the European Union (TFEU). Indeed, Article 118 TFEU now refers to the competence of the Union to create European intellectual property rights. This provision has been added to those dealing with the adoption by the EU of measures for the approximation of Member States laws which have as their object the establishment and functioning of the internal market. In particular, Article 114 TFEU (ex Article 95 TEC) has traditionally played a crucial role as the legal basis of harmonizing directives in the field of IP.

Article 118 TFEU lays down the EU competence to “establish measures for the creation of European intellectual property rights to provide uniform protection of intellectual property rights throughout the Union and for the setting up of centralised Union-wide authorisation, coordination and supervision arrangements.” Such measures are to be adopted by the European Parliament and the Council, acting in accordance with the ordinary legislative procedure. Article 118 TFEU is mainly intended to facilitate the establishment of unitary intellectual

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<sup>2</sup> Treaty of Lisbon amending the Treaty on European Union and the Treaty establishing the European Community, signed at Lisbon on 13 December 2007 (OJ 2007 C 306, p. 1).

property rights in the EU by means of regulations. Such result had been previously attained with regard to certain rights, such as trademarks and designs mainly by having recourse to the possibility -granted in Article 352 TFEU (ex Article 308 TEC and previously Article 235)- to adopt appropriate measures when action by the Union proved necessary without the Treaties having provided the necessary powers. To the extent that Article 118 TFEU gives the Union institutions the necessary powers to establish European intellectual property rights providing uniform protection, the use of a provision such as Article 352 TFEU is no longer justified for that purpose.

Because of the increasing significance of fundamental rights to determine the level of protection of IP it is of great importance in this area that Article 6 TEU confers on the Charter of Fundamental Rights<sup>3</sup> the same legal value as the Treaties and ensures the pivotal role of the fundamental rights guaranteed by the European Convention on the Protection of Human Rights and Fundamental Freedoms (ECHR) as part of the law of the Union<sup>4</sup>. Article 17 of the Charter concerns the protection of the right to property, and expressly includes in paragraph 2 intellectual property as property to be protected. Also the case-law of the ECHR has held that Article 1 of Protocol No. 1 to the ECHR, regarding the right of every person to the peaceful enjoyment of his possessions, is applicable to intellectual property as such and also to mere applications for the registration of an industrial property right<sup>5</sup>.

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<sup>3</sup> Charter of Fundamental Rights of the European Union proclaimed in Nice on 7 December 2000 (OJ 2000 C 364, p. 1).

<sup>4</sup> C. Geiger, “Intellectual ‘Property’ after the Treaty of Lisbon: Towards a Different Approach in the New European Legal Order?”, *EIPR*, 2010, pp. 255-257, at p. 256.

<sup>5</sup> See ECHR Judgments of 11 January 2007, *Anheuser-Busch Inc. v. Portugal* (para. 78) with respect to an application for the registration of a trade mark and of 29 January 2008, *Balan v. Moldova* (para. 34) concerning copyright. The case-law of the ECHR is available at < <http://www.echr.coe.int> >.

In the context of the current debates on the appropriate level of IP protection and the risks of overprotection of IP<sup>6</sup>, the wording of Article 17 paragraph 2 of the Charter has been subject to criticism because it laconically declares that: “Intellectual property shall be protected” without any express reference to possible restrictions<sup>7</sup>. By contrast the provision of paragraph 1 with regard to the use of property in general refers to its possible regulation by law “in so far as is necessary for the general interest”. However, although the text of the Charter could be more precise in this respect, it is widely accepted that intellectual property can also be restricted to protect the general interest in line with the nature of paragraph 2 as a mere clarification that the scope of property in Article 17 covers IP as a specific kind of property<sup>8</sup> that refers to intangibles and whose exclusive character results only from the protection of the law. The need to balance the fundamental right established in Article 17 with other fundamental rights enshrined in the Charter is essential when determining the level of IP protection in the drafting and interpretation of EU and national legislation. Therefore, the fundamental rights dimension of IP very much influences the europeanisation of IP law.

There are many examples of provisions relating to the level of protection of IP, such as those dealing with limitations to copyright or those relating to the patentable subject matter, that are closely connected to the safeguarding of other fundamental rights, among others the freedom of expression and information, the right of education and the protection of health care. In this context it is particularly significant how the recent practice of the ECJ in the field of copyright illustrates that the balance between the fundamental right to the protection of IP and other fundamental rights contained in the Charter has become decisive to

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<sup>6</sup> See, e.g. in the field of copyright, K.J. Koelman, “Copyright Law and Economics in the EU Copyright Directive: Is the Droit d’Auteur Passé?”, *IIC*, vol. 35, 2004, pp. 603-638; and with regard to trademarks, G.B. Dinwoodie y M.D. Janis, “Confusion Over Use: Contextualism in Trademark Law”, *Iowa L. Rev.*, vol. 92, 2007, pp. 1597-1667..

<sup>7</sup> A. Peukert, “Intellectual Property as an End in Itself?”, *EIPR*, 2011, pp. 67-71, at p. 69.

<sup>8</sup> C. Geiger, “Intellectual Property Shall be Protected!?- Article 17(2) of the Charter of Fundamental Rights of the European Union: a Mysterious Provision with an Unclear Scope”, *EIPR*, 2009, pp. 113-117, p. 116.

establish the level of protection of IP and the possibility to enforce these exclusive rights against alleged infringers in the context of the Internet. In the context of civil proceedings related to the infringement of copyright with a view to determine the possibility to obtain from operators of electronic communications networks and services traffic data which are necessary to identify the eventual copyright infringers, the Court of Justice already in *Promusicae* made clear the need to reconcile the requirements of the protection of the different fundamental rights involved, namely the right to respect for private life on the one hand and the rights to protection of property and to an effective remedy on the other<sup>9</sup>. The Court in *Promusicae* also stressed that national authorities and courts must make sure that the content and interpretation of the provisions of national law are not in conflict with those fundamental rights<sup>10</sup>.

The implications of striking a fair balance between the right to the protection of IP and the fundamental rights to respect for private life and data protection have become crucial to determine the admissibility of the mechanisms implemented in Europe at national level to fight against activities allegedly infringing IP rights that are carried out through the Internet in particular those resulting from the use of peer-to-peer software. The European Data Protection Supervisor has insisted on the need to analyse the privacy and data protection implications of the so-called “three strikes Internet disconnection policies” or “graduated response” schemes, implemented to allow copyright holders to monitor Internet users and identify alleged infringers. The European Data Protection Supervisor has expressed the view that such schemes are not necessary to achieve the purpose of enforcing IP rights seriously –and hence do not satisfy the requirement under Article 8 ECHR that only allows measures that infringe the right to privacy of individuals if necessary within a democratic society to the legitimate aim it pursues- and that they also undermine other individuals’ fundamental rights such as effective

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<sup>9</sup> Judgment of 29 January 2008, C-275/06, *Promusicae*, para. 65.

