INTELLECTUAL PROPERTY:

PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW,

AND JUDGMENTS IN

TRANSNATIONAL DISPUTES

(with Comments and Reporters' Notes)

Part III

APPLICABLE LAW

Introductory Note

These Principles are the first institutional endeavor to build a consensus for rules on conflict of laws in intellectual property matters. Choice-of-law rules have traditionally commanded little attention in intellectual property circles, principally because many specialists thought them irrelevant. Multilateral agreements such as the TRIPS Agreement set out uniform (or uniformizing) substantive rules; outside these bounds, each State legislates for itself. It has simply been assumed that each State's rules applied to anything transpiring within its borders, and no further. But technological developments have increasingly called those assumptions into question. With the advent, first of satellite and later of digital communications, commentators began to question whether it remained desirable or workable to apply a plethora of national laws to an infringement occurring simultaneously across the globe. National legislatures have begun to respond with choice-of-law provisions designed to accommodate conflict of laws in transborder intellectual property controversies. The time is ripe, therefore, to essay a comprehensive treatment of choice-of-law problems that arise in the

international dissemination of intellectual property. In the future, substantive law may be more thoroughly harmonized, or an international approach to choice of law may be forged; these Principles are intended to fill the gap and stimulate longer-term efforts in this vein.

Although some solutions within the European Union or proposed by commentators depart in significant ways from the dominant territorial approach, the Principles do not go so far as to substitute a different general point of attachment, such as the right holder's residence, to resolve all multinational infringement claims. They seek to respect the principle of territoriality and the consequent domestic cultural and industrial policies (including exceptions and limitations on protection) that underlie that principle, and also to facilitate international commerce in, and therefore redress for the infringement of, works of authorship. These same policies pertain to other intellectual property rights as well, as these rights are often even more territorially determined than are copyright and neighboring rights. Territoriality thus remains the rule for most issues posed in most actions: existence, infringement, validity, duration, attributes, and remedies. It is important to observe that, as laws become better harmonized, for example by virtue of TRIPS compliance and adherence to new multilateral intellectual property agreements, courts will have less difficulty identifying and applying foreign laws because they will more closely resemble their own.

The Principles nonetheless propose several departures from strict territoriality. All of these have some foundation in the case law of national courts. First, the Principles allow the parties to choose the law that will apply to certain aspects of their relationship (§ 302). Second, the Principles designate a single law to determine initial ownership of certain rights, such as copyright, which do not arise out of registration (§ 313). Third, the Principles envision the possibility that in cases where infringement is ubiquitous, circumstances may most closely connect a case to a particular State, or to a small set of specific States, despite its apparently

multinational character (§ 321). In addition, in the interest of achieving efficient adjudication, the parties may choose to forgo some claims within the scope of the alleged harm.

These departures remain limited in scope. It is possible, with the development of transnational intellectual property litigation, that it will become appropriate to articulate additional choice-of-law rules less tethered to territoriality. But at this initial stage, the Principles endeavor to set a broad and open-ended framework, rather than, perhaps prematurely, devising a full repertory of specific rules. In addition, because the Principles address an international audience, they strive to avoid terminology familiar in particular States but not adopted in others.

Any set of conflicts rules should be (and should be perceived to be) fair and neutral. The rules should neither favor an intellectual property owner over an alleged infringer, nor should they privilege users over owners. Moreover, the rules should put domestic and foreign law on an equal footing; they should not systematically designate the application to local litigants of domestic legislation in lieu of foreign law, nor should they otherwise discriminate between local and foreign claimants. When the interests at stake implicate the forum's basic public policies, the court may have recourse to the public-policy exception (§ 322), or, where appropriate, may apply local or even foreign mandatory rules (§ 323). But the initial inquiry into the law otherwise applicable should not give pride of place to local legislative objectives.

The Principles on choice of law are addressed to the courts whose jurisdiction is invoked to resolve the merits of a transnational intellectual property dispute within the meaning of § 102. The court where enforcement is sought should, however, verify that the law chosen was not inconsistent with these rules (§ 403(2)(b)). The reference to a foreign law in Part III includes only substantive law and not the designated State's administrative or procedural law or its choice-of-law rules.

Illustrative Overview:

Assume the same facts as in the Illustrative Overview of Part II, adjudication of a worldwide dispute involving the U.S. company MajorMovieCo and several file-sharing enterprises, JCo (in Japan), USCo (in the United States), ICo (in India), and GCo (a German company exploiting the European market), in a Japanese court. Assume also that JCo's software is regularly downloaded in Korea and other Asian countries and MajorMovieCo asserts infringement claims regarding uses in these countries. The issue is what law applies to MajorMovieCo's claims. Assume that all of MajorMovieCo's territorial claims against JCo and its Asian licensees can be consolidated in Japan.

Under § 301, the court is instructed to apply the laws of each jurisdiction in which infringements are alleged. It should be noted that in some jurisdictions, the defendants' activities will be considered direct infringements, in others, contributory infringement.

If MajorMovieCo asserts claims concerning many territories, the concern may arise that so many laws will apply as to make the litigation unmanageable. But the concern may not always be justified. For example, the parties may choose to ignore territories in which the economic impact of infringement is insignificant. For example, downloads in Myanmar may be too few to warrant plaintiff's pleading them, because they do not significantly impact MajorMovieCo's markets, and MajorMovieCo may therefore choose to disregard them. Furthermore, injunctive relief within Asia may bring an end to infringement of these films globally.

