

## **International Choice of Law in Trademark Disputes From a Territorial Approach to a Global Approach**

By Edouard Treppoz\*

### **INTRODUCTION**

It has been observed that international choice of law in trademark disputes reveals a tension between law and economics.<sup>1</sup> From an economic perspective, marks can be exploited on a worldwide scale, and their value may be based on the global market. From a legal perspective, however, the rules are less than uniform. Law does not recognize one worldwide mark. Many trademarks are granted on a local basis, within local protective regimes that are independent of one another. Although the market has become global, the legal protection remains local. This tension has increased with the advent of the Internet. First, the universal access technology provides seems to reduce the relevance of a territorial approach and increase the need for a global economic approach. Second, the Internet has contributed to the creation of certain globally powerful companies. Those companies use, and benefit from, the universality of technology to make services available all over the world. From a technology-oriented point of view, the localized protection of trademark seems parochial. It is likely that the modern world requires a shift from local to international trademark protection.<sup>2</sup>

Such a shift will not happen quickly. Intellectual property generally and trademark in particular are viewed as means of regulating markets, and the geographic scope of markets has historically been smaller than it is today. Regulation was therefore local and territorial. It was the creation of a single European market that allowed regulators to overcome the principle of territoriality. In this context, one key advancement was the principle of free movement of goods, creating a regional exhaustion of intellectual property rights.<sup>3</sup> A second, more radical advancement was the development of the unitary trademark.<sup>4</sup> In Europe,

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\* Professor at the University Jean Moulin Lyon 3; Visiting Professor of Law, Columbia Law School (Spring 2014).

1. See Marshall A. Leaffer, *The New World of International Trademark Law*, 2 MARQ. INTELL. PROP. L. REV. 1, 28 (1998).

2. See Graeme Dinwoodie, *Trademarks and Territory: Detaching Trademark Law from the Nation-State*, 41 HOUS. L. REV. 885 (2004) (explaining the need for, and resistance to, a shift from local to international trademark protection).

3. See generally Friedrich-Karl Beier, *Territoriality of Trademark Law and National Trade*, 1 INT'L REV. INDUS. PROP. & COPYRIGHT L. 201 (1970).

4. See Council Regulation 207/2009, Regulation on the Community Trademark, art. 1, 2009 O.J. (L 78) 3 (EC).

trademark protection has moved from a national scope to a European scope. But even with a single European market, some resistance remains against expanding uniform coverage of intellectual property laws. In particular, the creation of a unitary patent has been a long and complicated undertaking,<sup>5</sup> not yet completely achieved.<sup>6</sup> On the other end of the intellectual property spectrum, copyright law is still territorial at a European level, despite the will of the European Commission.<sup>7</sup>

Even within a single regional market, overcoming territoriality in IP is not an easy task, and overcoming territoriality at the international level appears a distant dream. Notably, the fact that Article 6 of the Agreement on Trade Related Aspects to Intellectual Property Rights (TRIPS Agreement) does not regulate the exhaustion right seems to preclude such a shift from territorial to international protection.<sup>8</sup> Does this mean that territoriality should and will govern trademark disputes for many years to come? Not necessarily. Some intermediary solutions exist between local and international protection. Focus has shifted from attempts to harmonize national laws to the use of private international law, including choice of law and jurisdictional agreements, to overcome a strict territoriality.<sup>9</sup> Some remarkable works offer guidance on how to overcome an overly territorial view and correctly handle the complications presented by the Internet,<sup>10</sup> including: (1) the Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes (ALI Principles),<sup>11</sup> (2) the Principles on Conflict of Laws in Intellectual Property (CLIP Principles)<sup>12</sup> and (3) two sets of Asian principles.<sup>13</sup> National or regional

5. See Council Regulation 1257/2012, Implementing Enhanced Cooperation in the Area of the Creation of a Unitary Patent Protection, 2012 O.J. (L 361) (EU); Council Regulation 1260/2012, Implementing Enhanced Cooperation in the Area of the Creation of a Unitary Patent Protection with Regard to the Applicable Translation Arrangements, 2012 O.J. (L 361) (EU).

6. See, e.g., Case C-147/13, *Spain v. Council of the European Union*, 2013 O.J. (C 171) 16 (application filed Mar. 22, 2013) (requesting annulment of Regulation 1260/2012). Also, the Agreement on a Unified Patent Court must be implemented through domestic law and faces potential constitutional issues, especially in Germany. See Gibus, *Only Gandalf Can Protect Europe from the Unitary Patent*, UNITARY PATENT (Feb. 24, 2013, 2:21 PM), <http://www.unitary-patent.eu/content/only-gandalf-can-protect-europe-unitary-patent> (“In Germany, the government has warned that an examination of [the UPC Agreement’s] impact with regard to the German constitution has to be done. . . . [S]uch a constitutional review by the Karlsruhe Court is particularly comprehensive.”).

7. *Commission Green Paper on the Online Distribution of Audiovisual Works in the European Union*, at 3, COM (2011) 427 (July 13, 2011).

8. See Agreement on Trade-Related Aspects of Intellectual Property Rights, art. 6, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, THE LEGAL TEXTS: THE RESULTS OF THE URUGUAY ROUND OF MULTILATERAL TRADE NEGOTIATIONS 320 (1999), 1869 U.N.T.S. 299, 322 [hereinafter TRIPS Agreement].

9. See Francois Dessemontet, *The Emergence of Private International Law of Intellectual Property*, in PRIVATE INTERNATIONAL LAW AND INTELLECTUAL PROPERTY—A NEW FRAME FOR NEW STRATEGIES 12 (C. Nourissat & E. Treppoz eds., 2010).

