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The Law Applicable to Copyright Infringements under the Rome II Regulation: Challenges and Alternatives in the Digital Age

ABSTRACT

The conflict of laws rule stipulated in Article 8(1) of the Rome II Regulation designates the law applicable to non-contractual obligations arising from the infringement of a national intellectual property right according to the traditionally acknowledged *lex loci protectionis* principle. Furthermore, Article 8(3) of the Regulation excludes the right of the parties to designate the applicable law by their mutual agreement. The *lex loci protectionis* principle complies with the territorial nature of intellectual property rights, nevertheless, in the case of multi-state or ubiquitous infringements of copyright, it can lead to the simultaneous application of the laws of all the countries where the infringing act was committed. Theoretically, the number of different applicable laws can add up to 180-200, each of them granting a different scope of protection and differing enforcement measures. This approach, which has traditionally been referred to as the *mosaic approach*, entails a number of disadvantages, such as legal uncertainty or costly and burdensome proceedings. The last two decades have therefore marked an endeavour by specialists and different national or regional courts to find alternative solutions to the conflict rule based on the *lex loci protectionis* principle, at least with respect to the ubiquitous infringement of intellectual property rights. The aim of the present study is to summarise and analyse some of these alternative proposals and to examine how they could contribute – or whether they could contribute at all – to the possible amendment of Article 8 of the Rome II Regulation from the perspective of copyright.

KEYWORDS: Rome II Regulation, copyright, applicable law, ubiquitous infringements

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I. INTRODUCTION

In the Explanatory Memorandum of the Proposal¹ for the Rome II Regulation,² the Commission argued that the harmonisation of conflict rules of the Member States “is particularly suitable for settling cross-border disputes, as, by stating with reasonable certainty the law applicable to the obligation in question irrespective of the forum” and that “this proposal allows the parties to confine themselves to studying a single set of conflict rules, thus reducing the cost of litigation and boosting the foreseeability of solutions and certainty as to the law”.³ Furthermore, the “proposal for a Regulation would allow parties to determine the rule applicable to a given legal relationship in advance, and with reasonable certainty, especially as the proposed uniform rules will receive a uniform interpretation from the Court of Justice”.⁴

The main benefits of adopting the Rome II Regulation could thus be summarised in the following keywords: reasonable certainty, reduction of litigation costs, foreseeability and as a result, legal certainty. Nonetheless, the special conflict of laws rule laid down in Article 8 of the Regulation and applicable, among others,⁵ to multi-state or ubiquitous infringements of copyright, is criticised for disregarding these precise values.

The conflict of laws rule stipulated in Article 8(1) of the Regulation designates the law applicable to non-contractual obligations arising from the infringement of a national intellectual property right according to the traditionally acknowledged *lex loci protectionis* principle. In other words, the court shall apply “the law of the country for which protection is claimed”. Furthermore, Article 8(3) of the Regulation excludes

¹ Proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-contractual Obligations (Rome II), COM(2003)427 final, 2003/0168 (COD), Brussels, 22.7.2003.

² Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II).

³ Proposal for Regulation [2003]: cited above, 5.

⁴ Proposal for Regulation [2003]: cited above, 6.

⁵ The conflict rules under Article 8 of the Rome II Regulation do not distinguish between the different types of intellectual property rights, such as copyright, neighbouring rights the *sui generis* right of databases and the different industrial property rights, but dictate a single set of conflict of laws rules for all of them. Nevertheless, the differences between the various intellectual property rights, such as those concerning their legal nature, process of creation, purpose and harmonisation level are not negligible. The fundamental differences between the *lato sensu* copyright and industrial property rights reside in the increased cultural role and automatic protection of the former, as opposed to the mostly commercial purpose of the latter and the registration requirements they need to undergo in order to be protected (except for the well-known trademarks and unregistered Community design, which are not subjected to registration requirements or industrial designs and models, which may be subject to copyright protection and thus, be protected automatically). As I consider that these differences require the separate study of copyright, taking into account its specific characteristics, the present paper deals only with the topic of copyright in the broadest sense, i.e. copyright and related rights.

the right of the parties to derogate from the law designated by the prior rule by their mutual agreement pursuant to Article 14.⁶

The *lex loci protectionis* principle complies with the territorial nature of intellectual property rights and emphasises the independence of the intellectual property rights legislation of each country. The law designated by the *lex loci principle* is usually the law of the country where the infringement was committed.⁷ Nevertheless, under this principle, in the case of multi-state or ubiquitous infringements of copyright, such as those committed on the internet, if the plaintiff claims the full compensation of the damage, the court has to apply the laws of all the countries where the infringing act was committed simultaneously.⁸ Theoretically, the number of different applicable laws can add up to 180-200, each of them granting a different scope of protection and enforcement measures.⁹ This approach has traditionally been referred to in the literature as the mosaic approach.

First and foremost, the mosaic approach makes the determination of the number of applicable laws and the identification of the laws themselves burdensome or, in extreme cases, even unfeasible.¹⁰ Second, “proceedings become more costly and

⁶ Paragraph (2) of Article 8 prescribes a special conflict rule for designating the law applicable to non-contractual obligations arising from the infringement of a unitary Community intellectual property right. As a unitary European copyright or related rights protection hasn't been developed yet, Article 8(2) is not relevant for the present paper.

⁷ See Proposal for Regulation [2003]: cited above, 20.

⁸ See E. Ulmer, *Intellectual Property Rights and the Conflict of Laws*, (Springer, The Netherlands, 1978) 13.; A. Peukert, Territoriality and Extraterritoriality in Intellectual Property Law, in G. Handl, J. Zekoll and P. Zumbansen (ed.), *Beyond Territoriality: Transnational Legal Authority in an Age of Globalization* (Brill, 2012, Leiden, Boston, 189–228) 189. https://doi.org/10.1163/9789004227095_009; T. Kono and P. Jurčys, General Report, in T. Kono (ed.), *Intellectual Property and Private International Law. Comparative Perspectives* (Bloomsbury, Oxford and Portland, Oregon, 2012, 6–216) 17.; P. Goldstein and P. B. Hugenholtz, *International Copyright. Principles, Law, and Practice* (Oxford University Press, New York, 2013) 97.; R. Matulionytė, Enforcing Copyright Infringement Online: In Search of Balanced Private International Law Rules, (2015) 6 (2) *Journal of Intellectual Property Information Technology and Electronic Commerce Law*, (132–145) 138.; A. Kur and U. Maunsbach, Choice of Law and Intellectual Property, (2019) 6 (1) *Oslo Law Review*, (43–61) 47. <https://doi.org/10.18261/issn.2387-3299-2019-01-07>; H. Schack, The Law Applicable to Unregistered IP Rights After Rome II, (2009) (26) *Ritsumeikan Law Review*, (129–144) 134.; P. A. De Miguel Asensio, La legislación sobre derechos de autor y su ámbito de aplicación: perspectiva europea, (2015) *Anuario Dominicano de Propiedad Intelectual*, (117–154) 119.; B. Buchner, Article 8 Infringement of Intellectual Property Rights, in G.-P. Calliess (ed.), *The Rome Regulations: Commentary on the EC Regs on Conflict Laws* (Kluwer Law International, The Netherlands, 2011, 481–487) 484.; P. Torremans, Private International Law Issues on the Internet, in I. Stamatoudi (ed.), *New Developments in EU and International Copyright Laws* (Kluwer Law International, Alphen aan den Rijn, 2016, 379–396) 394.

⁹ The high number can be attained due to Article 3 of the Regulation, which lays down the principle of universal application and Article 25 of the Regulation that stipulates that “[w]here a State comprises several territorial units, each of which has its own rules of law in respect of non-contractual obligations, each territorial unit shall be considered as a country for the purposes of identifying the law applicable under this Regulation”. On this topic see Matulionytė, Enforcing Copyright Infringement Online..., 138.

¹⁰ See Kur and Maunsbach, Choice of Law and Intellectual Property, 55–56.

burdensome in proportion to the number of different laws that need to be applied¹¹. These consequences occur due to the numerous differences between the substantive copyright laws of the countries, which complicate the identification of the author or right holder, on the one hand, and the particular rights and their exceptions and limitations, on the other.¹²

Third, due to the territorial nature of copyright, the extent of the damages must be determined separately for each State, in accordance with the substantive law of that State. This process is both costly and time consuming, and – as Advocate General Cruz Villalón has pointed out in his Opinion concerning the interpretation of the rules of jurisdiction, and which opinion can be pertinently applied to the issue of applicable law, as well – an applicant will not be able to produce verifiable material which delimits precisely the damage sustained in a specific Member State. That factor would lead the court to order compensation which is lower than the damage actually sustained, or which is higher, thereby exceeding the scope of the territorial criterion.¹³ The situation of the infringer is not optimal either, as they must respect the substantive copyright law of each country in order to rule out the possibility of any infringement. Another option is to adapt their digital activity to the law of the country with the strictest liability regime, but in practice that would mean the extraterritorial application of the copyright law of the latter country.¹⁴

The last two decades have therefore marked an endeavour by specialists and different national or regional courts to find alternative solutions to the conflict rule based on the *lex loci protectionis* principle, at least with respect to ubiquitous infringement of intellectual property rights. The aim of the present study is to summarise and analyse the private international law solutions and to examine how they could contribute – or whether they could contribute at all – to the possible amendment of Article 8 of the Rome II Regulation from the perspective of copyright.

