

APPLICABLE LAW UNDER THE CLIP PRINCIPLES:  
A PRAGMATIC REVALUATION OF TERRITORIALITY

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## I. Introduction

Territoriality has undoubtedly been the leading approach from the early days of protection of intellectual property.<sup>1</sup> But it is also true that the principle has been controversial for the last forty years. Some early voices pleaded in the 1970s for a universalist concept of intellectual property – at least for copyright law – pointing to the continental theory of copyright as a personal right on the one hand and to the practical problems arising from the territorial approach in multistate situations on the other hand.<sup>2</sup> But these early universalists always kept their status as an endangered minority. Few lawmakers followed their ideas,<sup>3</sup> and if courts applied one single law to multistate situations, they often corrected the consequences of the *lex originis* by reference to the public policy of the forum. Therefore, most authors rejected the universalists' approach and stuck with the traditional territorial concept. According to the predominant theory, it was the state authority that created intellectual property rights, whether by individual decision of the state's authorities, especially the trademark or patent office, or by general legislation granting property rights in the fields of arts and sciences.<sup>4</sup> As a consequence, according to the territorial approach, intellectual property legislation was not applicable to activities conducted outside the territory of the state granting the intellectual property right.<sup>5</sup>

Nevertheless, the idea of applying one single law to multistate intellectual property cases was born. And it was not surprising that after the World Wide Web was established in the early 1990s, some of the old partisans of the *lex originis* approach and a fast growing

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<sup>1</sup> See the contribution of *Jürgen Basedow* to this volume, at 3.

<sup>2</sup> See, e.g., *Haimo Schack*, *Zur Anknüpfung des Urheberrechts im internationalen Privatrecht* (1977), pp. 23 et seq.; *Paul Heinrich Neubaus*, *Freiheit und Gleichheit im internationalen Immaterialgüterrecht*, *RabelsZ* 40 (1976), 191; *Ulrich Drobnig*, *Originärer Erwerb und Übertragung von immaterialgüterrechten im Kollisionsrecht*, *RabelsZ* 40 (1975), 195. From the older literature, see *E. Bartin*, *Localisation territoriale des monopoles intellectuels*, *Clunet* 61 (1934), 781 et seq.

<sup>3</sup> See, e.g., Art. 48 of the *Código civil português* of 1966 and Art. 67 of the *Greek Copyright Act* of 1993.

<sup>4</sup> A representative description is provided by *Hanns Ullrich*, *Technologieschutz nach TRIPS, Prinzipien und Probleme*, *GRUR Int.* 1995, 623, 624 et seq.

<sup>5</sup> On the extraterritorial application of intellectual property law, see *Graeme B. Dinwoodie*, *Extra-Territorial Application of IP Law: A View from America*, in: *Leible/Ohly* (eds.), *Intellectual Property and Private International Law* (2009), 123-136; *Josef Drexler*, *Internationales Immaterialgüterrecht*, in: *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, Vol. 11, 4<sup>th</sup> ed. (2006), *IntImmGR*, at 174 et seq.

number of new adepts raised the argument that a territorial concept of intellectual property would be outdated and should be avoided when deciding cases from “cyberspace.”<sup>6</sup> Against this background, the discussion on territoriality or universalism in intellectual property law heated up again in the early 1990s and has been debated vividly ever since. It is not the subject of this paper to give a comprehensive overview of the arguments and positions taken in this debate. Rather, this paper will present some core provisions of the current draft of the CLIP Principles<sup>7</sup> concerning the applicable law. Together with the ALI Principles of 2007,<sup>8</sup> the CLIP Principles represent a condensed outcome of this debate. It should be expected, in all modesty, that the two sets of principles together with the Japanese “Transparency Proposal”<sup>9</sup> will be seen as an important milestone in the ongoing discussion. One of the most interesting aspects of the three projects is that they are not pleading for a universalist concept of intellectual property. Rather, they unanimously establish a modern and pragmatic reevaluation of the territoriality principle, notwithstanding some remarkable deviations in certain aspects. Hence, it seems that the principle of territoriality, so far, has resisted the challenge of the Internet revolution and has prevailed in a revised version.

This paper will highlight the core provisions of the CLIP Principles on applicable law and compare them with the ALI Principles, starting with ownership and transferability (*infra* II.) and continuing with contracts (*infra* III.) and infringement and remedies (*infra* IV.). A short conclusion will summarize the main results and identify the current status of the principle of territoriality (*infra* V.).

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<sup>6</sup> See, e.g., *François Dessemontet*, Conflict of Laws for Intellectual Property in Cyberspace, 18 J. of Int. Arb. 487, 506-07 (2001); *Jane C. Ginsburg*, Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks, 30 November 1998, available at <[www.wipo.int/meetings/en/doc\\_details.jsp?doc\\_id=926](http://www.wipo.int/meetings/en/doc_details.jsp?doc_id=926)>, pp. 35-36; *Haimo Schack*, Internationale Urheber-, Marken- und Wettbewerbsrechtsverletzungen im Internet, MMR 2000, 59-65 and 135-140.

<sup>7</sup> See *European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP)*, Principles for Conflict of Laws in Intellectual Property, Second Preliminary Draft (June 6, 2009), below at p. \*\*\*.

<sup>8</sup> See *American Law Institute*, Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes, 2007.

<sup>9</sup> See the Draft Proposal of the “Transparency Project,” below at p. \*\*\*.

## II. Initial Ownership and Transferability

### 1. Initial Ownership

One of the most controversial questions in international intellectual property disputes is the issue of initial ownership. National copyright systems provide for different solutions on the substantive law level, especially in cases of employed authors, i.e., work-made-for-hire situations. Some jurisdictions define the employer as the initial owner of the copyright in the work. This solution is common to the so-called “copyright systems,” especially the United States and the United Kingdom,<sup>10</sup> but it can also be found elsewhere, e.g., in the Netherlands or in Japan.<sup>11</sup> By contrast, the traditional approach in the “*droit d’auteur*” states is to define the natural person who has created the work without any exceptions as the author, and hence as the initial owner of the author’s right.<sup>12</sup> Similar questions may arise in the field of technological inventions made by employees. Here, the entitlement may either be attributed to the employer or to the employee.<sup>13</sup>

#### *a) Copyright*

Initial ownership is not only treated differently on the substantive law level but also in private international law. Some jurisdictions apply the *lex loci protectionis*, e.g., Germany, Austria, and Belgium,<sup>14</sup> whereas others plead for the law of the country of origin, e.g., France, Portugal and the United States.<sup>15</sup> The CLIP working group concluded after intense discussions that a territorial approach is the preferred solution (see Article 3:201 para. 1).