<sup>10</sup> Para. 68.

judicial protection and freedom of expression<sup>11</sup>. It is noteworthy that the introduction of such schemes in the legislation of some Member States with a view to a more effective enforcement of IP rights in the digital environment has resulted in the reference by national courts of questions to the Court of Justice demanding clarification of the compatibility of such measures with some fundamental rights, in particular Articles 8 and 10 ECHR which correspond to Articles 7 (respect for private and family life), 8 (data protection) and 11 (freedom of expression and information) of the Charter<sup>12</sup>.

### **III. Private and Public Law: Intellectual Property as a mixed field**

The peculiar nature of IP law determines that beyond its inclusion in the area of private law this field also presents a typical public law dimension with regard to administrative procedures as well as to the possibility of criminal enforcement of IP rights. However, the starting point when determining the basic nature of IP law has to be that IP rights are private rights governed basically by private law rules. These rules cover issues such as the subject matter, content, duration, effects or infringement of these exclusive rights, and their treatment as objects of property, since IP rights are capable of being the subject matter of transfers, licences and security interests. Some of these issues have traditionally been the focus of the directives adopted for the approximation of the laws of the Member States concerning the different kinds of IP rights.

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<sup>11</sup> European Data Protection Supervisor, “Opinion on the current negotiations by the European Union of an Anti-Counterfeiting Trade Agreement (ACTA)”, (OJ 2010 C 147, p. 1).

<sup>12</sup> In case C-70/10, *Scarlet Extended SA v Société Belge des auteurs, compositeurs et éditeurs (SABAM)*, the Court of Justice has been requested to determine if under relevant EU Directives “construed in particular in the light of Articles 8 and 10 ECHR” Member States are allowed to order Internet intermediaries “to introduce, for all its customers, in abstracto and as a preventive measure, exclusively at the cost of that ISP and for an unlimited period, a system for filtering all electronic communications, both incoming and outgoing, passing via its services, in particular those involving the use of peer-to-peer software, in order to identify on its network the sharing of electronic files containing a musical, cinematographic or audio-visual work in respect of which the applicant claims to hold rights, and subsequently to block the transfer of such files [...]”. The Advocate General Cruz Villalón delivered his Opinion in *Scarlet* on 14 April 2011. Other pending case concerning the limits resulting from privacy and data protection law on legal measures to fight illegal sharing of electronic files in the Internet is case C-461/10, *Bonnier Audio and others*.

Notwithstanding the nature of IP rights as private rights, legislation on certain IP rights consists to a great extent of public law rules. In this connection it is significant that the existence of certain IP rights requires that the competent administrative body grants the exclusive right concerned. By contrast to rights required to be deposited or registered, other IP rights, especially copyright and related rights are typically afforded as a matter of law when some circumstances are met without any formalities being required. Indeed, Article 5(2) of the Berne Convention precludes the contracting states from subjecting the enjoyment and exercise of copyright to any formality, what means that the existence of these rights can not be conditioned to registration. Therefore public law rules related to the granting of exclusive rights do not play a significant role in the field of copyright. Although many countries have established optional copyright registration mechanisms that set up a public record of copyright claims, these mechanisms are usually optional and have a very limited significance for the protection of copyright, since they only provide some advantages to registrants, such as establishing prima facie evidence in court of the validity of the copyright and of the facts stated in the register.

Contrary to the situation with regard to copyright and related rights, so-called industrial property rights, such as patents, trademarks or designs are mainly rights whose existence requires a previous registration with a public body and hence significant administrative measures have to be adopted to implement the rights<sup>13</sup>. Especially with respect to patents the idea that the granting of IP rights subject to registration is an exercise of (national) sovereignty has achieved significant acceptance. Typical public law rules are those dealing with the registration procedure before the competent public Offices that grant rights such as patents, trademarks or designs. The issues covered by these provisions include the management of the public Office; the functioning of the Register; the filing of

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<sup>13</sup> See, e.g., P. Torremans, *Holyoak and Torremans Intellectual Property Law*, 6th ed., Oxford, OUP, 2010, pp. 49-53, regarding how to obtain a patent.



applications and the conditions governing their examination; the renewal procedures and the payment of fees; and also the proceedings in relation to revocation or invalidity of rights by the Office. EU regulations that create unitary industrial property rights having equal effects throughout the Union cover not only the private law aspects related to the existence, content and exploitation of exclusive rights as private rights but also contain the public law provisions concerning the establishment of the public body that grants the exclusive rights (such as the Office for Harmonization in the Internal Market regarding Union trademarks and designs), the registration procedure, the functioning of the register and the proceedings in the public office in relation to revocation or invalidity of the right.

The boundaries of private law in this field are also very much affected by the increasing importance of criminal but also administrative enforcement of IP rights. Administrative enforcement of IP right has gained relevance due to the expansion of effective border enforcement which mainly consist of procedures which require customs authorities –acting if necessary upon their own initiative– to detain or suspend the release of certain goods<sup>14</sup>. Furthermore, in recent years criminal enforcement of IP rights have expanded in most legal systems, influenced by the duty imposed on Member States by Article 61 TRIPS Agreement<sup>15</sup> apply criminal procedures and penalties at least in cases of wilful trademark counterfeiting or copyright piracy on a commercial scale. Article 83(2) TFEU seems to provide a legal basis for the adoption on uniform rules concerning IP criminal enforcement. According to this provision, the Union may adopt directives establishing minimum rules with regard to the definition of criminal offences and sanctions in areas which have been subject to harmonisation measures provided that the approximation of criminal laws proves essential to

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<sup>14</sup> Regulation (EC) No 1383/2003 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 (OJ 2003 L 196, p. 7).

<sup>15</sup> Agreement on Trade-Related Aspects of Intellectual Property Rights, which is Annex 1C of the Agreement Establishing the World Trade Organization, signed at Marrakesh on 15 April 1994 (OJ 1994 L 336, p. 214).

ensure the effective implementation of a Union policy in such an area. Because of the relevance of criminal enforcement of IP rights in international texts, the implications of Article 83(2) TFUE on the EU external competence may deserve special attention regarding the current attempts to develop the international framework to fight the infringement of IP rights.