Before that, however, it is worth mentioning that each proposal restrains, to a greater or lesser extent, the strictly interpreted territoriality principle. In this regard, critics frequently refer to territoriality as the Achilles-heel of copyright.¹⁵ The authors of

¹¹ European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary* (Oxford University Press, Oxford, 2013) 3:603.C05.

¹² M. Trimble, The Multiplicity of Copyright Laws on the Internet, (2015) 25 (2) *Fordham Intellectual Property, Media and Entertainment Law Journal*, (339–405) 344–345.

¹³ C-441/13, Hejduk, EU:C:2014:2212, Opinion of AG Pedro Cruz Villalón, 42. See also S. Neumann, Ubiquitous and multistate cases, in P. Torremans (ed.), *Research Handbook on Cross-border Enforcement of Intellectual Property*, (Edward Elgar, Northampton, 2014, 497–525) 510. <https://doi.org/10.4337/9781781955802.00018>

¹⁴ Neumann, Ubiquitous and multistate cases, 511.

¹⁵ See for instance P. Torremans, Copyright Territoriality in a Borderless Online Environment, in J. Axhamn (ed.), *Copyright in a Borderless Online Environment* (Norstedts Juridik, Stockholm, 2012, 23–35) 24.; P. Hugenholtz, Harmonization or Unification of EU Copyright Law, in J. Axhamn

the soft law proposal known as the Conflict of Laws in Intellectual Property (hereinafter CLIP)¹⁶ note that the

fact that territoriality was taken for granted in previous times does not have to govern decisions that are made today and tomorrow. Considering that international intellectual property harmonisation has attained a fairly high level in the wake of TRIPS and the two WIPO Internet treaties, the argument that the territoriality principle is no longer as crucial as it was in the early stages of developing national intellectual property regimes gains plausibility.¹⁷

A number of alternative private international law or substantive law solutions have been proposed to replace, in whole or in part, the *lex loci protectionis* principle, at least regarding the law applicable to ubiquitous torts. Concerning their structure, they can be divided into three major groups.

The first group includes those conflict of laws rules which would replace or supplement the conflict rule based on the principle of *lex loci protectionis* with another conflict rule in order to reduce the number of applicable laws. The second group consists of specific rules which, in terms of their legal nature, can be classified as substantive legal norms, yet their main purpose is to reduce the number of applicable laws indicated by the conflict of laws rule. These substantive rules usually seek to define the concept of infringing act or damage in such a way that it can be linked to the territory of a single State. The third group consists of more complex conflict of laws rules. Their development has been motivated by the desire to overcome the disadvantages of the conflict of laws rules based on the principle of *lex loci protectionis* and the one-sidedness of the conflict of laws rules belonging to the previous two categories. They have in common that the law applicable to ubiquitous torts is usually determined by a conflict of laws rule comprising multiple factors, which aim at finding the law of the State most closely connected with the dispute.¹⁸ The next sections will summarise and structure the main proposals and will synthesise the main advantages and setbacks of each.

(ed.), *Copyright in a Borderless Online Environment* (Norstedts Juridik, Stockholm, 2012, 189–204) 194.; Kaskovits M., CDSM-napló – 2. rész: szöveg- és adatbányászat, *copy21.com*, <https://copy21.com/2019/05/cdsm-naplo-2-resz-szoveg-es-adatbanyaszat/> (Last accessed: 31 July 2019).

¹⁶ For more details about the CLIP proposal see *infra* Chapter IV.

¹⁷ European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:603.C07.

¹⁸ Except for the Transparency proposal, which instead of relying on multiple factors in order to find the closest connection with the dispute, determines the law applying to ubiquitous infringements according to a modified *market effect* doctrine. For details see *infra* Chapter IV.

II. SINGLE-LAW CONFLICT OF LAWS RULES

As has been mentioned above, the solutions comprised in the first category seek to elaborate conflict of laws rules that would manage to designate the single most suitable law or a small number of applicable laws for ubiquitous infringements. It seeks to replace or supplement the conflict rule based on the *lex loci protectionis* principle, at least with regard to ubiquitous infringements.

1. *Lex originis*

The first to be mentioned is probably the “oldest rival” of the *lex loci protectionis*, namely the conflict rule based on the *lex originis* principle. Under the *lex originis*, the court applies the law of the country of origin of the work, regardless of where the infringement and the damage have occurred. The *lex originis* principle is based on the universalist theory of copyright, which considers the different national copyrights to be a single, internationally recognised right. The main advantage of the rule based on *lex originis* is that the applicable law is fairly easy to identify and foreseeable for both the right holder and the potential infringer.¹⁹ According to Professor Boytha, the *lex loci originis* principle is perhaps dogmatically more consistent than the *lex loci protectionis* principle and it enhances the uniform results of the application of copyright law; nevertheless, it is difficult to apply in practice.²⁰ With regard to the period before the spread of the Internet, the professor argued that the Montevideo Convention, which enacted the *lex originis* principle, required national judges and foreign users to be familiar with the laws of all the member states of the Convention.²¹ Furthermore, in the event of litigation, the *lex fori* and the *lex originis* are very rarely the same,²² and this circumstance places an additional burden on judges, who will seldom apply the law they are most familiar with. However, the same hindrances have emerged in the case of the *lex protectionis* principle as well, due to the proliferation of the use of internet. In other words, a judge applying the *lex loci protectionis* principle in a case of ubiquitous infringement of copyright, might have to become familiar with the substantive laws of all the countries of the world.

There are however other arguments against the application of the *lex originis* principle. According to some commentators, it is incompatible with the principle of

¹⁹ See Neumann, Ubiquitous and multistate cases, 516.; Trimble, The Multiplicity of Copyright Laws on the Internet, 359.

²⁰ Boytha Gy., Viszonosság a nemzetközi szerzői jogban, (1967) 22 (9) *Jogtudományi Közlöny*, (538–549) 543.

²¹ Boytha Gy., Some Private International Law Aspects of the Protection of Authors’ Rights, (1988) (24) *Copyright*, (399–414) 406.

²² Boytha, Viszonosság a nemzetközi szerzői jogban, 543.

national treatment enshrined in Article 5 of the Berne Convention.²³ Others consider that, under the *lex originis* principle, the works originating from different countries would be subject to different laws on the territory of the same country²⁴ thus leading to discrimination between the rightholders. Consequently, nor does this principle provide users with greater predictability of the applicable law than the *lex loci protectionis* since, when commercial users want to use a number of different works, each of these works might be subject to a different national law, depending on its place of origin.²⁵ More importantly, the *lex originis* principle prevents the states from enforcing their own copyright policy on their own territory.²⁶

2. *Lex loci delicti*

Another alternative resulted from the attempt of adapting the *lex loci delicti* principle to ubiquitous infringement of copyright. As a rule, under the *lex loci delicti* principle, the law applicable to a non-contractual obligation arising out of a tort/delict is the law of the State in which the event giving rise to the damage occurred. However, it has been mentioned above and the CJEU has clarified it in its case law on the interpretation of the rules of jurisdiction, damage caused by multi-state or ubiquitous infringement of copyright cannot be attributed to the law of a single State. For instance, in the case of the distribution of a protected work on the Internet, the harmful event is present in all the states where the illegal uploading and downloading of the work takes place. Consequently, in order for the traditional *lex loci delicti* principle to be a genuinely suitable alternative to the *lex loci protectionis* principle, it must be accompanied by an additional condition, which restricts the harmful event to the territory of one country.

Such an alternative is proposed by the EU's so-called Satellite and Cable Directive²⁷ or the recently adopted Online Broadcasting and Retransmission Directive.²⁸ According to Article 1(2) point b) of the Satellite and Cable Directive, the "act of communication to the public by satellite occurs solely in the Member State where, under the control and responsibility of the broadcasting organization, the programme-

²³ See Matulionytė, Enforcing Copyright Infringement Online..., 138. See also Trimble, The Multiplicity of Copyright Laws on the Internet, 370.

²⁴ See Matulionytė, Enforcing Copyright Infringement Online..., 138.

²⁵ Ibid. 139.

²⁶ Ibid.

²⁷ Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission.

²⁸ Directive (EU) 2019/789 of the European Parliament and of the Council of 17 April 2019 laying down rules on the exercise of copyright and related rights applicable to certain online transmissions of broadcasting organisations and retransmissions of television and radio programmes, and amending Council Directive 93/83/EEC.

carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth”. The rule in Article 1(2) is therefore not a conflict of laws rule, but a substantive law rule, which nevertheless affects the determination of the applicable law. According to this substantive law rule, the law applicable under the *lex loci delicti* principle can only be the law of the State in which the broadcast signals are transmitted to the satellite and then to the uninterrupted chain of transmission to Earth. The Satellite and Cable Directive has therefore narrowed down the multi-state tort to the territory of a single state, more precisely to the place of origin of the act.

