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### Advancing National Intellectual Property Policies in a Transnational Context

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## Articles

### ADVANCING NATIONAL INTELLECTUAL PROPERTY POLICIES IN A TRANSNATIONAL CONTEXT

MARKETA TRIMBLE\*

#### ABSTRACT

*The increasing frequency with which activities involving intellectual property (“IP”) cross national borders now warrants a clear definition of the territorial reach of national IP laws so that parties engaging in the activities can operate with sufficient notice of the laws applicable to their activities. Legislators, however, have not devoted adequate attention to the territorial delineation of IP law; in fact, legislators rarely draft IP statutes with any consideration of cross-border scenarios, and with few exceptions IP laws are designed with only single-country scenarios in mind. Delineating the reach of national IP laws is actually a complex matter because the reach depends not only on substantive IP law, but also on conflict of laws rules. Yet until recently conflict of laws rules had rarely been considered or drafted with IP issues in mind. In some countries, such as Switzerland, Poland, and China, legislators have reviewed conflict of laws rules in light of IP laws and passed conflict of laws statutes with IP-specific provisions; the European Union has IP-specific provi-*

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sions in its instruments on conflict of laws as well. In the United States, however, state conflict of laws rules provide no IP-specific rules, nor does the Restatement (Second) of Conflict of Laws, which federal courts apply when deciding federal question cases.

This Article argues that because of the rising importance of cross-border IP activities and the increasing need for clear territorial delineation of IP laws, it is important for legislators to give equal consideration to cross-border and single-country scenarios when drafting legislation and to calibrate the territorial scope of national IP laws with conflict of laws rules to achieve the desired territorial reach of national IP policies. This Article analyzes the interaction of IP laws and conflict of laws rules and reviews from both the IP law and the conflict of laws perspectives the various tools that are available to define the territorial reach of national IP laws. The fact that legislators deal with numerous “moving pieces” (particularly the conflict of laws rules of foreign countries) when they design the territorial reach of national laws should not discourage the legislators from striving to improve certainty about the territorial reach of national laws. Depending on the degree to which the “moving pieces” limit legislators’ ability to improve the certainty, countries may wish to negotiate and enter into international agreements in order to set uniform conflict of laws rules and define the limits of the territorial reach of national IP laws.

#### TABLE OF CONTENTS

ABSTRACT.....	203
TABLE OF CONTENTS .....	204
INTRODUCTION.....	205
I. THE EFFECTIVE TERRITORIAL SCOPE OF NATIONAL INTELLECTUAL PROPERTY LAWS .....	213
II. THE ROLE OF CONFLICT OF LAWS RULES IN PROMOTING NATIONAL POLICIES .....	221
III. A COUNTRY’S FLEXIBILITY IN DESIGNING ITS CONFLICT OF LAWS RULES.....	225
A. International Treaties and Regional Instruments on Conflict of Laws .....	226
B. Other International Treaties and Regional Instruments.....	228
C. National Laws and Policies Limiting Conflict of Laws Rules.....	233

IV. A COUNTRY'S FLEXIBILITY IN DESIGNING ITS INTELLECTUAL PROPERTY LAWS.....	234
A. The National Treatment Principle, the Most-Favored- Nation Principle, and the Territoriality Principle.....	236
B. Minimum Standards .....	236
C. Localization.....	239
D. Secondary Liability .....	241
E. National Laws and Policies Limiting IP Rules.....	242
V. CONFLICT OF LAWS RULES AND INTELLECTUAL PROPERTY LAWS .....	244
A. IP-Specific Conflict of Laws Legislation .....	244
B. Court-Created IP-Specific Conflict of Laws Rules.....	247
C. Alternatives to IP-Specific Conflict of Laws Legislation .....	249
VI. CALIBRATION OF INTELLECTUAL PROPERTY LAWS WITH CONFLICT OF LAWS RULES .....	253
VII. CONCLUSION.....	255

## INTRODUCTION

The increasing interest in cross-border aspects of IP litigation, observable in recent years, has focused on two types of issues: establishing the territorial scope of substantive IP laws on the one hand and designing and applying conflict of laws rules in IP cases on the other.<sup>1</sup> The existing literature addresses the two types of issues in great detail,<sup>2</sup> but treats the two types of issues mostly separately, with-

1. See *infra* Part I for the definition of conflict of laws rules.

2. Examples of recent literature include JENS ADOLPHSEN, *EUROPÄISCHES UND INTERNATIONALES ZIVILPROZESSRECHT IN PATENTSACHEN* (2005); JAMES J. FAWCETT & PAUL TORREMANS, *INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW* (2011); MARTA PERTEGÁS SENDER, *CROSS-BORDER ENFORCEMENT OF PATENT RIGHTS: AN ANALYSIS OF THE INTERFACE BETWEEN INTELLECTUAL PROPERTY AND PRIVATE INTERNATIONAL LAW* (2002); STIG STRÖMHOLM, *COPYRIGHT AND THE CONFLICT OF LAWS: A COMPARATIVE SURVEY* (2010); W. R. Cornish, *Intellectual Property Infringement and Private International Law: Changing the Common Law Approach*, 45 *GRUR INT.* 285 (1996); François Dessemontet, *International Private Law of Intellectual Property*, in VI *YEARBOOK OF PRIVATE INTERNATIONAL LAW* 71, 71–84 (Petar Šarčević et al. eds., 2005); Graeme B. Dinwoodie, *Developing a Private International Intellectual Property Law: The Demise of Territoriality?*, 51 *WM. & MARY L. REV.* 711 (2010); Rochelle C. Dreyfuss & Jane C. Ginsburg, *Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters*, 77 *CHI-KENT L. REV.* 1065 (2002); Paul Edward Geller, *Conflict of Laws in Copyright Cases: Infringement and Ownership Issues*, 51 *J. COPYRIGHT SOC'Y U.S.A.* 315 (2004); Paul Edward Geller, *Conflicts of Laws in Cyberspace: Rethinking International Copyright in a Digitally Networked World*, 20 *COLUM.-VLA J.L. & ARTS* 571 (1996); Jane C. Ginsburg, *The Private International Law of Copyright in an Era of Technological*

out sufficiently recognizing that it is the *interaction* of the territorial scope of substantive IP laws, conflict of laws rules, and a country's physical ability to enforce its laws that delineates the effective territorial scope of national IP laws.<sup>3</sup> This Article analyzes the interaction and identifies tools that legislators may utilize to influence the effective territorial scope of national IP laws. How far national laws actually reach is of great importance today as cross-border activities are the normal and not the exceptional course of business; because of the cross-border nature of the activities, legislators need to seek advancement of national IP policies not only through substantive IP laws but also through conflict of laws rules.

Recent developments have raised awareness of how important it is to delineate clearly the territorial scope of substantive IP laws and have shown why specialized conflict of laws rules would be useful. For instance, recent United States Supreme Court cases, such as *Microsoft v. AT&T*<sup>4</sup> and *Kirtsaeng v. John Wiley & Sons, Inc.*,<sup>5</sup> have highlighted the complexities of applying U.S. IP laws to cross-border issues, while the Court's 2010 decision in *Morrison v. Nat'l Australia Bank Ltd.*<sup>6</sup> stirred debate about the delineation of the extraterritorial application of U.S. legislation in general. The *Morrison* decision criticized courts for applying incorrectly the presumption against extraterritoriality—the presumption that legislators enact laws effective only for the territory of their country unless they state otherwise<sup>7</sup>—and instructed

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*Change*, 273 RECUEIL DES COURS 239, 239–406 (1998). For older literature see *infra* notes 12, 13, and 23.

3. See *infra* Part I for the definition of a country's enforcement power and the effective territorial scope of national IP laws. On the recognition of the role that conflict of laws rules play in defining the territorial scope of substantive laws (but not specifically IP laws) see *infra* note 51. On the increasing realization of the significance of the role of conflict of laws rules in areas of substantive law see, e.g., Veerle Van Den Eeckhout, *The Instrumentalisation of Private International Law: Quo Vadis?* (Oct. 10, 2013) (unpublished manuscript), available at <http://ssrn.com/abstract=2338375>.

4. 550 U.S. 437 (2007).

5. 133 S. Ct. 1351 (2013).

6. 561 U.S. 247 (2010). *Morrison* did not concern IP statutes; on the impact that the decision might have on IP law see Timothy R. Holbrook, *Should Foreign Patent Law Matter?*, 34 CAMPBELL L. REV. 581, 602–08 (2012). See also *Kiobel v. Royal Dutch Petroleum*, 133 S. Ct. 1659 (2013).

7. *Morrison*, 561 U.S. at 255–57; see, e.g., *Equal Emp't Opportunity Comm'n v. Arabian American Oil Co.*, 499 U.S. 244, 248 (1991); *Foley Bros., Inc. v. Filardo*, 336 U.S. 281, 285 (1949). For a brief history of the presumption and its critique see, e.g., John H. Knox, *The Unpredictable Presumption Against Extraterritoriality*, 40 SW. U. L. REV. 635 (2011). Outside the United States a presumption against extraterritoriality might not be officially formulated but is nevertheless respected by courts de facto. See, e.g., Ryuichi Yamakawa, *Transnational Dimension of Japanese Labor and Employment Laws: New Choice of Law Rules and*

courts to apply the presumption strictly;<sup>8</sup> the decision also implied that Congress must pay greater attention to the territorial design of legislation, particularly if Congress intends for a particular piece of legislation to have any extraterritorial application.<sup>9</sup>

The increased concern about the delineation of the extraterritorial effects of U.S. legislation coincides with a cluster of initiatives that have appeared in recent years to draft proposals for special conflict of laws rules for IP cases; a committee of the American Law Institute and three groups of scholars in Europe and Asia have developed such proposals,<sup>10</sup> and an International Law Association committee is the

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*Determination of Geographical Reach*, 31 COMP. LAB. L. & POL'Y J. 347, 365 (2010) (“[S]ince the territoriality is the most traditional principle of jurisdiction in international jurisdictions, it is necessary for the courts [in Japan] to find at least some legislative intent to apply statutes extraterritorially.”).

8. *Morrison*, 561 U.S. at 261 (“The results of judicial-speculation-made law—divining what Congress would have wanted if it had thought of the situation before the court—demonstrate the wisdom of the presumption against extraterritoriality. Rather than guess anew in each case, we apply the presumption in all cases, preserving a stable background against which Congress can legislate with predictable effects.”).

9. *Cf. Kiobel*, 133 S. Ct. at 1669 (suggesting that the presumption against extraterritoriality may be displaced under some circumstances). “[E]ven where the claims touch and concern the territory of the United States, they must do so with sufficient force to displace the presumption against extraterritorial application.” *Id.* After *Morrison*, the reaction of Congress was immediate; Congress passed the Dodd-Frank Wall Street Reform and Consumer Protection Act very shortly after the Supreme Court released the *Morrison* decision. Pub. L. No. 111-203, 124 Stat. 1376 (2010). For a discussion of the effects of the Dodd-Frank Wall Street Reform and Consumer Protection Act on the extraterritorial application of the statute, see Katherine Florey, *State Law, U.S. Power, Foreign Disputes: Understanding the Extraterritorial Effects of State Law in the Wake of Morrison v. National Australia Bank*, 92 B.U. L. REV. 535, 546–47 (2012).

10. AM. LAW INST., INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW, AND JUDGMENTS IN TRANSNATIONAL DISPUTES (2008); EUROPEAN MAX PLANCK GRP. ON CONFLICT OF LAWS IN INTELLECTUAL PROPERTY, CONFLICT OF LAWS IN INTELLECTUAL PROPERTY: THE CLIP PRINCIPLES AND COMMENTARY (2013); TRANSPARENCY PROPOSAL ON JURISDICTION, CHOICE OF LAW, RECOGNITION AND ENFORCEMENT OF FOREIGN JUDGMENTS IN INTELLECTUAL PROPERTY, TRANSPARENCY OF JAPANESE LAW PROJECT, (2009), available at <http://www.tomeika.jur.kyushu-u.ac.jp/ip/pdf/Transparency%20RULES%20%202009%20Nov1.pdf>; KOREAN PRIVATE INT’L LAW ASSOC., PRINCIPLES ON INTERNATIONAL INTELLECTUAL PROPERTY LITIGATION (2010) (on file with author). In addition, the projects have produced rich resources for further research in notes and commentaries to the principles and articles authored by team members. See, e.g., INTELLECTUAL PROPERTY IN THE GLOBAL ARENA: JURISDICTION, APPLICABLE LAW, AND THE RECOGNITION OF JUDGMENTS IN EUROPE, JAPAN AND THE U.S. (Jürgen Basedow et al. eds., 2010); Annette Kur & Benedetta Ubetazzi, *The ALI Principles and the CLIP Project: A Comparison*, in LITIGATING INTELLECTUAL PROPERTY RIGHTS DISPUTES CROSS-BORDER: EU REGULATIONS, ALI PRINCIPLES, CLIP PROJECT 89, 89–147 (Stefania Bariatti ed., 2010); Benedetta Ubetazzi, *Recognition and Enforcement of Foreign Judgments in Intellectual Property: A Comparison for the International Law Association*, 3 J. INTELL.

latest group to work on a proposal for such special rules.<sup>11</sup> The interest in the intersection of conflict of laws and IP is not new; as early as 1889, for example, German conflict of laws expert Carl Ludwig von Bar included an entire chapter on conflict of laws and IP in his conflict of laws treatise.<sup>12</sup> In the 1970s, attempts to draft IP-specialized conflict of laws rules emerged when European scholars, such as Professor Eugen Ulmer, assisted in designing one of the then-future European Communities instruments on conflict of laws.<sup>13</sup> The recent wave of interest in conflict of laws was propelled by the failure to conclude a large-scale international treaty on conflict of laws, and lately the interest has been underscored by the Hague Conference on Private International Law's 2012 reopening of negotiations of such a treaty.<sup>14</sup> IP-related issues were among the reasons for the failure of the Hague Conference's earlier attempts in the 1990s and early 2000s to conclude a treaty, and therefore IP issues are among the hurdles that the negotiators might be expected to overcome in this round.<sup>15</sup>

While territorial delineation of IP laws and the development of IP-specific conflict of laws rules have received a great deal of attention in recent years, national legislation has largely lagged behind this increase in attention.<sup>16</sup> Legislators typically think of national laws as ap-

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PROP., INFO. TECH. & ELECTRONIC COM. L. 306 (2012). For difficulties associated with defining "IP disputes" see *infra* note 24.

11. *ILA Committee on Intellectual Property and Private International Law*, INT'L L. ASS'N, <http://www.ila-hq.org/en/committees/index.cfm/cid/1037> (last visited August 28, 2013).

12. 2 CARL LUDWIG VON BAR, *THEORIE UND PRAXIS DES INTERNATIONALEN PRIVATRECHTS* 231–91 (1889). In civil law countries the term for conflict of laws is "private international law." Some may argue that the two terms do not coincide perfectly; however, for the purposes of this Article the two terms may be equated. For the definition of "conflict of laws" see *infra* Part I.

13. EUGEN ULMER, *DIE IMMATERIALGÜTERRECHTE IM INTERNATIONALEN PRIVATRECHT: RECHTSVERGL. SCHRIFTENREIHE ZUM GEWERBLICHEN RECHTSSCHUTZ* (1975); Paul H. Neuhäus, *Die Immaterialgüterrechte im Künftigen Internationalen Privatrecht der Europäischen Gemeinschaften*, in 40 *RABELS ZEITSCHRIFT FÜR AUSLÄNDISCHES UND INTERNATIONALES PRIVATRECHT* 189, 189–232 (B. Aubin et al. eds., 1976). The European Communities were the predecessors of the current European Union ("EU").

14. See generally, *The Judgments Project*, HAGUE CONFERENCE ON PRIVATE INTERNATIONAL LAW, [http://www.hcch.net/index\\_en.php?act=text.display&tid=149](http://www.hcch.net/index_en.php?act=text.display&tid=149) (last visited Sept. 22, 2014).

15. See PERMANENT BUREAU, HAGUE CONFERENCE ON PRIVATE INTERNATIONAL LAW, ANNOTATED CHECKLIST OF ISSUES TO BE DISCUSSED BY THE WORKING GROUP ON RECOGNITION AND ENFORCEMENT OF JUDGMENTS 13–14 (2013), available at <http://www.hcch.net/upload/hidden/2013/jdgm2013note01en.pdf>.

16. Although the above-mentioned principles for conflict of laws in IP cases have not yet been adopted by national legislators or international negotiators, courts have begun to refer to the principles. See, e.g., *Rundquist v. Vapiano SE*, 798 F. Supp. 2d 102, 132 (D.D.C. 2011); *Case C-616/10*, Opinion of Advocate General Cruz Villalón in *Solvay v. Honeywell*,

plying only within the borders of their country. There are of course exceptions—laws that are purposefully designed to reach beyond the borders of a country<sup>17</sup>—but most laws do not fall into this exceptional category. Traditionally, national IP laws have also been designed to apply only within national borders, since they have been considered to be purely domestic laws with rights conferred by the laws limited to the territory of the particular country.<sup>18</sup> Only in unique circumstances have legislators added provisions in IP laws that address issues crossing national borders;<sup>19</sup> legislators have left other cross-border IP issues for the courts to clarify,<sup>20</sup> presumably because the issues have arisen so infrequently that legislators have felt no need to render national policies into legal solutions for cross-border issues.<sup>21</sup> Except for a few notable examples,<sup>22</sup> IP statutes and conflict of laws statutes have been designed with negligible or no coordinated mutual input.<sup>23</sup>

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2012 E.C.R. fn. 24; Case C-145/10, Painer v. Standard Verlags et al., 2011 E.C.R. fn. 31; Case C-170/12, Pinckney v. KDG Mediatech AG, 2013 E.C.R. fn. 53; Lucasfilm Ltd. v. Ainsworth, [2011] UKSC 39 [93–94] (appeal taken from Eng.).

17. *E.g.*, Foreign Corrupt Practices Act, 15 U.S.C. § 78dd-1 (2012).

18. See *infra* Part III for a discussion of the principle of territoriality.

19. See, *e.g.*, Patents and Protection of Patent Rights, 35 U.S.C. § 271(f)–(g) (2012).

20. See, *e.g.*, Kirtsaeng v. John Wiley & Sons, Inc., 133 S. Ct. 1351 (2013); Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc., 699 F.3d 1340 (Fed. Cir. 2012), *cert. dismissed*, 134 S. Ct. 2333 (2014); Subafilms, Ltd. v. MGM-Pathe Communications Co., 24 F.3d 1088 (9th Cir. 1994).

21. The legislative lack of awareness of the interaction can be explained by both the historical rarity of cross-border IP disputes and the limited interest among experts from both areas in the interaction of the areas. See, *e.g.*, Graeme Dinwoodie, *The Architecture of the International Intellectual Property System*, 77 CHI-KENT L. REV. 993, 996 (2002) (“[T]he cases that courts were called upon to resolve principally involved national *rights* [and] the *disputes* that confronted courts were largely national in nature.”); see also STRÖMHOLM, *supra* note 2, at 57–60.

22. See, *e.g.*, Convention of 27 September 1968 on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters art. 16.4, Sept. 27, 1968, 1978 O.J. (L 304) 36 [hereinafter Brussels Convention]; Regulation 1215/2012, of the European Parliament and of the Council of 12 December 2012 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters (recast), 2012 O.J. (L 351) 1 [hereinafter Brussels I Regulation (recast)]; Law of the People’s Republic of China on Choice of Law for Foreign-Related Civil Relations (promulgated by the Standing Comm. Nat’l People’s Cong., Mar. 1, 2011), Art. 48; Portuguese Civil Code, art. 48.