10. See TOSHIYUKI KONO, *INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW* 6 (2012) (outlining convergences among these principles).

11. ROCHELLE DREYFUSS, JANE GINSBERG & FRANCOIS DESSEMONTET, *PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW AND JUDGMENTS IN TRANSNATIONAL DISPUTES* (2008) [hereinafter ALI Principles].

12. MAX PLANCK GRP., *PRINCIPLES ON CONFLICT OF LAWS IN INTELLECTUAL PROPERTY* (2011) [hereinafter CLIP Principles].

approaches should integrate these methods of improvement in order to reduce the gap between sound economics and law.

Part I of this Article will be dedicated to a comparison between European and American law, demonstrating how those two systems endorse a territorial approach. Part II will explain the perseverance of such a territorial approach, despite the growth of the Internet. For example, the owner of a mark protected and exploited on a worldwide basis must adjudicate cyber-infringements on a local basis, and such fragmented adjudication diminishes the strength of protection and encourages would-be infringers.<sup>14</sup> Part III will propose reforms in light of the ALI and CLIP Principles. The consensus between those principles, recommending litigation in one place and applying a single law to cases of cyber infringement, offers strong guidance for overcoming strict territoriality and bridging the gap between law and economics. Where those principles diverge as to the law applicable to secondary liability, one recommendation is to choose the solution offering the best balance between the interests at stake.

### I. THE ENDORSEMENT OF A TERRITORIAL APPROACH

It might first appear paradoxical to study European and American approaches in a field that is increasingly governed by international conventions. However, those conventions do not impose any choice of law requirements, though they clearly lean toward a territorial view.<sup>15</sup> The goal was to prevent discrimination against foreigners by imposing a rule of national treatment.<sup>16</sup> This should not technically be characterized as a choice of law rule because it allows private international law to select the relevant approach. However, it is true that Article 6 of the Paris Convention recognizes independent protection of the same marks in different countries.<sup>17</sup> Recognition of the independence among national trademarks leads to a territorial and fragmented approach to trademark protection. The comparison between the European and American legal systems reveals a strong endorsement of a territorial approach to trademarks disputes. Under both systems, an owner may be required to defend its trademark in local courts, regardless of the scope of the infringement.

13. Shoichi Kidana, *Private International Law Principles on Intellectual Property Rights (Joint Proposal Drafted by Members of the Private International Law Association of Japan and Korea)*, in *STUDIES ON THE PRINCIPLES OF PRIVATE INTERNATIONAL LAW ON INTELLECTUAL PROPERTY RIGHTS* (Shoichi Kidana ed., 2012); KYUSHU UNIV., TRANSPARENCY OF JAPANESE L. PROJECT, TRANSPARENCY PROPOSAL ON JURISDICTION, CHOICE OF LAW, RECOGNITION AND ENFORCEMENT OF FOREIGN JUDGMENTS IN INTELLECTUAL PROPERTY (2009), available at <http://www.tomeika.jur.kyushu-u.ac.jp/ip/pdf/Transparency%20RULES%20%202009%20Nov1.pdf>.

14. JAMES FAWCETT & PAUL TORREMANS, *INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW* n.7.13 (2d ed. 2011).

15. See, e.g., TRIPS Agreement, *supra* note 8, art. 1.

16. See *id.* art. 3.

17. Paris Convention, art. 6, Mar. 20, 1883, 25 Stat. 1372, 828 U.N.T.S. 221, as amended 1979.

### A. IN EUROPE

In Europe, the territorial approach encompasses both private international jurisdiction and choice of law. As to jurisdiction, the Recast of the Brussels Regulation, dealing with jurisdiction in civil and commercial matters, has extended exclusive jurisdiction over any proceedings concerning the validity of a trademark to the courts of the Member State in which that trademark is registered, irrespective of whether the issue is raised by way of an action or as a defense.<sup>18</sup> With this new rule, enacted in Article 24, the Recast codifies the controversial holding in the *Gesellschaft für Antriebstechnik (GAT)* case.<sup>19</sup> In that case, the alleged infringer sued the owner of a French patent in Germany for a declaratory judgment of non-infringement, and an incidental issue was raised as to the validity of the patent.<sup>20</sup> Under Article 16(4) of the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, courts of the Member State where the patent was registered held exclusive jurisdiction over matters related to a patent's validity, but it was unclear whether this included cases in which validity was not the original or primary issue.<sup>21</sup> The specific question that reached the European Court of Justice was whether the court in which the non-infringement action was raised could also exercise jurisdiction over proceedings related to the validity of a patent, where the issue of validity was raised as a plea in objection.<sup>22</sup> The European Court of Justice responded by extending the scope of the exclusive jurisdiction to encompass all proceedings related to validity, irrespective of whether the issue is raised by way of an action or a plea in objection.<sup>23</sup> Thus, by raising validity as a defense, an alleged infringer can prevent the consolidated adjudication of the claims in one nation's courts. The owner may still theoretically choose to raise its infringement claim in the nation where an infringement issue arises. Nevertheless, the owner has no control over keeping the action consolidated if the alleged infringer chooses to raise validity as a defense. The Recast of the Brussels Regulation endorses this territorial approach, though not without criticism.<sup>24</sup>

This territorial approach, and the resulting fragmentation, extends to choice of law determinations under Article 8 of the Rome II Regulation.<sup>25</sup> The Rome II Regulation governs which law is applicable to noncontractual obligations, and

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18. Regulation 1215/2012, of the European Parliament and of the Council of December 2012 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, 2012 O.J. (L 351) 10, 11.