#### **IV. International cooperation and its impact on the evolution of EU law**

Compared to other areas of business law, IP law has witnessed an extraordinary development of international conventions including a number of instruments whose main goal is to raise the standards of protection of IP rights in national (including EU) legislation. However, international cooperation in this area does not challenge territoriality and independence as basic features of national IP rights. The basic treaties on intellectual property established in the XIX century, such as the Paris Convention<sup>16</sup> or the Berne Convention<sup>17</sup> were mainly aimed at ensuring the protection of IP rights beyond the borders of the country of origin of the rightholder and to avoid discrimination by foreign states<sup>18</sup>. The principle of national treatment plays a basic role in these conventions. Other treaties concluded later, such as the Madrid Agreement Concerning the International Registration of Marks and the Protocol relating to that Agreement of 1989<sup>19</sup>, focus on facilitating the registration of national IP rights in several countries on the same subject matter.

The principle of national treatment is aimed at preventing any discrimination of foreign inventors and creators but does not guarantee the existence of an

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<sup>16</sup> Paris Convention for the Protection of Industrial Property of 20 March 1883, <<http://www.wipo.int>>.

<sup>17</sup> Berne Convention for the Protection of Literary and Artistic Works of 9 September 1886, <<http://www.wipo.int>>.

<sup>18</sup> See, e.g., S. Strömholm, “Copyright - National and International Development”, *Int. Enc. Comp. L.*, vol. XIV (Copyright and Industrial Property), chapter 2, 1990, p. 16; and D. Moura Vicente, *A tutela internacional da propriedade intelectual*, Coimbra, Almedina, 2008, pp. 101-103.

<sup>19</sup> Madrid Agreement Concerning the International Registration of Marks of 14 April 1891 and Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks adopted on 27 June 1989 <<http://www.wipo.int>>.

appropriate level of IP protection in the contracting states to the conventions establishing such principle. Based on the idea that the Paris and Berne Conventions had achieved only a limited harmonization with respect to the standards of protection of IP rights, the 1994 TRIPS Agreement established more detailed minimum standards and common principles for the protection of all categories of IP, ensuring strong similarities between national IP legislations. Additionally, Part III of the TRIPS Agreement includes detailed provisions on the means of enforcing IP rights. However, TRIPS is a minimalist Treaty and therefore differences between countries survive. Moreover, TRIPS is integrated in the WTO system and it represents a significant departure from the model of the Paris and Berne Conventions as regards the existence of mechanisms to ensure compliance by Member States of their treaty obligations since the Agreement falls within the scope of the dispute settlement system of the WTO.

Within the framework of WIPO additional substantive standards were established by the two Geneva Treaties of 1996 –the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty- that aimed at adapting the previous Conventions to the digital environment<sup>20</sup>. The trend to establish international agreements that raise substantive and procedural standards of IP protection continues with the controversial Anti-Counterfeiting Trade Agreement (ACTA) of 25 November 2010.

Some features of this trend confirm the view that recent multilateral conventions on IP –such as TRIPS or the 1996 WIPO Conventions- focus on raising the standards of protection of IP in terms that require developing countries to adapt their legislations and harmonize their regimes with the situation in areas where higher standards of protection prevail, such as the EU or the US. However, the experience in the EU is that to a great extent the evolution of European IP legislation in recent years has also been based on these international instruments.

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<sup>20</sup> S. Ricketson and J.C. Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond*, Oxford, OUP, 2006.

For instance, the provisions on technological measures and rights management information of Directive 2001/29/EC are modelled on the relevant provisions of the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. Moreover, Directive 2004/48/EC on the enforcement of intellectual property rights includes a significant number of provisions which mainly introduce the obligations resulting from Part III of the TRIPS Agreement. For instance, Articles 7 and 9 of the Directive 2004/48/EC are to a great extent based on the provisions of article 50 of the TRIPS Agreement on provisional measures<sup>21</sup>.

The debate as to the compatibility of international provisions with EU law has been especially intense in connection with the negotiations and the final text of ACTA. The secrecy surrounding the negotiations of this Agreement, the fact that it has been discussed between a limited number of countries outside previous institutional frameworks such as WIPO and WTO and the fear that it could result in excessive and unbalanced protection of IP rights have influenced this debate. Indeed, as a reason to withhold consent to the Agreement the opinion has been expressed mainly in academic circles that some provisions of ACTA are not compatible with EU and will require additional action on the EU level, in contrast with the view expressed by the Commission<sup>22</sup>. In this connection, in the Explanatory Memorandum of the Proposal for a Decision on the conclusion of ACTA, the European Commission stresses that the Agreement introduces a new international standard building upon the TRIPS Agreement but “does not modify the EU *acquis*, because EU law is already considerably more advanced than the current international standards”<sup>23</sup>.

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<sup>21</sup> C. Heinze, *Einstweiliger Rechtsschutz im europäischen Immaterialgüterrecht*, Tübingen, Mohr Siebeck, 2007, at pp. 79-81.

<sup>22</sup> See “Opinion of European Academics on Anti-Counterfeiting Trade Agreement” of January 2011, available at <<http://www.iri.uni-hannover.de/acta-1668.html>> and the reply contained in the Commission Services Working Paper of 27 April 2011, “Comments on the Opinion of European Academics on Anti-Counterfeiting Trade Agreement”, <[http://trade.ec.europa.eu/doclib/docs/2011/april/tradoc\\_147853.pdf](http://trade.ec.europa.eu/doclib/docs/2011/april/tradoc_147853.pdf)>.

<sup>23</sup> “Proposal for a Council Decision on the conclusion of the Anti-Counterfeiting Trade Agreement between the European Union and its Member States, Australia, Canada, Japan, the Republic of Korea, the United Mexican States, the Kingdom of Morocco, New Zealand, the Republic of

The controversy surrounding the conclusion of ACTA has also brought attention to the evolution of the external powers to conclude international agreements concerning the protection of IP. After the Treaty of Lisbon some amendments introduced in the TFEU affect the respective roles of the EU and its Member States as actors in the negotiation and conclusion of international conventions in this field. Such an evolution is of special significance given the current importance of international (bilateral) trade agreements containing measures on IP enforcement. Under Articles 3(1) and 207(1) TFEU the Union has exclusive competence in the area of common commercial policy that covers the commercial aspects of intellectual property. Furthermore, the Union’s external competence is exclusive to the extent that an international convention affects internal EU rules or alters their scope. To the extent that the external competence of the Union is exclusive, it is not for the Member States but for the Union to enter into external undertakings. Article 207(4) TFEU includes some specific provisions on the EU institutional procedure for the negotiation and conclusion of agreements regarding the commercial aspects of intellectual property that have to be supplemented with the provisions on negotiation and conclusion of international agreements contained in Article 218 TFEU<sup>24</sup>. Although the scope of the category of common commercial policy and “commercial aspects of intellectual property” with regard to ACTA are also subject to controversy<sup>25</sup>, the ACTA case also illustrates how in the current state of EU law the presence in an international agreement of provisions on criminal enforcement of IP may influence that an agreement only partially fall within the exclusive external competence of the Union. In its Proposal for a Decision on the conclusion of ACTA, the European Commission considers that the provisions on criminal enforcement of ACTA fall within the scope of Article 83(2) TFEU and under the shared competence. Since the

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Singapore, the Swiss Confederation and the United States of America”, COM(2011) 380 final, of 24.6.2011, at p. 2.