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<sup>10</sup> See Sec. 201 (b) U.S. Copyright Act of 1976 and Sec. 11 (2) of the U.K. Copyright, Designs and Patents Act of 1988.

<sup>11</sup> See Art. 7 of the Dutch Copyright Act and Sec. 15 of the Japanese Copyright Act.

<sup>12</sup> See, e.g., Sec. 7 of the German Copyright Act and Art. L. 111-1 of the French Intellectual Property Code.

<sup>13</sup> For the U.S., see *Magnetic Mfg. Co. v. Dings Magnetic Separator Co.*, 16 F.2d 739 (7<sup>th</sup> Cr. 1927). For Germany, see Sec. 4 Employee’s Inventions Act.

<sup>14</sup> For Germany, see Federal Court of Justice, 02.10.1997, GRUR 1999, 152 – *Spielbankaffaire*; for Austria, see Supreme Court, 17.06.1980, JBl. 1986, 655 = GRUR Int. 1986, 728 – *Hotel-Video*; for Belgium, see Art. 93 para. 1 Private International Law Code. Art. 93 para. 2 is explicitly restricted to industrial property; see *Marta Pertegás Sender*, Artikel 93 (Recht toepasselijk op intellectuele eigendom), in: Erauw et al. (eds.), *Het Wetboek Internationaal Privaatrecht becommentarieerd* (2006), p. 477.

<sup>15</sup> For France see Court of Cassation, 28.05.1991, D. 1993, jur. 197 – *John Huston*; for the United States, see *Itar-Tass Russian News Agency v. Russian Kurier, Inc.*, 153 F.3d 82 (2<sup>nd</sup> Cir. 1998). For Portugal see Art. 48 para. 1 Civil Code and *Dário Moura Vicente*, *La propriété intellectuelle en droit international privé*, Recueil des cours 335 (2008), 279-80.

At first glance, the application of the *lex originis* approach may seem better suited for authors and media industries with an international public because it provides for the worldwide application of one national copyright law to the question of ownership. But the practical experience with the approach has shown that courts are not willing to accept the consequences of the *lex originis* and apply their national copyright law as part of the public policy of the forum. The French case *John Houston*, decided by the Court of Cassation in 1991,<sup>16</sup> provides a good example of the difficulties of this approach. In this case, the court allowed the director *John Houston*, an American citizen, to claim for infringement of his moral rights in the black-and-white film *Asphalt Jungle* when the copyright owner planned to broadcast a colored version of the film in France. Taking the *lex originis* approach literally would have meant denying the director any rights in the movie since the movie studio was the initial owner of the copyright according to the law of the place of first publication, which was the law of the United States. But the Court of Cassation did not accept this result of the *lex originis* and applied its national copyright principles.

The disadvantage of this approach is obvious: applying the French copyright law as public policy or as internationally mandatory provisions means that it can only be enforced by French courts, which interferes with international harmony of decisions and favors forum shopping and opportunistic behavior. Applying the *lex originis* leads to the additional problem of which state should be regarded as the country of origin. The most common approach here is to define the *lex originis* in accordance with Article 5 para. 4 lit. a) Berne Convention as the law of the place of first publication. By contrast, the ALI Principles suggest in § 313 para. 1 lit. a) the application of the law of the place of habitual residence of the creator at the time of creation or, if the subject matter was created pursuant to an employment relationship, of the law that governs the relationship (lit. c).

Applying the *lex loci protectionis* prevents those frictions.<sup>17</sup> If one adheres to the idea, as the French Court of Cassation obviously did, that the regulatory choices of the national copyright legislation should prevail in all cases concerning the use of works within the

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<sup>16</sup> See *supra* note 15.

<sup>17</sup> On the additional problem of a cumulation of industrial and intellectual property rights under different choice-of-law rules regarding ownership, see *Ansgar Ohby*, Choice of Law in the Digital Environment – Problems and Possible Solutions, in Drexler/Kur (eds.), *Intellectual Property and Private International Law* (2005), p. 241 (249-50).

borders of that state, then one should insist on its application irrespective of whether the claim is brought before a court within the state of protection or whether it is brought before a forum located elsewhere. This may be effected best by the *lex loci protectionis* rule. There is also a policy argument for a territorial approach. The attribution of rights has repercussions on the incentives and working conditions of those involved in the creation of copyright-protected contents. It makes a difference in the production of movies, music recordings, etc., if the authors or the producers are the original rightholders. Territoriality is not just a traditional (and some may say obsolete) concept in intellectual property law, but a legal means to execute the cultural policy choices of states. Initial ownership in copyright is an essential part of this policy choice.

Admittedly, the *lex loci protectionis* may lead to the application of a multitude of applicable laws in multistate situations. As a result, the initial owner of copyright in the work may be a natural person in one state and a legal entity in another state. But the practical problems of this “mosaic approach” are often exaggerated. It is the majority opinion in both German and Austrian copyright law, as examples of typical *droit d’auteur* systems, that employees explicitly or tacitly grant an exclusive license for all economic rights in the work to the employer.<sup>18</sup> Hence, the attribution of the economic rights would not differ significantly in a typical work-made-for-hire situation. This is the background of Article 3:201 para. 2 (“Ownership”) of the CLIP Principles. If, e.g., the director of a movie and the movie studio are situated in country X, and if under the law of country X the movie studio would be the initial owner of the copyright in the film, the parties would probably not make any additional explicit transfer or license grant. A German or Austrian court would nevertheless admit that the movie studio is the transferee or licensee of the economic rights in the work.<sup>19</sup>

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<sup>18</sup> For Germany, see *Sabine Rojahn*, in Schricker (ed.), *Urheberrecht, Kommentar*, 3. ed. (2006), § 43, at 40. For Austria, see OLG Wien, 27.10.1986, MR 1988, 199 - *Echo*.