19. Case C-4/03, *Gesellschaft für Antriebstechnik mbH & Co. v. Lamellen und Kupplungsbau Beteiligungs KG*, 2006 E.C.R. I-6523.

20. *Id.* at I-6528.

21. *See id.* at I-6525.

22. *Id.* at I-6529.

23. *Id.* at I-6533 to -6534.

24. *See generally* Annette Kur, *A Farewell to Cross-Border Injunctions? The ECJ Decisions GAT v. LuK and Roche Nederland v. Primus and Goldenberg*, 37 INT'L REV. INTELL. PROP. & COMPETITION L. 844 (2006).

25. Regulation 864/2007, of the European Parliament and of the Council of July 2007 on the Law Applicable to Non-Contractual Obligations, 2006 O.J. (L 199) 45 (EC) [hereinafter Rome II].

Article 8 specifically deals with infringement of intellectual property.<sup>26</sup> Under Article 8, the applicable law is the law of the country for which the protection is claimed.<sup>27</sup> Whereas the general *lex loci delicti* principle in Article 4 of the Rome II Regulation allows some exceptions in favor of the law of the habitual residence of the alleged infringer and of the person sustaining damage, or more generally in favor of the law of the country manifestly more closely connected with the infringement,<sup>28</sup> the *lex loci protectionis* rule in Article 8 forbids such exceptions.<sup>29</sup> By the same token, Article 8 does not allow grant the parties autonomy to agree not to follow the provision's *lex loci protectionis* requirement,<sup>30</sup> while such an option is generally available for tort.<sup>31</sup>

These differences reveal the rigidity of Article 8's requirements for applicable law in intellectual property disputes, compared to the looser rule enacted in Article 4 of the Rome II Regulation for other disputes. One consequence of Article 8 is that when a mark is infringed in different countries, the law of each country where an infringement occurred will be applicable locally. If the alleged infringer does not contest the validity of the titles infringed, the judge of the domicile of the defendant may have general jurisdiction allowing consolidation of the claims. Nevertheless, in that case, the judge will still apply the law of each nation where an infringement occurred, imposing a fragmentation at the choice of law level. If the alleged infringer contests the validity of a title, the combined effect of those two European Regulations requires each forum to apply the forum's law. Thus, under European law, an alleged infringer may oblige the owner to adjudicate locally, despite the international scope of the infringement. The approach endorsed is clearly territorial.

## B. IN THE UNITED STATES

American law, at first glance, seems less territorial. Whereas the scope of copyright law and the scope of patent law are territorial,<sup>32</sup> the Supreme Court recognized in the 1952 case *Steel v. Bulova Watch Co.* that the Lanham Act may possess an extra-territorial scope under certain conditions.<sup>33</sup> In that case, the U.S. citizen defendant had sold watches in Mexico that were assembled in Mexico from parts imported from Switzerland and the U.S., and that were stamped with the name "Bulova."<sup>34</sup> The name "Bulova" was registered in the U.S. (but not in

26. *Id.* See also Edouard Treppoz, *Rome 2*, in *CONCISE INTERNATIONAL AND EUROPEAN INTELLECTUAL PROPERTY LAW* 555 (Pierre Veron ed., 2d ed. 2011).

27. Rome II, *supra* note 25, at 45.

28. *Id.* at 44.

29. *Id.* at 45.

30. *Id.*

31. *Id.* at 46.

32. See, e.g., *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1090 (9th Cir. 1994); *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437, 441 (2007).

33. *Steele v. Bulova Watch Co.*, 344 U.S. 280, 285 (1952); see also Curtis Bradley, *Extraterritorial Application of U.S. Intellectual Property Law*, 37 VA. J. INT'L L. 505 (1997).

34. *Bulova*, 344 U.S. at 281–82.

Mexico) by the plaintiff Bulova Watch Company, which brought suit when some of the watches crossed the border into the U.S.<sup>35</sup> Regardless of the infringement's partial location in Mexico, the Supreme Court recognized the application of the Lanham Act to the conduct. This extraterritorial application of the Lanham Act was justified by the defendant's American citizenship, the effect of the conduct in the U.S. and the absence of any conflict with foreign law.<sup>36</sup> The result could be that the Lanham Act will be applied to infringement that is partially committed abroad. Thus, while European law excludes any consolidation as to choice of law, American law might offer such a consolidation by extraterritorial application of the Lanham Act.

Despite this potential extraterritorial scope, the outcome under American law seems the same as under European law. The owner of the trademark still must adjudicate in the country where the right was granted. Such an approach is clearly upheld by the famous *Vanity Fair* case.<sup>37</sup> The plaintiff in that case, U.S. company Vanity Fair Mills, was engaged in the sale of women's underwear in the U.S. and in Canada.<sup>38</sup> The plaintiff registered its trademark in the U.S. in 1914, but its application was rejected in Canada because of a prior registration by Eaton Company, a Canadian Corporation.<sup>39</sup> Beginning in 1953, the Canadian company sold the plaintiff's branded merchandise and cheaper merchandise of Canadian manufacture under the same trademark, "Vanity Fair."<sup>40</sup> The plaintiff claimed that the defendant had advertised in the United States under the trademark and had sold some merchandise to customers residing in the United States.<sup>41</sup> It asserted that the U.S. court had jurisdiction over all parts of the action, encompassing the sales in Canada, and that the law applicable to the whole action should be the Lanham Act, in accordance with its extraterritorial application.<sup>42</sup> The plaintiff argued that this case was controlled by the *Bulova* case, since the defendant's use of the mark "Vanity Fair" in Canada had a substantial effect in the U.S.<sup>43</sup> Nevertheless, the Second Circuit determined that the *Bulova* case did not lend support to the plaintiff, mainly because the defendant was Canadian, whereas the defendant in the *Bulova* case was an American citizen.<sup>44</sup> The court then concluded "that the remedies provided by the Lanham Act . . . should not be given an extraterritorial application against foreign citizens acting under presumably valid trade-marks in a foreign country."<sup>45</sup>

As to choice of law, the result is the same fragmentation of applicable laws. Furthermore, the Second Circuit linked the non-application of the Lanham Act to

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35. *Id.* at 282.