23. For examples of early scholarship on conflict of laws in intellectual property disputes see, *e.g.*, Heinz W. Auerswald, *Können Ansprüche wegen Verletzung eines ausländischen Patents vor deutschen Gerichten verfolgt werden?*, in Festschrift WERNER VON STEIN 8 (1961); Alois Troller, *Europäisierung des Patentrechts und Gerichtsstand*, 1955 GRUR INT. 529; Friedrich Groß, *Wie mache ich im Inland Ansprüche aus Schutzrechten geltend, deren Verletzung im Ausland erfolgt ist?*, 1957 GRUR INT. 346; Otto-Friedrich Frhr. von Gamm, *Die internationale und örtliche Zuständigkeit im gewerblichen Rechtsschutz*, in 50 MITTEILUNGEN DER DEUTSCHEN PATENTANWÄLTE 212 (1959); von Bar, *supra* note 12.



A single-country perspective, however, has now become an unsuitable starting point for legislating; as globalization has intensified the flow of IP across national borders it has brought into doubt the premise that national policies can be sufficiently implemented through laws that are designed to address only single-country activities. Not only do the well-publicized cases mentioned above illustrate the rising importance of cross-border activities, but recent scholarship also suggests that the number of cross-border IP disputes—IP disputes that involve parties located or conduct occurring in multiple countries—is increasing.<sup>24</sup> Even though only a small fraction of daily activities result in the legal disputes that appear in the statistics reported in the scholarship, it seems reasonable to assume that together with cross-border disputes *all* cross-border activities concerning IP are on the rise.<sup>25</sup>

With cross-border IP activities assuming a more prominent role in national economies, it is important for legislators to take cross-border scenarios into account when they design IP laws to implement national policies. Clearly identifying how far national laws reach should be one of legislators' most important tasks; a clear delineation of the reach of national laws helps businesses and individuals adjust their conduct to comply with a country's laws. Clarity in the *reach* of national laws is, therefore, no less important for legal certainty than is clarity in the *substance* of national laws.<sup>26</sup> A presumption against extra-

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24. See, e.g., Kimberley A. Moore, *Xenophobia in American Courts*, 97 NW. U. L. REV. 1497 (2003); Marketa Trimble, *When Foreigners Infringe Patents: An Empirical Look at the Involvement of Foreign Defendants in Patent Litigation in the U.S.*, 27 SANTA CLARA COMPUTER & HIGH TECH. L.J. 499 (2011); Marketa Trimble, *Foreigners in U.S. Patent Litigation: An Empirical Study of Patent Cases Filed in Nine U.S. Federal District Courts in 2004, 2009, and 2012*, 17 VAND. J. ENT. & TECH. L. (forthcoming 2014). The studies reported in the three articles concerned patent cases, particularly patent infringement cases. Apart from IP rights infringement disputes that clearly are "IP disputes," it is difficult to determine all the kinds of disputes that should be covered by the term "IP disputes." Disputes about infringements and the validity of IP rights are certainly within the category, while licensing disputes and bankruptcy proceedings involving IP are among the types of disputes whose inclusion in the category tends to be debated. This Article refers to "IP disputes" in general, with the understanding that it refers primarily to disputes about infringement and validity.

25. The increase in the cross-border flow of IP may be inferred from the general trend in world merchandise exports and imports: worldwide, exports increased from \$59 billion in 1948 to \$17,930 trillion in 2012, and imports increased from \$62 billion in 1948 to \$18,188 trillion in 2012. WORLD TRADE ORG., INTERNATIONAL TRADE STATISTICS 2013, at 22–23 (2013), [http://www.wto.org/english/res\\_e/statis\\_e/its2013\\_e/its2013\\_e.pdf](http://www.wto.org/english/res_e/statis_e/its2013_e/its2013_e.pdf).

26. See Paul B. Stephan, *The Political Economy of Extraterritoriality*, AM. POL. SCI. ASS'N ANN. MEETING PAPER, 18–19 (2011) (suggesting that in the regulatory context territorial delineation might be even more important than substantive precision).

territoriality can be a helpful tool that enhances the certainty of the territorial reach of national laws; however, it is only a presumption, and legislators' silence about the intended territorial scope of national laws, which is prevalent in national legislation, cannot be taken to indicate that legislators have made a deliberate choice concerning the territorial scope of the laws that is in line with national policies.

This Article analyzes the interaction of the territorial scope of substantive IP laws, conflict of laws rules, and a country's physical ability to enforce its laws, and reviews the tools that legislators can utilize to delineate the effective territorial scope of IP laws.<sup>27</sup> Many observations made in this Article apply generally to the effective territorial scope of any substantive laws, and some critics may argue that the analysis should consider the problem of the territorial delineation of substantive laws generally, without focusing on a particular area of substantive law.<sup>28</sup> However, concentrating on a concrete area of law allows the analysis to demonstrate particular flexibilities that legislators may utilize to shape the effective territorial scope of substantive laws in the area, and provide specific examples of the use of the flexibilities.

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One can defend vagueness in standards that regulate primary conduct by arguing that postponing definition of legal requirements until application allows the regulator to exploit information that was hidden at the time of the standard's promulgation. No such argument applies to domain rules. Uncertainty about the applicable legal regime, as opposed to the particular rule governing primary conduct, only encourages opportunism by persons who, after the fact, find application of a particular regime beneficial.

*Id.*; see also Anthony J. Colangelo, *What Is Extraterritorial Jurisdiction?*, 99 CORNELL L. REV. 121 (forthcoming 2014) ("The underlying objective of due process in the extraterritorial prescriptive jurisdiction context is essentially fair notice of the law applicable to primary conduct when and where the conduct occurs . . .").

27. Two notes should be made at the outset: First, this Article takes a comparative perspective; whenever possible, it provides examples of actual cases decided by courts of various countries and of rules that exist under laws at the international, regional, and national levels, with an emphasis on U.S. legislation and case law. The cases and rules are mentioned as illustrations of the problems discussed in the Article, which does not aspire to provide an exhaustive account of all reported cases and all existing rules related to the problems discussed. Second, the Article focuses on horizontal conflicts, that is, one country's IP laws vis-à-vis other countries' IP laws, and does not discuss vertical conflicts, which include conflicts such as international versus national, regional versus national, and federal versus state conflicts arising in a single jurisdiction. Horizontal conflicts, as opposed to vertical conflicts, include conflicts such as country *A*'s federal law versus country *B*'s state law, and country *A*'s national law versus regional law directly applicable in country *B*.

28. Colangelo, *supra* note 26, at 107 ("For too long, the phenomenon of extraterritorial jurisdiction has been addressed piecemeal in the disparate substantive fields in which it happens to pop up.").

Using examples from various IP laws, Part I explains the interactions of the territorial scope of substantive IP laws, conflict of laws rules, and a country's physical ability to enforce its laws; the results of the interactions define the effective territorial scope of national IP laws, which should ideally be shaped in accordance with national IP policies. Because the ability of conflict of laws rules to assist in advancing national IP policies may not be readily apparent, Part II proceeds by discussing the role that conflict of laws rules play in the implementation of national policies. For legislators to be able to adjust conflict of laws rules and substantive IP laws to serve the policies, the legislators must enjoy some flexibility to amend the rules and the laws; Parts III and IV analyze the flexibility that is available to legislators, and show that although some limitations are placed on countries' legislation in the two areas of law, sufficient flexibility remains for legislators to shape the rules and laws. The flexibility can be utilized with the assistance of various tools from the two areas of law, and Part V reviews such tools. Finally, Part VI provides two examples that illustrate the utility of the calibration of the territorial scope of IP laws and conflict of laws rules to achieve particular national IP policy goals.

Some conflict of laws experts may object to the use of conflict of laws rules to achieve the goals of substantive national policies (the so-called "instrumentalization" of conflict of laws rules);<sup>29</sup> critics may insist that the rules ought to reflect solely those policies that typically affect conflict of laws rules (such as policies related to the administration of justice and the safeguarding of procedural rights). This Article, however, suggests that conflict of laws rules have been used instrumentally to support national substantive policies, that the rules should contribute to the implementation of substantive policies, including IP policies, and that in the globalized world the rules are in fact indispensable to the implementation of substantive policies.

While this Article analyzes how conflict of laws rules can be utilized in the design of the effective territorial reach of national IP laws, it does not attempt to identify any specific national IP policies that should be promoted, nor does it advocate for or against any specific rights and interests that should be reflected in IP legislation. Naturally, the identification of particular policies, rights, and interests is crucial for making decisions about the content and the optimal effective

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29. Cf. Jack J. Goldsmith, *Against Cyberanarchy*, 65 U. CHI. L. REV. 1199, 1233 (1998) ("[I]n designing choice-of-law rules or standards, it is better to begin at the micro rather than macro level, and to examine recurrent fact patterns and implicated interests in discrete legal contexts rather than devise a general context-transcendent theory of conflicts."); see generally, Van Den Eeckhout, *supra* note 3.

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territorial scope of IP laws; however, the discussion and the selection of the optimal policies, rights, and interests that should be reflected in national IP laws is beyond the scope of this Article.

This Article makes four major points: (1) How far IP laws actually reach depends not only on substantive IP law, but also on conflict of laws rules, and countries' physical abilities to enforce the laws; these components delineate the effective territorial scope of national IP laws; (2) Legislators should calibrate substantive IP laws and conflict of laws rules to achieve the effective territorial reach that they deem optimal;<sup>30</sup> (3) If legislators cannot enact conflict of laws rules because they have limited power to do so or because of other limitations (for example, because of international instruments that mandate certain conflict of laws rules), they should consider alternative means to influence the effective territorial reach of national IP laws; (4) At the international level, it is unlikely that countries will achieve complete uniformity in the effective territorial scope of IP laws: such uniformity would require the international harmonization of both the territorial scope of substantive IP laws and conflict of laws rules, and such harmonization is unlikely to happen in the near future.

#### I. THE EFFECTIVE TERRITORIAL SCOPE OF NATIONAL INTELLECTUAL PROPERTY LAWS

Delineating the territorial reach of national laws is a complicated exercise. The territorial scope of national laws, such as IP laws, is often equated with the territorial reach of prescriptive jurisdiction;<sup>31</sup> the laws are expected to apply within the country, and whether they reach beyond the national borders of the country (whether they have an extraterritorial effect) is a decision for either legislators when they adopt national legislation or courts when they interpret the legislation.<sup>32</sup> Legislators sometimes do choose to formulate the intended reach of prescriptive jurisdiction in a statute; for example, Section 271(a) of the U.S. Patent Act defines as "infringing" the acts of making, using,

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30. The optimal territorial reach might not always be the maximum possible territorial reach, as one of the examples in Part VI *infra* demonstrates.

31. "[J]urisdiction to prescribe" means the power of a state "to make its law applicable to the activities, relations, or status of persons, or the interests of persons in things, whether by legislation, by executive act or order, by administrative rule or regulation, or by determination of a court." RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW § 401 (1987). International law and constitutions pose limits on the proper reach of prescriptive jurisdiction.

32. Curtis A. Bradley, *Territorial Intellectual Property Rights in an Age of Globalism*, 37 VA. J. INT'L L. 505 (1997).

offering to sell, or selling “any patented invention, within the United States or import[ing] into the United States any patented invention.”<sup>33</sup> In other instances, the reach of prescriptive jurisdiction will result from judicial interpretation; for example, Section 271(b) has been interpreted by U.S. courts to reach those who actively induce infringement of a U.S. patent even when they act outside the United States.<sup>34</sup> Absent legislative language, the presumption is that national legislators legislate solely for the territory of their own country.<sup>35</sup>

The territorial reach of prescriptive jurisdiction is not, however, identical to the *effective* territorial scope of substantive laws—the territory in which the laws are truly enforced; the effective territorial scope is usually smaller than the territorial reach of prescriptive jurisdiction. For example, Section 271(b) intends to stop inducements of infringement of a U.S. patent, even when the acts of inducement occur outside the United States; however, the United States will not always succeed in actually stopping or remedying acts that occur outside its territory, particularly if the infringer who induced patent infringement has no presence or assets in the United States. Although the U.S. Patent Act is intended to reach activity outside the United States, *de facto* the Act might not be effective in all places where such activity might occur; the Act’s effective territorial scope is smaller than its intended territorial reach.

Whether a national law is effective outside its country—what the effective territorial scope of the national law is—depends on three components. The first component is the intended territorial reach of the substantive laws as it is envisioned by legislators in their notion of the reach of prescriptive jurisdiction, or in the interpretation by the national courts regarding the reach of prescriptive jurisdiction.<sup>36</sup> The other two components are conflict of laws rules—both national rules and the rules of other countries—and the enforcement power of countries that may be involved in the enforcement of the laws.<sup>37</sup> Conflict of laws rules comprise rules of jurisdiction, choice of law rules, and rules for the recognition and enforcement of foreign judgments;

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33. 35 U.S.C. § 271(a) (2012). *Cf. infra* Part IV (discussing a certain degree of flexibility available in interpreting the territorial scope of this provision).

34. 35 U.S.C. § 271(b) (2012); *see, e.g.*, *Merial Ltd. v. Cipla Ltd.*, 681 F.3d 1283, 1302–03 (Fed. Cir. 2012); *Honeywell Int’l. Inc. v. Acer Am. Corp.*, 655 F. Supp. 2d 650 (E.D. Tex. 2009).

35. *See supra* notes 7–9 and accompanying text.

36. *See supra* note 31 for a definition of prescriptive jurisdiction.

37. *See* Goldsmith, *supra* note 29, at 1216 (noting that “the effective scope of [a country’s] law depends on [the country’s] ability to enforce it”).

these rules determine when courts can adjudicate a dispute, which country's law the courts will apply and under what circumstances, and whether the courts will recognize and enforce judgments rendered in other countries.<sup>38</sup>

The enforcement power in this context means the power to achieve compliance with the law—not just passing legislation and adjudicating violations of the law, but actually enforcing the law, which means securing remedies and achieving compliance with the law.<sup>39</sup>

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38. Some authors have argued that the court practice in the United States developed such that, in the context of federal legislation, the analysis of extraterritoriality (the extent of prescriptive jurisdiction) has displaced the choice of law analysis, while in the context of state legislation, the choice of law analysis has displaced the analysis of extraterritoriality. According to the authors, the result is that litigants who do not succeed with claims based on U.S. federal statutes because of insufficient extraterritorial effects of the statutes (for example, because of the strict application of the presumption against extraterritoriality) turn to alternative claims based on state law that is easily extended extraterritorially through choice of law. This assessment suggests that for U.S. federal statutes, choice of law rules play a lesser role in co-defining the statute's effective territorial scope. However, choice of law analysis does play a role in defining the territorial reach of federal statutes when the analysis is conducted vis-à-vis foreign-country law (that is, a party pleads foreign law and it is a type of foreign law that a court in the United States could apply). For the difference in defining the territorial scope of applicability of federal versus state laws see Florey, *supra* note 9, at 548–49, 552–53; Colangelo, *supra* note 26, at 144–46. The reasons for the prevalence of the assessment of extraterritoriality (as opposed to choice of law analysis) for federal statutes may include, in addition to the reasons explored by Florey, *supra* note 9 at 553, the fact that “the majority of [federal law] cases involve statutes, most of which are of a public-law character.” SYMEON C. SYMEONIDES, *AMERICAN PRIVATE INTERNATIONAL LAW* 295 (2008). On the “public law taboo” that can prevent U.S. courts from conducting choice of law analysis see Hannah L. Buxbaum, *Remedies for Foreign Investors Under U.S. Federal Securities Law*, 75 *LAW & CONTEMP. PROBS.* 161, 174–75 (2012).

39. The term “enforcement power” is not identical to the term “jurisdiction to enforce” that was used in the *RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW* (1987) and in the *RESTATEMENT (SECOND) OF FOREIGN RELATIONS LAW* (1965). “Jurisdiction to enforce,” as defined in the *Restatements*, places limits on a country's ambition to enforce its laws and regulations. *RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW* § 401(c) (1987); *RESTATEMENT (SECOND) OF FOREIGN RELATIONS LAW* §§ 6–7 (1965). As the Introductory Note to the chapter on Jurisdiction to Enforce of the 1987 *Restatement* explains, the *Restatement* set out to resolve “uncertainty as to where reasonable pursuit of one state's jurisdiction to enforce its law ends, and unwarranted intrusion into another state's jurisdiction begins.” *RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW* (1987), pt. IV, ch. 3, intro. note. While “jurisdiction to enforce” sets limits on when countries *may* enforce their laws and regulations (based on international law), the “enforcement power” defines when countries *can* enforce their laws and regulations (based on countries' physical abilities to enforce).

In the 1987 *Restatement*, “jurisdiction to enforce” is defined as “jurisdiction . . . to induce or compel compliance or to punish noncompliance with its laws or regulations, whether through the courts or by use of executive, administrative, police, or other nonjudicial action.” *RESTATEMENT (THIRD) OF FOREIGN RELATIONS LAW* (1987), § 401(c). A Comment to the 1965 *Restatement* defined “jurisdiction to ‘enforce’” as

The territorial scope of the enforcement power of a country covers the territory in which the country is capable of enforcing its laws on its own, without the assistance of other countries. Successful enforcement without assistance from other countries requires the presence in the country of a defendant and/or his assets, or the ability of the country to enforce the laws against third parties whose services facilitate the defendant's activity and who have a sufficient presence in the country; for example, enforcement may be directed at internet service providers or payment processors.<sup>40</sup>

An inducement example illustrates the role of conflict of laws rules and the enforcement power in affecting the effective territorial scope of national laws: Assume that an infringer induces the infringement of a U.S. patent through acts committed in Germany, and that he and his assets are located in Germany. Although the U.S. Patent Act is designed to reach the infringing acts and the infringer in Germany, without Germany's assistance the Act will not be enforced against the infringer because the United States has no enforcement power in Germany. Germany might enforce U.S. laws against the infringer, but only if German courts are either willing to recognize and enforce a U.S. judgment (based on the U.S. Patent Act) against the infringer, or are willing to adjudicate the infringement under the U.S. Patent Act and then enforce their judgment against the infringer.

Figures 1 and 2 below help explain the interaction of the three types of components and demonstrate the difficulties of delineating the effective territorial scope of national laws.<sup>41</sup> The figures present simplified models that involve the enforcement of the IP laws of a sin-

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the capacity of a state under international law to enforce a rule of law, whether this capacity be exercised by the judicial or the executive branch, as is normally the case in the United States, or by some other branch of government, as may be the case in states with differing forms of government.

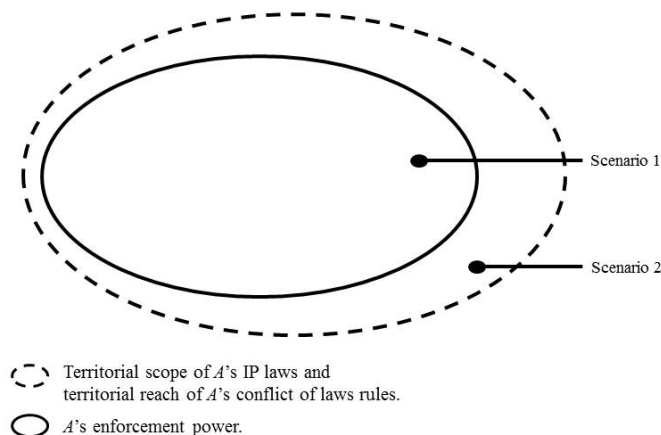
RESTATEMENT (SECOND) OF FOREIGN RELATIONS LAW (1965), § 6 cmt. a. On the insufficient clarity of the term in the 1965 *Restatement* see Andreas F. Lowenfeld, *Public Law in the International Arena: Conflict of Laws, International Law, and Some Suggestions for Their Interaction*, 163 RECUEIL DES COURS 311, 434 n.105 (1979).

40. See, e.g., Unlawful Internet Gambling Enforcement Act, 31 U.S.C. § 5363 (2012); see also Goldsmith, *supra* note 29, at 1217.