<sup>19</sup> The wording of Art. 3:201 para. 2 CLIP Principles is partly inspired by Art. 2 para. 3 of the Council Directive 91/250/EEC of 14 May 1991 on the Legal Protection of Computer Programs, OJ L 122, 17 May 1991, pp. 42-46 (“all economic rights”). It would be odd in such a case to attribute the economic rights in the work to the employee since both parties assumed during the production of the work that the exclusive rights should be held by the employer. Here, the provision may give some guidance for the interpretation of the relationship of employer and employee. It can hardly be compared to the “effect may be given” proviso of Art. 9 para. 3 “Rome I” Regulation, which gives discretion to courts regarding foreign overriding mandatory provisions (see Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I), OJ L 177, 4

### ***b) Registered rights***

Article 3:201 para. 1 CLIP Principles is applicable to all types of intellectual property including industrial property rights, especially patents and trademarks. However, according to Article 3:201 para. 3, different rules apply in case of contractual agreements concerning the initial ownership in registered rights. The right to claim a registered right, in particular the right to file an invention at the patent office, is transferable under the substantive law provisions of many jurisdictions.<sup>20</sup> Therefore, it was the opinion of the CLIP working group that it should be up to the parties to choose the applicable law to such entitlements. Where the applicable law to the contract has not been determined by the parties, the law with the closest connection according to Article 3:502 shall apply.<sup>21</sup> In case of an employment contract, the specific provisions of Article 3:503 are applicable. As a consequence, the territorial approach to initial ownership as laid down in Article 3:201 para. 1 is only applicable if there is no contractual agreement concerning the right to claim the registered rights.

## **2. Transferability**

Closely related to the issue of initial ownership is the question whether intellectual property rights can be transferred. The question, again, is of particular interest for copyright law because the *droit d'auteur* systems often provide restrictions on the transferability of the copyright or of particular claims. These restrictions are mostly justified by the personal right approach to copyright law<sup>22</sup> and the unwritten principle according to which personal rights cannot be transferred.<sup>23</sup> But non-transferability rules also aim at protecting the

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July 2008, pp. 6-16). For a more skeptical analysis, see the contribution of *Jürgen Basedow* to this volume, at 7 b).

<sup>20</sup> See, e.g., Art. 60 European Patent Convention; Sec. 6 German Patent Act; Sec. 7 (2) lit. c) UK Patents Act; Art. L. 611-6 French Intellectual Property Code; Sec. 261 para. 2 U.S. Patent Act.

<sup>21</sup> This should allow a pragmatic solution of the problems raised by the hypothetical situation discussed in the contribution of *Jürgen Basedow*, at 4.

<sup>22</sup> For the classical concept, see, e.g., *Henri Desbois*, *Le droit d'auteur en France*, 3<sup>rd</sup> ed. (1978), p. 470. For a recent comparative analysis, see *Cyrill P. Rigamonti*, *The Conceptual Transformation of Moral Rights*, 55 *Am. J. Comp. L.* 67 (2007).

<sup>23</sup> See, e.g., *Dennis Tallon*, *Personnalité (Droits de la)*, *Encyclopédie Dalloz, Répertoire de droit civile* (1996), at 157.

author against a total buy-out of his rights in the work.<sup>24</sup> As such they complement the rules on initial ownership. Whatever contract an author may sign, he is still regarded as the author and as such is entitled with a bundle of essential rights in the work. This is, e.g., the solution of the German (Sec. 29) and the Austrian Copyright Acts (Sec. 23). Under French copyright law, moral rights are unwaivable (Article L. 121-1 al. 3 French Intellectual Property Code); in addition, the transfer and license of economic rights is tied to several restrictions (Articles L. 131-1, 131-3, and 131-6 of the Code). These safeguards would be vain if the initial ownership was not attributed to the author. And, conversely, it would be a useless endeavor to insist on the author as the initial owner if the right in the work could be transferred by handshake. Hence, initial ownership and transferability should not be governed by different laws; a *dépeçage* should be avoided. Nonetheless, the ALI Principles plead for exactly this approach in § 314, which provides for the *lex loci protectionis* approach for the issue of transferability, although § 313 para. 1 lit. a) provides the *lex originis* approach for the issue of initial ownership.

The CLIP Principles avoid such difficulties. Article 3:301 provides that the transferability of intellectual property rights is also governed by the law of the state for which protection is sought.<sup>25</sup> Hence, initial ownership and transferability are governed by the same law. In addition, it allows enforcing the author protection rules of the *droit d'auteur* states, not only when claims are brought before the courts of the respective state but also in disputes arising before the courts of another state. This is a clear advantage when compared with the universalists' approach. Applying the *lex originis* would mean either setting aside the author-protecting rules of the forum state when the work has been published for the first time in another state, or applying such provisions as public policy of the forum. The second solution has been followed by the French courts in the past.<sup>26</sup> A similar approach can be found in Sec. 32b of the German Copyright Act.<sup>27</sup> The price of this approach is, as

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<sup>24</sup> See, e.g., *Axel Metzger*, *Rechtsgeschäfte über das Droit moral im deutschen und französischen Urheberrecht* (2002), p. 198.

<sup>25</sup> This is the solution applied, e.g., by *Campbell Connelly & Co. Ltd. v. Noble*, [1963] 1 All ER 237 (High Court) and by the German Federal Court of Justice, 02.10.1997, GRUR 1999, 152 – *Spielbankaffaire*.

<sup>26</sup> See Paris Court of Appeal, 06.07.1989, D. 1990, Jur. 152 – *Sté la Cinq/ Angelica Huston et autres* (moral rights).

<sup>27</sup> Compare *Haimo Schack*, *Internationally Mandatory Rules in Copyright Licensing Agreements*, in: Basedow/Drexler/Kur/Metzger (eds.), *Intellectual Property in the Conflict of Laws* (2005), 107 et seq.



always with public policy and internationally mandatory rules, a disturbance of the international harmony of decisions and an inherent danger of forum shopping.

### 3. Co-ownership

Although the solitary creator or inventor is still to be found in modern times, innovation and production of technology and media content is increasingly effected by collective entities, whether film production or research teams or online “communities” that share and collect their contributions to Wikipedia, Linux, or similar projects. Network technologies allow these groups and communities to work closely together even if they are spread around the world.<sup>28</sup> Hence, questions of private international law are of growing importance when it comes to co-ownership.<sup>29</sup> The crucial question here is one of characterization. It is evident that some aspects of co-ownership are “proprietary” by nature and should be governed by the principles governing the intellectual property right as such, whereas other aspects should be open for contractual arrangements, e.g., the share of the revenues. Hence, the CLIP Principles propose two provisions on co-ownership for these two sets of questions.