36. *Id.* at 285–89.

37. *Vanity Fair Mills, Inc. v. T. Eaton Co.*, 234 F.2d 633 (2d Cir. 1956).

38. *Id.* at 637.

39. *Id.* at 637–38.

40. *Id.* at 638.

41. *Id.*

42. *Id.*

43. *Id.* at 641.

44. *Id.* at 642.

45. *Id.* at 643.

Canadian sales to the scope of jurisdiction. The issue was whether the American court could exercise jurisdiction over questions relating to those Canadian sales, even though the American law was not applicable.<sup>46</sup> Based on the doctrine of *forum non conveniens*, the Second Circuit found that the court below had not abused its discretion by refusing to entertain the claim of trademark infringement occurring in Canada.<sup>47</sup> For the Second Circuit, the crucial issue was the validity of the defendant's trademark registration under Canadian trademark law: U.S. courts should "not determine the validity of the acts of a foreign sovereign done within its borders."<sup>48</sup> It is striking that, as under European Law, the United States applies a strict territorial approach to issues of validity. The result is thus exactly the same as under European law: a double fragmentation requiring plaintiffs to sue in any jurisdiction where an infringement occurred.

## II. THE PERSEVERANCE OF TERRITORIALITY DESPITE THE INTERNET'S GROWTH

With the growth of the Internet, these territorial approaches seem less sensible. First, determining the place of infringement appears nearly impossible. A cyber-infringement initially seems difficult to locate in one country, because it occurs on the Internet and ignores boundaries. Though difficult, the problem is not impossible to solve.<sup>49</sup> Additionally, international contracts have multiple connections with various countries. However, one easy solution is to choose one connecting factor to determine the applicable law. Although a vexing question, the problem of the location of a tort is not novel. Paul de Voët raised the same problem three hundred years ago with his archer sending an arrow from one country to another.<sup>50</sup> The problem remains the same and depends on the selection of a relevant connecting factor. On both sides of the Atlantic Ocean, the solution has traditionally been to adopt targeting criteria, which reduces partially, but not totally, the number of laws potentially applicable to a cyber infringement. It remains the case that a territorial fragmentation results for those acting globally via the Internet, and especially for the Internet service providers (ISPs) facing secondary liability actions under many laws.

As illustrated by the arrow of Paul de Voët, the first option purports to choose between the departure and the arrival of the arrow (i.e., the location of the source of the tort and the location of the effects of the tort). In the context of the Internet, this option remains available, but with one major difference. Instead of one point

46. *Id.* at 645.

47. *Id.*

48. *Id.* at 646.

49. See Joachim Zekoll, *Jurisdiction in Cyberspace*, in BEYOND TERRITORIALITY: TRANSNATIONAL LEGAL AUTHORITY IN AN AGE OF GLOBALIZATION 341 (Gunther Handl et al., eds. 2012).

50. A. Weill, *Un cas épineux de compétence législative en matière de responsabilité délictuelle: dissociation de l'acte générateur de responsabilité et du lieu du préjudice*, 1 MELANGES MAURY 548 n.7 (quoting PAUL DE VOËT, DE STATUTIS EORUMQUE CONCURSI lect.1 (1700)).

of arrival, there are many local points of arrival. Thus, choosing the departure—that is, the source of the emission—may appear to be the best solution. In that case, one law would be applied on an extraterritorial basis, instead of multiple laws being applied on a fragmented basis. This advantage was explained under European copyright law, where the place of emission was retained to localize the act of communication to the public by satellite.<sup>51</sup> However, it seems inapt to compare satellite broadcasting and Internet communication. Whereas the place of emission for a satellite broadcast is difficult to manipulate, the place of emission for an Internet communication is comparatively easy to manipulate. The main risk of applying laws based on the place of emission would be the development of some trademark-free paradise, from where one could communicate to locations all over the world. Such a risk was considered by the European Court of Justice, which disapproved the place of emission rule. One question raised in the well-known case *L'Oréal SA v. eBay International AG* was whether the European rules on trademark were applicable to offers of sale on an online marketplace targeting a third country.<sup>52</sup> The Court answered in the negative, explaining:

If it were otherwise, operators which use electronic commerce by offering for sale, on an online market place targeted at consumers within the EU, trade-marked goods located in a third State, which it is possible to view on the screen and to order via that marketplace, would, so far as offers for sale of that type are concerned, have no obligation to comply with the EU intellectual property rules. Such a situation would have an impact on the effectiveness (*effet utile*) of those rules.<sup>53</sup>

In order to promote the effectiveness of trademark rules, the place of emission should be rejected as a connecting factor. American case law, in retaining such a connecting factor for copyright law, reveals the undermining effects of location by the server.<sup>54</sup> One could get around the rule by strategically choosing the location of one's servers, which diminishes the effectiveness of the American law. Thus, I recommend the European approach, favoring the place of the effects of an act as a connecting factor.