Furthermore, in accordance with Article 3(1) of the Online Broadcasting and Retransmission Directive, certain acts of communication to the public, reproduction and making available to the public of works or other protected subject matter in the course of the provision of an ancillary online service by or under the control and responsibility of a broadcasting organisation shall, for the purposes of exercising copyright and related rights relevant for those acts, be deemed to occur solely in the Member State in which the broadcasting organisation has its principal establishment.²⁹ The solution put forward by this Directive is therefore an even bolder one, as the act of communication, the act of making available to the public and the act of reproduction doesn't necessarily take place at the origin of the multinational act itself but, by means of a legal fiction, it is localised on the territory of the Member State in which the broadcaster has its principal place of business. The legitimacy of the legal fiction can be sustained by the plausible presumption that the broadcaster's primary place of business coincides with the place where the act originated or the decision giving rise to the act was taken. A similar solution can be found in Article 5(3) of the CDSM Directive. According to its provisions, the use of works and other subject matter for the sole purpose of illustration for teaching through secure electronic environments shall be deemed to occur solely in the Member State where the educational establishment is established.

The common feature of the three examples is that each Directive localises the act in the point of its actual or presumed origin. With regard to satellite broadcasting and internet activities, the literature refers to this place as *Handlungsort*.³⁰ In the event

²⁹ See also Tóth A.-K., *Az európai szerzői jogi harmonizáció és a territorialitás kérdése*, (2016) (11) *Iparjogvédelmi és Szerzői Jogi Szemle*, (9–43) 14. Regarding the conditions and limits of applying this legal fiction, see preambles (9)–(14) of the Directive.

³⁰ See M.-M. van Echoud, *Choice of Law in Copyright and Related Rights*, (Kluwer Law International, 2003), <https://www.ivir.nl/publicaties/download/970.pdf> (Last accessed: 31 July 2019) 217. Some commentators use the terms “place of origin”. (See for instance Neumann, *Ubiquitous and multistate cases*, 516.; European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:603.N07; Matulionytė, *Enforcing Copyright Infringement Online...*, 139.). However, due to the risk of confusion with the *lex originis* principle presented above, I chose not to use this term.

of damage inflicted by online activity, the *Handlungsort* frequently coincides with the offender's domicile or habitual residence if they are a natural person or the infringer's headquarters if it is a legal person.³¹

Defining the harmful act based on the *Handlungsort*-theory has the obvious advantage of making the applicable law foreseeable for the user and potential infringer, and thus facilitating the apprehension and adherence to the provisions of the substantive copyright law.³² Second, the *Handlungsort*-theory benefits the copyright holders as well, since the latter have the possibility to claim the whole damage under one single law.³³ Third, if the *Handlungsort* coincides with the habitual residence of the infringer, the court seized with the action will apply its own law, namely the law that the court is most familiar with.³⁴ In addition, this court is the court that, according to the EU rules on jurisdiction, has jurisdiction to award damages for the entire infringement. Finally, it should not be overlooked that the defendant's habitual residence is usually where they have assets, and thus it may be an attractive forum for the right holder to bring their claim,³⁵ as the enforcement of the judgment might become more successful.

Despite its many advantages, the *Handlungsort* theory has significant disadvantages, too. In particular, the literature on international copyright holds that this solution clearly favours the copyright users, i.e. infringers, as it allows them to relocate to so-called copyright "havens", which are countries with rather low-level copyright protection or in which judgments are difficult or even impossible to enforce.³⁶ On the other hand, indicating the actual origin of the infringing activity may also be difficult due to the rapid development of technology. Van Echoud noted, as early as in 2003, that anyone in the digital world could easily direct files on a server of a location of their choice,³⁷ thus manipulating the applicable law without any physical relocation. And determining the place of origin of an activity in the context of *peer-to-peer* exchanges is particularly elusive, if not downright meaningless.³⁸ Besides its unpredictability, it can

³¹ See Trimble, *The Multiplicity of Copyright Laws on the Internet*, 359.; van Echoud, *Choice of Law in Copyright and Related Rights*, 217.

³² See Trimble, *The Multiplicity of Copyright Laws on the Internet*, 361.; van Echoud, *Choice of Law in Copyright and Related Rights*, 217.; Neumann, *Ubiquitous and multistate cases*, 516.; Matulionytė, *Enforcing Copyright Infringement Online...*, 139.

³³ Matulionytė, *Enforcing Copyright Infringement Online...*, 139.

³⁴ See Trimble, *The Multiplicity of Copyright Laws on the Internet*, 362.

³⁵ See also van Echoud, *Choice of Law in Copyright and Related Rights*, 219.

³⁶ See also Trimble, *The Multiplicity of Copyright Laws on the Internet*, 360.; American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Dispute (with Comments and Reporters' Notes)*, (2008) Part 10, <https://www.wipo.int/edocs/lexdocs/laws/en/us/us218en-part10.pdf> (Last accessed: 31 July 2019) 4.; Neumann, *Ubiquitous and multistate cases*, 516.; Matulionytė, *Enforcing Copyright Infringement Online...*, 139.; van Echoud, *Choice of Law in Copyright and Related Rights*, 217.; European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:603.N07.

³⁷ van Echoud, *Choice of Law in Copyright and Related Rights*, 217.

³⁸ American Law Institute, *Intellectual Property...*, Part 10, 4.

also result in the application of a law that has nothing to do with the non-contractual obligation itself.³⁹ Therefore, a solution based on the *Handlungsort* theory provides a forum shopping possibility for the users and makes the applicable law unpredictable for the rightholder.

3. *Lex loci damni*

A similar alternative to the *lex loci delicti* rule and the substantive law rule focusing on the place of origin of the harmful act may be the conflict of laws rule focusing on the occurrence of the damage and its outcome. The equivalent of the prior solution would thus be the combination of the conflict of laws rule based on the *lex loci damni* principle and a substantive law rule defining the place where the damage occurred. Some commentators also refer to the place where the actual damage occurs as *Erfolgsort*.⁴⁰ This place is not equivalent to the domicile of the claimant, nor does it cover the place of indirect damages.⁴¹

It is worth mentioning the Opinion of Advocate General Niilo Jääskinen delivered in the *Pinckney* case. In *Pinckney*, the Court had, for the first time, an opportunity to rule on the conditions in which the courts of a Member State have jurisdiction *ratione loci* to determine a dispute arising from an alleged infringement of copyright via the internet on the basis of Article 5(3) of the Brussels I Regulation.⁴² The Advocate General advised the Court to depart from the doctrine established in the *eDate Advertising and Martinez* case and not apply the criterion of accessibility when interpreting the occurrence of damage, according to which the potential harm is considered to arise in all the places from which the website in question can be consulted.⁴³ Instead, he advised the Court to apply the “theory of focalisation”⁴⁴ and thus favour the courts of the state the activity was aimed at by the internet site in question.⁴⁵ The designation of this court would be justified by the fact that the damage corresponds to the failure to profit from the unauthorised broadcast of the works.⁴⁶ As it turned out, the Court did not accept Advocate General Jääskinen’s proposal. However, if we were to apply the proposal of the Advocate General as a conflict rule to establish the applicable law, the substantive rule supplementing the *lex loci damni* principle would stipulate that the place where the damage occurred is the State the activity was aimed at.

³⁹ Matulionytė, *Enforcing Copyright Infringement Online...*, 139.

⁴⁰ van Echoud, *Choice of Law in Copyright and Related Rights*, 217.

⁴¹ *Ibid.*

⁴² See C-170/12, *Pinckney*, EU:C:2013:400, Opinion of AG Niilo Jääskinen, 2.

⁴³ Opinion of AG Niilo Jääskinen, 68.

⁴⁴ *Ibid.* 64.

⁴⁵ *Ibid.* 71.

⁴⁶ *Ibid.* 64.

This solution would lead to a similar result as the conflict of laws rule based on the *market effect* theory. Two versions of this principle will be discussed below; one of them has been elaborated in the Transparency Proposal and the other one has taken the form of a *de minimis* rule in the CLIP. The aim of all three solutions is to replace the mosaic application of the set of laws designated by the *lex loci protectionis* with the law of only one or just a few countries, i.e. the law of the country or countries in which the harmful act produces its greatest effect or effects at all.

The constructions of the three solutions are obviously different, but even their criteria for designating the applicable law differ slightly. The solution derived from the Opinion of Advocate General Jääskinen may also be interpreted as meaning that one of the criteria for choosing the applicable law is the intention of the infringer that can be inferred from the characteristics of the harmful act. For instance, from the use of a certain country-code top-level domain and the language of that country, one can deduce that the act is targeted at that particular state. In contrast, under the Transparency proposal, the law applicable to a non-contractual obligation arising from a ubiquitous infringement of a copyright is the law of the place where the results of the exploitation of the copyright are or will be maximized.⁴⁷ In the process of selection, one must take into account the value of the damage and the amount of use of intellectual property rights, and this is only possible after the damage has occurred. One of the main differences between the two proposals resides therefore in the prevalence of the interests of one or the other party. While, according to the Advocate General's proposal, the infringer may, by his own actions, have some control over the determination of the applicable law, in the case of the Transparency proposal the solution is less foreseeable for them. From the perspective of the parties' interests, the latter solution can therefore be considered more neutral.