Article 3:401 determines that the law of the state for which protection is sought is the law applicable for the issues of initial co-ownership, i.e., who is to be regarded as a co-owner, and the transferability of the shares of each co-owner.<sup>30</sup> This is in line with the general principles on ownership and transferability. In addition, for these issues third-party interests are most critical. The allocation and transferability of shares of intellectual property rights should be as clear as possible to foster legal certainty and facilitate business transactions. If, e.g., the Patent Act of country X provides that each co-inventor can freely transfer his share of an invention, it would be unacceptable to challenge such a transaction by reference to an agreement between the co-inventors unknown to the transferee.<sup>31</sup>

To the contrary, for the mere exercise of intellectual rights, freedom of choice should be

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<sup>28</sup> See *Yochai Benkler*, *The Wealth of Networks* (2006), pp. 59-90.

<sup>29</sup> For an in-depth analysis, see *Guido Westkamp*, *Research Agreements and Joint Ownership of Intellectual Property Rights in Private International Law*, IIC 2006, 637-661.

<sup>30</sup> Compare *Eugen Ulmer*, *Die Immaterialgüterrechte im internationalen Privatrecht* (1975), pp. 40 et seq.

<sup>31</sup> This is the main argument against allowing for party autonomy in international property law; see *Jan Kropholler*, *Internationales Privatrecht*, 6<sup>th</sup> ed. (2006), p. 558.

conferred.<sup>32</sup> This is the bottom line of Article 3:402 of the CLIP Principles. Issues like exploitation of the intellectual property right by licensing agreements and division of revenues are contractual by nature. The right to claim a registered right before the respective patent office or other authority should also be governed by the law chosen by the parties.<sup>33</sup> For the enforcement of intellectual property rights and the right to bring suits, parties should be free to make contractual arrangements as long as the procedural requirements for such arrangements are met.<sup>34</sup> If co-owners are situated in different states and the intellectual property right is exploited internationally, freedom of choice will facilitate the exercise of the right because parties can make arrangements under the rules of the jurisdiction most favorable to their needs. Such contractual arrangements may be restricted to the joint exercise of the intellectual property right. But it may also be that the exercise of intellectual property rights is only one aspect of a more complex relationship, especially a corporate agreement or succession by co-heirs or even marriage. In these cases, the law applicable to that relationship should also govern the exercise of the intellectual property right. If no such relationship exists, the law with the closest connection is applicable.<sup>35</sup>

The ALI Principles only provide a rule on initial co-ownership in § 313 para. 1 lit. b) pointing to a different country of origin.

### III. Contracts and Related Questions

In contrast to the issues of ownership and transferability, the CLIP working group did not have to start from scratch when drafting the principles on the law applicable to contractual relationships. Here, the Rome Convention on the Law Applicable to Contractual Obligation of 1980<sup>36</sup> and the EC Regulation 593/2008 on the Law Applicable to

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<sup>32</sup> See *Westkamp* (supra note 29), 643-51.

<sup>33</sup> The reasoning underlying Art. 3:201 para. 3 CLIP Principles should also apply in a co-ownership situation.

<sup>34</sup> The procedural aspects are governed by the *lex fori*; see Art. 3:101 CLIP Principles.

<sup>35</sup> Art. 3:402 CLIP Principles characterizes most questions arising in co-ownership relationships as contractual by nature. This should solve most of the collisions analyzed by *Westkamp* (supra note 29), 651-52.

<sup>36</sup> Rome Convention on the Law Applicable to Contractual Obligations (consolidated version), OJ C 27, 26

Contractual Obligations (“Rome I”)<sup>37</sup> already provide a comprehensive set of European principles. Hence, the CLIP Principles have not tried to re-invent the wheel but to adapt the provisions of the Rome I Regulation to the specific needs of contracts in the field of intellectual property. Some of the CLIP Principles have a strong resemblance to the respective provisions of the Rome I Regulation, e.g., the basic principle on freedom of choice in Article 3:501 and the provisions on formal validity in Article 3:504 and on consent and material validity in Article 3:505. The following remarks will highlight those aspects that have required a more intellectual property-specific approach.<sup>38</sup>

## 1. Characterization

One critical issue when drafting the CLIP Principle on contracts was to draw the line between contractual and proprietary aspects of contracts in the fields of intellectual property. It has already been said that transferability has been characterized as an intellectual property aspect which should be governed by the *lex loci protectionis* according to Article 3:301. The CLIP Principles took the same stance for transfer by operation of law and compulsory licenses in Article 3:507 as far as questions of intellectual property law are concerned. The same decision was taken for security interests in intellectual property rights in Article 3:508.<sup>39</sup> These questions are too closely related to the intellectual property right as such to allow for any *dépeçage*.

In contrast, the transfer of an intellectual property right and the requirements for license agreements are contractual by nature and should be governed by the law chosen by the parties in accordance with Article 3:501 or the law with the closest connection according to Article 3:502. The same is true for the interpretation of license agreements, even if special

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January 1998, pp. 34-46.

<sup>37</sup> Supra note 19.

<sup>38</sup> On intellectual property transfer and license agreements under the Rome I Regulation, see *Paul Torremans*, Licenses and Assignments of Intellectual Property Rights under the Rome I Regulation, 4 *Journal of Private International Law* 397 (2008).

<sup>39</sup> On security interests in intellectual property rights, in particular the question of characterization, see also the Draft Annex to the UNCITRAL Legislative Guide on Secured Transactions dealing with security rights in intellectual property, Note by the Secretariat of 12 February 2009, UN Doc. A/CN.9/WG.VI/WP.37/Add.4.

rules on interpretation are to be found in intellectual property legislation.<sup>40</sup> Article 3:506 para. 1 provides a list of other essential questions of the *lex contractus*, which was modeled on Article 12 para. 1 of the Rome I Regulation.<sup>41</sup>

The ALI Principles follow a similar approach in §§ 314, 316, 317 for transferability, transfers by operation of law and security interests. The provisions on choice of law in § 315 deviate more substantially from the CLIP Principles due to the fact that they are understandably not built on the model of the Rome I Regulation.