Favoring the place of arrival does not end the analysis. There are different ways to identify those places of reception. One approach is technical, whereas the other approach is legal. A technical approach would purport to locate the act everywhere

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51. Council Directive 93/83, of the European Economic Community of 27 September 1993 on the Coordination of Certain Rules Concerning Copyright and Rights Related to Copyright Applicable to Satellite Broadcasting and Cable Retransmission, 1993 O.J. (L 248) 19 (EC) (“The act of communication to the public by satellite occurs solely in the Member State where, under the control and responsibility of the broadcasting organization, the program-carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth.”).

52. Case C-324/09, *L'Oréal SA v. eBay Int'l AG*, 2011 E.C.R. I-06011.

53. *Id.* at n.62.

54. See *Perfect 10, Inc. v. Yandex N.V.*, 2013 WL 4777189 at \*4 (N.D. Cal. Sept. 6, 2013). For a detailed discussion of the legal issues raised by two unsuccessful pieces of U.S. legislation (PIPA and SOPA) targeting foreign “rogue” Web sites hosting links to alleged copyright-infringing content, see Mike Belleville, *IP Wars: SOPA, PIPA and the Fight over Online Piracy*, 26 TEMP. INT'L & COMP. L.J., 303 (2012).



the allegedly infringing Web site is accessible. On the other hand, the legal approach requires that the Web site has targeted the country in order to locate the act in that country; mere access would not suffice to locate the act. A Joint Recommendation from the World Intellectual Property Organization favored the targeting approach in 2001, at least with respect to choice of law.<sup>55</sup> For European Law, the *L'Oréal* case strongly rejects the criterion of accessibility, instead retaining the criterion of targeting.<sup>56</sup> This approach was later applied to an infringement of a *sui-generis* database right.<sup>57</sup> Under American law, the First Circuit ruled the same way in the case *McBee v. Delica Co., Ltd.*<sup>58</sup> Cecil McBee, an American jazz bassist, contested the unauthorized use by Delica, a Japanese clothing retailer, of his name as a trade name.<sup>59</sup> The plaintiff contended that the Lanham Act should be applicable to the Japanese retailer, due to its extraterritorial scope as recognized in the *Bulova* case.<sup>60</sup> Moreover, he sought injunctive relief that would bar all access in the United States to Delica's Web site.<sup>61</sup> Limiting the extraterritorial application of the Lanham Act against noncitizen defendants to instances where the defendant's activities had substantial effects on United States commerce, the court held that the activity of Delica's Web site was not subject to the Act.<sup>62</sup> In particular, the court observed that the Web site hosted from Japan was written in Japanese, and was thus unlikely to be understood by enough Americans to have a substantial effect in America.<sup>63</sup> The court condemned the technical criterion of accessibility, which failed to appreciate "the nature of the Internet" and which would lead to a "senseless" outcome.<sup>64</sup> The court recognized that "the mere existence of a website that is visible in a forum . . . is not enough . . . . Something more is necessary, such as interactive features which allow the successful online ordering of the defendant's products."<sup>65</sup> The court thus preferred the criterion of targeting to the criterion of accessibility, demonstrating a

55. WORLD INTELL. PROP. ORG., JOINT RECOMMENDATION OF THE GENERAL ASSEMBLY OF THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO), CONCERNING PROVISIONS ON THE PROTECTION OF MARKS, AND OTHER INDUSTRIAL PROPERTY RIGHTS IN SIGNS ON THE INTERNET 7-8 (2001), available at <http://www.wipo.int/export/sites/www/freepublications/en/marks/845/pub845.pdf>.

56. *L'Oréal*, 2011 E.C.R. I-06011 ("[I]f the fact that an online marketplace is accessible from [a] territory were sufficient for the advertisements displayed there to be within the scope of Directive 89/104 and Regulation No 40/94, Web sites and advertisements which, although obviously targeted solely at consumers in third States, are nevertheless technically accessible from EU territory would wrongly be subject to EU law.")

57. See Case C-173/11, *Football Dataco Ltd. v. Sportradar GmbH*, 2012 E.C.R. I-00000 (case regarding an alleged infringement by Sportradar of the *sui generis* right which Football Dataco and others claimed in a database of football league matches).

58. See *McBee v. Delica Co., Ltd.*, 417 F.3d 107, 120 n.9 (1st Cir. 2005) ("We need not and do not decide whether a defendant's intent to target United States commerce plays any role in the jurisdictional inquiry for purposes of extraterritorial application of the *Lanham Act*.")

59. *Id.* at 111.

60. *Id.* at 116.

61. *Id.* at 111.

62. *Id.* at 124.

63. *Id.*

64. *Id.* at 123.

65. *Id.* at 124.

convergence between European and American law. This adoption of the criterion of targeting reveals that neither system endorses a technical view of the Internet. The result is to limit the applicable laws that the owner of a Web site must comply with. Although this narrowing solution offers some predictability, the fact remains that those acting on the Internet on a global scale must respect as many laws as the local markets they target contain. In the end, territoriality remains.