Advocate General Cruz Villalón proposes a similar solution to the general rule of the Transparency proposal in his Opinion delivered in the *Hejduk* case concerning the interpretation of the provisions of Article 5(3) of the Brussels I Regulation. According to the Advocate General, in cases where "delocalised" damage occurs on the internet and infringes copyright, "the best option is to exclude the possibility of suing in the courts of the State where the damage occurred and to limit jurisdiction, at least that based on Article 5(3) of the regulation, to that of the courts of the State where the event giving rise to the damage occurred".⁴⁸ However, the Advocate General did not elaborate on the criteria necessary to determine the place where the damage occurred, which is certainly unfortunate for the purposes of the present study.

The literature on copyright has developed yet another version of the theory based on the *Erfolgsort*. According to this version, the place where the damage occurs

⁴⁷ See Article 302(1) of the Transparency proposal.

⁴⁸ Opinion of AG Niilo Jääskinen, 45.

is the domicile or habitual residence of the copyright owner.⁴⁹ The starting point of this theory is the assumption that the damage resulting from the copyright infringement affects the person and the pocket of the author.⁵⁰ At the same time, habitual residence or domicile may serve as proxies to the consequences of the damage, to the extent that they are closely related to the location of the effects of the copyright infringement.⁵¹ This latter proposal clearly favours the interests of the rightholder.

Theoretically, the solutions focusing on the effects of the damage provide a greater degree of predictability for the parties than the solution based on the *lex loci protectionis* principle, since the former require the application of a single or a limited number of laws. This can particularly be noticed in cases where the *Erfolgsort* coincides with the domicile or residence of the rightholder. In practice, however, in many cases the courts might need to carry out a detailed factual analysis in order to be able to assess the impacts of the infringing act or to determine the targeted State, and these can only be done at the stage of examining the merits of the case, not the stage of designating the applicable law.⁵² Furthermore, the determination of the applicable law would not be straightforward either in cases where the applicable law does coincide with the residence of the rightholder, yet the infringement affects works with multiple authors or multiple rightholders.⁵³ Additionally, similarly to the *Handlungsort* theory, the conflict of laws rules based on the *Erfolgsort* theory would provide one of the parties with a forum shopping opportunity, but this time the advantaged party would be the rightholder.⁵⁴ Last but not least, the applicable law would rarely coincide with the law of the forum, which would place an additional burden on the courts.

III. SUBSTANTIVE LAW SOLUTIONS

I have mentioned above the substantive rules that also affect the determination of the applicable law. These rules can be divided into two categories. The first contains the norms that attempt to localise the harmful act or the place where the damage occurred. The second category includes the so-called *de minimis* rules, which establish stricter

⁴⁹ See Trimble, *The Multiplicity of Copyright Laws on the Internet*, 367. See also A. Kur, *Applicable Law: An Alternative Proposal for International Regulation – The Max Planck Project on International Jurisdiction and Choice of Law*, (2005) 30 (3) *Brooklyn Journal of International Law*, (951–981) 977–978.

⁵⁰ See Trimble, *The Multiplicity of Copyright Laws on the Internet*, 369., citing an opinion of Ginsburg from 1995.

⁵¹ See Trimble, *The Multiplicity of Copyright Laws on the Internet*, 369., citing an opinion of Guzman concerning the determination of jurisdiction of courts. See also A. T. Guzman, *Choice of Law: New Foundations*, (2002) (90) *The Georgetown Law Journal*, (883–940) 920.

⁵² See also Matulionytė, *Enforcing Copyright Infringement Online...*, 137.

⁵³ Trimble, *The Multiplicity of Copyright Laws on the Internet*, 368.

⁵⁴ For arguments sustaining this opinion and against it see van Eechoud, *Choice of Law in Copyright and Related Rights*, 218. and next. See also Trimble, *The Multiplicity of Copyright Laws on the Internet*, 360.

conditions for the definition of an infringement or damage. The difference between the two categories is not as clear as their name suggests, and there are a number of overlaps between them in terms of their effects, as revealed by the above analysis as well. The examination of the so-called “localisation” rules was the subject of the previous section and one version of the *de minimis* rule will be analysed in the following section.

IV. MULTI-FACTOR CONFLICT OF LAWS RULES

Over the last two decades, a number of more complex proposals addressing the private international law aspects of intellectual property rights have emerged. These seek to correct the deficiencies of conflict of laws rules based on the principle of *lex loci protectionis*, on the one hand, and to neutralise the one-sidedness of the solutions presented above, on the other. Some of the proposals are created by individual researchers⁵⁵ and others by specialised committees or research groups set up for this specific purpose. There are six renowned proposals in the copyright literature, which are increasingly referred to by the different international and national courts. These aim to help the work of courts and legislators in the form of soft law rules. Five of the six proposals have been finalised by the time of writing this study; the sixth proposal’s elaboration is still in progress. Chronologically, they are the following: the *Principles Governing Jurisdiction, Choice of Law, and Judgments In Transnational Disputes in Intellectual Property*, adopted by the American Law Institute in 2008 (hereinafter ALI), the *Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property*, elaborated in 2009 by three Japanese researchers, Ryu Kojima, Ryo Shimanami and Mari Nagata (hereinafter the Transparency), the *Principles by Korean Private International Law Association adopted in 2010* (hereinafter KOPIA), the *Joint Proposal by the Members of the Private International Law Association of Korea and Japanese Waseda University Global COE Project* (hereinafter the Joint JK), the *Conflict of laws in Intellectual Property adopted by the European Max Planck Group in 2011*, and finally the draft *Guidelines: Intellectual Property in Private International Law*,⁵⁶ a project of the International Law Association (hereinafter the ILA).

One common feature of all six proposals is that they all regulate the private international law aspects of intellectual property holistically. In other words, besides laying down the rules for determining the applicable law, they also provide rules for jurisdiction of the courts and the recognition and enforcement of judgments. And, in relation to the applicable law aspects, they deal with several issues concerning the private international law aspects of intellectual property, such as contracts, proprietary aspects,

⁵⁵ See for instance van Eechoud, *Choice of Law in Copyright and Related Rights*, 229.; Kur, *Applicable Law...*, 979–981.

⁵⁶ The present study was based on the draft adopted in 2018. See ILA, 8. and next.

transfer of intellectual property and infringements. Nevertheless, the present study reviews only three of these rules in a comparative analysis; the general rule, the special rule on ubiquitous torts and the provisions governing the freedom of choice of the parties. I believe that this brief comparative analysis provides an opportunity to become acquainted with these provisions, yet the proper assessment of them and the understanding of how these rules could contribute to amending Article 8 of the Rome II Regulation with respect to copyright would require a holistic and comparative analysis of the whole set of rules of the soft law proposals, along with a detailed analysis of the *lato sensu* private international law rules of intellectual property law adopted by the EU.

Another common feature of the proposals is the conservation of the principle of territoriality as a general rule, completed with a series of exceptions. The territorial nature, despite its numerous criticisms, remains one of the fundamental principles of international, EU and national intellectual property law. Moreover, it should not be overlooked that the vast majority of *de lege ferenda* proposals are more than reluctant to abolish territoriality.

1. The general rule

In the present study, the term “general rules” refers, in particular, to the conflict rule determining the law applicable to an obligation arising from an infringement of an intellectual property right, except for the ubiquitous infringement and the issue of secondary or ancillary liability.

The general rules of the KOPILA and ALI apply not only to infringements but to other aspects of intellectual property, too. Such other aspects include the creation of intellectual property, ownership issues, transferability and termination of the right. The other four proposals contain two separate provisions for tort and for other aspects of intellectual property.

The general rules of all the proposals, except the rule of the Transparency proposal, are based on the *lex loci protectionis* principle. Nevertheless, the structure and wording of these conflict rules differ to some extent. The authors of the CLIP remark in this regard that the

principle of *lex protectionis* is closely connected with the principle of territoriality. Although it is neither uncontested nor indispensable as a fundamental feature of intellectual property law, the principle of territoriality is basically acknowledged as an important means to safeguard the sovereignty of legislatures deciding on the specifics of intellectual property protection within the limits prescribed by international law. In that sense, the Principles remain committed to the territoriality principle.⁵⁷

⁵⁷ European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:603.C06.

Three of the five proposals based on the principle of *lex loci protectionis*, namely the ALI, Joint JK and KOPILA, distinguish between registered and unregistered intellectual property rights. Under Article 301 of the ALI, the law applicable to infringement of intellectual property rights and the remedies for their infringement is for registered rights, the law of each State of registration and for other intellectual property rights, the law of each State for which protection is sought. The wording of article 19 of the KOPILA is very similar to the wording of Article 301 of the ALI. Article 301 of the Joint JK clarifies the difference between the definitions given to the *lex loci protectionis* in the case of registered and unregistered rights. According to Article 301(2) of Joint JK, “*lex protectionis* is the law of the state for which protection is sought. In the case of a registered intellectual property right, this state is presumed to be the state in which that right is or will be registered [...]”.