The Principles do not endeavor to propose an all-purpose set of rules for conflict of laws. The forum should apply its own rules with respect to issues that are not related to intellectual property or implicated by the application of the Principles. Examples include general rules of procedure, such as raising and proving of foreign law, characterizing claims, and determining when parties are in privity for purposes of claim and issue preclusion. Thus, in the above Illustration, the court should apply its own jurisdiction's approach to assigning

the burden of proving foreign law. For example, under Japanese practice, the court may undertake the inquiry on its own motion, or the parties may make the showing.

REPORTERS' NOTE

Choice-of-law rules for intellectual property litigation. Because the ALI project is the first institutional endeavor to build an international consensus for rules on conflict of laws in intellectual property matters, the ALI cannot restate existing law; until recently, there were few domestic provisions of this kind. For examples of national law initiatives, see Swiss Private International Law statute of 1987, arts. 109-111, 122; Belgian Code of Private International Law, 16 July 2004, art. 93 ("Droit applicable à la propriété intellectuelle" [law applicable to intellectual property]). See also Munich Convention on the Grant of European Patents art. 60(1), Oct. 5, 1973, 1065 U.N.T.S. 199, available at http://www.epo.org/patents/law/legal-texts/html/epc/1973/e/ma1.html (last visited Jan. 3, 2008) (EPC, providing for a choice-of-law rule regarding initial title to a European Patent).

The main thrust for the formation of a body of choice-of-law rules comes from scholars, in particular, Alois Troller, Das internationale Privat- und Zivilprozeßrecht im gewerblichen Rechtsschutz und Urheberrecht (1952); Eugen Ulmer, Die Immaterialgüterrechte im internationalen Privatrecht (1975); Eugen Ulmer, Intellectual Property Rights and the Conflict of Laws (1978); 3 Max Keller et al., Die Rechtsprechung des Bundesgerichts im internationalen Privatrecht und in verwandten Rechtsgebieten: Eine systematische Auswertung (1982); François Dessemontet, Transfer of Technology Under UNCTAD and EEC Draft Codifications: A European View on Choice of Law in Licensing, 12 J. Int'l L. & Econ. 1 (1977); Georges Koumantos, Sur le droit international privé du droit d'auteur, in: Il diritto di autore, 616 (1979); Arpad Bogsch, The Law of Copyright Under the Universal Convention (3d ed. 1968); Design Laws and Treaties of the World (Arpad Bogsch ed., 1960);

André Françon, Le droit d'auteur: aspects internationaux et comparatifs, (Cowansville Q.: Y. Blais, 1992); Adolf F. Schnitzer, Handbuch des internationalen Privatrechts: einschließlich Prozeßrecht, unter besonderer Berücksichtigung der Schweizerischen Gesetzgebung und Rechtsprechung (1957-1958); Jane C. Ginsburg, The Private International Law of Copyright in an Era of Technological Change, 273 Recueil des cours 239 (1998); André Lucas & Henri-Jacques Lucas, Traité de la propriété littéraire et artistique 813-893 (3d ed. 2006).

As applied to copyright disputes, these Principles endeavor to refine the connecting factors derived from the Berne Convention and its art. 5(2), as interpreted by most scholars, see, e.g., André Lucas & Henri-Jacques Lucas, Traité de la propriété littéraire et artistique 1314 (3d ed. 2006), that the law applicable to the existence and scope (infringement) of the rights is the law of the State for which the protection is sought, that is, the State in which the unauthorized use has occurred. See, e.g., Mireille van Eechoud, Choice of Law in Copyright and Related Rights: Alternatives to the Lex Protectionis 178 (2003) ("law of the place where the intellectual creation is used"). Art. 5(2) of the Berne Convention in fact provides that the law of the State "where" protection is sought will govern matters of existence of protection, as well as of infringement and remedies, but most scholars agree that "where" should be understood as "for which." See, e.g., André Lucas, Private International Law Aspects of the Protection of Works and of the Subject Matter of Related Rights Transmitted Over Digital Networks 4 (WIPO/PIL/01/1 Prov., 2001), available at http://www.wipo.int/edocs/mdocs/mdocs/en/wipo_pil_01/wipo_pil_01_1_prov.pdf (last visited Jan. 3, 2008).

Earlier drafts of the Principles proposed more aggressive departures from territoriality. They envisioned a commercial environment in which the importance of national borders would progressively wane. Given that impending future, the Principles offered an opportunity to devise forward-looking rules of legislative competence. Earlier drafts emphasized

simplification of actions, not only with respect to judicial competence (still a hallmark of the Principles), but also regarding the number of applicable laws in multinational cases. Today, the subject matter of intellectual property is increasingly produced for worldwide markets, and in many cases, users' tastes are equally global. Moreover, far more than in the past, dissemination can easily be realized on a global scale. While multinational distribution, of course, implicates many countries, to view the dispute as a collection of local litigation sticks in a worldwide bundle is to overlook the real scale of the enterprise.

Nonetheless, territoriality remains a powerful intuition. It is difficult to accept the proposition that an act unlawful in one territory should give rise to liability in another, where that same act is permissible, even where that territory is part of a global market. Furthermore, territoriality is a safeguard for local cultural values and social policies. For example, intellectual property rights control medicines, including medicines that cure contagious diseases that could otherwise spread around the world. Informational use of trademarks furnishes another example. These Principles thus retain the basic rule of territoriality, but allow the parties to simplify the choice of applicable laws by agreement (§ 302), and when an infringement is instantaneous and worldwide (§ 321). In the latter case, however, the parties may also demonstrate that particular States' laws depart from the chosen norm.