## 2. Applicable Law in the Absence of Choice

Article 4 Rome I Regulation on the applicable law in the absence of choice does not provide a specific rule on agreements concerning intellectual property rights.<sup>42</sup> The European Commission's Proposal for the Rome I Regulation of December 2005 proposed such a rule pointing to the law of the transferor or licensor.<sup>43</sup> But the finally adopted version of the Regulation abandoned this approach because submissions to the European Institutions, among them a comment by the CLIP Project, pointed to the fact that the proposed rule would not be suitable for many contracts having as their main object the transfer of license of an intellectual property right.<sup>44</sup> For typical intellectual property contracts, it may also be that the licensee is to effect the performance which is characteristic of the contract (or that the contract is more closely connected with the licensee's country although none of the performances is characteristic for the whole

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<sup>40</sup> See, e.g., Sec. 31 para. 5 German Copyright Act; Sec. 33 Austrian Copyright Act; Sec. 119 Italian Copyright Act.

<sup>41</sup> On characterization, see *Axel Metzger*, Transfer of Rights, License Agreements, and Conflict of Laws, in: Basedow/Drexl/Kur/Metzger (eds.), *Intellectual Property in the Conflict of Laws* (2005), pp. 61 et seq.

<sup>42</sup> On Art. 4 Rome I Regulation, see *Nerina Boschiero*, Spunti critici sulla nuova disciplina comunitaria della legge applicabile ai contratti relativi alla proprietà intellettuale in mancanza de scelta ad opera delle parti, in Liber Fausto Pocar (2009), pp. 141 et seq.; *Pedro A. de Miguel Asensio*, Applicable Law in the Absence of Choice to Contracts Relating to Intellectual or Industrial Property Rights, *IX Yearbook of PIL* 199 (2007); *Torremans* (supra note 38), 404 et seq.

<sup>43</sup> See Proposal for a Regulation of the European Parliament and the Council on the law applicable to contractual obligation ("Rome I") of 15.12.2005, COM (2005) 650 final. This solution is also provided by Art. 122 para. 1 of the Federal Swiss Private International Law Act.

<sup>44</sup> Comments on the European Commission's Proposal for a Regulation on the Law Applicable to Contractual Obligations ("Rome I") of 15 December 2005 and the European Parliament Committee on Legal Affairs' Draft Report on the Proposal of 22 August 2006, reprinted in *IIC* 2006, 472.

contract). A contract between an author and a publisher may serve as an example. If the book is already written and the publisher has the duty to publish and distribute it and pay royalties expressed as a percentage of the sales price while the author has no other duty but to accept the use of his work, it may well be that the contract is more closely connected to the publisher's habitual residence.<sup>45</sup> In contrast, it may be that the contract has a closer connection to the transferor's country if the transferee has no other duty but to pay a flat sum as money consideration.<sup>46</sup> In this case, the contract resembles an outright sale of the intellectual property right and should be governed by the law of the seller's habitual residence.<sup>47</sup> Due to this heterogeneity of contracts in the field of intellectual property, Article 3:502 para. 2 provides a set of factors that should help to determine the state with which the contract is most closely connected.<sup>48</sup> It should be noted that the list of factors applies only to contracts that have "as their main object the creation of protectable subject matter or the transfer or license of intellectual property rights." For contracts that are characterized by other duties of the parties but that also provide a license clause, e.g., franchise or distribution contracts, other criteria may be of higher significance. For these contracts, the general presumption of Article 3:502 para. 1 is applicable.<sup>49</sup>

The ALI Principles follow an approach that is close to the European Commission's Proposal of December 2005. According to § 315 para. 2, the law with the closest connection shall govern the contract in the absence of a choice-of-law agreement while it is presumed that this is the law of the state in which the transferor or licensor is habitually

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<sup>45</sup> See *de Miguel Asensio* (supra note 42), 214; *Muriel Josselin-Gall*, *Les contrats d'exploitation du droit de propriété littéraire et artistique* (1995), p. 379; *Moura Vicente* (supra note 15), p. 322; *Ulmer* (supra note 30), p. 54; cf. *Torremans* (supra note 38), 419-20 (for contracts granting rights for several countries). But see the contribution of *François Dessemontet* to this volume, at \*\*\*; see already *François Dessemontet*, *Transfer of Technology under UNCTAD and EEC Draft: A European View on Choice of Law in Licensing*, 12 J. Int. L. & Econ. 1, 43-53 (1978).

<sup>46</sup> *James J. Fawcett/Paul Torremans*, *Intellectual Property and Private International Law* (1998), p. 573; *Metzger* (supra note 41), p. 69; *Ulmer* (supra note 30), p. 54.

<sup>47</sup> Compare also the examples discussed by *Fawcett/Torremans* (supra note 46), pp. 572 et seq.

<sup>48</sup> Art. 3:502 abstains from using the characteristic performance-criterion for contracts in the field of intellectual property since it is not helpful for complex contracts; see *de Miguel Asensio* (supra note 42), 212-13; *Torremans* (supra note 38), 406-07. See the contribution of *François Dessemontet* to this volume, at \*\*\*.

<sup>49</sup> Art. 3:502 para. 1 is flexible enough to apply the presumptions of Art. 4 para. 1 lit. e) (franchise contracts) and lit. f) (distribution contracts) Rome I Regulation (supra note 19) within its framework.

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### 3. Employment Relationships

A question of particular interest in intellectual property is the relationship of employers and employees, in particular the right of the employer to claim the intellectual property right and the corresponding right of the employee to claim for additional remuneration. As has been said earlier, the CLIP Principles do not establish a special rule on initial ownership for works created or inventions made in the course of employment (see Article 3:201 para. 3). Rather, the employment relationship and the legal questions concerning a work created or an invention made pursuant to an employment relationship are regarded as contractual matters.<sup>50</sup> As such, they are governed by the law chosen by the parties, subject to the protection afforded to the employee by the state where he habitually carries out his work (see Article 3:503 para. 1). In the absence of choice, the law of the state where he habitually carries out his work is applicable according to para. 2. The provision follows the structure of Article 8 Rome I Regulation. It is partly in line with Article 60 para. 1 sentence 2 of the European Patent Convention but allows for party autonomy.<sup>51</sup>

The ALI Principles do not provide for special provisions on employment contracts but treat the issue of employment relationship as an issue of initial title. § 313 para. 1) lit. c) refers for the initial title in non-registered rights created pursuant to an employment relationship to the law that governs that relationship. § 311 para. 2 should be understood to provide the same solution for registered intellectual property rights. Since the ALI Principles do not establish an autonomous rule on the applicable law for employment relationships, the applicable law has to be determined according to the private international law rules of the forum<sup>52</sup> – a regrettable gap in the principles that should be filled in the next revision.

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<sup>50</sup> Fawcett/Torremans (supra note 46), pp. 514-15 and 523-34.