41. Three caveats should be mentioned: First, the figures are Venn diagrams in which the ovals portray the three components and a certain sets of scenarios; the diagrams are not geographical maps covering any physical areas. Second, for simplification, the figures depict the scope of the territorial reach of conflict of laws rules and the scope of the enforcement power only to the extent that the scope of the reach and the scope of the power are relevant to the determination of the effective territorial scope of the single-country IP law that is illustrated by the figures. Third, the diagrams are not intended to show the individual components to scale, and the sizes of the ovals and their positions in the figures do not correspond to any measure of the territorial scope of the components.

gle country (country A). Figure 1 illustrates a situation in which country A obtains no assistance from other countries in the enforcement of its IP laws; the figure shows the interrelationships of country A's territorial scope of national IP laws, A's conflict of laws rules, and A's enforcement power. The fact that the territorial scope of A's IP laws and the territorial reach of A's conflict of laws rules (the large oval with the dashed line) extend beyond the territorial scope of A's enforcement power (the small oval with the solid line) suggests that A's legislators have legislated for some scenarios in which A lacks enforcement power (which is not uncommon, and the inducement case above is an example of this scenario).

Figure 1: Effective Territorial Scope of Intellectual Property Laws (Country A)



The two dots in Figure 1 identify two different scenarios:<sup>42</sup> In scenario 1,<sup>43</sup> all three components are present and country A is able to enforce its IP laws; the area where all three components overlap marks the effective territorial scope of A's IP laws when A relies on only its own enforcement power. In scenario 2,<sup>44</sup> the enforcement power of country A is missing, which means

42. The scenarios in this section provide *examples* of situations that fall within the different areas of the Venn diagrams; other scenarios may also fall within these areas.

43. Scenario 1: A's resident infringes a patent granted in A through an infringing act committed in A. A's courts have jurisdiction over the infringer because he is domiciled in A. A's courts apply A's law to the infringing act, and A enforces the judgment against the defendant.

44. Scenario 2: An infringer commits an act that is infringing in A but the infringer is not domiciled or located in A and has no assets in A. A's courts have jurisdiction over the infringer based on the place of the tortious activity, and A's courts apply A's laws. However, A's laws will not be enforced in this single-country scenario because A cannot enforce the resulting judgment on its own. *See, e.g., Lucasfilm Ltd. v. Shepperton Design Studios Ltd.*, 2006 WL 6672241 (C.D. Cal. Sept. 26, 2006). In *Lucasfilm*, the defendant, who was



that country *A* on its own, without the assistance of other countries, cannot enforce its IP laws even though its legislators intended for its laws to apply in that scenario.

Figure 1 presents a hypothetical model for a cross-border scenario; it would be very unusual for a country to rely solely on its own enforcement power when enforcing its laws; under normal circumstances, *A* would enjoy some assistance from other countries. Figure 2 shows the more realistic case of what happens when another country lends its assistance to *A*; Figure 2 is another simplified model, this time involving two countries—country *A* and country *B*—both enforcing *A*'s laws; the model is simplified because it is possible that more than just one country may be available to assist *A* in the enforcement of *A*'s laws.<sup>45</sup>

Figure 2: Effective Territorial Scope of Intellectual Property Laws  
(Countries *A* and *B*)

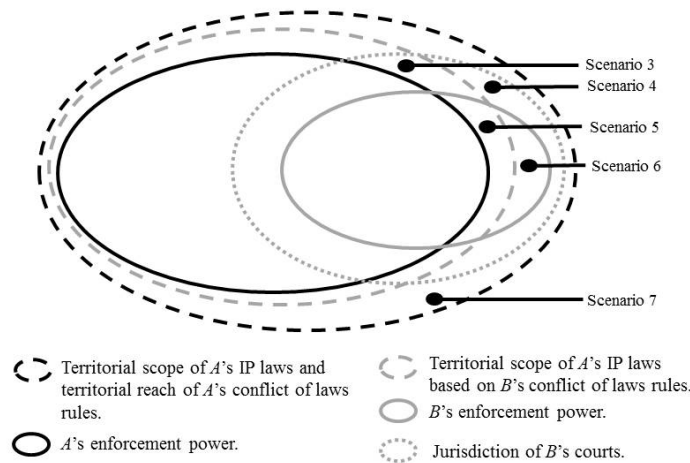


Figure 2 adds three gray ovals for country *B* to the two black ovals for country *A* from Figure 1. The dashed-line gray oval represents the territorial scope of *A*'s laws based on *B*'s conflict of laws rules; it covers all instances in which *B* considers *A*'s laws applicable, and it is smaller than the dashed-line black oval because country *B* does not consider *A*'s laws applicable to all instances to which country *A* does. The solid-line gray oval represents the territorial scope of *B*'s enforcement power, and the dotted-line gray oval repre-

domiciled in the United Kingdom, was sued in the United States (country *A*) for copyright infringement, trademark infringement, and unfair competition under both federal and state laws; the defendant committed the acts through internet pages that were accessible from California. *Id.* The plaintiff sought recognition and enforcement of the resulting default judgment against the defendant in the United Kingdom but recognition of the U.S. default judgment was denied. *See infra* note 122 and accompanying text.

45. In any given case the number of countries available to assist in the enforcement of *A*'s laws will be limited according to the number of countries whose conflict of laws rules and enforcement power allow them to assist in the enforcement of *A*'s laws.

sents the territorial scope of the jurisdiction of *B*'s courts.<sup>46</sup> The five scenarios identified in Figure 2 illustrate how the presence or absence of any of the three components influences the enforceability—or, the effectiveness—of *A*'s IP laws.<sup>47</sup> In each of the scenarios in Figure 2, *A* cannot enforce its laws

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46. “Jurisdiction of *B*'s courts” refers to adjudicatory jurisdiction, both personal and subject-matter jurisdiction.

47. Scenario 3: A person domiciled in a third country infringes copyright in *A*. *A*'s courts have jurisdiction over the infringer based on the place of the tortious activity; *B*'s courts have jurisdiction over the infringer because he regularly conducts business in *B*. However, the infringer is present in neither *A* nor *B*, and his assets are all located outside of *A* and *B*. Because neither *A* nor *B* have enforcement power over the infringer, *A*'s laws will not be enforced even though *A* and *B* agree that *A*'s laws apply and that *A*'s and *B*'s courts can adjudicate the infringement.

Scenario 4: The same facts as in scenario 3 except that for some reason *B*'s courts will not apply *A*'s laws to the infringing acts if they adjudicate the case. Because neither *A* nor *B* have enforcement power over the infringer, *A*'s laws will not be enforced.

Scenario 5: A person domiciled and residing in *B* infringes copyright in *A*; *A*'s courts have jurisdiction over the infringer based on the place of the tortious activity. *B*'s courts have jurisdiction over the infringer because he is domiciled in *B*, and *B* also has enforcement power over the infringer who resides in *B*. Because the infringer is not present in *A* and has no assets in *A*, *A* lacks enforcement power over the infringer. Nevertheless, *A*'s laws can be enforced if *B* assists with the enforcement because *B* has enforcement power and agrees that *A*'s laws apply. Regardless of whether *A*'s or *B*'s courts adjudicate the case, *A*'s laws will be applied, and the resulting judgment will be enforced in *B*, which can enforce its own courts' judgment or recognize and enforce a judgment by *A*'s courts. See, e.g., *Lucasfilm Ltd. v. Shepperton Design Studios Ltd.*, 2006 WL 6672241 (C.D. Cal. Sept. 26, 2006); *Lucasfilm Ltd. v. Ainsworth*, [2011] UKSC 39 (appeal taken from Eng.); see also, *supra* note 44 and *infra* note 122. In *Lucasfilm*, the U.K. court (a court in country *B*) denied recognition of the U.S. judgment (a judgment from country *A*) but allowed the case to be relitigated in the United Kingdom under U.S. law. [2011] UKSC 39.

Scenario 6: The same facts as in scenario 5 except that for some reason *B*'s courts will not apply *A*'s laws to the infringing acts. If *B*'s courts adjudicate the case, they will apply the laws of a different country (different from *A*; they could be *B*'s own laws). If *A*'s courts adjudicate the case based on *A*'s laws, *B*'s courts might not recognize and enforce the resulting judgment of *A*'s courts; whether or not *B*'s courts recognize the judgment depends on the reasons for which *B* considers *A*'s prescriptive and/or adjudicatory jurisdiction in the case improper. If the only reason is that *B*'s conflict of laws rules would direct *B*'s courts to apply the laws of some other country, *B*'s courts will probably recognize and enforce *A*'s judgment even if it is based on *A*'s laws (as long as *A*'s court was the court in which the case was first filed). If the reason is that the application of *A*'s laws or the ground for exercising jurisdiction of *A*'s courts is against *B*'s public policy, then *B*'s courts are unlikely to recognize the judgment of *A*'s courts. See, e.g., *Sarl Louis Feraud Int'l. v. Viewfinder, Inc.*, 489 F.3d 474, 482 (2d Cir. 2007) (citing U.S. public policy to deny the recognition and enforcement of a French judgment that was based on French IP law against U.S.-domiciled defendants); see also *infra* notes 224 and 225.

Scenario 7: A person domiciled in a third country infringes copyright in *A*. *A*'s courts have jurisdiction over the infringer based on the place of the tortious activity; *B*'s courts have no jurisdiction over the infringer. The infringer is present in neither *A* nor *B*, and his assets are also located outside *A* and *B*. Because *A* has no enforcement power over the infringer, *A*'s laws will not be enforced. *B* cannot assist in the enforcement of *A*'s laws; *B*'s

on its own because it has no enforcement power in those scenarios (all five scenarios are outside the black solid-line oval that represents *A*'s enforcement power). However, once *A* enjoys *B*'s assistance, the effective territorial scope of *A*'s IP laws becomes larger than it was when *A* had to rely on only its own enforcement power; in scenario 5 and in some circumstances also in scenario 6, *A*'s laws may now be enforced with the assistance of country *B*.<sup>48</sup>

It is apparent from Figure 1 that the effective territorial scope of a country's substantive laws, such as IP laws, does not correspond to the territorial scope of the laws as intended by the country's legislators (the black dashed-line oval). But the effective territorial scope is also not confined to the territorial scope of the country's own enforcement power (the black solid-line oval); as Figure 2 shows, assistance by other countries may enlarge the effective territorial scope of a country's substantive laws beyond the territorial scope of the country's own enforcement power.

While the effective territorial scope of substantive laws results from the interaction of the three types of components, legislators cannot adjust all of the components. The territorial scope of the enforcement power seldom changes in its territorial scope; absent some changes in the territory of the country or in the ability of the country to control its territory (for example, changes occurring because of the cessation or occupation of a part of the territory), the territorial scope of the enforcement power typically remains constant. A country also has limited, if any, ability to affect other countries' conflict of laws rules; while legislators can adjust their country's own conflict of laws rules, they cannot legislate conflict of laws rules for other nations.<sup>49</sup>

Without the ability to influence the territorial scope of the enforcement power and foreign countries' conflict of laws rules, legislators are left with only two of the three components that they can adjust to achieve the optimal effective territorial scope of substantive laws: the territorial scope of the country's substantive laws and the country's conflict of laws rules. It will be in these two components where legislators must search for tools that can be used to make the desired territorial adjustments, and it will be these two components that legislators need to mutually coordinate to achieve the intended effective territorial scope of substantive laws.

As for the conflict of laws rules of other countries, an international treaty would be required for countries to influence conflict of laws rules interna-

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courts have no jurisdiction over the infringer and *B* also has no enforcement power over the infringer.

48. Because of *B*'s assistance, *A* can count on its laws being enforced in scenario 5, and, under certain circumstances, *A*'s laws will also be enforced in scenario 6. See *supra* note 47 for the explanation of the necessary circumstances in scenario 6. Therefore, scenarios 5 and 6 demonstrate the potential for the expansion of the effective territorial scope of *A*'s laws. *A*'s laws remain unenforced in scenarios 3, 4, and 7 even when *B* is involved.

49. See *infra* Part III on the potential effects that foreign countries' laws and practices may have on conflict of laws.

tionally and set a single standard for the rules.<sup>50</sup> It will be incumbent upon legislators to evaluate how much their inability to affect foreign conflict of laws rules limits their success in defining the effective territorial scope of their own national laws with sufficient precision and certainty. An agreement at the international level on conflict of laws rules might be a necessary next step for countries to take if legislative success in delineating the territorial scope of national laws is insufficient.

## II. THE ROLE OF CONFLICT OF LAWS RULES IN PROMOTING NATIONAL POLICIES

It may seem that conflict of laws rules have no role to play in the implementation of national policies; however, conflict of laws rules and national policies do interact, and they do so on two levels. First, conflict of laws rules implement national policies that are inherent in the conflict of laws field, such as policies that concern the administration of justice, predictability, uniformity of results, legal certainty, and procedural fairness—policies that typically affect procedural rules. Second, conflict of laws rules define when national law applies; and therefore the rules de facto “legislate” substantive law in a given case and influence when national policies (in this case “substantive policies”—those that are implemented primarily in substantive laws) are promoted.<sup>51</sup>

At the level of interaction that concerns substantive policies, conflict of laws rules interact with such policies in two different ways. First, conflict of laws rules may be designed so that their application requires courts to take into consideration the content of substantive laws and thus the substantive policies that underlie the policies. The interest analysis<sup>52</sup> developed by the

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50. So far, countries have not agreed on a large-scale conflict of laws treaty. See *The Judgments Project*, *supra* note 14, and the discussion in Part III on limited conflict of laws treaties and regional conflict of laws instruments.

51. The effects of choice of law rules on the territorial scope of substantive laws have long been recognized. See, e.g., David F. Cavers, *The Changing Choice-of-Law Process and the Federal Courts*, 28 LAW & CONTEMP. PROBS. 732, 734 (1963) (“[The courts’] decisions [about choice of law] have in effect determined, for the particular case and similar cases presenting a like pattern of conflicting rules, the reach of the respective state laws.”); Kermit Roosevelt III, *Choice of Law in Federal Courts: From Erie and Klaxon to CAFA and Shady Grove*, 106 NW. U. L. REV. 1, 18 (2012) (“[C]hoice-of-law rules set the scope of state law.”). This aspect of the interaction is reflected in the application of the *Erie* doctrine in the United States; because of the impact that conflict of laws rules can have on the substantive outcome of court decisions, the rules are handled as substantive and not procedural for *Erie* doctrine purposes. *Klaxon Co. v. Stentor Electric Mfg. Co.*, 313 U.S. 487, 496 (1941) (citing *Erie R.R. Co. v. Tompkins*, 304 U.S. 64 (1938)); see also Colangelo, *supra* note 26, at 141 (“Choice-of-law analyses that select U.S. forum law to regulate foreign conduct effectively produce extraterritorial exercises of prescriptive jurisdiction.”).

52. Brainerd Currie, *Married Women’s Contracts: A Study in Conflict-of-Laws Method*, 25 U. CHI. L. REV. 227 (1958); see also, e.g., SYMEON C. SYMEONIDES, *THE AMERICAN CHOICE-OF-LAW REVOLUTION IN THE COURTS: TODAY AND TOMORROW* 14–24, 38 (2006).

American choice of law revolution is an example of a choice of law approach that requires courts to assess the substance of the potentially applicable laws and evaluate the respective states' interests in promoting the policies.<sup>53</sup> The "better law" approach,<sup>54</sup> another product of the American choice of law revolution, requires that courts compare substantive solutions adopted in the competing laws as one of the factors whose weighing leads to the selection of the applicable law. The American choice of law revolution was not the first wave of scholars in choice of law who were concerned about the substance of the potentially applicable laws; many centuries before the revolution, the medieval Statutists also sought answers to choice of law questions in the substance of applicable laws.<sup>55</sup>

Whether the application of conflict of laws rules should deliberately lead to the promotion of certain substantive policies has been debated. The scholars who contend that substantive policies should not influence the application of conflict of laws rules have searched for conflict of laws rules that would be neutral vis-à-vis the content of the substantive laws and the national policies that the laws implement.<sup>56</sup> But even these scholars advocating substance-neutral rules sometimes have yielded to certain substantive policy considerations; for example, in 1842, Carl Georg von Waechter suggested an exception to the rule of *lex fori* (which he advocated for torts) "in favor of a defendant who injured a foreign plaintiff in the latter's own country which

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53. See also Paul Edward Geller, *Conflicts of Laws in Cyberspace: Rethinking International Copyright in A Digitally Networked World*, 20 COLUM.-VLA J.L. & ARTS 571, 574-78 (1996) (distinguishing between "categorical analysis" and "functional analysis" of choice of law issues).

54. Robert A. Leflar, *Conflicts Law: More on Choice-Influencing Considerations*, 54 CALIF. L. REV. 1584, 1587-88 (1966); see also SYMEONIDES, *supra* note 52, at 51.

55. Statutists furthered "the concept that applicable law must be determined by looking at the spatial reach of a certain rule of substantive law" by answering the question "over which (cross-border) legal situations does it claim application?" MIREILLE M.M. VAN EECHOU, CHOICE OF LAW IN COPYRIGHT AND RELATED RIGHTS: ALTERNATIVES TO THE LEX PROTECTIONIS 25 (2003); see also MARTIN WOLFF, PRIVATE INTERNATIONAL LAW 29-30 (2d ed. 1950). Magister Aldricus (in the twelfth century) suggested that "the judge should apply that law which seems to him the better and more useful." *Id.* at 22. Because of their focus on the promotion of substantive policies similar to the method of promotion used by the Statutists, adherents to the interest analysis and other modern approaches have been referred to as "neo-Statutists." See TH. M. DE BOER, BEYOND LEX LOCI DELICTI: CONFLICTS METHODOLOGY AND MULTISTATE TORTS IN AMERICAN CASE LAW 5 (1987); VAN EECHOU, *supra*, at 28.

56. See, e.g., JOSEPH H. BEALE, A TREATISE ON THE CONFLICT OF LAWS (1935); FRIEDRICH CARL VON SAVIGNY, A TREATISE ON THE CONFLICT OF LAWS, AND THE LIMITS OF THEIR OPERATION IN RESPECT OF PLACE AND TIME (1972). On the "functionalist" approach to conflict of laws (the approach according to which "choice-of-law rules should be attuned to the achievement of decisional harmony only") and the "conflicts justice" approach (the approach according to which choice-of-law rules should promote "a neutral kind of justice, or justice on a supranational plane"), see Th. M. De Boer, *Facultative Choice of Law: The Procedural Status of Choice-of-Law Rules and Foreign Law*, 257 RECUEIL DES COURS, 290-93 (1996).

refuses a remedy<sup>57</sup>—an exception that appeared to be guided by a preference for a certain substantive policy.

The second way in which conflict of laws rules interact with substantive policies leads national policies to impact directly the design of conflict of laws rules.<sup>58</sup> As De Boer explains, in these types of rules, “the function of substantive law has been translated into a connecting factor that refers to the legal environment of the party whose interests the forum has at heart.”<sup>59</sup> For example, pro-consumer policies implemented in consumer protection laws may find their reflection in conflict of laws rules concerning choice of court agreements concluded in consumer contracts<sup>60</sup> and in the rules for choice of national law that applies to such contracts.<sup>61</sup>

The increasing proliferation of conflict of laws rules evidences a trend in which conflict of laws rules are designed with specific substantive policies in mind; special conflict of laws rules emerge that are designed for certain areas of law and for certain issues, and that are tailored to the policies that define the particular areas and issues.<sup>62</sup> Intellectual property has not been excepted from this trend. Although IP-specific conflict of laws rules have been legislated only recently and only in some countries,<sup>63</sup> courts have developed IP-specific approaches to the application of general conflict of laws rules for decades.<sup>64</sup> This early de facto conflict of laws rules proliferation in the area of IP occurred under the influence of strong policies that have underpinned national IP laws and the international IP law system.<sup>65</sup>

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57. 3 ALBERT A. EHRENZWEIG AND ERIK JAYME, PRIVATE INTERNATIONAL LAW: A COMPARATIVE TREATISE ON AMERICAN INTERNATIONAL CONFLICTS LAW, INCLUDING THE LAW OF ADMIRALTY 65–66 (1977).