<sup>24</sup> D. Matthews, “The Lisbon Treaty, Trade Agreements and the Enforcement of Intellectual Property Rights”, *EIPR*, 2010, pp. 104-112, at pp. 110-112.

<sup>25</sup> A. Ramalho, “The European Union and ACTA – Or Making Omelettes without Eggs (Again)”, *IIC*, vol. 42, 2011, pp. 97-101, at pp. 99-100.

Commission has opted not to propose that the Union exercise its potential competence in the area, it proposes that ACTA be signed and concluded both by the EU and by all the Member States<sup>26</sup>.

Not only potentially global developments such as those resulting from WTO or WIPO influence the evolution of IP legislation in the EU. In the field of patent law the creation of uniform rules on the application, examination and granting of patents by a central authority -the European Patent Office (EPO)- was achieved in Europe as a result of an international convention, the European Patent Convention (EPC)<sup>27</sup>, concluded outside the framework of the European Community and hence the Union. The EPC is a source of far-reaching harmonization of patent law, but it also has significant limitations, especially when compared to the creation of unitary exclusive rights as has been achieved in the unification of trademarks and designs within the EU. Additionally, once a European patent is granted by the EPO, it enters the national phase in which it exists as a bundle of national patents of each of the designated States and hence the patent can be transferred and revoked for every state independently. The lack of a supranational court that could ensure the uniform interpretation of the EPC contributes to the existence of differences in the application of the Convention between the contracting States and leads to fragmented litigation in disputes concerning the infringement in several countries of the same European patent. With a view to improve such situation the European Commission proposed in 2007 the creation of an integrated system for the European patent and the future Community patent and which led to the drawing up of a draft international agreement to be concluded between the Member States, the European Union and third countries which are parties to the EPC, creating a court with jurisdiction to hear claims on European patents as well as Community patents. However, this attempt has failed because in Opinion 1/09

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<sup>26</sup> COM(2011) 380 final, of 24.6.2011, at p. 2.

<sup>27</sup> Convention on the Grant of European Patents signed at Munich on 5 October 1973 as revised by the Act revising Article 63 EPC of 17 December 1991 and the Act revising the EPC of 29 November 2000, <<http://www.epo.org/patents.html>>.

of 8 March 2011<sup>28</sup> the Court of Justice held that the envisaged international agreement creating a unified patent litigation system was not compatible with the provisions of the EU Treaty and the TFEU, in particular since the new court structure that it intended to establish outside the institutional and judicial framework of the European Union would conflict with fundamental elements of the legal order and judicial system of the Union.

## **V. Territoriality of rights and the functioning of the internal market**

Intellectual property rights are territorial. The protection provided by the laws of one country only covers its own territory. A specific subject matter may be protected in one country by an IP right and not in others. When the same subject matter (invention, sign, creation...) is protected in several countries, it is because a bundle of as many national rights as territories of protection have been granted. The owners of IP rights on the same subject matter granted by different countries may be different. Therefore existence of national IP rights raises specific difficulties to the functioning of the internal market without internal barriers.

National IP rights enabling holders to ban the marketing by others of products covered by their exclusive rights may conflict with the free movement of goods and services. Article 36 TFEU (ex Article 30 TEC) reaffirm the view that national IP rights may be a legitimate barrier to intra-community trade<sup>29</sup>. When applying this provision, the Court of Justice has stressed the distinction between the existence and the exercise of IP rights. Although the existence of IP rights is protected under the legislation of the relevant Member State (country of protection), the exercise of IP rights may be subject to restrictions. Indeed, the Court of Justice has held that the existence of those rights and the situations which

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<sup>28</sup> ECJ Opinion 1/09, 8 March 2011, *Creation of a unified patent litigation system*, paras. 60-89.

<sup>29</sup> See D. Sarti in L.C. Ubetazzi, (ed.), *Commentario breve alle leggi su proprietà intellettuale e concorrenza*, 4 ed., Milán, CEDAM, 2007, pp. 137-147.

form part of the specific subject matter of IP rights cannot be incompatible with the free movement of goods<sup>30</sup>.

The Community exhaustion doctrine has been developed by the Court with a view to balance the interests of the IP rightholders and the free movement of goods and the freedom to provide services in the internal market. This exhaustion regime has been adopted by the directives and regulations on IP (see, e.g. in the field of trademarks Art. 7 Directive 89/104/EEC<sup>31</sup> and Art. 13 Community Trademark Regulation<sup>32</sup>). Under these instruments, the owner of an IP right is not entitled to prohibit its used in relation to protected products which have been put on the market in the EU by the proprietor or with his consent. Therefore, EU exhaustion precludes the owner of an IP right from relying on the right to prevent an importer from marketing a product which was put on the market in another Member State by the owner or with his consent. Additionally, the Court of Justice established that Member States are not free to adopt in their national laws a more extensive exhaustion of rights, like international exhaustion, because a situation in which some Member States could provide for international exhaustion while others provided for EU exhaustion only would give rise to obstacles to the free movement of goods<sup>33</sup>. Hence, the territorial reach of exhaustion has been unified in connection with the different categories of IP rights, either national or unitary IP rights.

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<sup>30</sup> The origin of this doctrine can be found in the ECJ Judgment of 8 June 1971, 78/70, *Deutsche Grammophon* with respect to copyright; the ECJ Judgment of 31 October 1974, 15/74, *Centrafarm BV v. Sterling Drug Inc.*, concerning patents; and the ECJ Judgments of 31 October 1974, 16/74, *Centrafarm BV v. Winthrop BV*. and of 23 May 1978 1978, 102/77, *Hoffmann-La Roche v. Centrafarm* in the field of trademarks.

<sup>31</sup> Directive 89/104/EEC to approximate the laws of the Member States relating to trade marks, codified later in Directive 2008/95/EC, (OJ 2008 L 299, p. 25).

<sup>32</sup> Regulation (EC) No 207/2009 of 26 February 2009 on the Community trade mark (codified version) (OJ 2009 L 78 p.1).

<sup>33</sup> See, in the field of trademarks, ECJ Judgment of 16 July 1998, C-355/96, *Silhouette*, para. 26; ECJ Judgment of 1 July 1999, C-173/98, *Sebago and Maison*; and ECJ Judgment of 20 November 2001, C-414/99 to C-416/99 *Zino Davidoff and Levi Strauss*.