<sup>51</sup> It is controversial whether Art. 60 para. 1 sentence 2 European Patent Convention allows for a renvoi by the choice-of-law rules of the contracting state in which the employee habitually carries out his work, including the contractual choice of different law (see *Joseph Straus*, *Die international-privatrechtliche Beurteilung von Arbeitnehmererfindungen im europäischen Patentrecht*, GRUR Int. 1984, 1, 5), or whether such renvoi is excluded (see *Margarete Singer/Dieter Stauder*, *European Patent Convention*, 3<sup>rd</sup> ed. 2003, Art. 60, at 20).

<sup>52</sup> See *American Law Institute* (supra note 8), p. 228.

#### 4. Questions Not Dealt with in the Principles Regarding Contract Law

The CLIP Principles are meant to be a comprehensive set of principles for the most crucial aspects of international disputes concerning intellectual property. However, it should be clear that not all questions of general contract law can be solved within the Principles. Therefore, according to Article 3:506 para. 3, the issues of consumer protection, incapacity, authority of an agent, set-off, assignment of other rights than intellectual property rights, legal subrogation, multitude of debtors and compensation between them, as well as obligations arising from pre-contractual relationships shall be governed by the law applicable by virtue of the rules of private international law of the forum state. This list was not controversial during the group's meetings except for the issue of consumer protection. Here the question was brought up whether the specific issues raised by "end user license agreements" and similar contracts concerning protected subject matter could be dealt with adequately by the general principles on consumer protection in private international law such as Article 6 Rome I Regulation.<sup>53</sup> After intense discussions, the group came to the conclusion that most consumer protection issues, such as consent and validity of mass-market contracts, or warranties and liability, are not specific for intellectual property and should therefore not be the subject of the CLIP Principles. The only visible remainder of the discussion is Article 3:701 para. 2, which determines that the waivability of limitations and exceptions to copyright and other intellectual property shall be determined by the *lex loci protectionis*.<sup>54</sup> Hence, "fair use" provisions, the doctrine of first sale, and similar limitations and exceptions of the law of the country for which protection is sought are applicable even if the contractual agreement determines the application of another law. This covers the intellectual property-specific questions of end user license agreements, e.g., restrictions of the end user to use the licensed subject matter and exclusion of the resale of goods, of safety copies, or of any other fundamental rights of end users under the applicable intellectual property law.<sup>55</sup>

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<sup>53</sup> On consumer protection and license agreements, see *Josef Drexel*, Which Law Protects Consumers and Competition in Conflict with Intellectual Property Rights?, in Basedow/Drexel/Kur/Metzger (eds.), *Intellectual Property in the Conflict of Laws* (2005), pp. 81-95.

<sup>54</sup> For a comparative law analysis of the overridability of copyright limitations, see *Lucie Guibault*, *Copyright Limitations and Contracts* (2002), *passim*.

<sup>55</sup> An example for an internally mandatory copyright exception is Art. 5 para. 2 of the EC Directive 91/250

## IV. Infringement and Remedies

### 1. Territoriality as the Basic Principle

The law applicable to infringement and remedies has been controversial in Europe and abroad for a long time. Some jurisdictions applied the *lex loci protectionis* for the question whether the intellectual property has been infringed and what remedies should be granted to the right holder, e.g., Austria,<sup>56</sup> Belgium,<sup>57</sup> England,<sup>58</sup> Germany,<sup>59</sup> Italy,<sup>60</sup> and Switzerland,<sup>61</sup> whereas other jurisdictions applied in copyright cases the *lex loci delicti* to the remedies, e.g., France<sup>62</sup> and Portugal.<sup>63</sup> Although different from a doctrinal point of view, the practical outcome of the two approaches was mostly the same because an infringement of an intellectual property right arising from activities conducted outside the country of protection is hardly conceivable. The country in which the act of infringement is committed and the country of protection is conceptually the same in intellectual property cases.<sup>64</sup> Therefore, the material difference between the two approaches related to the

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on the Legal Protection of Computer Programs (supra note 19).

<sup>56</sup> According to Art. 34 para. 1 of the Austrian Act on Private International Law, the law applicable to the “infringement” of intellectual property rights is the *lex loci protectionis*. Art. 34 was also applicable to remedies; see Austrian Supreme Court, 14.01.1986, 4 Ob 408/85, GRUR Int. 1986, 735. See also *Fritz Schwind*, Internationales Privatrecht (1990), p. 191.

<sup>57</sup> Art. 93 para. 1 Private International Law Code. See *Pertegás Sender* (supra note 14), p. 478.

<sup>58</sup> *Def Lepp Music v. Stuart-Brown*, [1986] RPC 273; *Pearce v. Ove Arup Partnership Ltd*, [2000] Ch. 403 (Court of Appeal).

<sup>59</sup> See Federal Court of Justice, 17.06.1992, GRUR 1992, 697 – *ALF*.

<sup>60</sup> Art. 54 of the Private International Law Act. See *Nerina Boschiero*, Infringement of Intellectual Property Rights, A Commentary on Article 8 of the Rome II Regulation, IX Yearbook of Private International Law 87, 100 (2007).

<sup>61</sup> Art. 110 para. 1 of the Federal Private International Law Act. See *Gion Jegher*, Art. 110 (Immaterialgüterrechte), in: Honsell et al. (eds.), Baseler Kommentar, Internationales Privatrecht, 2<sup>nd</sup> ed. (2007), Art. 110, at 13.

<sup>62</sup> For France, see Court of Cassation, 22.12.1959, D. 1960, jur. 93 – *Rideau de fer*; the reasoning of Court of Cassation, 05.03.2002, JCP 2002 II, Nr. 10082 – *Sisro* indicates the application of the *lex loci protectionis* (“les moyens de recours garantis à l’auteur pour sauvegarder ses droits se règlent exclusivement d’après la législation du pays où la protection est réclamée.”)

<sup>63</sup> See *Dário Moura Vicente*, A tutela internacional da propriedade intelectual (2008), 322-23.