58. Historically, the development that led to the designing of rules that reflect substantive policies evolved from the same dissatisfaction with the content-neutral approach to choice of law that propelled the American choice of law revolution. See, e.g., De Boer, *supra* note 56, at 293–97.

59. *Id.* at 295.

60. Brussels I Regulation (recast), *supra* note 22, at art. 19.

61. Council Regulation 593/2008, of the European Parliament and of Council of 17 June 2008 on the Law Applicable to Contractual Obligations, art. 6, 2008 O.J. (L 177) 6 [hereinafter Rome I Regulation].

62. See DE BOER, *supra* note 55, at 53 (“Increasingly, normative notions inherent in a legal system’s substantive law are transplanted to its choice of law rules, gradually changing the blunt features of the neutral allocation method.”). On the trend of “instrumentalisation” of conflict of laws, see also, generally, Van Den Eeckhout, *supra* note 3, and Goldsmith, *supra* note 29. Some conflict of laws rules have been so tightly intertwined with substantive policies that the rules have appeared in substantive laws; Part III demonstrates examples of such “mixed rules,” in which conflict of laws rules are embedded in substantive laws and used to promote particular substantive policies.

63. See *infra* Part V for the discussion of IP-specific conflict of laws legislation.

64. See *infra* Part V for examples of court-developed IP-specific conflict of laws rules and approaches.

65. See *infra* Parts III and IV for the policies that have defined national and international IP law.

The proliferation of conflict of laws rules reflects the recognition that the rules do play a significant role in promoting national IP policies. National policies on IP continue to differ among countries notwithstanding the significant degree of agreement that countries share on many of the policies; the agreement has led to harmonization of national IP laws at the international level through a number of international treaties.<sup>66</sup> A typical example of countries' disagreement on IP policies is the exhaustion doctrine;<sup>67</sup> a country that relies heavily on imports may prefer the rule of international exhaustion that facilitates competition in imports<sup>68</sup> while a country that is a strong exporter may prefer the rule of national exhaustion that allows IP right holders to price discriminate and protect the domestic market from an influx of cheaper parallel imports.<sup>69</sup> Guided by the desire to become the future global center of the software industry a country may adopt copyright ownership rules to facilitate corporate ownership of copyright in software<sup>70</sup> and provide for sui generis protection of non-copyrightable aspects of databases.<sup>71</sup> A desire to protect authors and original copyright owners as weaker parties against those who license or acquire their copyrights and benefit from a later increase in the value of the copyrights may prompt countries to adopt measures that enable the authors and original copyright owners to renegotiate the transfers or licenses of their copyrights.<sup>72</sup>

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66. See, e.g., Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1896, S. TREATY DOC. NO. 99-27 (1986) (as revised at Paris July 4, 1971 and amended Sept. 28, 1979) [hereinafter Berne Convention]; Paris Convention for the Protection of Industrial Property, March 20, 1883, 21 U.S.T. 1583, 828 U.N.T.S. 305 [hereinafter Paris Convention]; Marrakesh Agreement Establishing the World Trade Organization, Apr. 15, 1994, 1869 U.N.T.S. 299, Annex 1C, Agreement on Trade-Related Aspects of Intellectual Property Rights [hereinafter TRIPS Agreement]. The most important IP treaties, such as the Berne Convention, the Paris Convention, and the TRIPS Agreement, have been widely adopted. Regionally, an even greater degree of agreement has led to the adoption of regional instruments that harmonize various aspects of IP law.

67. Under the exhaustion doctrine, the IP right "owner's initial authorized transfer of a copy of the work [or product] exhausts the owner's right to control the distribution of that copy [or product]." R. Anthony Reese, *The First Sale Doctrine in the Era of Digital Networks*, 44 B.C. L. REV. 577, 580 n.7 (2003); see TRIPS Agreement, *supra* note 66, at art. 6 (recognizing countries' disagreement on the exhaustion issue). In U.S. copyright law the exhaustion doctrine is known as the "first sale doctrine." 17 U.S.C. § 109(a) (2012).

68. Under the rule of international exhaustion, the first authorized sale of a copy or a product anywhere in the world exhausts the IP rights in the protecting country.

69. Under the rule of national exhaustion, the first authorized sale of a copy or a product exhausts the IP rights in the protecting country but only when the sale occurs in the protecting country.

70. See *infra* Part V for further discussion of this example.

71. See, e.g., Council Directive 96/9/EC, of 11 March 1996 on the Legal Protection of Databases, arts. 7-12, 1996 O.J. (L 077) 20.

72. See, e.g., 17 U.S.C. § 203 (2012) (addressing the termination of transfers and licenses granted by authors); URHEBERRECHTSGESETZ [UrhG] [Copyright Act], Sept. 9, 1965, BGBl at 1273, arts. 32-32b, as amended Jan. 10, 2013 (Ger.); see *also infra* Part V for further discussion of this example.

Even when countries agree on IP policies generally, the policies can still play out differently in specific cases. Because IP rights that require registration are protected only in the countries where the rights are registered (for example, registered trademarks) or granted (for example, patents), the relevance of particular national IP policies to a particular mark or invention varies based on whether the IP right is registered in the country or not. Even when rights vest automatically for multiple countries, as happens in the case of copyright and well-known marks,<sup>73</sup> the rights may be subject to different national IP policies in individual countries. For example, countries may agree that cinematographic works should enjoy copyright protection,<sup>74</sup> but the countries may vary in their notions of whether and how copyright should serve to support their own domestic film industry.<sup>75</sup>

The implementation of the exhaustion principle in copyright law in the United States exemplifies U.S. legislators' failure to identify and implement national IP policies for the transnational context. Court decisions concerning the exhaustion rule in cross-border copyright cases, such as *Quality King Distributors, Inc. v. L'anza Research International, Inc.*,<sup>76</sup> *Omega S.A. v. Costco Wholesale Corp.*,<sup>77</sup> and *Kirtsaeng*,<sup>78</sup> show courts struggling to locate any sign in the legislation or the legislative history of Congress' consideration of cross-border scenarios and implementation of national IP policies in the transnational context. The legislators' silence in this instance is not unique; so far, legislators in only some countries have paid attention to designing IP rules for cross-border scenarios and to reflecting IP policies in conflict of laws rules.

### III. A COUNTRY'S FLEXIBILITY IN DESIGNING ITS CONFLICT OF LAWS RULES

If conflict of laws rules are to serve to implement national IP policies, the rules must be sufficiently flexible to allow countries to fine-tune the rules according to the needs of the countries' policies. Rigid rules would affect the implementation of national policies and not allow countries to shape the rules to accomplish policy goals. As this Part explains, conflict of laws rules are not rigid but are subject to various factors that constrain their design and application. This Part reviews these constraints and argues that despite the limitations caused by the constraints, countries maintain some degree of flexibility when designing and applying conflict of laws rules.

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73. See *infra* note 109.

74. Berne Convention, *supra* note 66, at art. 2(1).

75. See *infra* Part VI for further discussion of this example.

76. 523 U.S. 135 (1998).

77. 541 F.3d 982 (9th Cir. 2008), *aff'd*, 131 S. Ct. 565 (2010).

78. 133 S. Ct. 1351 (2013).



There are four sources of limitations on countries' discretion to formulate their national conflict of laws rules.<sup>79</sup> First, international treaty obligations may dictate that countries adopt certain rules; this source also includes bilateral treaties and regional instruments that may limit or direct countries' choices in setting their conflict of laws rules. Second, comity, which is not formulated in international treaties but is an internationally recognized principle, impacts how countries design and apply their conflict of laws rules. Third, inter-country cooperation (for example, in the recognition and enforcement of foreign judgments) is a source of limitations on the operation of a country's conflict of laws rules, which are confined de facto by other countries' willingness to accept a country's territorial ambitions, whether those ambitions are expressed in conflict of laws rules or in any other of a variety of norms. Finally, higher laws in a country's national hierarchy of laws may limit a country's discretion in formulating its national conflict of laws rules; for example, conflict of laws rules are typically subject to national constitutional principles.

*A. International Treaties and Regional Instruments on Conflict of Laws*

At the international level no large-scale conflict of laws treaty yet exists; the Hague Conference on Private International Law failed to produce a treaty on jurisdiction and the recognition and enforcement of foreign judgments that would apply generally to civil and commercial matters.<sup>80</sup> The Hague Conference's work in the 1990s and early 2000s resulted in a limited Convention on Choice of Court Agreements, which has not yet entered into force.<sup>81</sup> If the reopened Hague Conference's Judgments Project<sup>82</sup> bears fruit in the form of a large-scale treaty, the treaty will limit countries' flexibility in designing their national rules on jurisdiction and in the recognition and enforcement of foreign judgments.

At the regional level, the flexibility of some countries in the conflict of laws area has already been curtailed to some extent. The European Union ("EU") (and through the extension of its legislation, the larger European Economic Area) has rules for jurisdiction of national courts, choice of law, and the mutual recognition and enforcement of judgments from other EU

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79. On sources of limitations on countries' discretion to formulate their national conflict of laws rules see, e.g., EHRENZWEIG, *supra* note 57, at 27–42.

80. See *supra* note 14 and accompanying text.

81. Convention on Choice of Court Agreements, 30 June 2005, available at [http://www.hcch.net/index\\_en.php?act=conventions.text&cid=98](http://www.hcch.net/index_en.php?act=conventions.text&cid=98) (last visited Sept. 26, 2014). The Convention applies only to business-to-business agreements, and excludes IP matters to a certain extent from the Convention's scope. For a discussion of the Convention's applicability to IP matters, see Stefan Luginbuehl & Heike Wollgast, *IP Rights in the Hague Convention on Choice of Court Agreements*, in *FESTSCHRIFT FÜR JOCHEN PAGENBERG* (Dietrich Beier, et al. eds., 2006) 321–49.

82. See *supra* note 14.

member states.<sup>83</sup> Within the scope of these instruments, EU member states are not free to adopt whatever conflict of laws rules they may desire; they must follow the rules in the EU instruments, which are directly applicable under EU law.<sup>84</sup>

Although no large-scale international treaty binds all countries—or even a majority of them—in the conflict of laws area, there is one internationally recognized principle that should guide all countries in designing and applying rules of conflict of laws: the principle of comity.<sup>85</sup> The U.S. Supreme Court in *Hilton v. Guyot*<sup>86</sup> defined the “comity of nations” as “the recognition which one nation allows within its territory to the legislative, executive or judicial acts of another nation, having due regard both to international duty and convenience, and to the rights of its own citizens, or of other persons who are under the protection of its laws.”<sup>87</sup> In its operation, “the principle of comity promotes the notion that [when appropriate] a court will [apply foreign law and] enforce a foreign court’s decision today with the expectation that the foreign court will reciprocate when the situation reverses in the future.”<sup>88</sup> Each country’s legislators and courts assess the appropriateness of the reflection of comity in their own particular provisions and decisions based on a consideration of other countries’ practices and their own expectations as to what the practices ought to be.<sup>89</sup> Although comity places limits on countries’ leeway in the conflict of laws area, the principle is flexi-

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83. Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters, Sept. 16, 1988, 1988 O.J. (L 319) 9, *revised in* Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, Oct. 30, 2007, 2009 O.J. (L 147) 5 [hereinafter Lugano II Convention]; Council Regulation (EC) No. 44/2001 of 22 December, 2000 on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters, art. 35, 2001 O.J. (L 12) 1 [hereinafter Brussels I Regulation]; Council Regulation (EC) No. 2201/2003 of 27 November 2003 Concerning Jurisdiction and the Recognition and Enforcement of Judgments in Matrimonial Matters and the Matters of Parental Responsibility, 2003 O.J. (L 338) 1; 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, 2007 O.J. (L 199) 40 [hereinafter Rome II Regulation]; Brussels Convention, *supra* note 22; Rome I Regulation, *supra* note 61; Brussels I Regulation (recast), *supra* note 22.

84. Treaty on the Functioning of the European Union, 2010 O.J. (C 83) 47, 171, art. 288.

85. For a historical overview of the understanding of “comity” in the United States and a criticism of the current concept of “comity” see Donald Earl Childress III, *Comity as Conflict: Resituating International Comity as Conflict of Laws*, 44 U.C. DAVIS L. REV. 11 (2011).

86. 159 U.S. 113 (1895).

87. *Id.* at 164.

88. MARKET TRIMBLE, *GLOBAL PATENTS: LIMITS OF TRANSNATIONAL ENFORCEMENT* 165 (2012). Notwithstanding this expectation, which is inherent in the operation of the comity principle, comity is not necessarily linked to the principle of reciprocity.

89. Justice Story explained that “[e]very nation must be the final judge for itself, not only of the nature and extent of the duty, but of the occasions on which its exercise may be justly demanded.” JOSEPH STORY, *COMMENTARIES ON THE CONFLICT OF LAWS* 32 (1841).

ble, and countries interpret it to allow space for implementation of their national policies.

*B. Other International Treaties and Regional Instruments*

In addition to international law and principles specific to the conflict of laws area that impact the design of national conflict of laws rules, international treaties and principles arising in other areas of law may also mandate how conflict of laws rules must be designed and applied. For example, Article 8 of the Universal Declaration of Human Rights affects conflict of laws rules because it requires countries to ensure “effective remedy by the competent national tribunals for acts violating fundamental rights.”<sup>90</sup> These requirements have implications for national rules of jurisdiction and choice of law, and may specifically affect the rules with respect to IP because Article 17 of the Declaration concerns property, presumably including IP.<sup>91</sup>

International IP treaties, which are another example of treaties that influence the design of conflict of laws rules, include very few conflict of laws rules per se.<sup>92</sup> For example, Article 5(2) of the Berne Convention is sometimes cited as the key choice of law rule in international copyright;<sup>93</sup> according to the provision “the extent of protection, as well as the means of redress afforded to the author to protect his rights [under copyright], shall be governed exclusively by the laws of the country where protection is claimed.”<sup>94</sup> Some commentators argue that the provision calls for the application of a particular choice of law rule (the law of the protecting country or the law of the forum), at least for copyright infringements,<sup>95</sup> while others view Article 5(2) not as a choice of law provision but as “essentially no more than a rule barring discrimination against foreign right holders, which requires a coun-

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90. Universal Declaration of Human Rights, art. 8, G.A. Res. 217 (III) A, U.N. Doc. A/RES/217(III) (Dec 10, 1948).

91. *Id.* at art. 17. For a discussion of human rights documents’ coverage of IP by provisions on property see Silke von Lewinski, *Intellectual Property, Nationality, and Non-Discrimination, a Document Prepared for the Panel Discussion to Commemorate the 50th Anniversary of the Universal Declaration of Human Rights* (Oct. 20, 1998), [http://www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=7609](http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=7609); Christophe Geiger, *Intellectual “Property” after the Treaty of Lisbon: Towards a Different Approach in the New European Legal Order?*, 32 EUR. INTELL. PROP. REV. 255 (2010); Laurence R. Helfer, *Toward a Human Rights Framework for Intellectual Property*, 40 U.C. DAVIS L. REV. 971 (2007).

92. 2 SAM RICKETSON, JANE C. GINSBURG, *INTERNATIONAL COPYRIGHT AND NEIGHBOURING RIGHTS: THE BERNE CONVENTION AND BEYOND* §§ 20.17–20.28, at 1292 (2d ed. 2005) (“[D]eriving from the Berne text supranational choice of law rules is a delicate, if not improbable, operation.”). Graeme Dinwoodie refers to this source as “public private international intellectual property law.” Dinwoodie, *supra* note 2.

93. Berne Convention, *supra* note 66.

94. *Id.* at art. 5(2).

95. See, e.g., RICKETSON & GINSBURG, *supra* note 92, § 20.08, at 1297–98. Cf. William Patry, *Choice of Law and International Copyright*, 48 AM. J. COMP. L. 383, 409 (2000) (“Berne has no general choice of law directive on ownership . . .”).

try to apply the same law to works of foreign origin as it applies to works of its own nationals.”<sup>96</sup>

While it has been debated whether or not Article 5(2) of the Berne Convention is a choice of law provision, the meaning of Article 14*bis*(2)(a) of the Berne Convention for the choice of applicable law appears to be unequivocal; according to the provision, copyright ownership in cinematographic works “shall be a matter for legislation in the country where protection is claimed.”<sup>97</sup> In the case of this rule, as in the case of Article 5(2), it remains an open question whether it is a rule leading directly to the choice of applicable law, or whether the rule allows for the application of *renvoi*<sup>98</sup> and therefore allows courts in “the country where protection is claimed” to apply their jurisdiction’s choice of law rules to determine applicable law based on those rules.<sup>99</sup> While the first interpretation would mean that the Berne Convention would dictate a particular choice of law rule that countries have to adopt, the second interpretation would give countries freedom to design their own choice of law rule.

Regional IP instruments that are directly applicable in countries in a region<sup>100</sup> typically contain conflict of laws provisions that address various ver-

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96. *E.g.*, PAUL GOLDSTEIN & BERNT HUGENHOLTZ, INTERNATIONAL COPYRIGHT: PRINCIPLES, LAW, AND PRACTICE 129 (2010). For a discussion of the debate about the proper interpretation of the national treatment provision in Berne, see STRÖMHOLM, *supra* note 2, at 21 (“[I]t cannot be denied that both the mention of the law of the country where protection is claimed and the prohibition of discrimination in Art. 5 do imply a reference in principle to a certain legal system—a reference which comes close, both in form and in function, to the rules of private international law.”); *see also* Robert Brauneis, *National Treatment in Copyright and Related Rights: How Much Work Does It Do?* 27 (GW Legal Studies Research Paper No. 2013-103, 2013), *available at* [http://scholarship.law.gwu.edu/faculty\\_publications/810/?utm\\_source=scholarship.law.gwu.edu%2Ffaculty\\_publications%2F810&utm\\_medium=PDF&utm\\_campaign=PDFCoverPages](http://scholarship.law.gwu.edu/faculty_publications/810/?utm_source=scholarship.law.gwu.edu%2Ffaculty_publications%2F810&utm_medium=PDF&utm_campaign=PDFCoverPages). For similar provisions to Article 5(2) of the Berne Convention, see WIPO Performances and Phonograms Treaty, art. 5(3), Dec. 20, 1996, S. Treaty Doc. 105-17 (1997), 2186 U.N.T.S. 203; Beijing Treaty of Audiovisual Performances in Beijing, art. 5(3), June 24, 2012, AVP/DC/20, *available at* [http://www.wipo.int/edocs/mdocs/copyright/en/avp\\_dc/avp\\_dc\\_20.pdf](http://www.wipo.int/edocs/mdocs/copyright/en/avp_dc/avp_dc_20.pdf) (not yet in force as of Sept. 28, 2014) (providing for the law of the country “where protection is claimed” as the law applicable to “[t]he means of redress” for violating the moral rights of authors and performers); Berne Convention, *supra* note 66, at art. 6*bis*(3). Additionally, Article 5(3) of the Berne Convention provides that “[p]rotection in the country of origin is governed by domestic law.” Berne Convention, *supra* note 66, at art. 5(3).

97. Berne Convention, *supra* note 66, at art. 14*bis*(2)(a).

98. *Renvoi* means “refer back or refer away” and it “occurs when the forum applies a foreign choice-of-law rule that selects law different from that chosen by the forum’s rule.” RUSSELL J. WEINTRAUB, COMMENTARY ON THE CONFLICT OF LAWS 103 (6th ed. 2010).