The necessity and utility of distinguishing the two types of intellectual property rights has long been a concern of the intellectual property literature and opinions differ. The authors of the CLIP consider that the principle of *lex loci protectionis*, which applies to both categories, does not justify a terminological distinction. Given that, in the case of registered intellectual property rights the law of the State for which protection is sought usually coincides with the State of registration, the difference in terminology does not translate into one of substance. On the other hand, referring to the country of registration as opposed to that of protection obscures the fact that all intellectual property follows the same fundamental principles with regard to infringement.⁵⁸

Matulionytė adheres to a similar view. In her opinion, the advantage of clarifying the concept is counterbalanced by the fact that the coexistence of the two rules make the already complicated system even more complicated, and that the relationship between the two rules is not clear either. “[I]s it the same rule worded differently or are these two different rules with different content?” asks the author.⁵⁹

The authors of the Transparency proposal came up with a different solution instead of a vague definition of the *lex loci protectionis* principle. With regard to the creation, original owner, transferability and effects of intellectual property rights, the Transparency proposal identifies the law of the State providing the protection as the applicable law. According to Article 305, the existence, primary ownership, transferability and effects of intellectual property rights shall be governed by the law of the country that granted the intellectual property right. The authors of the proposal consider that this phrasing eliminates the difficulties of interpretation regarding the

⁵⁸ European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:601.N08–3:601.N10.

⁵⁹ R. Matulionytė, IP and Applicable Law in Recent International Proposals: Report for the International Law Association, (2012) (3) *Journal of Intellectual Property, Information Technology and Electronic Commerce Law*, (263–305) 266.

traditional wording, i.e. “the law of the State for which protection is claimed”, and it consolidates within a single rule two connecting factors that are unjustifiably separated in the ALI.⁶⁰

The authors of the ALI Principles argue that, in the case of unregistered rights, the usual point of attachment for determining infringement of these rights will be the countries where the rightholder’s market for the work has been affected,⁶¹ as the registration itself can obviously not be the relevant point of attachment. Furthermore, the formulation “each country for which protection is sought” is compatible with a market-oriented approach, as it corresponds to the markets that the plaintiff seeks to protect from infringements that are occurring there.⁶² Anette Kur suggests that the solution proposed by the ALI may be understood as limiting the applicable law in cases of unregistered intellectual property rights to the law of the states whose market has been or will be significantly impacted by the infringing act. Nevertheless, she finds no pertinent reason why this market impact rule is confined to unregistered intellectual property rights only, as the rule functions similarly for both registered and unregistered intellectual property rights.⁶³

It is also worth bearing in mind that, in an earlier draft of the ALI proposal, the general rule was not based on the *lex loci protectionis* principle but on the market impact rule. It was later replaced by the more traditional, territorial approach.⁶⁴ This fact therefore raises the question whether this comment remained in the commentary of the Principles only accidentally and not intentionally.

Based on the above it can be concluded that when the general rule is derived from the *lex loci protectionis* principle, it is necessarily justified to distinguish between registered and unregistered intellectual property rights. If both rules aim to designate the law of the same country and their existence is justified only by pedagogical considerations, I believe that the two rules would not simplify, but rather complicate the interpretation of the conflict rule.⁶⁵ I agree with Matulionytė that the term “for which protection is sought” is already implemented in some national statutes, clearly established in some states’ court practice and widely accepted in doctrine. Therefore, a new wording would obscure rather than clarify its meaning.⁶⁶

⁶⁰ R. Kojima, R. Shimanami and M. Nagata, Applicable Law to Exploitation of Intellectual Property Rights in the Transparency Proposal, in J. Basedow, T. Kono and A. Metzger (ed.), *Intellectual Property in the Global Arena. Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US*, (Mohr Siebeck, Tübingen, 2010, 179–228) 209.

⁶¹ See American Law Institute, *Intellectual Property...*, Part 8, 2.

⁶² See *ibid.* Part 8, 3.

⁶³ Kur, *Applicable Law...*, 969.

⁶⁴ Matulionytė, *IP and Applicable Law in Recent International Proposals...*, 266.

⁶⁵ See also Kur, *Applicable Law...*, 970.

⁶⁶ Matulionytė, *IP and Applicable Law in Recent International Proposals...*, 266.

Nevertheless, in the case of ubiquitous torts, the difference between the registered and unregistered intellectual property rights is more obvious. For the first category, due to the complexity of the registration process and the costly registration fees, it is reasonable to assume that most of the rightholders have carefully considered in which States to seek protection and, after the successful termination of the registration process, strictly account for their rights. Furthermore, countries keep track of the registered IP rights in publicly accessible registers, in this way providing information to users and potential infringers. As a result, potential infringers have the opportunity to discover the existence and content of the rights, the duration of protection and the identity of the rightholder. As such, it can be argued that registered intellectual property rights are usually exercised in a relatively controlled environment and there is a degree of awareness associated with their possible infringement.

In contrast, in the case of unregistered intellectual property rights, such control and such a degree of awareness cannot be reasonably assumed. Although most states provide an opportunity for registration for authors, performers and other rightholders, since registration is not a criterion for the existence of a right, it would be irrational to expect all rightholders to register their rights. It follows that it cannot be reasonably assumed that users are always informed and they always foresee the legal consequences of their actions, in particular if carried out in a digital context. Theoretically, under Article 8 of the Rome II Regulation, the number of laws applicable to a non-contractual obligation arising from the infringement of an unregistered intellectual property right on the internet could go as high as 180 or even 200. And this – as Kur and Maunsbach argue – is obviously no realistic prospect.⁶⁷

Consequently, the necessity to develop a conflict rule that reduces the number of applicable laws in the event of ubiquitous infringement is more evident in the case of unregistered intellectual property rights. For this reason, the enactment of different conflict of laws rules applicable to ubiquitous torts and freedom of choice of the parties for registered or unregistered rights – or, at the very least, the justification of the dismissal of such differentiation supported by thorough research – would be more than welcome. In this sense, I am convinced that, in the event of a future amendment of Article 8 of the Rome II Regulation, a comprehensive analysis of the two types of intellectual property rights, taking their legal nature, their creation, exercise, type and frequency of infringement into account, would be appropriate and even necessary.

With respect to the general rule, the Transparency proposal departs from the traditional conflict rule, and instead of the *lex loci protectionis* principle constructs its general rule on the so-called “market effect” doctrine.⁶⁸ More specifically, Article 301(1) of the Transparency proposal provides that “[t]he law applicable to an intellectual

⁶⁷ Kur and Maunsbach, *Choice of Law and Intellectual Property*, 56–57.

⁶⁸ See Kojima, Shimanami and Nagata, *Applicable Law to Exploitation of Intellectual Property Rights...*, 187.

property infringement shall be the law of the place where the results of the exploitation of intellectual property occur or are to occur”. According to the authors of the proposal, the term “result” refers to the “economic loss in the market”.⁶⁹ The concept itself should be defined solely by private international law rules; its meaning must not be affected by substantive law.⁷⁰ The connecting rule abandons strict territoriality, as it may occasionally require the extra-territorial application of the law.⁷¹

The most obvious advantage of the principle of market effect would become palpable in the event of ubiquitous infringement of copyright. That is, for example, in the event of an online copyright infringement, instead of approximately 180 national laws, only the law or laws⁷² of those States whose markets are affected by the results of the exploitation of the infringed copyright will be applied. Thus, the market effect doctrine requires the application of a considerably smaller number of national laws than the *lex loci protectionis* principle. In the case of the Transparency proposal, however, this advantage is less significant, as the proposal places ubiquitous torts under a special rule.⁷³ Nevertheless, the rule does not completely lose its relevance, since it reduces the number of applicable laws in the event of multi-state torts.

The commentary on the CLIP notes in this respect that the difference between the general rule of the Transparency Proposal and the *lex loci protectionis* rule “does not appear to be one of substance, as the term «results of exploitation» is effectively synonymous to «infringement», and hence points to the law of the country where protection is sought against an ongoing or threatening infringement”.⁷⁴ A similar conclusion can be deduced from the commentary of the Transparency Proposal, stating that the place of the infringement usually coincides with the place where the damage occurs and, as a result, it is all the same whether the connecting factor is based on the place where the result occurs or where the rights are exploited.⁷⁵ Another criticism of the market effect doctrine concerns the difficulty of determining the applicable law in cases of infringement of moral rights.⁷⁶

⁶⁹ See *ibid.*

⁷⁰ *Ibid.*

⁷¹ Matulionytė, IP and Applicable Law in Recent International Proposals..., 267.

⁷² Article 25(1) of the Rome II Regulation states that “[w]here a State comprises several territorial units, each of which has its own rules of law in respect of non-contractual obligations, each territorial unit shall be considered as a country for the purposes of identifying the law applicable under this Regulation.”

⁷³ See Article 302 of the Transparency Proposal.