<sup>64</sup> See *Ulmer* (supra note 30), pp. 13-15; this is also the practical consequence of the cases discussed by *Fancett/Torremans* (supra note 46), pp. 601-06; cf. *Axel Metzger*, Jurisdiction in Cases Concerning Intellectual Property Infringements on the Internet, in Leible/Ohly (eds.), Intellectual Property and Private International Law (2009), p. 251 (258) (on jurisdiction under the *forum delicti* rule).



question of whether freedom of choice should be allowed for the remedies, especially in case of multistate infringements. Some jurisdictions allowed for freedom of choice concerning non-contractual obligations in general and remedies for intellectual property infringements in particular,<sup>65</sup> whereas other jurisdictions adhered to a strict interpretation of the territoriality principle and did not allow for any party autonomy.<sup>66</sup> Today, at least in the European Community, this controversy has to be seen in a different context. Article 8 of the Rome II Regulation determines unmistakably that infringement and remedies in intellectual property cases are governed by the law of the country for which protection is sought. Article 8 para. 3 excludes freedom of choice in the field of intellectual property.<sup>67</sup>

The CLIP Principles affirm in Article 3:601 para. 1, as the basic principle, that the law applicable to infringement and remedies is the law of each state for which protection is sought. A similar approach is taken by the ALI Principle in § 301 para. 1, which refers to the state of registration for registered rights and to the state for which protection is sought for unregistered rights. However, both sets of principles provide for deviations from that basic approach; these deserve a closer look.

## 2. Deviations from the Principle

### a) *De minimis rule*

A first deviation from the territoriality principle can be found in Article 3:602 of the CLIP Principles. Article 3:602 suggests the application of a *de minimis* rule in international intellectual property law.<sup>68</sup> The provision primarily targets multistate infringement cases. If the alleged infringement has taken place in a multitude of states, the court should be free to

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<sup>65</sup> See, e.g., for Switzerland Art. 110 para. 2 and Art. 132 of the Bundesgesetz über das Internationale Privatrecht of 1987.

<sup>66</sup> See, e.g., for Germany, Federal Court of Justice, 17.06.1992, GRUR 1992, 697 – *ALF*.

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anzuwendende Recht” (“Rom II”), in: Festschrift Boguslavskij, Berlin 2004, pp. 153-172; *Boschiero* (supra note 60); *Matthias Leistner*, The Law Applicable to Non-Contractual Obligations Arising from an Infringement of National or Community IP Rights, in: Leible/Ohly (eds.), *Intellectual Property and Private International Law* (2009), 97-121; *Haimo Schack*, The Law Applicable to (Unregistered) IP Rights: After Rome II, in Leible/Ohly (eds.), *Intellectual Property and Private International Law* (2009), 79-96.

<sup>68</sup> On the *de minimis* rule, see *Annette Kur*, Applicable Law: An Alternative Proposal for International Regulation, 30 *Brook. J Int'l L* 953, 966 et seq. (2005).

focus on those countries in which the alleged infringement has either caused a substantial effect or in which the alleged infringer has substantially acted.

It should be noted that this provision is not a rule of private international law *stricto sensu* but a rule of interpretation which should be applied on the substantive law level (“A court applying the law or laws determined by...”).<sup>69</sup> The model for the rule has been Article 2 of the Paris Union and WIPO “Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet,” which recommends a cautious application of national (or regional) trademark law in Internet cases.<sup>70</sup> The Recommendation has already been applied by national courts, e.g., the German Federal Court of Justice in the *Hotel Maritime* case.<sup>71</sup> The CLIP Principles generalize this approach for all cases, whether in an Internet or in an “old economy” setting, and for all types of intellectual property. This required a redrafting of the criteria used to define a *de minimis* situation, e.g., for a violation of moral rights it would not be appropriate to ask for a commercial effect. The ALI Principles do not suggest a comparable rule.

### ***b) Ubiquitous infringement***

It is no surprise that the issue most avidly discussed in the CLIP working group meetings was if and to what extent a deviation from the territoriality principle should be allowed in Internet cases. Obviously the World Wide Web is fundamentally challenging the system of territorially restricted intellectual property rights. Putting a movie sequence on “YouTube” or offering a software application in a “peer-to-peer” file-sharing community may potentially infringe intellectual property rights in all WTO member states and third countries as well. The critical question here is if and under which circumstances it should be allowed for rightholders to claim for damages under one single law (or at least a manageable number of laws) for the entire damage suffered worldwide and, even more critically, to claim for worldwide injunctions without having to plead for 200 or even more

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<sup>69</sup> It is a current tendency, at least in the intellectual property community, to suggest solutions to the Internet cases on the substantive law level; see, e.g., *Obly* (supra note 17), pp. 254-56.

<sup>70</sup> Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet of October 2001, Adopted by the Paris Union for the Protection of Industrial Property and WIPO, WIPO Publication No. 845.

<sup>71</sup> Federal Court of Justice, 13.10.2004, GRUR 2005, 431 – *Hotel Maritime*.

jurisdictions. At first glance, the case for the rightholder's position in this debate seems to be clear. The literal application of the "mosaic approach" is burdensome and may produce high litigation costs in Internet cases.<sup>72</sup>

However, there are also strong arguments against a hasty farewell to territoriality. First, the arguments behind the territoriality principle are also valid in Internet or other multistate cases. Applying national intellectual property legislation to infringement cases occurring abroad means applying that legislation extraterritorially. Europeans wouldn't like to have U.S. software patent case law applied to activities conducted in Europe. Vice versa, U.S. or Japanese industries wouldn't like to be sued under EC *sui generis* database protection legislation.<sup>73</sup> Intellectual property legislation is part of the national trade policy and should not cause any repercussions outside the state borders. Applying one law to worldwide infringement cases would lead inevitably to such extraterritorial effects.<sup>74</sup>

Second, applying the mosaic approach to infringement cases on the Internet may in theory burden the rightholder with the duty to plead for all jurisdictions concerned. In practice, it should suffice in most cases to ask for damages or injunctions for the most important markets to force the infringer to shut down its service.<sup>75</sup> The famous decision of the Paris Court of First Instance in the *Yahoo/LICRA* case illustrates that territorially restricted injunctions can be granted in Internet cases, and that Internet service providers may choose to ban critical services on a global scale even if the injunction was limited to a certain country.<sup>76</sup>

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<sup>72</sup> For the different approaches to applying one single law to copyright infringements on the Internet, see *Basedow/Metzger* (supra note 67), p. 164; *Graeme Dinwoodie*, Conflicts and International Copyright Litigation: The Role of International Norms, in: *Basedow/Drexler/Kur/Metzger* (eds.), *Intellectual Property in the Conflict of Laws* (2005), p. 195 (201-02); *Drexler* (supra note 5), at 206-11; *Mireille van Eechoud*, Choice of Law in Copyright and Related Rights: Alternatives to the Lex Loci Protectionis (2003), pp. 169-232; *Ginsburg* (supra note 6), pp. 36-44; *Gerald Spindler*, Die kollisionsrechtliche Behandlung von Urheberrechtsverletzungen im Internet, *IPRax* 2003, 412; *Dorothee Thum*, Internationalprivatrechtliche Aspekte der Verwertung urheberrechtlich geschützter Werke im Internet, *GRUR* 2001, 9.