99. On *renvoi* and the Berne Convention see Ginsburg, *supra* note 2, at 322.

100. *See, e.g.*, Convention on the Grant of European Patents of 5 October 1973, 1065 U.N.T.S. 199 [hereinafter European Patent Convention] (The European patent is often described as a bundle of national patents.); Council Regulation (EC) No 40/94 of 20 December 1993 on the Community Trade Mark, 1994 O.J. (L 11) 1 (in effect since 1994, cod-

tical conflicts that may arise in a single territory between the regional law that the instruments create and coexisting national laws; however, the instruments also include rules for horizontal conflicts between the regional law and national laws of countries outside the region, and conflicts among the national laws of countries within the region to the extent that the national laws are applicable within the regime of the regional IP instruments. For example, Article 60(1) of the European Patent Convention includes a rule for choosing the national law that will determine the right to a European patent,<sup>101</sup> and Article 64(3) addresses choice of law for infringements.<sup>102</sup> Similarly, regulations establishing unitary EU-wide rights—the EU Trademark Regulation<sup>103</sup> and the EU Design Regulation<sup>104</sup>—contain rules for “jurisdiction and procedure in legal actions relating” to the unitary rights<sup>105</sup> and for the choice of applicable law.<sup>106</sup>

In addition to the few conflict of laws rules per se that are included in international IP treaties and regional instruments on IP, the treaties and instruments include other provisions that are not conflict of laws rules per se but that affect the design and operation of conflict of laws rules. The principle of territoriality of IP rights,<sup>107</sup> which permeates IP laws at all levels, influences the design and application of conflict of laws rules. The principle of territoriality means that IP rights exist only under a single country’s law and the protection of the rights under the law extends only to places where the law reaches. The principle is clearly apparent, for example, in provisions concerning the independence of individual national patents and trademarks on patents granted and trademarks registered in other countries.<sup>108</sup> Even in

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ified in Council Regulation (EC) No 207/2009 of 26 February 2009 on the Community Trade Mark, 2009 O.J. (L 78) 1 [hereinafter EU Trademark Regulation]; Council Regulation (EC) No 6/2002 of 12 December 2001 on Community Designs, 2002 O.J. (L 3) 1 (in effect since 2002) [hereinafter EU Designs Regulation].

101. European Patent Convention, *supra* note 100, art. 60(1). The rule is accompanied by the Protocol on Jurisdiction and the Recognition of Decisions in Respect of the Right to the Grant of a European Patent, October 5, 1973, available at <http://www.epo.org/law-practice/legal-texts/html/epc/2013/e/ma4.html>.

102. European Patent Convention, *supra* note 100, art. 64(3). The rule calls for the application of “national law” to “[a]ny infringement of a European patent.” *Id.*

103. EU Trademark Regulation, *supra* note 100.

104. EU Designs Regulation, *supra* note 100.

105. EU Trademark Regulation, *supra* note 100, at Title X; EU Designs Regulation, *supra* note 100, at Title IX. Disputes concerning these rights are adjudicated by special courts established by individual EU member countries. EU Trademark Regulation, *supra* note 100, at art. 95; EU Designs Regulation, *supra* note 100, at art. 80.

106. EU Trademark Regulation, *supra* note 100, at arts. 98 and 101.1; EU Designs Regulation, *supra* note 100, at arts. 83 and 88.1. The national courts apply the substantive law of the regulations, and for matters not covered by the regulations, national courts “apply [their] national law, including [their] private international law.” EU Trademark Regulation, *supra* note 100, at art. 101.2; EU Designs Regulation, *supra* note 100, at art. 88.2.

107. *See supra* Part III.

108. Paris Convention, *supra* note 66, at arts. 4bis(1) and 6(3).

cases of rights that enjoy recognition in multiple countries because of international treaties (such as literary and artistic works under the Berne Convention, and well-known marks under the Paris Convention and the TRIPS Agreement),<sup>109</sup> the rights exist on a country-by-country basis with national differences attached to the rights in national legislation (for example, rules of protectable subject matter in copyright and rules for when a mark is considered well-known in the country of enforcement). It is an extension of the territoriality principle that countries typically select the rule of *lex loci protectionis* (the law of the protecting country) or *lex loci delicti* (the law of the place of tort) for the choice of law applicable to infringements of IP rights.

Conflict of laws rules are also affected by the principle of national treatment<sup>110</sup> and the most-favored-nation principle.<sup>111</sup> The principle of national treatment is the defining feature of IP treaties, which were initially negotiated to overcome the protectionism of countries that led some of them to protect the IP of only their own nationals.<sup>112</sup> The principle of national treatment requires that countries treat foreigners (those who enjoy protection of their IP under the treaties because of a connecting factor)<sup>113</sup> in the same manner as or no worse than the countries treat their own nationals.<sup>114</sup> The most-favored-nation principle was imported into IP from trade treaties; the principle requires that all foreigners be treated equal to whichever foreigners are receiving the best treatment.<sup>115</sup> For conflict of laws rules the principles mean that, as among litigants whose IP is protected under a treaty because of a connecting factor, national conflict of laws rules in IP disputes are not permitted to distinguish among litigants based on their nationalities

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109. Berne Convention, *supra* note 66, at arts. 2(6); Paris Convention, *supra* note 66, at art. 6*bis*; TRIPS Agreement, *supra* note 66, at art. 16(2).

110. Paris Convention, *supra* note 66, at art. 2; Berne Convention, *supra* note 66, at arts. 5(1) and 5(3); Universal Copyright Convention as revised at Paris on 24 July 1971, art. II, 25 U.S.T. 1341, 943 U.N.T.S. 178; International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, arts. 4–6, Oct. 26, 1961, 496 U.N.T.S. 43; TRIPS Agreement, *supra* note 66, at art. 3; North American Free Trade Agreement, art. 1703, Dec. 17, 1992, 32 I.L.M. 605 (1993); WIPO Performances and Phonograms Treaty, *supra* note 96, at art. 4. *See also* GOLDSTEIN & HUGENHOLTZ, *supra* note 96, at 99–112.

111. TRIPS, *supra* note 66, at art. 4; *see also* GOLDSTEIN & HUGENHOLTZ, *supra* note 96, at 112–14.

112. *See, e.g.*, CHRISTIAN FRIEDRICH JAEGER, UEBER ERFINDUNGS-PATENTE 35 (1840); FELIX DAMME, DAS DEUTSCHE PATENTRECHT 26 (1906); RICHARD GODSON, A PRACTICAL TREATISE ON THE LAW OF PATENTS FOR INVENTIONS AND OF COPYRIGHT 296 (1840). Some countries even discriminated against their own nationals if the nationals opted for protection of their IP in another country.

113. “Foreigners” may include persons domiciled in other countries—parties to the Convention. *See* Paris Convention, *supra* note 66, at art. 3.

114. *See, e.g.*, Paris Convention, *supra* note 66, at art. 2(1); Berne Convention, *supra* note at, at art. 5(1). For an analysis of the current limited role of the principle of national treatment in intellectual property treaties see Brauneis, *supra* note 96.

115. TRIPS Agreement, *supra* note 66, at art. 4.

if a different treatment of litigants would lead to the violation of the principles.<sup>116</sup>

International treaties and regional instruments that require countries to provide for remedies for infringements of IP rights also influence conflict of laws rules; the provisions can be interpreted to mandate the adoption of specific solutions for jurisdiction and choice of law.<sup>117</sup> For example, Article 8 of the EU Information Society Directive instructs EU member countries to “provide appropriate sanctions and remedies in respect of infringements of the rights and obligations set out in [the] Directive,”<sup>118</sup> and each member country must “take the measures necessary to ensure that rightholders whose interests are affected by an infringing activity carried out in [the member state’s] territory can bring an action for damages and/or apply for an injunction and . . . seizure.”<sup>119</sup> This language of the Directive suggests that an EU member country must provide for the jurisdiction of its courts based on the place of the tortious activity, and that the law of the country must apply to “an infringing activity carried out in [the country’s] territory.”<sup>120</sup>

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116. Of course countries may be bound by other international obligations that also prevent the countries from distinguishing among litigants; in particular, human rights treaties may prohibit discrimination in general. *See, e.g.*, Universal Declaration of Human Rights, *supra* note 90, at art. 7; Treaty on the Functioning of the European Union, *supra* note 84, at art. 18; Charter of Fundamental Rights of the European Union, art. 21, 2000 O.J. (C 364) 13.

117. Berne Convention, *supra* note 66, at art. 16; TRIPS Agreement, *supra* note 66, at art. 41.1; North American Free Trade Agreement, *supra* note 110, at art. 1714–1718; WIPO Copyright Treaty, *infra* note 169, at art. 14; WIPO Performances and Phonograms Treaty, *supra* note 96, at art. 23.

118. Directive 2001/29/EC of the European Parliament and of the Council of 22 May 2001 on the Harmonisation of Certain Aspects of Copyright and Related Rights in the Information Society, art. 8.1, 2001 O.J. (L 167) 10.

119. *Id.* at art. 8.2.

120. *Id.* Provisions of the EU IPR Enforcement Directive could be interpreted similarly except that one of the Directive’s recitals explicitly states that the Directive “does not aim to establish harmonised rules for judicial cooperation, jurisdiction, the recognition and enforcement of decisions in civil and commercial matters, or deal with applicable law.” Directive 2004/48/EC of the European Parliament and of the Council of 29 April 2004 on the Enforcement of Intellectual Property Rights, Preamble, Recital 11, 2004 O.J. (L 195) 16 [hereinafter EU IPR Enforcement Directive]. However, the language of the recital does not mean that the Directive has no influence on national conflict of laws rules; rather, the recital evidences the concern of EU drafters about a potential dispute over the legal basis for the Directive and the required type of legislative procedure, which led the drafters to emphasize the IP-centered focus of the directive (the legal basis and the legislative procedure were different at the time for IP legislation and for legislation concerning judicial cooperation in civil and commercial matters).

It is important to recall that the EU IPR Enforcement Directive was adopted at a time when an ongoing dispute existed between the European Commission and the Council about EU competences in certain criminal law matters. The dispute was settled by the Court of Justice of the European Union in Case C-176/03, *Commission v. Council*, 2005 E.C.R. 7879. The dispute affected the negotiations of the EU IPR Enforcement Directive. On clashes of “[t]raditional private international law and EU law” see generally, Ralf

*C. National Laws and Policies Limiting Conflict of Laws Rules*

The reactions of other countries in actual cases are evidence of the tangible guidelines that exist for a country's conflict of laws rules because assistance from other countries is often necessary for the proper functioning of the rules.<sup>121</sup> Assistance is not limited to the recognition and enforcement of a judgment; the country will also need other countries to assist in matters such as service of process and the securing of evidence. Failure to obtain assistance from other countries does not necessarily mean that the country must amend its conflict of laws rules to make the rules acceptable to other countries or better reflect practices in those countries; however, the actions of other countries will influence the country's evaluation of its law, including its conflict of laws rules, with the result that the law or conflict of laws rules might be judged as ill-conceived if the rules consistently result in unenforceable decisions. Therefore, countries' levels of acceptance of each other's conflict of laws rules influence, and to a certain degree dictate, the design of national conflict of laws rules.

Examples, including examples from the area of IP, exist where reactions to countries' conflict of laws rules suggested that the rules were not acceptable to other countries. For example, in *Lucasfilm Ltd. v. Ainsworth*,<sup>122</sup> the U.K. Supreme Court explained that there are limits to the grounds of jurisdiction of U.S. courts that U.K. courts will view as acceptable when U.K. courts decide whether to recognize and enforce judgments issued by U.S. courts.<sup>123</sup> In *Juniper Networks, Inc. v. Abdullah Ali Bahattab*,<sup>124</sup> reacting to an ongoing foreign court proceeding concerning a U.S. patent, a U.S. court warned that it would ignore any foreign decision concerning the validity of a U.S. patent, thus rejecting a foreign court's jurisdiction to decide the validity

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Michaels, *EU Law as Private International Law? Re-conceptualizing the Country-of-Origin Principle as Vested Rights Theory*, (Duke Law School Legal Studies Research Paper Series, Research Paper No. 122, 2006), available at [http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=2280&context=faculty\\_scholarship](http://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=2280&context=faculty_scholarship).

121. As illustrated in Part I, a country can successfully enforce its laws without assistance from other countries only if the country has enforcement power over the defendant or a related third party; as long as the defendant and/or his assets (or the third party and/or his assets) are located in the country, the country's court decisions can be enforced directly against the defendant or against the third party. See Goldsmith, *supra* note 29, at 1217. Of course, a country may be successful in seeing its laws respected by a defendant voluntarily; for a discussion of examples of reasons for a defendant's voluntary compliance, see, e.g., Marketa Trimble, *Cross-Border Injunctions in U.S. Patent Cases and Their Enforcement Abroad*, 13 MARQ. INTELL. PROP. L. REV. 331, 345–46 (2009).

122. *Lucasfilm Ltd. v. Ainsworth*, [2011] UKSC 39 (appeal taken from Eng.); see also *supra* note 47 (describing scenario 5).

123. *Id.*

124. *Juniper Networks, Inc. v. Abdullah Ali Bahattab*, No. 07–1771, slip op. (D.D.C. Aug. 14, 2009).



of a U.S. patent.<sup>125</sup> To what extent these types of reactions will affect a foreign country's decisions on its own conflict of laws rules will depend on various factors, including the political and economic strength of the country and the country's relations with the countries from which the reactions originate.

Finally, national laws that are higher in the hierarchy of laws than conflict of laws rules, including national constitutions and constitutional principles, may limit conflict of laws rules. National constitutions typically contain guidelines for rules of civil procedure, including rules for conflict of laws.<sup>126</sup> For example, in the United States, the federal Constitution includes three provisions that have been found to impact conflict of laws rules directly: the Full Faith and Credit Clause of Article IV (for state-to-state conflicts within the United States),<sup>127</sup> the Due Process Clause of the Fourteenth Amendment,<sup>128</sup> and the Equal Protection Clause of the Fourteenth Amendment.<sup>129</sup> In other countries, interpretations of constitutional provisions impose similar limitations on conflict of laws rules.

As demonstrated in this Part, countries are confined in their formulations and applications of conflict of laws rules; however, the confines are often very general and still provide leeway for countries to adjust their conflict of laws rules according to national policies, including IP policies.<sup>130</sup> To the extent that countries are not bound by existing international and regional instruments, the countries are also free to adopt conflict of laws rules that are specific to certain areas of law or types of activities, including IP law, IP licenses, and IP infringements. However, the delineation of the effective territorial scope of IP laws does not stand on conflict of laws rules alone; the delineation depends also on the design of the territorial scope of IP laws.<sup>131</sup>

#### IV. A COUNTRY'S FLEXIBILITY IN DESIGNING ITS INTELLECTUAL PROPERTY LAWS

Countries are limited in their exercise of prescriptive jurisdiction by customary international law, which permits the exercise of prescriptive jurisdiction based on five internationally accepted grounds—"territoriality, na-

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125. *Id.*

126. On the interaction of constitutional law and conflict of laws rules see, e.g., Ayelet Ben-Ezer & Ariel L. Bendor, *Conceptualizing Yahoo! v. L.C.R.A.: Private Law, Constitutional Review, and International Conflict of Laws*, 25 CARDOZO L. REV. 2089 (2004).

127. U.S. CONST. art. IV, § 1; see also, e.g., WEINTRAUB, *supra* note 98, at 691–716.

128. U.S. CONST. amends. V, XIV; see also, e.g., WEINTRAUB, *supra* note 98, at 655–90.

129. U.S. CONST. amend. XIV, § 1; see also, e.g., WEINTRAUB, *supra* note 98, at 716–21.

130. See *supra* Part II for a discussion of how conflict of laws rules are designed to implement national policies, including substantive policies, such as IP policies.

131. See *supra* Part I.

tionality, the protective principle, passive personality, and universality.”<sup>132</sup> At least one of these five grounds must be present for a country to exercise prescriptive jurisdiction in the area of intellectual property law. However, the grounds can be interpreted broadly<sup>133</sup> and there is usually nothing to prevent countries from exceeding the general limitations on prescriptive jurisdiction that these grounds mandate.<sup>134</sup>

Notwithstanding the vagueness of general limitations on prescriptive jurisdiction, other limitations on countries’ designs of the territorial scope of their substantive IP laws exist, and these limitations emanate from the same types of sources as the constraints on conflict of laws rules: international and bilateral treaties, regional instruments, internationally recognized principles, and laws that stand higher in a country’s hierarchy of laws than do IP laws. Additionally, other countries’ IP laws may also affect the design of national IP laws. Of course, other factors can influence decisions about national IP legislation. Arguments for particular choices in IP legislation arise from political, social, cultural, historical, and economic rationales, and policymakers may contend that the arguments mandate certain legislative choices; for example, they may argue that an economic analysis suggests only one reasonable legislative solution to a problem. This Part leaves aside these other factors that may be perceived as limitations and focuses on factors that delineate the fixed outer boundaries of national IP legislation.<sup>135</sup>

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132. CURTIS A. BRADLEY, *INTERNATIONAL LAW IN THE U.S. LEGAL SYSTEM* 184 (2013); see also Teresa Scassa & Robert J. Currie, *New First Principles? Assessing the Internet’s Challenges to Jurisdiction*, 42 *GEO. J. INT’L L.* 1017, 1025–28 (2011).

133. BRADLEY, *supra* note 132, at 186 (“Although effects-based jurisdiction is generally accepted, its proper scope is unclear.”).

134. *Id.* at 185; see *infra* note 177 and accompanying text for more on constitutional limits that countries have in their national constitutions; see *supra* Part III for a discussion of comity; see also, *infra*, notes 177–179 and accompanying text for a discussion of foreign countries’ reactions in particular cases to the intended extraterritorial effects of IP laws.

135. Naturally, drawing a line between fixed outer boundaries and other factors is difficult; a conclusion in an economic analysis may be no less objective and unequivocal than a mandatory minimum standard in an international treaty, and the same political, social, cultural, historical, and economic rationales that affect national legislation may also play a role in international treaty negotiations. The assumption is that legislators can ignore the other factors, but they are bound by the fixed outer limit factors even though legislators may and occasionally do choose to ignore international treaty obligations, just as they may decide to ignore a conclusion in an economic analysis when they make national law. This Part focuses on the outer limits of the design of IP laws, which are presented here as limitations that national legislators should respect; the limits are relatively fixed and are very difficult to change.

A. *The National Treatment Principle, the Most-Favored-Nation Principle, and the Territoriality Principle*

The principle of national treatment and the most-favored-nation principle,<sup>136</sup> on which international treaties concerning IP are built, affect the design of national legislation, including the design of the legislation's territorial reach. As long as a connecting factor exists to the treaties that include the principles, national laws must provide certain rights and remedies to foreigners and thus have a territorial reach to wherever the foreigners may be. For example, the first publication of a photograph in a Berne Convention country, such as Germany, will result in the photograph's being protected under the Berne Convention even if its author is not a national of a Berne Convention country, such as a national of Afghanistan (a country that is not a party to the Berne Convention).<sup>137</sup> Because of the principle of national treatment, Germany must provide to the Afghan photographer at least the same rights with regard to the photograph as it would to a German photographer.<sup>138</sup> As a result, German copyright law must be designed to provide the reproduction right with regard to the photograph,<sup>139</sup> even if the right benefits an author who is an Afghan national who resides outside of Germany. Naturally, the right protected by German law will concern only acts of reproduction that are protected by German law; this protection is consistent with the territoriality principle, another internationally recognized principle that affects the territorial reach of national IP laws.

It would seem that the principle of territoriality<sup>140</sup> should have the greatest effect on the territorial reach of national IP laws; the principle sounds as if it should prevent *any* extraterritorial reach of national IP legislation. In fact, though, the principle requires only that a country limit its legislating within the scope of the country's own prescriptive jurisdiction; as suggested earlier in Part I and discussed later in this Part, the country's prescriptive jurisdiction can nevertheless extend *de facto* beyond the physical borders of the country.<sup>141</sup>

B. *Minimum Standards*

In addition to the national treatment, most-favored-nation, and territoriality principles, international treaties (and also bilateral treaties and regional instruments) provide for minimum standards that countries must

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136. See *supra* Part III.B. for an explanation of the two principles.