## **VI. Approximation of laws by means of directives: achievements and shortcomings**

Intellectual property law is one of the areas of business law where harmonization on national laws has been more intense in the EU<sup>34</sup>. Harmonization of IP law has focused on reducing disparities among Member States with respect to the protectable subject matter, the scope of the rights conferred and their enforcement. However, differences may be found in the extent of harmonization and the approach of the relevant directives. In the field of trademark and design law it was not deemed necessary to undertake full-scale harmonization of the laws of the Member States. The further development of unitary rights established by regulations in the field of trademark law and design law has complemented the limited scope of harmonization that results from Directive 98/71/EC on the legal protection of designs<sup>35</sup> and the Directive on trademarks.

Indeed, Directive 89/104/EEC concerning the harmonization of trademark is limited to certain issues where differences in national laws most directly affect the functioning of the internal market, such as: conditions for obtaining a registered trade mark –including the signs of which a trade mark may consist and grounds for refusal or invalidity-; the exclusive rights conferred on the proprietor by a registered trade mark; the exhaustion of the rights; and certain basic provisions on licensing. Hence, other issues are not covered by the Directive, such as the procedure concerning the registration, the revocation and the invalidity of registered trade marks; the renewal of the trade mark and the rules on fees. At any rate, the Directive to approximate trademark law has been the basic instrument to establish uniform limits to trademark protection under the legal systems of all the Member States. For instance, the development by the Court of Justice of a

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<sup>34</sup> The importance of IP legislation in the context of the EU has led to consider that it can provide some foundations for the development of a doctrine of EU private law in the field of property law, see R. Schulze, “Contours of European Private Law”, R. Schulze and H. Schulte-Nölke, *European Private Law – Current Status and Perspectives*, Munich, Sellier, 2011, pp. 3-26, at p. 24.

<sup>35</sup> OJ L 1998 289, p. 28.

uniform interpretation of the term ‘use in the course of trade’ of Article 5(1) of the 1988 Trade Mark Directive has become essential to ensure that trade marks enjoy the same protection in all the Member States. The recent case-law discussing the extent to which certain uses of a sign in the Internet –for instance, as metatag or adword- may amount to trademark infringements is especially relevant in this connection<sup>36</sup>.

By contrast to the situation with regard to trade marks and designs, patent law has not been subject to a similar harmonization process within the EU. Nonetheless, as already noted, a significant uniformity exists between the laws of the EU Member States (and other European Countries) due to the EPC. Furthermore, certain attempts to achieve further uniformity within the EU by means of directives have failed, as illustrated by the proposed Directive on the patentability of computer-implemented inventions<sup>37</sup>. Particular attention has been devoted in this area to the ordeal of creating a unitary patent.

Harmonization of copyright and related rights within the EU has taken place traditionally by means of instruments that regulate specific issues, rights or the protectable subject matter<sup>38</sup>. A significant number of Directives have been adopted, such as those on: the protection of computer programs (Directive 91/250/EEC -codified version 2009/24/EC-); rental right and lending right (Directive 92/100/EEC codified in Directive 2006/115/EC); satellite broadcasting and cable retransmission (Directive 93/83/EEC); the term of protection of copyright and certain related rights (Directive 93/98/EEC -codified version 2006/116/EC-); the legal protection of databases (Directive 96/9/EC); and the resale right for the benefit of the author of an original work of art (Directive

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<sup>36</sup> ECJ Judgments of 23 March 2010, C-236/08 to C-238/08, *Google France et Google*; 25 March 2010, C-278/08, *BergSpechte*; and 8 July 2010, C-558/08, *Portakabin*. See P.A. de Miguel Asensio, *Derecho privado de Internet*, 4<sup>th</sup> ed., Navarra, Civitas, 2011, pp. 521-537.

<sup>37</sup> COM(2002) 92 final, 20.02.2002.

<sup>38</sup> H. Schack, *Urheber- und Urhebervertragsrecht*, 5th ed., Tübingen, Mohr Siebeck, 2010, pp. 83-84.

2001/84/EC)<sup>39</sup>. Particularly relevant was the adoption of Directive 2001/29/EC on the harmonisation of certain aspects of copyright and related rights in the information society –known as InfoSoc Directive<sup>40</sup>, which implemented a number of international obligations, such as those derived from the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty. The result of all the directives adopted is only partial and fragmentary harmonization within the EU which only covers certain issues with an unsystematic character and do not establish a comprehensive body of law. Therefore, the idea that the consistency of the harmonized copyright rules has to be improved and that there is a need for new common rules in order to promote consistency of copyright law within the EU has gained acceptance, even leading to the creation in academic circles of model rules as a possible “reference tool for future harmonization or unification of copyright at the European level”<sup>41</sup>.

The current status of EU copyright law and its evolution poses significant challenges. The view has prevailed that harmonization of copyright law is aimed at guaranteeing a high level of protection<sup>42</sup> but there is now an intense debate about the need of a better balanced system that could overcome some significant shortcomings of the current harmonization and its implementation in national laws<sup>43</sup>. The broad definition of the exclusive rights that prevail in EU copyright legislation as well as the idea that the exceptions and limitations to the rights contained in a closed list should be subject to a restrictive interpretation<sup>44</sup> may lead to unbalanced results. The treatment of the limitations and exceptions to the exclusive rights in the InfoSoc Directive is especially relevant with regard to the

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<sup>39</sup> For the EU copyright directives, see [http://ec.europa.eu/internal\\_market/copyright/index\\_en.htm](http://ec.europa.eu/internal_market/copyright/index_en.htm).

<sup>40</sup> OJ 2001 L 161, p. 10.

<sup>41</sup> See The Wittem Project, *European copyright code* of April 2010, available at [www.copyrightcode.eu](http://www.copyrightcode.eu), esp. at p. 5 (Introduction).

<sup>42</sup> See, e.g., Recital 4 and 9 to 12 InfoSoc Directive, declaring as its objective “to ensure a high, equivalent and homogeneous level of protection in the internal market”; and ECJ Judgment of 7 December 2006, C-306/05, *SGAE v. Rafael Hoteles*, para. 36; and ECJ Judgment of 16 July 2009, C-5/08, *Infopaq*, para. 40.

<sup>43</sup> D. Moura Vicente, “O Equilíbrio de interesses no Direito de Autor”, *Direito da Sociedade da Informação*, vol. IX, Coimbra, 2010, pp. 249-275.

<sup>44</sup> ECJ Judgment of 16 July 2009, C-5/08, *Infopaq*, paras. 56-58.

balance between the diverse interests and rights of the stakeholders involved in the context of the evolution of copyright to the changing technological and social context of the information society.

Article 5 InfoSoc Directive contains a closed list of exceptions, but only prescribes one as mandatory -the exemption of temporary acts of reproduction of Art. 5(1)- and lists other twenty which the Member States are free to adopt or not. The approach adopted in the InfoSoc Directive in this regard raises some difficulties with regard to the goal of ensuring an appropriate level of harmonization but also with respect to the establishment of a balanced protection of copyright.