⁷⁴ European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:601.N11. For a similar opinion see C. Otero García-Castrillón, Choice of law in IP: Rounding off territoriality, in P. Torremans (ed.), *Research Handbook on Cross-border Enforcement of Intellectual Property*, (Edward Elgar, Cheltenham, UK and Northampton, MA, 2014, 421–468) 449. <https://doi.org/10.4337/9781781955802.00016>

⁷⁵ Kojima, Shimanami and Nagata, Applicable Law to Exploitation of Intellectual Property Rights..., 195.

⁷⁶ Otero García-Castrillón, Choice of law in IP..., 449. See also Kur, Applicable Law..., 971.

In terms of its effects, the market effect doctrine is similar to the so-called *de minimis* rule, which is regulated, among others, by the CLIP. As mentioned above, the *de minimis* rule is a substantive law rule that indirectly affects the private international law rules by reducing the number of applicable laws due to narrowing the definition of the infringement or damage. Out of the six proposals, the CLIP and the Joint JK contain such rules. Under Article 3:602(1) of the CLIP, a “court applying the law or the laws determined by Article 3:601 shall only find for infringement if (a) the defendant has acted to initiate or further the infringement in the State or the States for which protection is sought, or (b) the activity by which the right is claimed to be infringed has substantial effect within, or is directed to the State or the States for which protection is sought”. However, paragraph (2) of the same article states that “[t]he court may exceptionally derogate from that general rule when reasonable under the circumstances of the case”. Due to the unclear English translation of Article 305 of the JK proposal, one can only assume that the court may only apply the law determined on the basis of the *lex loci protectionis* principle if the conduct is directed against the State granting the protection and if a risk of indirect and subjective infringement occurs on the territory of that State. The *de minimis* rule is likely to apply only to secondary or intermediary liability.⁷⁷

It therefore follows from the combined application of the *lex loci protectionis* principle and the *de minimis* rule that the court must apply the law of the State or States for which protection is sought, provided that the infringing activity occurred on the territory of this state or the activity has produced a substantial effect on its market. Consequently, the *de minimis* rule of the CLIP, compared to the market effect doctrine of the Transparency Proposal, extends the list of applicable laws to the laws of the States where the infringing activity took place. At the same time, it reduces the number of States in which the results of the exploitation of intellectual property rights occurred to only the States in which the infringing activity has had a significant effect.

The *de minimis* rule first appeared in 2001 in a proposal of the Intellectual Property Organization concerning the use of trademarks in an online environment.⁷⁸ Subsequently, the rule was incorporated into their own case law by some national courts, such as the German Supreme Court in its *Hotel Maritime* judgment on trademarks and as the Canadian Supreme Court in its *Society of Composers, Authors and Music Publishers of Canada v Canadian Assn of Internet Providers* judgment related to copyright.⁷⁹ According to Otero García-Castrillón, the principle is also compatible

⁷⁷ Matulionytė, IP and Applicable Law in Recent International Proposals..., 284.

⁷⁸ See World Intellectual Property, *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet*, (2001) https://www.wipo.int/edocs/pubdocs/en/wipo_pub_845.pdf (Last accessed: 31 July 2019) Article 2.

⁷⁹ *Society of Composers, Authors and Music Publishers of Canada v Canadian Assn of Internet Providers*, 2 SCR 427, 2004 SCC 45. For details see European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:602.N05.

with Article 8 of the Rome II Regulation, as, being a substantive law rule, it can be adopted at any time by the Member States⁸⁰ without violating the mandatory provisions of the Regulation.

Like the market effect rule of the Transparency proposal, the *de minimis* rule of the CLIP does not cover ubiquitous infringement either, but it only applies to multi-state infringements. Ubiquitous infringements are regulated by a special rule.⁸¹

The *de minimis* rule of the CLIP has attracted numerous criticisms in the literature,⁸² of which I will only mention two, since they highlight important considerations in the event of a future amendment of the Rome II Regulation. First, the concept of “substantial effect” is too abstract and too broad,⁸³ making it difficult to identify and select the effects that are relevant for the application of the rule. On the one hand, this feature confers judges with unusually broad freedom of decision, which is unfamiliar to continental law regimes. On the other hand, this broad and abstract concept is difficult to reconcile with the criterion of legal certainty promoted by the Rome II Regulation. Second, the exceptions to the *de minimis* rule are so generous that they question the usefulness and effectiveness of the rule itself.⁸⁴

Summarising the features of the general rules of the six proposals, it can be argued that none of the rules depart significantly or at all from the traditional *lex loci protectionis* principle. The market effect doctrine regulated by the Transparency proposal and the *de minimis* rule of the CLIP seem to be exceptions to this statement, but a more detailed analysis reveals that, in practice, they very rarely lead to different solutions. The innovation of the six proposals, however, lies in the creation of a special rule applicable to ubiquitous infringements, the analysis of which is the subject of the following section.

2. The special rule applicable to ubiquitous infringements

The rules regarding ubiquitous infringements in five of the six proposals consist of three elements: the principle of closest connection, the connecting factors that determine the law with the closest connection and an escape clause allowing the court to return to territoriality.⁸⁵

⁸⁰ Otero García-Castrillón, Choice of law in IP..., 450–451.

⁸¹ See Article 3:603 of CLIP.

⁸² For the detailed criticism see Otero García-Castrillón, Choice of law in IP..., 451–452.; Matulionytė, IP and Applicable Law in Recent International Proposals..., 285–286.

⁸³ Otero García-Castrillón, Choice of law in IP..., 451.

⁸⁴ Matulionytė, IP and Applicable Law in Recent International Proposals..., 285. For a different opinion see Otero García-Castrillón, Choice of law in IP..., 452.

⁸⁵ Matulionytė, IP and Applicable Law in Recent International Proposals..., 286.

The exception is represented by the Transparency Proposal, which created a connecting factor that is not based on the principle of the closest connection, but seeks to adapt the market effect doctrine established by the general rule to ubiquitous torts. Under Article 302(1) of the Transparency proposal, ubiquitous infringements of intellectual property shall be governed by the law of the place where the results of the exploitation of intellectual property are or will be maximised. Nevertheless, the escape clause is present in this proposal as well.⁸⁶ According to the authors of the Transparency proposal, the maximum results of the exploitation of rights should not be reduced to the value of the damages from a substantive law perspective, but the amount of exploitation, such as the large number of downloads in a certain jurisdiction, should be taken into account instead. Moreover, the maximum results of the exploitation should be assessed at the moment of filing the action.⁸⁷

The authors of the Transparency Proposal argue that the adapted market effect rule – as opposed to the close connection principle adopted by the ALI and CLIP proposals – is more impartial towards the parties and enhances the predictability of the determination of the applicable law. In other words, the connecting factors stipulated in the special rules of the ALI and the CLIP inevitably lead to the choice of applicable law detrimental to one or the other of the parties and deprives one or the other party of the foreseeability of the applicable law.⁸⁸

In the opinion of the authors of the ALI Principles, the multi-factor approach proposed by the ALI is an intermediate solution between the territoriality and the single-law approaches. This solution seeks

to gain the simplification advantages of the single-law approach by identifying the State(s) most closely connected to the controversy, but [it] also strive[s] to respect the sovereignty interests underlying the territoriality approach. Thus, while the court may choose a single (or reduced number of) applicable law(s), the parties may also demonstrate that for certain States where alleged infringements are occurring, local law would produce a significantly different outcome.⁸⁹

The five proposals based on the closest connection principle rely on multiple connecting factors to identify the applicable law or laws. But while the connecting factors enlisted in the special rules of the ALI, CLIP and ILA serve only as examples for determining the country most closely related to the dispute,⁹⁰ the situation of the Joint JK and

⁸⁶ See Article 302(2) of the Transparency Proposal.

⁸⁷ See Kojima, Shimanami and Nagata, *Applicable Law to Exploitation of Intellectual Property Rights...*, 200.

⁸⁸ See *ibid.* 209.

⁸⁹ American Law Institute, *Intellectual Property...*, Part 10, 4.

⁹⁰ ALI: “the law or laws [...] as evidenced, for example, by;”; CLIP: “the court shall take all the relevant factors into account, in particular the following”.

the KOPILA is not so clear,⁹¹ at least based on their English version.⁹² Furthermore, according to Article 21(3) of the KOPILA, if the State most closely connected with infringement cannot be determined with the above-mentioned rule, the State where the habitual residence⁹³ of the defendant is located is considered to be the State with the closest connection.

The connecting factors that determine the state with the closest or close connection with the dispute can be divided into three major categories. The first category contains the party-neutral connecting factors. These usually focus on the places of residence of the parties, the centre of the parties' relationship, the extent of their activities or investments and the targeted markets. The second category comprises the connecting factors that link the state with the close or closest connection to the infringer or the place of infringing act. These include the residence or principal place of business of the infringer and the location where the harmful activities were committed. The third category includes factors that focus on the rightholder. These consist of connecting factors focusing on the place of the damage and the place of the activities and investments of the right holder.