137. Berne Convention, *supra* note 66, at art. 3(1)(b).

138. *Id.* at arts. 5(1) and 5(3).

139. *Id.* at art. 9(1) (defining the right of reproduction as "the exclusive right of authorizing the reproduction of [literary and artistic] works").

140. See *supra* Part III.B. for an explanation of the principle of territoriality.

141. GOLDSTEIN & HUGENHOLTZ, *supra* note 96, at 95.

meet in their IP legislation.<sup>142</sup> The degree to which minimum standards provisions set limits on national legislation varies. Some provisions, such as provisions concerning the term of copyright,<sup>143</sup> are unequivocal and countries may not deviate from the standard except to increase the term of protection above the minimum. In some countries, provisions of this nature in international treaties are considered directly applicable (self-executing), meaning that they automatically become integral parts of the national legal order and national courts can apply them even without corresponding national implementing legislation.<sup>144</sup>

Some minimum standard provisions provide for a goal that must be achieved but leave it upon national legislation to implement measures that will achieve the goal. For example, Article 16 of the Berne Convention mandates that countries provide for the seizure of infringing copies but leaves it upon national legislation to set the rules for seizures.<sup>145</sup> The concept of goal-setting provisions also exists in regional instruments: EU directives set goals for national legislation to achieve.<sup>146</sup> In goal-setting provisions, freedom to select the mode of implementation allows a certain flexibility for countries as they adopt laws to comply with minimum standards.

Additional leeway for national lawmaking exists because some minimum standards provisions are flexible. For example, some provisions are optional,<sup>147</sup> while other provisions allow for exceptions from minimum standards under certain conditions.<sup>148</sup> In some instances countries may deposit notifications, reservations, and declarations in which they declare their in-

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142. See TRIPS Agreement, *supra* note 66, at art. 1(3) for information on explicit mandatory minimum standards.

143. Berne Convention, *supra* note 66, at art. 7; TRIPS Agreement, *supra* note 66, at art. 12.

144. See, e.g., *Merck Genericos v. Merck & Co. and Merck, Sharp, & Dohme*, (2007) 41(5) IIC 614, 616 (2010) (Port.) (“Art. 33 TRIPS is precise and unconditional, prerequisites for its direct application.”); see also *infra* note 146 (noting that in the EU, the direct applicability of EU instruments corresponds to the concept of self-executing treaty provisions). Cf. *ITC Ltd. v. Punchgini, Inc.*, 482 F.3d 135, 161 (2d Cir. 2007) (“TRIPS is plainly not a self-executing treaty.”).

145. Berne Convention, *supra* note 66, at art. 16(3).

146. Treaty on the Functioning of the European Union, *supra* note 84, at art. 288. In the EU, directives are used to harmonize national IP laws; regulations set EU-wide law for EU unitary rights—the Community trademark and the Community design, for example. See EU Trademark Regulation, *supra* note 100; EU Designs Regulation, *supra* note 100. Some EU law provisions may be directly applicable even if they are included in EU instruments other than regulations.

147. For example, Article 2(4) of the Berne Convention leaves it upon national legislation to specify the copyright protection of “official texts of a legislative, administrative and legal nature.” Berne Convention, *supra* note 66, at art. 2(4).

148. For example, Article 10(2) of the TRIPS Agreement excepts countries from the obligation to provide for the rental right in cases of cinematographic works “unless such rental has led to widespread copying of such works which is materially impairing the exclusive right of reproduction.” TRIPS Agreement, *supra* note 66, at art. 11.

tent to divert from certain treaty provisions.<sup>149</sup> Also, international treaties may allow flexibilities to countries for which implementation of minimum standards provisions presents particular hardships.<sup>150</sup>

Flexibility in interpretation is also important for countries' options in national IP lawmaking, whether the flexibility is actually intended by treaty negotiators or not. An example of an intended interpretative flexibility is the flexibility that allows countries to define their rule of exhaustion; Article 6 of the TRIPS Agreement, which acknowledges countries' disagreement on the issue, leaves it upon each country to decide for itself whether it wishes to adopt the principle of national exhaustion or the principle of international exhaustion.<sup>151</sup> Other instances of flexibility in interpretation may not have been anticipated or planned, or sometimes even desired by international treaty negotiators, but flexibility exists either because there is no effective dispute resolution mechanism to lead to unity in interpretation, or because countries tolerate the interpretative flexibility in a given case.<sup>152</sup>

Notwithstanding the flexibilities mentioned in the previous paragraphs, minimum standards provisions in international treaties do provide certain limits to national lawmaking, including some limits on the territorial reach of national IP laws. However, the provisions' main objective is to secure mini-

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149. See, e.g., Berne Convention, *supra* note 66, at arts. 13(1) and 14*bis*(3); WIPO Performances and Phonograms Treaty, *supra* note 96, at art. 15(3); TRIPS Agreement, *supra* note 66, at arts. 3(2) and 14(6). *But cf.* WIPO Performances and Phonograms Treaty, *supra* note 96, at art. 21. This Part leaves aside instances in which "flexibility" results from countries not meeting their international obligations. Some countries may feel free to ignore provisions of international treaties, particularly if the international enforceability of the provisions is limited. For example, Article 6*bis* of the Berne Convention is specifically excluded from being incorporated into the TRIPS Agreement by Article 9(1) of the TRIPS agreement. Berne Convention, *supra* note 66, at art. 6*bis*; TRIPS Agreement, *supra* note 66, at art. 9(1).

150. The 1971 Appendix to the Berne Convention containing Special Provisions Regarding Developing Countries, and Article 66 of the TRIPS Agreement delaying implementation requirements in the least-developed countries are examples of such arrangements. Berne Convention, *supra* note 66, app.; TRIPS Agreement, *supra* note 66, at art. 66.

151. TRIPS Agreement, *supra* note 66, at art. 6; see *supra* notes 68 and 69 for the principles of international and national exhaustion. Once the IP right is exhausted, the right holder cannot control the disposition of the product any further (at least not based on the right holder's IP rights). The exhaustion principle is known in U.S. law as the first sale doctrine. See, e.g., 17 U.S.C. § 109(a) (2012). Regional instruments may limit countries' abilities to choose. For example, under EU law, EU countries must adhere to the principle of EU-wide exhaustion for IP rights. First Council Directive of 21 December 1988 to Approximate the Laws of the Member States Relating to Trade Marks, 89/104, art. 7, 1988 O.J. 1, 6 (EC).

152. For example, the prohibition against formalities in Article 5(2) of the Berne Convention has been interpreted in the United States as not affecting certain formality requirements maintained by the U.S. Copyright Act even after the United States became a party to the Berne Convention. Berne Convention, *supra* note 66, at art. 5(2). Although some countries may disagree with the interpretation adopted by the United States, they may decide not to object to the U.S. interpretation.

minimum standards in the territory of each country, and only isolated provisions address a national law's intended territorial reach. For example, Article 5*quater* of the Paris Convention calls for a certain extraterritorial reach of national patent law; it instructs countries to grant rights to a patentee with regard to an imported product that was manufactured abroad by a process that is protected in the importing country.<sup>153</sup> Contrary to this call for extraterritorial reach in national patent laws, Article 5*ter* of the Paris Convention limits the territorial reach of national patent laws within the borders of each country when it excludes from the infringement of national patent rights the use of certain patented products on vessels, aircraft, and land vehicles that are temporarily present in the country.<sup>154</sup>

### C. Localization

Some minimum standard provisions allow countries significant leeway in delineating the territorial reach of their national IP laws because the provisions do not address the localization of operative facts.<sup>155</sup> For example, Article 28(1) of the TRIPS Agreement includes “offering to sell” among the activities that a patent owner has the exclusive right to prevent, but the provision does not specify whether both the offer and the sale, or only one or the other, must occur in the country where the patent was granted.<sup>156</sup> As a result, countries differ in their territorial delineation of infringing “offers to sell” a patented invention. For example, under German law any offer made in Germany—but not outside Germany—to sell a patented product infringes the German patent, whether the sale is intended to occur inside or outside of Germany.<sup>157</sup> In the United States, however, at least under the current interpretation adopted by the U.S. Court of Appeals for the Federal Circuit, an offer made anywhere in the world—even outside the United States—infringes the U.S. patent, but the intended sale must occur inside the United States.<sup>158</sup> Even when an international treaty provision seems unambiguous about where a patent infringing act must occur, countries may differ in their approaches to the localization of acts and therefore to the territorial reach of

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153. Paris Convention, *supra* note 66, at art. 5*quater*. In the United States, Section 271(g) of the Patent Act corresponds to this provision and extends U.S. patent rights to cover a patented process even when the process has been run outside the United States—as long as the products manufactured through the process are being imported into the United States. 35 U.S.C. § 271(g) (2012).

154. Paris Convention, *supra* note 66, at art. 5*ter*. In the United States, Section 272 of the Patent Act corresponds to this provision. 35 U.S.C. § 272 (2012).

155. On differences in localization in copyright cases *see, e.g.*, Geller, *supra* note 2, at 335–36.

156. TRIPS Agreement, *supra* note 66 at art. 28(1).

157. Reichsgericht, I 137/33, Jan. 13, 1934, RGZ 29, 173; *Kreuzbodenventilsäcke*, Bundesgerichtshof, I ZR 109/58, Mar. 29, 1960, 1960 GRUR 423.

158. *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1308 (Fed. Cir. 2010).

the implementing provision; for example, countries may localize the place of a patent infringing sale differently, such as the place of a “free on board” sale,<sup>159</sup> or a sale that occurs through the internet.<sup>160</sup>

An expansive approach to localization will contribute to a territorial expansion of national IP laws; such an expansive approach can concern the localization of all operative facts and not just the facts related to acts of infringement. The place of publication is an example. If U.S. courts deem the publication of a work viewable on the internet from within the United States to occur in the United States regardless of where the work at issue was uploaded to the internet, such treatment has implications for the territorial reach of U.S. copyright law.<sup>161</sup> This localization of the act of publication means that any work first published on the internet in a manner that allows for the work to be viewable in the United States<sup>162</sup> will cause the work to have the United States as the country of origin under the Berne Convention.<sup>163</sup> Making works to be “works . . . first published in the United States”<sup>164</sup> further means that the works are covered by the U.S. Copyright Act even though their authors are not U.S. nationals, U.S. domiciliaries, or other eligible persons.<sup>165</sup> Additionally, to the extent that some countries’ courts may apply the

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159. For a definition of “free on board,” see *The Incoterms® Rules* (2010), INTERNATIONAL CHAMBER OF COMMERCE (ICC), <http://www.iccwbo.org/products-and-services/trade-facilitation/incoterms-2010/the-incoterms-rules/> (last visited Sept. 28, 2014) (“‘Free On Board’ means that the seller delivers the goods on board the vessel nominated by the buyer at the named port of shipment or procures the goods already so delivered. The risk of loss of or damage to the goods passes when the goods are on board the vessel, and the buyer bears all costs from that moment onwards.”).

160. See Colangelo, *supra* note 26, at 118 for a discussion of using localization to domesticate acts and on “differing conceptualizations of the geographic coverage of U.S. law.” “[B]y localizing the cross-border crime to the aspect that touches U.S. territory, the United States purports to exercise territorial jurisdiction.” *Id.*

161. See, e.g., *Kernal Records OY v. Mosley*, 794 F. Supp. 2d 1355 (S.D. Fla. 2011) (holding that the publication of an American company-owned song on the internet in Australia constituted simultaneous publication in the United States, and was therefore subject to U.S. copyright laws); see also Thomas F. Cotter, *Toward a Functional Definition of Publication in Copyright Law*, 92 MINN. L. REV. 1724, 1747–50 (2008). Cf. *Rogers v. The Better Business Bureau of Metropolitan Houston, Inc.*, 887 F. Supp. 2d 722, 730 (S.D. Tex. 2012) (“[U]plooding webpages to the internet does not constitute publication as a matter of copyright law . . .”). But cf. *Moberg v. 33T LLC*, 666 F. Supp. 2d 415 (D. Del. 2009) (holding that the publication of photographs on the internet in Germany did not constitute simultaneous publication in the United States).

162. The accessibility of a work on the internet from a particular territory can be limited through the use of geolocation tools. See, e.g., Marketa Trimble, *The Future of Cybertravel: Legal Implications of the Evasion of Geolocation*, 22 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 567, 586–99 (2012).

163. Berne Convention, *supra* note 66, at art. 5(4)(a).

164. 17 U.S.C. § 104(b)(2) (2012).

165. *Id.* § 104(b)(1) (making works published by “a national or domiciliary of the United States, or . . . a national, domiciliary, or sovereign authority of a treaty party, or is a

law of the country of origin when determining copyright ownership<sup>166</sup> (and to the extent that these courts would agree with U.S. courts' localization of the place of publication), the approach expands the application of U.S. law to issues of copyright ownership even beyond U.S. borders.<sup>167</sup>

#### D. Secondary Liability

International treaties do not address matters of secondary liability for IP infringement, a type of liability that typically results in the extraterritorial reach of national IP laws.<sup>168</sup> Nevertheless, some provisions in international treaties could arguably be interpreted as providing for rules of secondary liability. For example, Article 9(1) of the Berne Convention, which provides for the "exclusive right of authorizing the reproduction of . . . works," could be interpreted as covering either an act of direct infringement in the form of authorizing (within the protecting country) an act of reproduction (that may occur anywhere), or an act of secondary infringement that appears in the form of authorizing (anywhere) an act of reproduction that should occur within the protecting country.<sup>169</sup>

The latter possible interpretation of Article 9(1) of the Berne Convention coincides with the approach that the U.S. Court of Appeals for the Ninth Circuit adopted in *Subafilms, Ltd. v. MGM-Pathe Communications Co.*,<sup>170</sup> the court noted that when Congress included the act of authorization in the U.S. Copyright Act (to comply with the requirements of the Berne Convention), Congress "intended to invoke the preexisting doctrine of contributory infringement."<sup>171</sup> This interpretation limited the extraterritorial reach of the "authorization" provision; viewing the "authorization" provision as an outgrowth of the doctrine of contributory infringement means that an "authori-

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stateless person" subject to U.S. copyright laws). The interpretation also has implications for the formalities required under the U.S. Copyright Act.

166. *See, e.g.*, Código Civil [Portuguese Civil Code], Decreto-Lei No. 47344/66, art. 48 (1966). Until recently, French courts applied the law of the country of origin to determine copyright ownership; however, under a 2013 ruling of the French Supreme Court the law of the protecting country applies to copyright ownership matters. Cour de Cassation [Cass.] [supreme court for judicial matters], 1e civ., April 10, 2013, Bull. civ. I, No. 11-12508 and 11-12509 (Fr.).

167. Also, if other countries' courts agree with the U.S. approach, works will enjoy Berne Convention protection in other Berne Convention contracting countries because the United States becomes the country of origin under the Berne Convention. *See also* Ginsburg, *supra* note 2, at 269–71.

168. *See, e.g.*, TRIMBLE, *supra* note 88, at 110–16.

169. Berne Convention, *supra* note 66, at art. 9(1); *see also* WIPO Copyright Treaty, art. 6(1), Dec. 20, 1996, S. Treaty Doc. No. 105-17 (1997), 36 I.L.M. 65 (1997); WIPO Performances and Phonograms Treaty, *supra* note 96, at arts. 7, 11. Alternatively, the provision could be interpreted as requiring that both the act of authorization and the act of reproduction be committed in the same protecting country.

170. 24 F.3d 1088 (9th Cir. 1994).

171. *Id.* at 1092.



zation” is only infringing when the authorized acts would infringe the U.S. Copyright Act, meaning that the authorized acts would occur within the United States.<sup>172</sup> An authorization that occurred in the United States but concerned acts that would occur abroad does not infringe the Act under this interpretation.<sup>173</sup>

Notwithstanding this example of an instance in which a court interpreted the Berne Convention provision as if it provided for a secondary liability rule, international IP treaties do not expressly include provisions on secondary liability, so it is left up to countries to define secondary liability, including its territorial reach.

### *E. National Laws and Policies Limiting IP Rules*

Countries look to each other’s national IP legislation and sometimes to each other’s behavior, which may affect a country’s own lawmaking. The behavior of other countries in IP lawmaking may matter, for example, when the lawmaking concerns an issue that international treaties tie to the principle of reciprocity. The “rule of the shorter term” in Article 7(8) of the Berne Convention is de facto a reciprocity provision: a country will protect a work for as long as the country’s own term of protection if the work’s country of origin provides for a term of protection of at least equal duration.<sup>174</sup> If the work’s country of origin provides for a shorter term of protection, the shorter term governs.<sup>175</sup> Under the pressure of reciprocity, a country may be compelled to evaluate its shorter term of protection because works for which the country is the country of origin are deprived of longer terms of protection in other countries.<sup>176</sup>

Foreign countries’ reactions in particular cases to the intended extraterritorial effects of IP laws also inform countries about the acceptability of such effects.<sup>177</sup> For example, in one case a Japanese court refused to apply U.S. law to acts of inducement of a U.S. patent that were committed in Japan; the court invoked the public policy exception to justify the refusal and

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172. *Id.* at 1092–94; *see also* Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd., 243 F. Supp. 2d 1073, 1097 (C.D. Cal. 2003) (confirming that U.S. courts have subject matter jurisdiction over acts committed outside the United States that induce copyright infringement within the United States).

173. *Subafilms, Ltd.*, 24 F.3d at 1094.

174. Berne Convention, *supra* note 66, at art. 7(8).

175. *Id.*

176. This may be a case for “soft-harmonization,” where a country’s legislators and “courts, after appraising themselves of foreign law, may adopt or be influenced by that law if they find it persuasive.” Holbrook, *supra* note 6, at 582.

177. Sometimes it is the anticipation of possible reactions by foreign countries that guides courts’ analyses. *E.g.*, *Subafilms*, 24 F.3d at 1097 (“Extraterritorial application of American law would be contrary to the spirit of the Berne Convention, and might offend other member nations by effectively displacing their law in circumstances in which previously it was assumed to govern.”).

stated that “[t]o order prohibition of the act of actively inducing infringement of a U.S. patent and destruction of the infringing goods located in Japan by applying the U.S. Patent Act is contrary to the meaning of [public policy].”<sup>178</sup> Another expression of displeasure with extraterritorial effects of the U.S. Patent Act was recently included in the Amicus Brief that the Danish government submitted in the *Transocean Offshore* case; the Danish government called the application of U.S. patent law to the conduct that occurred in Norway “an unwanted and unprecedented intrusion into the regulation of conduct within foreign sovereigns’ own territory.”<sup>179</sup>

Finally, national laws that stand higher in the hierarchy of laws than IP laws set limits on national IP laws, as do regional instruments if the instruments enjoy a higher position in the hierarchy of national laws. The higher laws may include constitutional principles; some provisions are general, while some are IP-specific. Provisions concerning property in general, such as Article 14 of the German Constitution, are interpreted as covering IP.<sup>180</sup> Article I, Section 8 of the U.S. Constitution is an example of an IP-specific provision; it provides for a goal and the means of pursuing the goal, which guides copyright and patent lawmaking in the United States.<sup>181</sup> Article 17(2) of the Charter of Fundamental Rights of the European Union simply states that “[i]ntellectual property shall be protected,”<sup>182</sup> thereby clarifying that the protection for property in general, which is included in Article 17(1), also applies to IP. Some authors argue that the territorial reach of prescriptive jurisdiction in the United States is subject to due process scrutiny under the Fifth Amendment of the U.S. Constitution.<sup>183</sup>

Although countries certainly face constraints when they design national IP legislation, the constraints are limited and still afford a significant degree

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178. Saikō Saibansho [Sup. Ct.] Sept. 26, 2002, 56 SAIKŌ SAIBANSHO MINJI HANREISHŪ [MINSHŪ], 1551 (Fujimoto v. Neuron Co. (Card Reader)), available at [http://www.courts.go.jp/app/hanrei\\_en/detail?id=619](http://www.courts.go.jp/app/hanrei_en/detail?id=619). See also Masato Dogauchi, *Private International Law on Intellectual Property: A Civil Law Overview*, WIPO/PIL/01/8 10–11 (2001).