First, because of the importance of limitations and exceptions in modern copyright law, the approach adopted in the InfoSoc Directive with only one mandatory exception and twenty that can be implemented or not by the Member States leads to a situation where exceptions and limitations vary between Member States almost as much as they diverged before the adoption of the Directive<sup>45</sup>. A closed but very extensive list of limitations that are in its vast majority optional for Member States is a model of very weak harmonisation that becomes a source of legal uncertainty since the optional nature of the limitations and exemptions undermines the uniformity at EU level on this crucial aspect. Moreover, the wording of Article 5 allowed Member States when implementing the InfoSoc Directive the possibility to tailor the scope of the limitations and exceptions to the individual national preferences<sup>46</sup>, although the Court of Justice has made clear that notwithstanding the optional character of the exceptions and limitations the Member States that implement one of them are bound to comply with the conditions laid down in the Directive which are subject to autonomous

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<sup>45</sup> See IViR, *Study on the Implementation and Effect in Member States' Laws of Directive 2001/29/EC on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society, report to the European Commission, DG Internal Market, February 2007*, <[http://www.ivir.nl/publications/guibault/Infosoc\\_report\\_2007.pdf](http://www.ivir.nl/publications/guibault/Infosoc_report_2007.pdf)>; and L. Guibault, “Why Cherry-Picking Never Leads to Harmonisation: The Case of the Limitations on Copyright under Directive 2001/29/EC”, *JIPITEC*, vol. 1, 2010, pp. 55-66.

<sup>46</sup> M. Senftleben, “The International Three-Step Test: A Model Provision for EC Fair Use Legislation”, *JIPITEC*, vol. 1, 2010, pp. 67-82, at p. 72.

interpretation, such as the concept of “fair compensation” for private copying in Article 5.2(b)<sup>47</sup>. Second, the establishment of a closed list of exceptions and limitations leads to a rigid model without room for flexibility. A more flexible approach could be appropriate in order to make possible some adaptation to the continuous evolution of uses as a result of technical and economic changes. In this context, the idea of introducing in the EU legislation a flexible fair use component within the bounds of the three-step test as a complement to a list of precise exceptions and limitations has gained significant acceptance as an option to improve EU copyright legislation in the future<sup>48</sup>.

## VII. Optional unitary rights

Harmonization of national laws on IP rights by means of Directives and the case-law of the Court of Justice as to the limits to the exercise of national IP rights contribute to reduce the distortions resulting from the multiplicity of national exclusive rights, but do not lead to the application of a unitary regime to those rights. The directives in this area do not challenge the territorial nature of IP rights nor its spatial scope limited to the territory of each Member State.

By contrast, in the case of EU unitary IP rights the territory of protection extends to the whole Union, although they coexist with national rights. As an alternative to mere harmonization, the creation of Community (now, EU) IP rights which have a unitary character –such as Regulation 40/94 on the Community Trademark<sup>49</sup> and Regulation 6/2002 on the Community Design<sup>50</sup>- leads to the

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<sup>47</sup> ECJ Judgment of 21 October 2010, C-467/08, *Padawan*, paras. 35-37.

<sup>48</sup> A. Metzger, “Urheberrechtsschranken in der Wissensgesellschaft: ‘Fair use’ oder enge Einzeltatbestände?”, M. Leistner (Hrsg.), *Europäische Perspektiven des Geistigen Eigentums*, Tübingen, Mohr Siebeck, 2010, pp. 101-122, p. 122. According to the Preamble of the *European copyright code* drafted in the framework of The Wittem Project (supra note 40), “rapid technological development makes future modes of exploitation and use of copyright works unpredictable and therefore requires a system of rights and limitations with some flexibility”.

<sup>49</sup> Study on the Overall Functioning of the European Trade Mark System prepared by the Max Planck Institute for Intellectual Property and Competition Law (15 Feb 2011) <[http://www.ip.mpg.de/shared/data/pdf/mpi\\_final\\_report.pdf](http://www.ip.mpg.de/shared/data/pdf/mpi_final_report.pdf)>.

<sup>50</sup> OJ 2002 L 3, p. 1.

disappearance of conflicts of laws within the EU with respect to such rights, except in those aspects not covered by the uniform rules. Unitary rights are governed by uniform EU rules directly applicable in all Member States. Hence, although specific conflicts may arise concerning the need to supplement EU law as the *lex loci protectionis*, the creation of unitary rights reduces or avoids significant legal risks otherwise linked to multi-state commercial activities. The rationale of the creation of EU unitary IP rights is that the obstacles resulting from the territoriality of IP rights established by the laws of the Member States cannot be removed by approximation of laws. To ensure that competition is not distorted and to facilitate business activities at EU level, the adoption of unitary rights governed by a uniform EU law is needed. Because of the scope and aims of the regulations establishing unitary rights, these instruments tend to be the equivalent at EU level of national legislation and hence their content is very broad covering the different issues dealt with by national laws on those rights, contrary to the limited content of the Directives on trademarks and designs. Therefore, these Regulations include also public law aspects, such as those concerning application and examination procedures before the Office for Harmonization in the Internal Market

However, the instruments establishing the unitary rights are optional since they do not replace the laws of the Member States on trade marks and designs. Interested parties are allowed to apply for protection at EU level or national level. To the extent that they opt for national protection, the systems of protection of the relevant Member States apply. Indeed, interested parties remain free to ask for national protection in one or several Member States if they do not want protection of their signs or designs at EU level.

From a European perspective, the situation in the areas of trademark and design law contrasts with the present state of affairs in the area of copyright (as well in the case of the national industrial property rights) inasmuch as the mere adoption of the harmonization directives does not cause a similar impact on legal certainty

and unification. Although the creation of unregistered Community design protection can be regarded as a precedent, the possible creation of unitary EU copyrights have not yet been seriously considered by the EU. However, the view that the establishment of unitary rights for the territory of the whole EU also in the field of copyright is desirable has gained acceptance mainly for economic reasons but also as a means to go beyond the current harmonization framework with its many deficiencies. Therefore, the unification of substantive copyright law within the UE by means of a regulation has been convincingly advocated<sup>51</sup>.