In summary, the ALI and ILA contain broader and more party-neutral connecting factors, while the connecting factors of the CLIP are narrower and seem to favour the infringer rather than the rightholder. The KOPILA and the Joint JK try to reach a compromise between the parties' interests: they take over the connecting factors of the special rule in the CLIP, but complement them with the law of the state where the main interests of the right holder are located.⁹⁴ The preference of the CLIP's authors for the connecting factors favouring the interests of the defendant can be justified by the need to compensate the plaintiff's privilege to bring suit under one applicable law.⁹⁵

Despite their similarities, there are a number of differences in content and wording between the special rules of the six proposals. One such difference refers to their mandatory or dispositive character: while the ALI,⁹⁶ CLIP⁹⁷ and ILA⁹⁸ permit

⁹¹ In the view of Matulionytė, the lists of connecting factors of the Joint JK and KOPILA seem to be exhaustive. Matulionytė, *IP and Applicable Law in Recent International Proposals...*, 286.

⁹² Joint JK: "the closest connection ought to be on the account of the following"; KOPILA: "the court shall consider the following factors".

⁹³ Article 2 paragraph 7 define the term "habitual residence".

⁹⁴ Matulionytė, *IP and Applicable Law in Recent International Proposals...*, 286.

⁹⁵ A. Metzger, *Applicable Law under the CLIP Principles: A Pragmatic Reevaluation of Territoriality*, in J. Basedow, T. Kono and A. Metzger (eds), *Intellectual Property in the Global Arena. Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US*, (Mohr Siebeck, Tübingen, 2010, 157–178) 176.

⁹⁶ "the court may choose to apply".

⁹⁷ "the court may apply".

⁹⁸ "it may be appropriate to apply".

the courts to deviate from the general rule in cases of ubiquitous torts, the Joint JK,⁹⁹ KOPILA¹⁰⁰ and Transparency¹⁰¹ proposals do not confer such discretion on the courts; the courts must apply the special rule to ubiquitous torts.

Another difference concerns the number of applicable laws. The special rules of the CLIP, Joint JK, Transparency and KOPILA seek to designate a single applicable law, usually the one most closely connected with the non-contractual obligation, while the ALI and ILA permit the application of more than one law. The difference is also reflected in the wording of the special rules: while the former, except for the Transparency proposal, are looking for the law with the closest connection with the non-contractual obligation, under Article 321(1) of ALI, “the court may choose to apply [...] the *law or laws* of the State or States with *close connections* to the dispute” and, according to Article 26(1) of ILA, “it may be appropriate to apply [...] *only the law or laws* of the State(s) having an *especially close connection* with the global infringement”.

The proposals also differ with regard to the type of infringements covered by the special rule. The strictest are the CLIP and ILA, which apply the special rule only to infringements that have been carried out through ubiquitous, or ubiquitous and multi-state media.¹⁰² The authors of the CLIP acknowledge that they have indeed adopted a rather conservative approach when creating the special rule deviating from the *lex protectionis* principle¹⁰³ and, due to its narrow scope, in practice the rule will be of primary relevance for claims under copyright.¹⁰⁴

Under the ALI and Transparency proposals, the special rule applies when the infringing act itself is ubiquitous.¹⁰⁵ In addition, the Joint JK and KOPILA also cover multistate infringements, insofar as infringement has occurred on the territory of unspecified or unidentifiable states.¹⁰⁶ It can be concluded from the phrasing of the last two rules that their application is not limited to online infringements.¹⁰⁷

With the exception of the ILA and the Transparency proposal, the special rules of the other four proposals also cover other aspects of intellectual property rights insofar

⁹⁹ “the court shall apply”.

¹⁰⁰ “the law [...] shall govern”.

¹⁰¹ “shall be governed”.

¹⁰² Article 3:603(1) of CLIP: “infringement carried out through ubiquitous media such as the Internet”. Article 25(1) of ILA: the “infringement in multiple states is pleaded in connection with the use of ubiquitous or multinational media”. See Matulionytė, IP and Applicable Law in Recent International Proposals..., 287.

¹⁰³ European Max Planck Group on Conflict of Laws in Intellectual Property, Conflict of Laws in Intellectual Property..., 3:603.C08.

¹⁰⁴ Ibid. 3:603.C09.

¹⁰⁵ “the alleged infringing activity is ubiquitous and the laws of multiple States are pleaded”.

¹⁰⁶ Joint JK: “an infringement that occurs or has occurred in unspecified and multiple states”. KOPILA: “an infringement of Intellectual Property Rights occurs or is likely to occur in multiple States which are unidentifiable or difficult to identify”.

¹⁰⁷ Matulionytė, IP and Applicable Law in Recent International Proposals..., 287.

as they arise in the form of preliminary questions.¹⁰⁸ The ALI is more permissive than the other three proposals, as the special rule stipulated in Article 321 can be applied to the issues of existence, validity, duration and attributes of intellectual property even if these issues do not appear in the form of preliminary questions, but have appeared, for instance, only parallelly with the infringement. The special rules of the ILA and the Transparency proposals do not mention the other aspects of intellectual property, even if they appeared as preliminary questions, therefore it can be assumed the special rules do not apply to ubiquitous infringements.¹⁰⁹

As I have mentioned before, all six proposals include an escape clause attached to the special rule on ubiquitous torts. The purpose of the escape clause is to permit the court to apply to the whole or part of the dispute, on the request of the parties or based on its own decision¹¹⁰ another law than the one designated by the special rule if, with respect to particular States covered by the action, the solution provided by any of those States' laws differs from that obtained under the law(s) chosen to apply to the case as a whole,¹¹¹ or when the rules applying in a State or States covered by the dispute differ from the law applicable to the dispute in aspects which are essential for the decision,¹¹² or the defendant's activities are legally allowed under the law of other State which is affected by the activities causing the infringement,¹¹³ or if the result of the application of the special rule is extremely unreasonable in relation to a specific country.¹¹⁴

The main advantages of the multi-factor connecting rule based on the close connection principle are its flexibility and its ability to adapt to the specifics of the individual case.¹¹⁵ The variety of the factors the courts have to or may take into account in the process of determining the applicable law alleviate the disadvantages of each single connecting factor.¹¹⁶ Moreover, Trimble believes that

the factors approach should be the champion of promoting the “right” copyright policies; by selecting particular factors for courts to weigh, the approach's designers steered the choice of applicable law toward the law of the country that in a given case has the prevailing interest in having its copyright law applied, or alternatively [...] the country whose interests would be more impaired if its law were not applied.¹¹⁷

¹⁰⁸ See art. 3:603(1) of CLIP, art. 306(3) of Joint JK, art. 22 of KOPILA.

¹⁰⁹ See also Kojima, Shimanami and Nagata, *Applicable Law to Exploitation of Intellectual Property Rights...*, 214.

¹¹⁰ See art. 302(2) of Transparency.

¹¹¹ See art. 321(2) of ALI and art. 25(3) of ILA. A similar solution is adopted in art. 306(4) of Joint JK.

¹¹² Art. 3:603(3) of CLIP.

¹¹³ Art. 21(4) of KOPILA.

¹¹⁴ Art. 302(2) of Transparency.

¹¹⁵ See Neumann, *Ubiquitous and multistate cases*, 516.

¹¹⁶ See Matulionytė, *IP and Applicable Law in Recent International Proposals...*, 289.

¹¹⁷ Trimble, *The Multiplicity of Copyright Laws on the Internet*, 378–379.

The downside of flexibility is the unpredictability of the law applicable to the particular case and consequently, the decline of legal certainty.¹¹⁸ This is most obvious in the case of the ILA and ALI proposals. The application of the special rule of both proposals is optional and, in the event of the application of the special rule, more than one law may be applied simultaneously. However, due to the escape clause and if certain conditions are fulfilled, the court may nevertheless derogate from the application of the special rule at the request of the parties. Consequently, in many cases, the parties would find it difficult or even impossible to predict how many and exactly which national laws would be applied to the dispute. This, in turn, would sabotage the legal certainty considered to be the cornerstone of the Rome II Regulation¹¹⁹ and would sometimes lead to even more unpredictable results than the solution provided for in Article 8 of the Regulation. Furthermore, both proposals provide an exceptionally wide margin of discretion for the judges, which is rather unusual for continental law systems.

In the case of the CLIP, Joint JK and KOPILA, the predictability of the applicable law increases with the reduction of the flexibility of the conflict rules. Nonetheless, I agree with Matulionytė, who argues that the increase of legal certainty in the latter is negligible as well. In this regard, courts in continental law systems may have trouble accepting such a flexible rule, as they would probably prefer a clear-cut rule combined with the closest connection rule as an escape clause.¹²⁰

According to the authors of the CLIP, when the applicable law is determined by a factor-based analysis rather than by a hard and fast rule, the result will inevitably be uncertain, resting to some extent on subjective evaluations by the courts.¹²¹ Therefore, a thorough analysis requires the analysis of the rules on jurisdiction, too.¹²² Consequently, for finding the best suited solution, not even the creation of the perfect conflict of laws rules would suffice, as the right balance can only be achieved with the appropriate rules on jurisdiction and rules on the enforcement of judgments.