The situation is particularly tricky for ISPs facing claims as both primary infringers and contributory infringers. To avoid both types of liability, ISPs would potentially have to comply with all the laws of the world. As a potential primary infringer, if the ISP targets a worldwide audience, it would theoretically be required to comply with the laws of every nation. As a potential secondary infringer, it seems that an ISP's liability would depend on the law(s) applicable to the primary infringement. Under the Rome II Regulation, such dependence is recognized in Article 15, which states that the law applicable to the primary infringement is applicable to "the determination of persons who may be held liable for acts performed by them."<sup>66</sup>

This approach could be useful, as illustrated by the *L'Oréal* case. If eBay were characterized as a primary infringer, the applicable law might have been the law of each targeted country. If eBay were not characterized as a primary infringer, the process could be divided into two steps. First, one could determine the law applicable to the primary infringer—the party offering the counterfeited goods for sale. The laws applicable are the same as previously discussed. Second, the indirect liability of eBay would depend on the laws found to be applicable to the primary infringement. In both cases, eBay must comply with as many laws as countries targeted. This result may explain why the lines between primary and indirect liability sometimes seem blurred in the case law. (Though it is interesting to note that in a case rendered by the European Court of Justice on design protection, the Court directly determined the law applicable to the indirect infringement, skipping the first step of identifying the law applicable to the primary infringement.<sup>67</sup>)

In the U.S., the law applied to secondary infringement is also dependent on the law applicable to the primary infringement, as the recent decision in *Perfect 10 v. Yandex* reveals. This case focused on Yandex's search engine, which was located in Russia and queried both Web and image searches.<sup>68</sup> Perfect 10, a California company in the business of creating copyrighted adult entertainment products, brought direct, vicarious and contributory infringement claims against Yandex.<sup>69</sup> The Court rejected direct infringement based on the location of the servers outside

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66. 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 O.J. (L 199).

67. Case C-5/11, Titus Alexander Jochen Donner, 2012 E.C.R. I-00000 (finding that defendant aided and abetted the commercial exploitation of copyright-protected works).

68. *Perfect 10, Inc. v. Yandex N.V.*, No. C 12-01521, 2013 WL 4777189, at \*1 (N.D. Cal. Sept. 6, 2013).

69. *Id.* at \*2.

of the United States.<sup>70</sup> As to the indirect infringement claim, the Court recalled the well-known ruling in *Subafilms*,<sup>71</sup> affirming that “a primary activity outside the boundaries of the United States, not constituting an infringement cognizable under the Copyright Act, cannot serve as the basis for holding liable under the Copyright Act one who is merely related to that activity within the United States.”<sup>72</sup> Then, the question becomes whether the primary infringement is territorial and accordingly cognizable under the U.S. Copyright Act. The answer being negative, indirect liability could not exist under the U.S. copyright law.<sup>73</sup> This illustrates how contributory infringement is dependent on the primary infringement. Such a fragmented approach has been criticized as excluding any predictable solution, especially for service providers acting on a global scale and thus facing the risk of being deemed liable under an unpredictable law.<sup>74</sup>

If improvement is necessary, the next question is how to overtake territoriality to improve choice of law solutions.

### III. MEANS OF IMPROVEMENT

Scholarly works, especially the ALI and CLIP Principles,<sup>75</sup> have suggested a path to improvement by using private international law to overtake territoriality.<sup>76</sup> Consolidation of infringement claims in a single forum under a single law is almost uniformly recommended,<sup>77</sup> but the law that should be applicable to contributory infringement remains disputed.

#### A. THE CONSOLIDATION

The first means of improvement, for which a consensus exists among the Principles, proposes to consolidate infringement actions for adjudication in one

70. *Id.* at \*4.

71. *Subafilms, Ltd. v. MGM-Pathe Commc'ns Co.*, 24 F.3d 1088, 1099 (1994) (“We hold that the mere authorization of acts of infringement that are not cognizable under the United States copyright laws because they occur entirely outside of the United States does not state a claim for infringement under the Copyright Act.”).

72. *Id.* at \*7 (quoting *Subafilms*, 24 F.3d at 1093).

73. *Id.*

74. See generally Graeme B. Dinwoodie, Rochelle C. Dreyfuss & Annette Kur, *The Law Applicable to Secondary Liability in Intellectual Property Cases*, 42 N.Y.U. J.L. INT'L L. & POL. 201 (2009).

75. For a comparative study of the principles of the American Law Institute and the Max Planck Institute on Private International Law and Intellectual Property, see Edouard Treppez, *Private International Law and Intellectual Property—New Frame for New Strategies*, 2010 LAMY 271 (2010).

76. See generally Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 WM. & MARY L. REV. 711 (2009) (arguing that the territoriality principle's operation in intellectual property law has played too substantial a role in preventing the proper development of principles of private international law).

77. For a presentation of the convergences among American, European and Asian Principles, see TOSHIYUKI KONO & PAULIUS JURCYS, *INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW: COMPARATIVE PERSPECTIVES* 37, 71 (Toshiyuki Kono ed., 2012).

forum under a single law.<sup>78</sup> As for jurisdiction, the instrument of consolidation is already established (albeit ignored) in Europe, and requires limiting the exclusive jurisdiction of the judge of the title to issues raised by way of an action.<sup>79</sup> The jurisdiction of the domicile of the defendant would thus become a real option for the plaintiff benefiting from a general jurisdiction, regardless of any issues raised as to the validity of titles by defense. It nevertheless would remain the case that the judge would have to apply as many laws as countries targeted; consolidation ends at jurisdiction. Here, also, there is a way to consolidate the choice of law. Such a means attempts to shift from the application of all law for which the protection is sought to the law that is most closely connected to the circumstances of the alleged infringement and the parties (the “most closely connected law”). The CLIP and ALI Principles share the will to consolidate by applying a single law, but their modalities differ.<sup>80</sup>

While the ALI Principles allow the application of a single law to ubiquitous infringement, the CLIP Principles limit the exception to the use of a ubiquitous medium such as the Internet.<sup>81</sup> Indeed, it is not easy to determine with certainty when an infringement becomes ubiquitous. The CLIP approach is to limit the rule not by the scope of the infringement, but by the tool used. Therefore, when committed on the Internet, an infringement is potentially ubiquitous, justifying the application of a single law. The boundary will ultimately depend on the technology used.<sup>82</sup> This technological boundary was adopted by the European Court of Justice in the case *eDate*, in which the court limited the benefit of a *forum actoris* to infringement of personality rights committed on the Internet.<sup>83</sup> Though far from being perfect, this technological boundary is nevertheless the “least bad” solution.