The efforts to establish unitary patent rights providing for equal protection throughout the entire EU territory have been intense during decades but the goal of creating optional EU patents has not yet been achieved. Those efforts were launched once again when in December 2009 the Council adopted conclusions on an “Enhanced patent system for Europe”<sup>52</sup> and a general approach on the proposal for a Regulation on the EU Patent<sup>53</sup>. The Proposal was based on the idea that the EPO would be responsible for examination of applications and the grant of EU patents –the EU would be a territory for which a unitary patent can be granted-. Additionally, EPO would also play an essential role with respect to EU patents in the postgrant stage, including the collection and distribution of renewal fees to Member States and the management of the Register of EU Patents. Accession of the EU to the EPC is envisaged. The role assigned to the EPO and EPC determine the limits of the scope of the substantive law provisions of the proposed Regulation, since it is assumed that issues such as patentability, the scope of patent protection and the limitation of the effects of the patent, should be governed by the EPC. Whereas according to the original proposal the Community patent should have equal effect throughout the EU, the currently envisaged unitary patent is intended to be established on the basis of enhanced cooperation without

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<sup>51</sup> H. Schack, “Europäische Urheberrechts-Verordnung: erwünscht oder unvermeidlich?”, M. Leistner (Hrsg.), *Europäische...* (cit. supra note 47), pp. 173-189, at pp. 184-189.

<sup>52</sup> Council document 17229/09.

<sup>53</sup> Council document 16113/09 Add 1.

the participation of Italy and Spain<sup>54</sup>. The proposed Regulation envisaged the creation of a EU patent as part of a comprehensive patent reform, including the establishment of a unified patent litigation system based on an international agreement between the EU, its Member States and other Contracting Parties to the EPC. The draft agreement provided for the setting up of a unified patent court with exclusive jurisdiction for both European patents and EU patents<sup>55</sup>. As already noted, the Court of Justice held that the envisaged international agreement was not compatible with the provisions of the EU Treaty and the TFEU<sup>56</sup>. The Commission has identified the future conclusion of an international agreement between the Member States to set up a unified patent court with jurisdiction for the Member States only as a possible solution to adapt the envisaged Agreement to make it compatible with the Treaties in the light of Opinion 1/09<sup>57</sup>.

### **VIII. Coordination of national laws through unitary conflict of laws rules**

The importance of developing a unified patent litigation system is related to the special problems raised by the current situation in cases concerning the cross-border protection of IP rights, for instance, when an infringement dispute involves IP rights of several countries, such as the parallel national patents resulting from the grant of a European patent or national copyrights on the same work. Jurisdiction rules on IP disputes are covered by the Brussels I Regulation<sup>58</sup> but also the specific Regulations on EU IP rights, such as trademarks and designs,

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<sup>54</sup> See Council Decision authorising enhanced cooperation in the area of the creation of unitary patent protection (OJ 2011 L 76, p. 53); see also Proposal for a Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection, COM(2011) 215 final; and Proposal for a Regulation implementing enhanced cooperation in the area of the creation of unitary patent protection with regard to the applicable translation arrangements, COM(2011) 216 final.

<sup>55</sup> The latest version of the Draft international agreement creating a European and EU Patents Court is contained in doc. 7928/09.

<sup>56</sup> ECJ Opinion 1/09, 8 March 2011, *Creation of a unified patent litigation system*.

<sup>57</sup> “Solutions for a Unified Patent Litigation System – the Way Forward after the Opinion 1/09 of the CJEU”, Non-paper of the Commission Services, included as Annex II to the Note of the Council “Creating a Unified Patent Litigation System - Orientation debate”, 26 May 2011, 10630/11.

<sup>58</sup> Regulation (EC) no. 44/2001 of 22 December 2000 on jurisdiction, and the recognition and enforcement of judgments in civil and commercial matters, OJ 2001 L 12, p. 1.



contain certain jurisdiction rules that prevail over the Brussels I Regulation. Some difficulties have been identified in the application of the Regulation as obstacles that may hinder the effective cross-border enforcement of IP rights in Europe.

Article 22(4) Brussels I Regulation grants exclusive jurisdiction in proceedings concerned with the registration or validity of IP rights subject to registration to the courts of the Member State in which the registration has been applied for, has taken place or is deemed to have taken place. Article 22(4) does not apply to copyright and related rights, since copyright is protected without any formalities. In practice, cross-border IP infringement litigation has been deeply influenced by the exclusive jurisdiction rule. It is very common for a defendant in an infringement claim to challenge the validity of the IP right allegedly infringed. In its *GAT* judgment the Court of Justice held that the exclusive jurisdiction provided for by Article 22(4) should apply whatever the form of proceedings in which the issue of a patent's validity is raised, be it by way of an action or as a defence<sup>59</sup>. Such an interpretation creates significant obstacles to consolidation and to obtaining cross-border relief in Europe concerning IP rights registered in foreign countries in cases in which the alleged infringer challenges the validity of the foreign IP right<sup>60</sup>. In this connection, the proposal has been made to amend the Regulation by adding a provision stating that the exclusive jurisdiction of the Courts of the State of registration do not apply where validity or registration arises in a context other than by principal claim or counterclaim<sup>61</sup>. Although industrial property litigation has been retained as one of the issues for possible review in the 2009 Green Paper on the Review of the Brussels I Regulation<sup>62</sup>, the Commission's proposal for reform of the Brussels I Regulation does not adopt a

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<sup>59</sup> ECJ Judgment of 13 July 2006, C-4/03, *GAT*, para 31.

<sup>60</sup> M. Wilderspin, “La compétence juridictionnelle en matière de litiges concernant la violation des droits de propriété intellectuelle (Les arrêts de la Cour de justice dans les affaires C-4/03, *GAT* c. LuK et C-539/03, *Roche Nederland c. Primus et Goldberg*)”, *Rev.cr.dr.int.pr.*, vol. 95, 2006, pp. 777-810, at 785-788; C.A. Heinze and E. Roffael, “Internationale Zuständigkeit für Entscheidungen über die Gültigkeit ausländischer Immaterialgüterrechte”, *GRUR Int*, vol. 55, 2006, 787-797, at 791-796; and P.L.C. Torremans, “The Way Forward for Cross-Border Intellectual Property Litigation: Why *GAT* Cannot Be the Answer”, S. Leible and A. Ohly (eds.), *Intellectual Property and Private International Law*, Tübingen, Mohr Siebeck, 2009, pp. 191-210.

<sup>61</sup> As suggested by the CLIP Group in CLIP, “Exclusive Jurisdiction and Cross-border IP (Patent) Infringement: Suggestions for Amendment of the Brussels I Regulation”, *EIPR*, 2007, at p. 195.

<sup>62</sup> COM(2009) 175 final, at p. 6.

more favorable approach to consolidated litigation, since in line with the text of the 2007 Lugano Convention<sup>63</sup> the proposal is made to include the broad interpretation of Article 22(4) adopted in *GAT* into the text of the revised Regulation<sup>64</sup>. However, under such a wording some issues remain open<sup>65</sup>, such as the impact of the exclusive jurisdiction on the ability of the court seised with the infringement action to adjudicate that claim. The Court seized with the infringement claim seems to have several options at its disposal, including to stay the proceedings until there has been a ruling on the validity issue<sup>66</sup>.