In summary, the factor-based conflict rule emphasises, due to its flexibility, the fairness of the decision adopted in individual cases. Nevertheless, for the same reason, the outcome of the abstract process of the designation of the applicable law is rather unpredictable, undermining the requirement of legal certainty. By contrast, the outcome of applying the special rule of the Transparency proposal does indeed appear to be more foreseeable and more compatible with legal certainty, as it identifies only one applicable

¹¹⁸ See for instance Neumann, Ubiquitous and multistate cases, 516.; M. Trimble, Undetected Conflict-of-Laws Problems in Cross-Border Online Copyright Infringement Cases, (2016) (1) *North Carolina Journal of Law & Technology*, (119–159) 380.

¹¹⁹ For a similar opinion see Matulionytė, IP and Applicable Law in Recent International Proposals..., 289.

¹²⁰ Matulionytė, IP and Applicable Law in Recent International Proposals..., 289.

¹²¹ European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:603.C13.

¹²² *Ibid.* 3:603.C14.

law. However, in many cases it is very difficult or even impossible to identify the state where the results of exploiting the right are maximised.¹²³ Consider, for example, an English-language e-book distributed on a multilingual or English website. Given that the use of the English language is very widespread, almost ubiquitous, it would be unreasonable to assume that the distribution would only affect the market of the countries whose official language is English. Furthermore, the special rule also covers places where the maximum result of the exploitation of the right will occur in the future. According to Matulionytė, it would be very difficult for the courts to predict the future.¹²⁴ Last but not least, the dispute may be more closely related to another state than to the one where the results of the exploitation are maximised. The proposal does not offer a solution for this problem either.¹²⁵

3. The freedom of choice of the parties

The issue of the parties' freedom of choice divides the literature, although a growing number of opinions consider that the complete prohibition of the freedom of choice under the Rome II Regulation is unjustified. Most commentators believe that the partial introduction of the freedom of choice for intellectual property infringements associated with the appropriate corrections would help to eliminate the disadvantages of the mosaic-application of the different national laws pursuant to the *lex loci protectionis* principle.¹²⁶ In line with these views, each of the six soft law proposals regulates the parties' freedom of choice, even if the extent of their freedom varies greatly.

Except for the Transparency proposal, each one allows the parties to agree on the applicable law before or after the infringement has arisen. The Transparency proposal allows the parties to choose the applicable law only after the event giving rise to the damage occurred.¹²⁷ As regards the aspects of intellectual property rights and the dispute covered by the freedom of choice, the rules of the Joint JK contains the most permissive, while the CLIP and ILA consist the most stringent solutions.¹²⁸

Under Article 302 of the Joint JK, “[t]he parties may at any time designate a law that will govern all or part of their dispute. Nevertheless, where the agreement on applicable law is concerned with the matters of an intellectual property right as such,

¹²³ Matulionytė, IP and Applicable Law in Recent International Proposals..., 289.

¹²⁴ Ibid.

¹²⁵ Ibid.

¹²⁶ See for instance Kur, Applicable Law..., 975–976.; van Eechoud, *Choice of Law in Copyright and Related Rights*, 214.; U. Maunsbach, Copyright in a Borderless Online Environment – Comments from a Swedish Horizon, in J. Axham (ed.), *Copyright in a Borderless Online Environment*, (Wolters Kluwer, Vällingby, 2012, 47–61) 60–61.; Otero García-Castrillón, Choice of law in IP..., 449.

¹²⁷ See article 304(1) of Transparency.

¹²⁸ See Matulionytė, IP and Applicable Law in Recent International Proposals..., 280.

including its existence, validity, revocation and transferability, that agreement affects only the contracting parties”. Consequently, the agreement on the consequences of the infringement may be asserted against third parties, as long as their vested rights are not affected. Article 20 of the KOPILA contains similar provisions, except that the choice of law agreement shall be binding only on the parties with regard to the infringement as well.

Under Article 302(1) of the ALI proposal, the parties may agree at any time, including after a dispute has arisen, to designate the law that will govern all or part of their dispute. However, paragraph 2 does not allow for a choice of law with respect to the validity and maintenance of the registered intellectual property rights, the existence, attributes, transferability, and duration of rights and the formal requirements for recording assignments and licences. Article 302 lays down further rules on the legal capacity of the parties and the reasonableness of certain clauses included in standard form agreements.

With respect to non-contractual obligations, the CLIP and ILA allow the parties to agree only on the remedies for the infringement. The wording of the ILA is very concise and article 25(2) merely states that the law applicable to the remedies for the infringement may be chosen by the parties. The CLIP, on the other hand, contains detailed rules on the parties' freedom of choice and the structure of the provisions is similar to that of the general rule set out in Article 4 of the Rome II Regulation. Article 3:606(1) of CLIP provides that the parties may agree to submit the remedies claimed for the infringement to the law of their choice by an agreement entered into before or after the dispute has arisen. The second paragraph of the same article provides for an exception from the rule, pointing to the law governing the pre-existing relationship closely connected to the infringement, then it lays down two further exceptions to the former exception. The latter state that the law governing the pre-existing relationship closely connected to the infringement shall not apply if the parties have expressly excluded the application of it with regard to the remedies for infringement, or it is clear from all the circumstances of the case that the claim is more closely connected with another State.

An argument in favour of choice of law is, according to the CLIP's authors, “that the option to agree on one law for computing damages or determining other sanctions would improve foreseeability and thereby foster legal certainty in international relations, and that this would be particularly valuable when an infringement extends over a large number of States”.¹²⁹

The authors of the CLIP had also considered the possibility of extending the possibility of choice of law to other or all elements of an infringement, as other projects have done. In the end, it was concluded that extending the freedom of choice would entail a fundamental policy decision, as it would limit the cogent character of the *lex protectionis*

¹²⁹ European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property...*, 3:606.N14.

principle, thereby reducing the right of the public policy objectives on which the principle is based. And this was not in line with the more conservative views of the CLIP.¹³⁰

Kur and Maunsbach highlight two other notable arguments for defending the more conservative option of the CLIP. According to the authors, if the parties could derogate in all respects from the principle of *lex protectionis*, the scope of the right, including exceptions and limitations, would be at their disposal. In practice, this would undermine the mandatory nature of national legislation on the protection of intellectual property rights. The situation is, however different with regard to remedies, as their type and dimension are not essential elements of the basic claim to validity of the national rules. On the other hand, it is also worth bearing in mind that, in practice, a claim for reparation always involves an element of choice, since it is neither mandatory nor usual for the plaintiff to claim all available sanctions in a lawsuit. Plaintiffs usually select the remedies that they consider to be the most efficient and for which the requirements are least complicated to establish.¹³¹

Finally, an earlier opinion of Maunsbach is also worth mentioning. In that opinion, the author devotes a greater role to the parties' freedom of choice, noting that every proposal which deals with the complexity of the problems of intellectual property in the online space comes up with equally complicated solutions. In other words, the solutions themselves are often no less complicated than the problems themselves. Therefore, the author endeavours to find one simple rule, based on the parties' freedom of choice that can be applied in all situations instead of creating rules that provide detailed guidance for each situation. According to Maunsbach, this can be achieved by two factors: on the one hand, by further developing the case law on the rules of jurisdiction of the Brussels I Regulation, and on the other hand, by accepting that it is time to treat intellectual property rights similarly to all other property rights and to allow parties to agree on jurisdiction and applicable law in intellectual property disputes as well.¹³²

V. CONCLUSIONS

The analysis shows that the conflict of laws rules comprised in the first two categories and designed to replace or supplement the principle of *lex loci protectionis* with a simple conflict rule and/or a substantive law rule do reduce the number of applicable laws and thus, usually make the outcome of the dispute more predictable and ultimately less costly. Simplicity, however, often entails the problem of one-sidedness, as usually the

¹³⁰ See *ibid.* 3:606.N15–3:606.N16.

¹³¹ See Kur and Maunsbach, *Choice of Law and Intellectual Property*, 60.

¹³² Maunsbach, *Copyright in a Borderless Online Environment...*, 61.

interests of one of the parties are favoured and, additionally, in some cases the applicable law is difficult to determine.

The third category of alternative solutions, including multi-factor conflict rules, are characterised by a high degree of flexibility, which allows the courts to make fair and equitable decisions in individual cases. Nevertheless, the conflict rules are highly intricate. In many cases, the complexity of the rules makes the designation of the applicable law unpredictable to the parties and the outcome of the dispute unforeseeable, thus jeopardising legal certainty in the long run. To alleviate the disadvantages of the latter proposals, the authors of the proposals recommend aligning these conflict rules with the rules of jurisdiction and enforcement of judgments.

None of the above solutions seem to represent the perfect solution for the replacement of the *lex loci protectionis* principle adopted by Article 8 of the Rome II Regulation. Nevertheless, each proposal can be regarded as a small step in the pursuit of a well-functioning alternative or completion to the conflict rule currently in force, at least with respect to the ubiquitous infringement of copyright. Anyway, as has been shown above, an adequate solution could only be found after a comprehensive analysis of the *lato sensu* private international law rules on intellectual property adopted in the EU, including not only the infringement of intellectual property rights, but contracts, ownership, transferability and other relevant issues, and the rules on jurisdiction and enforcement of judgments as well.