Another difference between the CLIP and ALI Principles involves the factors taken into account in determining which law has the closest connection to a case. While the CLIP Principles grant great importance to the infringer in order to offer predictability to potential defendants, the ALI Principles focus on the relationship between the parties, offering a more balanced inquiry into the closest connection.<sup>84</sup> Without any doubt, the parties’ habitual place of residence or place of business should be considered the most important factor in determining the closely connected law, allowing the switch from multiple laws to one single law. In fact, this seems to be a good solution whenever it is possible, since it adopts a balanced attitude and avoids favoring either the defendant or the owner. This is why the ALI Principles, which take into account the markets targeted or the investments made,<sup>85</sup>

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78. See, e.g., *id.*

79. See generally BENEDETTA UBERTAZZI, EXCLUSIVE JURISDICTION IN INTELLECTUAL PROPERTY (2012) (proposing a new interpretation of the territoriality principle as an expression of the proximity principle that determines which court has international jurisdiction and which law is applicable).

80. See Treppoz, *supra* note 75.

81. ALI Principles, *supra* note 11, § 321; CLIP Principles, *supra* note 12, at 18.

82. See CLIP Principles, *supra* note 12, at 18.

83. Joined Cases C-509/09 & C-161/10, *eDate Advertising GmbH v. X*, 2011 E.C.J. I-10269.

84. CLIP Principles, *supra* note 12, at 18; ALI Principles, *supra* note 11, § 321.

85. ALI Principles, *supra* note 11, § 321.

seem like a good option. When the owner and the defendant direct their activities toward the same country, the law of that country should be applicable as the most closely connected law. Nevertheless, when there is no common market, activities or residence, the determination of the most closely connected law remains difficult. In such cases, the residence of the victim may be an alternative solution,<sup>86</sup> despite its exclusion by both Principles.

As to jurisdiction under American law, it has been held that under certain circumstances, the damage may be localized in its entirety at the domicile of the victim.<sup>87</sup> External to the Internet, this connecting factor is predictable for the user and for the author. Moreover, the closest jurisdiction is determined at the point of arrival of the infringement, which constitutes the victim's residence. In this regard, the law of the victim's residence appears to be the appropriate law for complex cases of international infringements on the Internet.

Despite the aforementioned minor discrepancies and criticisms, consensus exists and should be followed by legislators in order to overtake territoriality. Such a move should allow adjudication in one forum under one law for a cyber infringement of a mark exploited on a worldwide basis.

#### **B. THE DEPENDENCE OF CONTRIBUTORY INFRINGEMENT ON THE PRIMARY INFRINGEMENT**

One remaining question as to improvement of the law relates to the dependence of contributory infringement on the primary infringement, and whether legislators should go further in breaking this dependence. The answer is positive in the CLIP Principles,<sup>88</sup> whereas the ALI Principles would maintain such dependence.<sup>89</sup>

86. François Dessemontet, *Le droit applicable à la propriété intellectuelle dans le Cyber-Espace*, in *COMMERCE ELECTRONIQUE ET PROPRIETES INTELLECTUELLES* 97 n.40 (2001).

87. See *Penguin Grp. (USA) Inc. v. Am. Buddha*, 16 N.Y.3d 295, 301–02 (N.Y. 2011) (holding that in copyright infringement cases involving the uploading of copyrighted printed literary work to the Internet, the residence or location of the principal place of business of the copyright holder, rather than the location of the infringement, is the situs of injury), *dismissed on remand on other grounds*, *Penguin Grp. (USA), Inc. v. Am. Buddha*, No. 09 Civ. 528(RA), 2013 WL 865486 (S.D.N.Y. Mar. 7, 2013).

88. The section in CLIP Principles on secondary infringement states:

(1) Subject to paragraph 2, the law applicable to liability based upon acts or conduct that induce, contribute to or further an infringement is the same as the law applicable to that infringement.

(2) In case of facilities or services being offered or rendered that are capable of being used for infringing and non-infringing purposes by a multitude of users without intervention of the person offering or rendering the facilities or services in relation to the individual acts resulting in infringement, the law applicable to the liability of that person is the law of the State where the centre of gravity of her/his activities relating to those facilities or services is located.

(3) The law designated by paragraph 2 shall only apply if it provides at least for the following substantive standards:

(a) liability for failure to react in case of actual knowledge of a primary infringement or in case of a manifest infringement and  
(b) liability for active inducement.

(4) Paragraph 2 does not apply to claims relating to information on the identity and the activities

Under the CLIP Principles, an ISP could count on the application of one sole law—that is, its home nation’s law—as to its indirect liability.<sup>90</sup> Accordingly, the indirect liability of Google, for example, would be considered under American law, whereas the indirect liability of Xander would be governed by Netherlands law, regardless of the law applicable to the main infringement. The goal is clearly to offer predictability to those companies acting on a global basis, by requiring them to comply solely with the standards of their local laws. If technical, such a break is nevertheless mainly political. The center of gravity for the applicable law is no longer the infringement committed, but the commercial activities conducted, outlining the political move from intellectual property to freedom of trade.