Other issue for possible reform in this area is related to the *Roche* judgment of the Court of Justice, where it was held that Article 6(1) Brussels I Regulation can not be used to consolidate multinational infringement claims against a series of defendants before a single court even when the alleged infringers of the European patent belong to a group of companies acting in accordance with a coordinated policy<sup>67</sup>. This approach decisively undermines the availability of cross-border relief against multiple infringements for the holders of European patents or other parallel national IP rights which have subject to harmonization in the EU but not complete unification<sup>68</sup>. In the pending case *Painer* the Advocate General has

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<sup>63</sup> Convention on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, done at Lugano on 30 October 2007, OJ 2009 L 147, p. 5.

<sup>64</sup> Proposal for a Regulation of the European Parliament and of the Council on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, COM(2010) 748 final.

<sup>65</sup> See the questions referred to the Court of Justice in the pending Case C-616/10, *Solvay v Honeywell*.

<sup>66</sup> Once the judgment on the validity is rendered or if the time limit established by the court has elapsed without the annulment proceedings being initiated, the court seised with the infringement claim could adjudicate that claim taking for valid the existing foreign IP right. Such a possibility was suggested by the Advocate General in his Opinion of 16 September 2004 in the *GAT* case (para. 46) and has already been used by the Swiss courts in the application of Article 16(4) of the Lugano Convention after the *GAT* judgment, see Decision of the Zürich *Handelsgericht* of 13 October 2006, see *Hess-Blumer*, *Crossborder Litigation - und sie lebt doch!: Anmerkungen zu einem Beschluss des Handelsgerichts des Kantons Zürich vom 13. Oktober 2006, Sic!* (Zeitschrift für Immaterialgüter-, Informations- und Wettweberbsrecht ), 2006 (12), at 882-888. See also P.A. De Miguel Asensio, *Cross-Border Adjudication of Intellectual Property Rights and Competition between Jurisdictions*, AIDA, 2007, 105-154, 143 et seq.

<sup>67</sup> ECJ Judgment of 13 July 2006, C-539/03, *Roche Nederland*.

<sup>68</sup> See A. Kur, “A Farewell to Cross-Border Injunctions? The ECJ Decisions *GAT v. LuK* and *Roche Nederland v. Primus and Goldenberg*”, IIC, vol. 37, 2006, 844-855, at 849-850; and C. Gonzalez Beilfuss, “Is There Any Web for the Spider? Jurisdiction over Co-defendants after *Roche Nederland*”, in A. Nuyts (ed.), *International Litigation in Intellectual Property and Information Technology*, Kluwer, 2008, p. 79-88.

suggested that the Court review its position in *Roche* and favours the possibility to consolidate under Article 6(1) claims in situations in which different national laws which are not fully harmonised are applicable to the anchor claim and the other claims<sup>69</sup>.

The law applicable to the infringement of IP rights has been unified in the Rome II Regulation whose conflict of laws rules have a universal scope of application. Under Article 8(1) of the Regulation the law applicable to a non-contractual obligation arising from an infringement of an IP right shall be the law of the country for which protection is claimed<sup>70</sup>. Therefore, the so-called *lex loci protectionis* principle applies. That rule in the terms of the Rome II Regulation does not represent a novelty with respect to previous practice in the Member States. However, the Regulation is not intended to cover all issues concerning IP rights. The scope of application of Regulation 864/2007 and in particular of Article 8 is limited to the non contractual obligations arising from an infringement of an IP right (Articles 1 and 8). Choice of law concerning issues such as initial ownership, registration, existence, validity, content, duration or transferability and effects against third parties of IP rights are not in principle covered by the unified rules. Those questions remain typically outside the scope of the Regulation. That conclusion is especially important for initial ownership because of the marked differences that exist between Member States. Whereas most countries do not have special rules and apply the *lex loci protectionis* also to original ownership, other countries have developed special choice of law rules on that issue, such as

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<sup>69</sup> See Opinion of Advocate General V. Trstenjak of 12 April 2011, paras. 78 et seq.

<sup>70</sup> N. Boschiero, “Infringement of Intellectual Property Rights: A Commentary on Article 8 of the Rome II Regulation”, *YPIL*, 2007, pp. 87-113; P.A. De Miguel Asensio, “La *lex loci protectionis* tras el Reglamento Roma II”, *AEDIPr*, 2007, pp. 375-406; M. Leistner, “The Law Applicable to Non-Contractual Obligations Arising from an Infringement of National or Community IP Rights”, S. Leible and A. Ohly (eds), *Intellectual...* (supra note 59), pp. 97-121; J. Drexler, “Internationales Immaterialgüterrecht”, *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, 5th ed, Bd. 11, Munich, C.H. Beck, 2010, pp. 1344-1491, pp. 1417-1435; S. Bariatti, “The Law Applicable to the Infringement of IP Rights under the Rome II Regulation”, S. Bariatti (ed.), *Litigating Intellectual Property Rights Disputes Cross-Border: EU Regulations, ALI Principles, CLIP Project*, Milan, CEDAM, 2010, pp. 63-88; and J.J. Fawcett and P. Torremans, *Intellectual Property and Private International Law*, 2<sup>nd</sup> ed., Oxford, OUP, 2011, pp. 801-821.

Portugal, Greece or France, that tend to favour the application of the law of origin to initial ownership.

Besides its limited scope of application, some possible shortcomings may also be identified in the unification of choice of law to IP infringements in the Rome II Regulation, that simply establish the mandatory application of the *lex loci protectionis* to all cases without any exceptions. Although that approach should remain as the basic choice of law rule in this field, it seems that some adaptations or additional rules may be appropriate to cope with the social and technological change. Given that the Internet makes possible the dissemination of information all over the world, some self-restraint seems appropriate not to impose the application of the law of any possible country to all situations but to establish that an infringement can be found only to the extent that the relevant activities have significant effect within a given jurisdiction. However, activities carried out through the Internet may also have significant effect simultaneously within a great number of jurisdictions. The basic conflict rule based on the distributive application of the laws of all the countries of protection (so-called mosaic approach) may lead in these situations to the simultaneous application of many national laws. Such a need may impose a heavy burden on the competent court and on the party seeking to enforce his or her IP rights of different jurisdictions before the courts of a given country. In this connection, the adaptation of territoriality to the demands posed in the digital context by the possibility to enforce simultaneously IP rights of many countries in the same proceedings before a single court may favour the adoption of some additional rules on ubiquitous infringements, as proposed in the European context by the CLIP Group<sup>71</sup>.

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<sup>71</sup> Article Article 3:603 Draft Principles for Conflict of Laws in Intellectual Property Draft of 15 March 2011, <[www.cl-ip.eu](http://www.cl-ip.eu)>.