179. Amicus Curiae Brief of the Ministry of Foreign Affairs of Denmark in Support of Petitioner, at 1, *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296 (Fed. Cir. 2010), August 9, 2013.

180. GRUNDGESETZ FÜR DIE BUNDESREPUBLIK DEUTSCHLAND [GG] [Basic Law], May 23, 1949, BGBl. XIV (Ger.).

181. U.S. CONST. art. I, § 8.

182. Charter of Fundamental Rights of the European Union, *infra* note 116, at art. 17(2).

183. See, e.g., Colangelo, *supra* note 26, at 122 (“[D]ue process regulates the exercise of extraterritorial prescriptive jurisdiction and, at the very least, demands that the extraterritorial application of U.S. law not be ‘arbitrary or fundamentally unfair.’”); BRADLEY, *supra* note 132, at 194–95; see also Bradley on the application of the *Charming Betsy* canon of statutory construction that should promote the application in the United States of the customary international law on prescriptive jurisdiction, albeit only as an interpretative tool. BRADLEY, *supra* note 132, at 186.

of flexibility. This flexibility is also available to national legislators when they delineate the territorial reach of national IP laws.

## V. CONFLICT OF LAWS RULES AND INTELLECTUAL PROPERTY LAWS

With countries enjoying a significant degree of flexibility when designing the territorial scope of national IP laws and a certain degree of flexibility when designing conflict of laws rules, national legislators can utilize tools from the two areas of law to adjust the effective territorial scope of national IP laws so that the effective scope reflects national IP policies. As Part IV demonstrated, various possibilities remain open for countries to adjust the territorial scope of IP laws—flexibility in interpretation of minimum standards, flexibility in localization of operative facts, and flexibility in the setting of rules for secondary liability are included in the toolboxes that are available to national legislators. Legislators, to the extent that they can legislate conflict of laws rules, should also utilize the rules to adjust the effective territorial scope of national IP laws;<sup>184</sup> if legislators cannot legislate conflict of laws rules (for example in a case when regional instruments dictate conflict of laws rules) they must seek other avenues to introduce provisions in IP laws that will affect the application of conflict of laws rules in a manner that will lead to the desired outcomes. This Part reviews IP-specific conflict of laws rules that emanate from legislation and case law and also identifies the alternatives to conflict of laws legislation that legislators can use to adjust the effective territorial scope of IP laws.

### A. *IP-Specific Conflict of Laws Legislation*

Some countries have opted to adopt IP-specific conflict of laws rules. Rules of jurisdiction, choice of law, and the recognition and enforcement of foreign judgments have all appeared with IP-specific regulation. Rules of jurisdiction can include IP-specific provisions to address the problems of jurisdiction over issues of the validity of registered and granted IP rights, such as trademarks and patents.<sup>185</sup> In some countries, the principle that the validity of foreign-registered and foreign-granted IP rights will not be entertained is expressed in statutes on jurisdiction. For example, in the EU member countries a regulation on jurisdiction provides for exclusive jurisdiction “in proceedings concerned with the registration or validity of patents, trade marks,

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184. See *supra* Part I for a discussion of the implementation of national policies through conflict of laws rules.

185. Generally, courts refrain from deciding the validity of foreign-registered and foreign-granted IP rights out of respect for the sovereignty of the foreign country that registered or granted the rights; the act of state doctrine has been invoked in the United States to justify U.S. courts' refusals to decide cases in which the validity of foreign-registered and foreign-granted IP rights are at issue. *Voda v. Cordis Corp.*, 476 F.3d 887, 904 (Fed. Cir. 2007).

designs, or other similar rights required to be deposited or registered.”<sup>186</sup> Jurisdiction in these proceedings is reserved to “the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of an instrument of the Union or an international convention deemed to have taken place.”<sup>187</sup>

While EU rules of jurisdiction provide an example of rules concerning jurisdiction over the validity of registered IP rights, the Swiss Federal Act on International Private Law is an example of a conflict of laws statute that contains a special provision on jurisdiction in cases of IP infringement. Other national laws rely on general provisions for general jurisdiction based on factors such as a defendant’s domicile or a defendant’s seat, or specific jurisdiction for tort cases, such as the place of the tortious activity or the tortious activity’s effects. Article 109(2) of the Swiss Act does not depart from this typical framework but stipulates specifically that in IP infringement cases the Swiss courts of the defendant’s domicile or usual dwelling have jurisdiction. Additionally, Swiss courts have jurisdiction based on the place of the tortious activity or the place of the effects of such activity, or based on the activities of the defendant’s offices if they are registered in Switzerland.

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186. Brussels I Regulation (recast), *supra* note 22, at art. 24, para.4.

187. *Id.* The interpretation of the provision’s predecessor, Article 22(4) of the Brussels I Regulation, *supra* note 83, has been the subject of numerous disputes. *See, e.g.*, Case C-4/03, *Gesellschaft für Antriebstechnik mbH & Co. KG v. Lamellen und Kupplungsbau Beteiligungs KG*, 2006 E.C.R. I-06509; Case C-539/03, *Roche Nederland BV v. Primus*, 2006 E.C.R. I-06535. The same provision also applies in the larger European Economic Area. Lugano II Convention, *supra* note 83, at art. 22(4).

Other national conflict of laws statutes contain rules on jurisdiction specific to IP cases as well. For instance, the Japanese act concerning international jurisdiction provides for exclusive jurisdiction in some IP cases; according to Article 3-5(3), Japanese courts have exclusive jurisdiction in matters of “the existence and effect of an intellectual property right” that is registered in Japan. Act for the Partial Amendment of the Code of Civil Procedure and the Civil Interim Relief Act, 2011, art. 3-5, para. 3 (Japan), *translated in* KOJI TAKAHASHI, JAPAN’S NEW ACT ON INTERNATIONAL JURISDICTION (2011). A commentary notes that general grounds of jurisdiction apply in actions for infringements of intellectual property rights. KOJI TAKAHASHI, JAPAN’S NEW ACT ON INTERNATIONAL JURISDICTION 9 (2011), *available at* [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2189684](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2189684). Other national statutes are more comprehensive in their IP-specific jurisdictional rules; for example, one of the IP-specific provisions in the Swiss Federal Act on International Private Law provides for international exclusive jurisdiction and also details a rule for jurisdiction among national courts. Article 109(1) of the Swiss Act provides for the jurisdiction of Swiss courts in disputes concerning the validity and registration in Switzerland of intellectual property rights. If the defendant in such a dispute is domiciled in Switzerland the courts in the place of domicile have jurisdiction; if the defendant is not domiciled in Switzerland, then the courts in the place of domicile of the defendant’s registered Swiss representative have jurisdiction, or, if there is no such representative, then the courts in the seat of the Swiss authority that registered the IP right at issue have jurisdiction. BUNDESGESETZ ÜBER DAS INTERNATIONALE PRIVATRECHT [IPRG], Dec. 18, 1987, *as last amended*, July 1, 2013, art. 109, para. 1 (Switz.).

IP-specific rules for choice of law exist, for example, in the Swiss Federal Act on International Private Law,<sup>188</sup> which provides in Article 110(1) that IP rights are governed by the law of the country “for which protection . . . is sought”;<sup>189</sup> presumably, this provision covers both issues of ownership and infringement. In Poland, the Act on Private International Law<sup>190</sup> addresses IP ownership and other issues separately from IP infringement issues; according to Article 46 of the Act, the law of the country in which an IP right is exercised governs the creation, content, and termination of the right, and also its transfer and issues of priority.<sup>191</sup> Additionally, Article 47 of the Polish Act sets the law applicable to an employment relationship as the law governing any IP that arises from the employment relationship.<sup>192</sup>

For infringements of IP rights, countries typically select the law of the protecting country, which corresponds to the principle of territoriality of IP rights.<sup>193</sup> Choice of law governing the infringement of IP rights is addressed specifically in the Polish Act on Private International Law, according to which the law of the protecting country governs the protection of the right.<sup>194</sup> The Chinese Law of the Application of Law for Foreign-Related Civil Relations of the People’s Republic of China sets the law of the country where protection is claimed as the law applicable to infringement.<sup>195</sup> Some countries have taken an interesting step to promote party autonomy by allowing litigating parties to agree—after an IP infringement has occurred—on the law that will apply to the infringement. The Swiss Federal Act and the Chinese Law allow parties to agree, after an infringement has occurred, that the law of the forum will apply to the infringement of IP rights.<sup>196</sup>

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188. IPRG, art. 109, para. 1 (Switz.).

189. *Id.* at art. 110, para. 1.

190. PRIVATE INTERNATIONAL LAW (Feb. 4, 2011), O.J. 2011 No. 80, item 432, arts. 46–47 (Pol.).

191. *Id.* at art. 46, para. 1–2.

192. *Id.* at art. 47. In China, according to the Law of the Application of Law for Foreign-Related Civil Relations of the People’s Republic of China, the “ownership and contents” of IP rights are governed by the law of the country in which protection is sought. Law of the Application of Law for Foreign-Related Civil Relations of the People’s Republic of China (promulgated by the Standing Committee of the 11th Nat’l People’s Cong., Oct. 28, 2010, effective Apr. 1, 2011), art. 48 (China). In Portugal and Belgium conflict of laws rules distinguish between rules applicable to copyright (the author’s right) and industrial rights (such as trademarks and patents).

193. See *supra* Part III for a discussion of the principle of territoriality.

194. PRIVATE INTERNATIONAL LAW (Pol.), at art. 46, para. 3.

195. Law of the Application of Law for Foreign-Related Civil Relations of the People’s Republic of China, at art. 50.

196. IPRG (Switz.), at art. 110, para. 2; Law of the Application of Law for Foreign-Related Civil Relations of the People’s Republic of China, at art. 50. Parties to an infringement dispute may achieve the same result in legal systems that have facultative choice of law. Facultative choice of law exists in legal systems where courts do not have an obligation to conduct *ex officio* a choice of law analysis and/or forum law applies unless

IP-specific rules concerning the recognition and enforcement of foreign judgments on IP are rare; typically, general rules on recognition and enforcement apply to foreign judgments on IP. The Swiss Federal Act on International Private Law is one example of national legislation that specifically addresses the recognition and enforcement of foreign judgments on IP; the Act provides in Article 111 that foreign judgments on IP will be recognized only if the country in which the judgment was issued is either (a) the country where the defendant is domiciled, or (b) the country of the place of the tortious activity or the place of the effects of such activity and the defendant is not domiciled in Switzerland.<sup>197</sup> According to Article 111, foreign decisions concerning the validity or registration of IP rights will be recognized if the country in which the judgment was issued is the country for which protection was sought, or if the decision was recognized there.<sup>198</sup>

### *B. Court-Created IP-Specific Conflict of Laws Rules*

When legislation does not provide IP-specific conflict of laws rules, courts may develop such rules. The situation in the United States is an appropriate example because personal jurisdiction statutes and statutes on the recognition and enforcement of foreign judgments include no IP-specific rules, nor do choice of law rules address IP issues specifically. Two U.S. court decisions exemplify the development of IP-specific rules and approaches in the United States. The first decision, which concerns the jurisdiction of courts in cases concerning foreign patents, is a 2007 decision of the U.S. Court of Appeals for the Federal Circuit. The decision clarified that, although U.S. courts may have personal jurisdiction over a defendant in cases that concern non-U.S. patents, supplemental jurisdiction cannot be used as the basis for U.S. court subject matter jurisdiction over cases involving foreign patents.<sup>199</sup>

The second U.S. decision that exemplifies how courts create conflict of laws rules for IP concerns the choice of law applicable in copyright cases.<sup>200</sup>

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parties invoke and/or plead and prove applicable foreign law. De Boer, *supra* note 56, at 269.

197. IPRG (Switz.), at art. 111, para. 1.

198. *Id.* at art. 111, para. 2.

199. 28 U.S.C. § 1367 (2012); *Voda v. Cordis Corp.*, 476 F.3d 887 (Fed. Cir. 2007). It is unclear whether the court foreclosed *any* jurisdiction of U.S. federal courts in cases involving foreign patents; since 2007 at least one federal district court has interpreted the decision to allow U.S. federal courts to exercise diversity jurisdiction in cases involving foreign patents in which the validity of the foreign patents is not contested. *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor, Inc.*, 589 F. Supp. 2d 84 (D. Me. 2008).

200. *Itar-Tass Russ. News Agency v. Russ. Kurier Inc.*, 153 F.3d 82 (2d Cir. 1998). Although the decision is binding only in the Second Circuit, the choice of law approach has also been followed in other circuits. *See, e.g., Edmark Indus. SDN. BHD. v. S. Asia Int'l (H.K.) Ltd.*, 89 F. Supp. 2d 840, 843–44 (E.D. Tex. 2000); *Lahiri v. Universal Music & Vid-*

In a 1998 decision, the U.S. Court of Appeals for the Second Circuit established an approach to choice of law in copyright cases.<sup>201</sup> First, the court performed a *dépeçage*<sup>202</sup> and divided the issues of copyright ownership and copyright infringement for the purpose of conducting a choice-of-law analysis.<sup>203</sup> Second, the court articulated and applied different rules to the copyright ownership and the copyright infringement;<sup>204</sup> because the court was deciding a federal question case, it derived the rules from the *Restatement (Second) of Conflict of Laws*.<sup>205</sup> For copyright ownership, the court looked to “the law of the [country] with ‘the most significant relationship’ to the property and the parties” as provided in the *Restatement (Second)* for property in general, and rejected any determination of which country’s law would apply based on the rule of the “country of origin” included in the Berne Convention.<sup>206</sup> For copyright infringement, the court applied the *lex loci delicti* rule—the rule that calls for the application of the law of the country in which the tort took place.<sup>207</sup>

As shown in *Voda* and *Itar-Tass*, courts are certainly capable of creating IP-specific rules and developing approaches for the application of general conflict of laws rules to IP cases. The question is whether courts are in the best position to develop rules and approaches in a manner that is consistent with the promotion of national IP policies; legislators, as the policy makers and drafters of legislation that should meet national IP policy goals, should be better positioned than courts to see the entire picture and craft conflict of laws while respecting the goals of current national IP policies. Of course, proposals for special conflict of laws rules for IP cases that have been prepared by several expert groups<sup>208</sup> can now assist courts when they develop IP-

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eo Distribution, Inc., 513 F. Supp. 2d 1172, 1176 n.4 (C.D. Cal. 2007); *Saregama India Ltd. v. Mosley*, 635 F.3d 1284, 1290 (11th Cir. 2011).

201. *Itar-Tass Russ. News Agency*, 153 F.3d 82.

202. *Dépeçage* means “applying the rules of different states to determine different issues.” Willis L. M. Reese, *Dépeçage: A Common Phenomenon in Choice of Law*, 73 COLUM. L. REV. 58, 75 (1973).

203. *Itar-Tass Russ. News Agency*, 153 F.3d at 90.

204. *Id.* at 90–92.

205. *Id.*

206. *Id.* at 90. At the same time, the court pointed out the limitation on standing to sue for copyright infringement; under the U.S. Copyright Act, only an owner of an exclusive right may file a copyright infringement suit. *Id.* at 91. One author concluded that by applying the *Restatement (Second)* rule “the United States has effectively adopted a *lex originis* rule on copyright authorship.” Dinwoodie, *supra* note 2, at 731.

207. *Itar-Tass Russ. News Agency*, 153 F.3d at 91. Although the *Restatement (Second)* departed from the earlier strict territorial approach that generated rules such as the *lex loci delicti* rule, the court still chose to apply the *lex loci delicti* rule and explained that in this case the result would have been the same under the rule of the *Restatement (Second)*, which calls for an evaluation of several factors, because the country of the place of the tort was also the country of defendant’s domicile. *Id.*

208. See *supra* notes 10–11 and the accompanying text.

specific conflict of laws rules and approaches; some courts have already turned to these proposals for guidance,<sup>209</sup> and extensive commentaries to some of the proposals help courts understand the effects that the proposed conflict of laws rules might have.<sup>210</sup> Even with the assistance of the expertise contained in the proposals, it is unrealistic to expect courts to design IP-specific conflict of laws rules and approaches that will fully incorporate current national IP policies.

### C. Alternatives to IP-Specific Conflict of Laws Legislation

There might be various reasons for which legislators cannot legislate conflict of laws rules or amend conflict of laws rules without limitations. In such instances, legislators may resort to alternatives to legislating conflict of laws rules. One alternative is to embed the rules in IP legislation. There are examples of this alternative in existing IP legislation; for instance, the U.S. Digital Millennium Copyright Act,<sup>211</sup> in the section that limits the liability of internet service providers for content posted on the internet by others, imposes an obligation on a subscriber (an alleged infringer) who objects to a copyright holder's notification of infringing activity to include in a counter-notification "a statement that the subscriber consents to the jurisdiction of Federal District Court for the judicial district in which [his] address is located, or if [his] address is outside of the United States, for any judicial district in which the service provider may be found."<sup>212</sup> The Act thus solves the problem of personal jurisdiction over an objecting subscriber who might otherwise be outside the reach of U.S. courts. Similarly, the U.S. Patent Act solves the problem of possible lack of personal jurisdiction of U.S. courts over nonresident owners of U.S. patents;<sup>213</sup> according to Section 293 of the Patent Act, the U.S. District Court for the Eastern District of Virginia has jurisdiction over a nonresident patentee if the patentee did not designate a person residing within the United States for the purpose of service of process, or if the patentee designated such a person but the person cannot be found.<sup>214</sup>

Some national IP laws may also include a choice of law rule that accompanies a substantive mandatory rule;<sup>215</sup> this so-called "internationally manda-

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209. *See supra* note 16.

210. *See, e.g.*, AM. LAW INST., INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW, AND JUDGMENTS IN TRANSNATIONAL DISPUTES (2007); EUR. MAX PLANCK GRP., *supra* note 10.

211. 17 U.S.C. § 512 (2012).

212. *Id.* § 512(g)(3)(D).

213. 35 U.S.C. § 293 (2012).