Although attractive at first sight, such a move should nevertheless be contested in favor of the dependence favored by the ALI Principles. The dependence between the law applicable to the main infringement and the law applicable to the contributory infringement should be maintained for technical and political reasons. Technically, if two different laws were applicable to the main infringement and the contributory infringement, the boundary between those two categories could be considered a primary characterization. Accordingly, such a characterization should be submitted to the *lex fori*.<sup>91</sup> Yet, domestic law and comparative law teach us that such a line is difficult to draw and subject to discrepancies under the applicable law.<sup>92</sup> Such uncertainty in domestic law and discrepancies in comparative law would create too easy a playground for those prone to forum shopping. Furthermore, the predictability offered by the application of a single law would be polluted, if not destroyed, by the application of the *lex fori* to the determination of this boundary.

Following this and at the edge of law and politics, the break in the dependence will end the classical construction of private international law reflecting domestic law.<sup>93</sup> Under domestic law, a contributory infringement requires a primary infringement. This prerequisite outlines the coherence and the unity between those two questions of infringement. By splitting those two questions between two different laws, private international law would break the unity and potentially the

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of primary infringers.

CLIP Principles, *supra* note 12, at 18–19.

89. See ALI Principles, *supra* note 11, § 301 (stating that in cases regarding facilitation of infringement, “the law that governs the determination of primary infringement applies”).

90. CLIP Principles, *supra* note 12, at 19.

91. Ernest G. Lorenzen, *The Qualification, Classification, or Characterization Problem in the Conflict of Laws*, 50 YALE L.J., 743, 761 (1941) (concluding that “questions of characterization should be resolved on the basis of the *lex fori*”).

92. See generally Graeme B. Dinwoodie, *Secondary Liability for Online Trademark Infringement: The International Landscape*, 37 COLUM. J.L. & ARTS 463 (2014); Stacey Dogan, *Principled Standards vs. Boundless Discretion: A Tale of Two Approaches to Intermediary Trademark Liability Online*, 37 COLUM. J.L. & ARTS 503 (2014); Annette Kur, *Secondary Liability for Trademark Infringement on the Internet: The Situation in Germany and Throughout the EU*, 37 COLUM. J.L. & ARTS 525 (2014); Du Ying, *Secondary Liability for Trademark Infringement Online: Legislation and Judicial Decisions in China*, 37 COLUM. J.L. & ARTS 541 (2014).

93. See, e.g., Étienne Bartin, *De l'impossibilité d'arriver à la suppression définitive des conflits de lois*, 24 JOURNAL DU DROIT INTERNATIONAL PRIVÉ [J.D.I.] 478 (1897) (Fr.).

coherence of each domestic law. Suppose that State A retains a large scope for primary infringement and offers a strong safe harbor for contributory infringement. On the flip side, State B retains a restricted scope for primary infringement but a minimal safe harbor for contributory infringement. For the same acts committed within domestic borders, State A characterizes the ISP as a primary infringer, whereas State B characterizes the ISP as a secondary infringer not benefiting from the safe harbor. Thus, each domestic system leads to the same result, the liability of the ISP. Let's imagine now that the same conduct for the primary infringement is located in State B, but the ISP is located in State A. In that case, the "dépeçage" will submit the primary infringement to the law of B, which refuses to consider the ISP a primary infringer, and the contributory infringement to the law of A, allowing the ISP to benefit from the safe harbor. Whereas each law, applied alone, would have considered the ISP liable, the "dépeçage" leads to the opposite result, wherein the ISP is not liable. The break of coherence is hardly questionable in asking for the application of the same law for primary and contributory infringement. The coherent construction of each domestic system on those intertwined issues should not be destroyed by the application of two different laws.

Finally, from a strictly political point of view, a specific choice of law rule would tip the balance in favor of freedom of trade and against intellectual property by allowing service providers to choose the applicable law. The threat is that some ISPs will decide to entrench themselves in countries offering the largest safe harbor. Trademark owners could still fight against the primary infringer, but it would become much more complicated to fight against the ISP protected by their choice of local laws with large safe harbors. The infringement would be recognized under the law applicable to the primary infringement, but since the ISP would not be considered indirectly liable, the only chance to end the infringement would be to find the primary infringer. Accordingly, without any claim against the ISP, the chase against the infringement on the Internet would become increasingly difficult. The freedom of trade of those companies would be heightened, but the protection of intellectual property on the Internet would be undermined.

Such a political move seems too bold. The growth of the Internet is related to protected content circulating on the Internet. Such growth should be respectful of the protection of intellectual property, regardless of its remaining territoriality. The universality of the technology used should not always lead to the application of a single law. Rather, it might still be possible (and preferable) to apply laws on a local basis. The choice of law solutions on the Internet should not endorse only a technical and free trade view. When local values have to be protected on a local basis, a fragmented approach should be preferred. As to intellectual property, it is nevertheless preferable to apply a single law for primary infringement committed on the Internet. By way of consequence, ISPs would not be required to follow all laws of the world, but only a single law applicable to the primary infringement, recalling the deep link between primary and contributory infringement. This dependence seems to be a better solution, especially when consolidation is retained at both jurisdictional and choice of law levels. Such an improvement will overcome a strict territorial approach, bridging law and economics.