214. *Id.*

215. Joost Blom, *Public Policy in Private International Law and Its Evolution in Time*, 50 NETHERLANDS INT'L L. REV. 373, 382 (2003). These so-called "mandatory rules" "are, in effect, laws that include their own, unilateral choice of law rules." *Id.*



tory rule” is designed to override general choice of law rules because a court must apply the rule even when choice of law rules instruct the court to apply another country’s law.<sup>216</sup> Mandatory rules are useful for expressing strong national public policies, and legislators and courts resort to them in special situations where national policies outweigh concerns about comity.<sup>217</sup> For example, German legislators used mandatory rules for the provisions of the German Author’s Rights Act concerning equitable remuneration to authors.<sup>218</sup> According to Sections 32–32B of the Act, an author of a work is entitled to equitable remuneration, which may be adjusted during the lifetime of a contract to assure that the remuneration remains equitable, and if the parties do not agree on the amount of the remuneration a court may determine the amount for them.<sup>219</sup> Section 32B makes the provisions on equitable remuneration mandatory; parties cannot deviate from the provisions in their contracts, and the provisions apply “in so far as the contract [at issue] concerns substantial use in the territory governed by [the German Copyright Act].”<sup>220</sup> Therefore, even if German choice-of-law rules instruct a German court to apply foreign law to a contract the court will apply the provisions of the German Author’s Rights Act to the issue of equitable remuneration. The status of a provision as a mandatory rule will not always arise from an explicit designation in legislation; in some instances the status will develop through court interpretation. In France, the rule according to which moral rights are inalienable under French authors’ rights is a provision that courts (in France) have interpreted as a mandatory rule.<sup>221</sup>

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216. See Rome I Regulation, *supra* note 61, at art.9(1) (“Overriding mandatory provisions are provisions the respect for which is regarded as crucial by a country for safeguarding its public interests, such as its political, social or economic organisation, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to the contract under this Regulation.”); Code de Droit International Privé [C.D.I.P.] art. 20 (Belg.), translation, *available at* <http://www.ipr.be/data/B.WbIPR%5BEN%5D.pdf> (“[M]andatory or public policy provisions, . . . by virtue of the law or their particular purpose, are aimed to govern the international situation irrespective of the law designated by the conflict rules.”); Blom, *supra* note 215, at 379 (mandatory provisions are sometimes also referred to as “rules of immediate application” or “peremptory rules.”); see also IVANA KUNDA, INTERNATIONALLY MANDATORY RULES OF A THIRD COUNTRY IN EUROPEAN CONTRACT CONFLICT OF LAWS: THE ROME CONVENTION AND THE PROPOSED ROME I REGULATION (2007); CONFLICT OF LAWS IN INTELLECTUAL PROPERTY: THE CLIP PRINCIPLES AND COMMENTARY 371–376 (2013); Hannah L. Buxbaum, *Mandatory Rules in Civil Litigation: Status of the Doctrine Post-Globalization*, 18 AM. REV. INT’L ARB. 21 (2007).

217. See *supra* Part III for a discussion of comity.

218. GESETZ ÜBER URHEBERRECHT UND VERWANDTE SCHUTZRECHTE [Law on Copyright and Related Rights], Sept. 9, 1965, BGBl. I, as amended, § 32–32b (Ger.), translated by William Cornish in *The Author as Risk-Sharer*, 26 COLUM. J.L. & ARTS 1, 14 (2003).

219. *Id.*

220. *Id.*

221. *E.g.*, *Consorts Huston v. Sté Turner Entertainment*, Cour de cassation [Cass.] [supreme court for judicial matters] le civ., May 28, 1991, 149 R.I.D.A. 197 (1991) (Fr.); *Loi*

Mandatory rules are justified by strong public policies that the rules reflect, and strong public policies related to IP laws may also impact the design and application of conflict of laws rules even when the policies are not explicitly included in an IP statute.<sup>222</sup> For example, the right to free speech under the First Amendment to the U.S. Constitution has a strong relation to U.S. copyright law, but the right, although reflected in the U.S. Copyright Act, is not explicitly formulated in the Act. Nevertheless, because copyright law reflects free speech protections the application of choice of law rules and the rules on recognition and enforcement of foreign judgments in copyright cases are impacted by the public policies that underpin free speech. For example, the U.S. Court of Appeals for the Second Circuit used free speech concerns to apply the public policy exception and reject the recognition of a French judgment that was based on French law;<sup>223</sup> the court reasoned that French law did not protect the defendants' actions to the extent that the U.S. fair use doctrine would have.<sup>224</sup> Because the U.S. fair use doctrine is an important outgrowth of free speech in U.S. copyright law, the court could rely on the protection of free speech as a strong public policy and apply the public policy exception.<sup>225</sup>

Finally, the application of conflict of laws rules is strongly linked to substantive IP laws whenever conflict of laws rules include a reference to the place of the tortious activity, such as a rule of specific jurisdiction that vests jurisdiction in the courts of the place of the tortious act or the place of the effects of such an act,<sup>226</sup> or a choice of law rule that calls for the application of the law of the place of the tortious act or the place of the effects of such an act.<sup>227</sup> Whether an act is tortious depends on substantive law; for exam-

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57-298 du 11 mars 1957 sur la propriété littéraire et artistique [Law 57-298 of March 11, 1957 on Literary and Artistic Property], JOURNAL OFFICIEL DE LA RÉPUBLIQUE FRANÇAISE [J.O.], March 11, 1957, p. 2723, art.6 (Fr.); CODE DE LA PROPRIÉTÉ INTELLECTUELLE [C.I.P.] art. L121-1 (Fr).

222. On public policy and its role in conflict of laws in general, see Blom, *supra* note 215; Alex Mills, *The Dimensions of Public Policy in Private International Law*, 4 J. PRIVATE INT'L L. 201 (2008).

223. *Sarl Louis Feraud Int'l. v. Viewfinder, Inc.*, 489 F.3d 474, 482 (2d Cir. 2007) (“[A]bsent extraordinary circumstances, the fair use doctrine encompasses all claims of first amendment in the copyright field.” (quoting *Twin Peaks Prods., Inc. v. Publ'ns Int'l, Ltd.*, 996 F.2d 1366, 1378 (2d Cir. 1993)) (internal quotation marks omitted)).

224. *Id.*; 17 U.S.C. § 107 (2012); *see also supra* note 47 (describing scenario 6).

225. *Viewfinder*, 489 F.3d at 480–84. The approach adopted by the court in *Viewfinder* is consistent with the approach that had been adopted by courts in libel cases and that Congress legislated in the 2010 SPEECH Act. Securing the Protection of our Enduring and Established Constitutional Heritage (SPEECH) Act, Pub. L. No. 111-223, 124 Stat. 2380 (2010).

226. *See, e.g.*, N.Y. C.P.L.R. § 302(a)(2)–(3) (McKinney 2008); 735 ILL. COMP.STAT. 5/2-209(a)(2) (1993); Brussels I Regulation (recast), *supra* note 22, at art. 7(2).

227. *See, e.g.*, RESTATEMENT (SECOND) OF CONFLICT OF LAWS, § 145 (1971) (listing among “[c]ontacts to be taken into account,” “the place where the injury occurred,” and

ple, whether a new product announcement can be a patent infringing offer to sell will depend on national patent law and its interpretation.<sup>228</sup> Where an act occurred (the localization of an act) also depends on substantive law; for example, as mentioned earlier in Part IV, national law determines if a shipment made “free on board” from a foreign country<sup>229</sup> will result in a patent infringing sale that will be deemed to have occurred in the country of destination.<sup>230</sup>

Through this link between conflict of laws rules and substantive IP laws, substantive IP laws supply input information necessary for the application of conflict of laws rules, and through this link the territorial reach of substantive IP laws affects the operation of conflict of laws rules. For example, under Section 271(f) of the U.S. Patent Act, supplying or causing to supply without authority the components of a patented invention “in or from the United States,” is an act of infringement.<sup>231</sup> The provision signals, for the purposes of choice of law, that even acts committed outside the United States (for example, shipping from outside the United States) may be found infringing under U.S. patent law and therefore trigger the application of U.S. law to the acts.<sup>232</sup> Adjustments to the input information can therefore lead to different results when conflict of laws rules are applied, and legislators can make adjustments to adjust the effective territorial scope of IP laws.

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“the place where the conduct causing the injury occurred”); RESTATEMENT (FIRST) OF CONFLICT OF LAWS, § 378 (1934).

228. In some instances, intellectual property law will rely on another area of law to supply the meaning for a term used in an intellectual property act; thus, the territorial scope may depend on rules from other areas of law. For example, some national patent laws rely on national contract law to define what constitutes an “offer to sell”; other national patent laws give the term an autonomous interpretation. See, e.g., TRIMBLE, *supra* note 88, at 100–05.

229. See *supra* note 159 for an explanation of the term “free on board.”

230. See, e.g., MEMC Electronic Materials, Inc. v. Mitsubishi Materials Silicon Corp., 420 F.3d 1369, 1377 (Fed. Cir. 2005) (a sale is not necessarily precluded from occurring in the forum “simply because an article is delivered ‘free on board’ outside of the forum”).

231. 35 U.S.C. § 271(f)(1) (2012).

232. Of course the determination of the tortious nature of the acts is a decision on the merits and not a decision that a court will make when deciding on its jurisdiction or on applicable law. See, e.g., *Litecubes, LLC v. Northern Light Products, Inc.*, 523 F.3d 1353 (Fed. Cir. 2008) “[W]hether the allegedly infringing act happened in the United States is an element of the claim for patent infringement, not a prerequisite for subject matter jurisdiction.” *Id.* at 1366. The question of whether the U.S. Copyright Act applies to the defendant’s acts “is properly treated as an element of the claim which must be proven before relief can be granted, not a question of subject matter jurisdiction.” *Id.* at 1368. Although other circuit courts had taken the opposite approach and treated the extraterritorial reach as an issue of subject-matter jurisdiction, the U.S. Supreme Court has sided with the *Litecubes* approach. *Morrison v. Nat’l Australia Bank Ltd.*, 561 U.S. 247, 254 (2010) (“[T]o ask what conduct [a provision of substantive law] reaches is to ask what conduct [the provision] prohibits, which is a merits question.”).

## VI. CALIBRATION OF INTELLECTUAL PROPERTY LAWS WITH CONFLICT OF LAWS RULES

The previous Parts established that the effective territorial scope of IP laws is the result of the interaction of substantive IP laws, conflict of laws rules, and countries' enforcement powers, and that tools exist both in substantive IP laws and conflict of laws rules that legislators can utilize to adjust the effective territorial scope of national IP laws. But how does the effective territorial scope of national IP laws relate to countries' national IP policies? Why should legislators care about the effective territorial scope of national IP legislation (particularly any extraterritorial scope) when the legislators' main objective is, naturally, to ensure that the legislation implements the policies domestically? Two examples in this Part demonstrate how a country may calibrate its IP laws with its conflict of laws rules to achieve its desired effective territorial scope in its national IP laws and through an appropriate scope promote its national IP policy goals.

Assume that a country, such as France, decides that it wishes to become a new global center for software development. To effectuate this national policy goal, France strives to assist companies that invest in software development by providing rules of copyright ownership that are helpful to the companies. Given the collaborative nature of the software development process and the high transaction costs associated with a multiplicity of copyright owners, France decides that its copyright law is disadvantageous to software development companies because the law has no work for hire doctrine that would vest copyright to all employee works in an employer; therefore, France adopts an amendment according to which copyright in software vests automatically in the employer.<sup>233</sup>

In fact, this is exactly what France did,<sup>234</sup> and when French legislators adopted the legislation they very likely believed that this new provision would apply throughout France. However, until recently nationwide applicability was not fully the case because French courts used the law of the country of origin as the law applicable to copyright ownership. Therefore, copyright owners who could not claim France as the country of origin of their software could not benefit from the new French provision on software copyright ownership. For example, the conflict of laws rule for copyright ownership increased transaction costs for the companies that developed new software in France but were also dealing with older software developed and published by others outside of France. The rule also meant that anyone who sued in

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233. CODE DE LA PROPRIÉTÉ INTELLECTUELLE [C.P.I.] art. L113-9 (Fr.) ("Unless otherwise provided by statutory provision or stipulation, the economic rights in the software and its documentation created by one or more employees in the execution of their duties or following the instructions given by their employer shall be the property of the employer and he exclusively shall be entitled to exercise them.").

234. The French legislation is consistent with Article 2(3) of the EU Software Directive. Directive 2009/24/EC of the European Parliament and of the Council of 23 April 2009 on the Legal Protection of Computer Programs, art. 2(3), 2009 O.J. (L 111) 16, 18 (EU).

France for infringement of copyright to software could benefit from the French copyright ownership rule only if France was the country of origin of the software.

It was only recently, in April 2013, that the French Supreme Court changed the choice of law rule for copyright ownership to the law of the protecting country, meaning that French law will now govern questions of copyright ownership even for software whose country of origin is not France.<sup>235</sup> While this may surprise some who believe that they are copyright owners in France (because they are, for example, copyright owners under U.S. law) but who in fact might no longer be copyright owners in France (because French law does not afford them copyright ownership), software development companies will benefit from the French approach if the country of origin of the software at issue would not have afforded them copyright ownership (which may be the case in other civil law countries without a work for hire doctrine and without any special provisions on software copyright ownership).

One might ask why a country would opt for an approach to copyright ownership that uses the law of a country other than the protecting country; after all, the rule that uses the law of the protecting country to govern copyright ownership appears to maximize the effects of national policies by extending a country's approach to copyright ownership beyond the borders of the country whenever infringement of copyright is litigated in the country or other reasons arise to determine ownership of copyright in the country. However, the choice of law rule that selects the protecting country is not suitable for all countries and all national policies. A small country with a unique language may be a net importer of motion pictures and wish to assist motion picture importers by respecting copyright ownership rules in the countries of origin of the motion pictures. Concomitantly, it might not be palatable for the small country to accept the same copyright ownership rules that exist in the countries from which most motion pictures are imported; perhaps the small country sees other copyright ownership rules as more favorable to its struggling native film industry. In this situation, the choice of law rule of the law of the country of origin reflects national policy goals better than the law of the protecting country.

The operation of the internet affords a good example of the interaction of IP laws and rules of jurisdiction. Assume that a person with no physical presence in a country publishes material on the internet and thus commits an act that would normally infringe copyright in that country. Copyright infringement is a strict liability offense; it does not require intent, and anything above a *de minimis* infringement<sup>236</sup> will suffice for infringement to be found,

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235. Cour de Cassation [Cass.] [supreme court for judicial matters] 1e civ., April 10, 2013, Bull. civ. I, No. 11-12508 (Fr.); Cour de Cassation [Cass.] [supreme court for judicial matters] 1e civ., April 10, 2013, Bull. civ. I, No. 11-12509 (Fr.).

236. A *de minimis* infringement is "a technical violation of a right so trivial that the law will not impose legal consequences." *Ringgold v. Black Entertainment Television, Inc.*, 126 F.3d 70, 74 (2d Cir. 1997).

unless the fair use defense<sup>237</sup> or other defenses apply. However, even if the person appears to have infringed copyright in the country, the person can be outside the adjudicatory jurisdiction of the country's courts if the person is not subject to the courts' general jurisdiction and the country's rules of specific jurisdiction require that the alleged infringer direct his actions at the forum state. The jurisdictional rule is thus a limitation on the territorial reach of the country's substantive law of copyright infringement,<sup>238</sup> particularly if the courts of only the country of infringement would consider the country's copyright law to be applicable (meaning that there is no other country whose courts have jurisdiction and that those courts would apply the first country's copyright law). Of course, if the substantive law is not intended to punish an alleged infringer in situations when the infringing material happens to travel into the territory of the protecting country inadvertently, without the infringer's actions,<sup>239</sup> it may be that the country's rules of jurisdiction are actually aligned with the territorial scope of its substantive law. If the rules of jurisdiction do not correspond to the country's IP policies, however, the rules may need to be adjusted to serve the policies.

The primary locus of national IP policies will always be in national substantive IP laws, which will reflect and implement the policies and do so not only through the substance but also through the territorial scope that they will convey. When focusing on the territorial design of IP laws, however, legislators must consider the role of conflict of laws rules and the degree to which the rules comport to the reaching of the goals of national IP policies. The focus on the territorial scope of U.S. federal IP legislation may have to concern Congress more now than it did previously because of the U.S. Supreme Court's strengthening of the presumption against extraterritoriality<sup>240</sup> and the potential need to re-evaluate when an extraterritorial application of U.S. law is desirable. The interest in the territorial scope of IP legislation should generate a debate about national IP policies in a transnational context and the potential need for federal legislation on conflict of laws.

## VII. CONCLUSION

The increasing frequency and intensity of cross-border activities concerning IP has highlighted the importance of delineating the reach of na-

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237. 17 U.S.C. § 107(3) (2012) "[T]he amount and substantiality of the portion used in relation to the copyrighted work as a whole" is one of the factors that U.S. courts consider in the fair use analysis. *Id.*

238. Case C-170/12, *Pinckney v. KDG Mediatech AG*, 2013 E.C.R. (addressing the requirement of purposeful direction in the context of jurisdiction in a copyright infringement case). On purposeful targeting as a requirement under EU substantive law see Case C-5/11, *In re Donner*, 2012 E.C.L.I 370.

239. See, e.g., *Pinckney*, *supra* note 238, at para. 64 (suggesting that the CJEU adopt the same approach to the localization of the place of the effects of the tortious activity as it did to the localization of the harm for the purposes of substantive law).

240. See *supra* notes 7–9 and accompanying text.

tional IP laws; the rising numbers of cross-border disputes concerning IP rights are now testing the effects of this reach. Clarifying the effective territorial scope of national IP laws is not merely a matter of mechanically legislating substantive laws; the process of delineating the effective reach of the laws must include considerations of national IP policies and reflect those policies in the laws' effective territorial scope. Nor can the implementation of national policies continue to be based solely on the regulation of purely domestic activities, with cross-border activities being treated as insignificant outliers. The increasing frequency and intensity of cross-border activities require that legislators consider the territorial scope of national laws when they decide on how to implement national policies.

For the effective territorial scope of national laws to be consistent with national policies, the territorial scope of national substantive laws must be calibrated with conflict of laws rules. Legislators need to concentrate on more than just defining the territorial scope of substantive laws; while the territorial limits of prescriptive jurisdiction are important, the limits of prescriptive jurisdiction alone do not define the effective territorial scope of national laws. The effective territorial scope of national laws depends on the interaction of the territorial scope of substantive laws, conflict of laws rules, and countries' enforcement powers. Because the territorial scope of the enforcement power is usually not readily adjustable, legislators must focus on the interaction of substantive laws and conflict of laws rules and aim to make whatever adjustments are necessary to both areas of law so that desired national policies will be implemented. In countries that have recognized this interaction legislators have developed special conflict of laws rules targeted at implementing specific national policies in IP disputes.

For the United States, the challenge is that while Congress legislates federal IP matters, Congress has been rather passive in the conflict of laws area. Unless Congress engages in designing conflict of laws rules, its ability to shape the territorial scope of federal IP laws in a manner that is beneficial to the implementation of national IP policies will be limited. Of course courts may succeed in adjusting the design and application of conflict of laws rules to respect national IP policies; however, it is unrealistic to expect courts to take into consideration the full scope of the policies, particularly when the courts lack information about the future trajectory of the policies.

The fact that the effective territorial scope of national laws can be adjusted only through the calibration of the territorial scope of national substantive laws and conflict of laws rules also has important consequences at the international level. Even if national legislators calibrate IP laws and conflict of laws rules according to the goals of national IP policies, the success of the calibration may be curtailed by other countries' conflict of laws rules. These rules continue to be "moving pieces" until countries agree to set uniform standards for conflict of laws rules; only if countries agree on uniform conflict of laws rules can legislators operate with clarity about other countries' rules. Even an agreement on conflict of laws rules, however, will not suffice to secure international uniformity in the effective territorial scope of

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national IP laws; for such uniformity countries would need to calibrate their conflict of laws rules and the territorial scope of national IP laws at the international level to the same degree that they need to calibrate them at the national level. There can be no international uniformity in the effective territorial scope of national IP laws without a coordinated international approach involving both the territorial scope of national IP laws and conflict of laws rules. Nevertheless, it is unlikely that international uniformity can be achieved in the foreseeable future; given recent developments in international IP negotiations, it is unlikely that the IP area will soon see any new extensive treaty activity, and the Hague Conference's Judgments Project may prove as challenging now as it did in the late 1990s and early 2000s.

Despite the continuing challenges, the Judgments Project and recent academic projects focusing on the intersection of IP law and conflict of laws rules have been and continue to be successful at bringing experts in the two fields together and producing a wealth of materials for future discussion. At national levels the interaction of the two areas often seems to be overlooked or underestimated. Conflict of laws rules are sometimes perceived as rigid and subject to their own sets of rules and policies, and therefore unsuitable for reflecting national policies specific to a substantive area of law, such as IP law. As this Article points out, this perception of conflict of laws is incorrect, and national legislators should examine the rules when they seek tools to implement various national policies, including IP policies.