<sup>73</sup> See Art. 7 of Directive 96/9/EC of 11 March 1996 on the legal protection of databases, *OJ L* 77, 27 March 1996, pp. 20–28.

<sup>74</sup> See *Drexler* (supra note 5), at 211.

<sup>75</sup> Cf. *Jack L. Goldsmith*, The Internet and the Abiding Significance of Territorial Sovereignty, 5 *Ind. J. Global Legal Stud.* 475, 487-90 (1998) (spillover effects do not undermine the legitimacy of territorial regulation).

<sup>76</sup> See Paris Court of First Instance, 22.05.2000, <http://www.juriscom.net/txt/jurisfr/cti/tgiparis20000522.htm#texte> – *UEFJ et LICRA /Yahoo!*

Third, one should not forget the interests of the alleged infringer at stake. Applying one law with a higher protection standard to the entire infringement case would deprive the defendant from the exceptions and limitations of the jurisdictions with a lower level of protection.

To summarize, it should be clear that the challenge raised by the Internet has not undermined the policy considerations underlying the territoriality principle entirely. Rather, the question must be how the principle can be reshaped to provide pragmatic solutions to ubiquitous cases. Both the CLIP Project and the ALI provide specific rules on “ubiquitous infringement.” Article 3:603 CLIP Principles allows the court to apply one single law to the issues of infringement and remedies in cases in which the infringement is carried out through ubiquitous media such as the Internet, and in which the “infringement takes arguably place in every state in which the signals can be received.” Without making it explicit, this provision will only help the rightholder in copyright cases and in cases of well-known trademarks. Here, it can reasonably be argued that an Internet service may infringe copyrights or (at least unregistered) trademarks in every member state of the WTO. By contrast, for patents it would have to be pleaded for every state where the patent has been granted and still exists. For registered rights, the existence of the right cannot be assumed. Even a worldwide service on the Internet may infringe patents in a few states. Hence, in patent cases the infringement does not “arguably take place in every state in which the signal can be received.” Again, it should be noted that the provision allows only the concentration under one applicable law for the issues of infringement and remedies and not for existence, validity, or ownership. For these issues, the “mosaic approach” prevails. If a ubiquitous infringement in the sense of Article 3:603 CLIP Principles has taken place, the rightholder may claim for damages or injunctions under the law with the closest connection. Under the factors listed in Article 3:603 para. 2, it will often be the law of the state where the infringer has his habitual residence or principle place of business that is most closely connected. If the court applies one single law to the infringement and remedies, it is still admitted for the parties according to para. 3 to plead that the law of a state covered by the dispute differs from the law applied by the court.<sup>77</sup> In this case the court shall apply the different laws pleaded unless this would lead to an inconsistent

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<sup>77</sup> This was already suggested by *Jane Ginsburg* in 1998; see *Ginsburg* (supra note 6), p. 45.

judgment, e.g., if one jurisdiction would grant an injunction whereas the other jurisdiction would not grant the injunction. Here the court may apply one law and take into account the differences when fashioning the remedies.

Article 3:603 CLIP Principles has used § 321 ALI Principles as a blueprint. Therefore, both provisions have clearly visible similarities. But there are also some main conceptual differences. One crucial difference is that § 321 ALI Principles does not only allow concentration under one applicable law for infringement and remedies but also for the existence, validity, duration, and attributes. But for the existence and validity of registered rights, a deviation from the *lex loci protectionis* is hardly conceivable. Should a software patent granted under the more patent-friendly approach of the U.S. Patent Office be enforced worldwide if U.S. patent law is the law with the closest connection to the case? Should it also be enforced for states in which the rightholder forgot to pay the fees of the national patent office? Both questions should be answered in the negative.

Another fundamental difference between the ALI and the CLIP Principles is hidden in the list of criteria according to which the closest connection should be determined. § 321 para. 1 lit. a-d) put a stronger onus on the law of the habitual residence of the rightholder. According to the official Comment on § 321, it would suffice for the worldwide application of the intellectual property legislation of the rightholder's home state if two conditions were met: (1) the rightholder and the infringer are habitually resident in different states and (2) the rightholder has centered his creative activities in his home state.<sup>78</sup> The CLIP Principles, by contrast, are more favorable for the defendant. This second approach seems to be better balanced because it compensates the defendant for the plaintiff's privilege to bring suit under one applicable law.

### ***c) Freedom of choice***

In contrast to Article 8 para. 3 Rome II Regulation, both CLIP and ALI Principles allow for freedom of choice for the remedies in infringement cases (see Article 3:605 CLIP Principles and § 302 para. 1 and 2 ALI Principles). From a doctrinal point of view, there are valuable arguments for the restrictive position taken by the Rome II Regulation. One can argue that the remedies, e.g., the availability of double damages, are a crucial element of

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<sup>78</sup> *American Law Institute* (supra note 8), pp. 246 et seq.

the level of protection of intellectual property and therefore part of the national trade policy that cannot be derogated from by contract.<sup>79</sup> However, the majority of the CLIP working group was not convinced by this line of argument and pleaded for a more liberal approach. The practical consequences will, in any case, not be very significant. Parties agreeing deliberately after a dispute has arisen to submit their case to a law different from the law applicable in absence of any choice are a rare species.<sup>80</sup> One of the parties will typically win by this choice whereas the other party loses. Hence, it is not at all obvious that parties will come to an agreement about the applicable law in infringement cases.

## V. Conclusion

This fast-forward analysis of the CLIP Principles in comparison to the ALI Principles should, at least, have verified the hypothesis from the beginning of this paper that the basic concept of territorially restricted intellectual property rights seems to prevail in the Internet revolution. The CLIP Principles plead for the *lex loci protectionis* for the question of ownership as the ALI Principles do for registered rights – but admittedly not for copyright. Concerning transferability, both sets of principles apply the *lex loci protectionis*. The same holds true for infringement and remedies, where both projects plead for moderate deviations from the territoriality principle, especially in cases of ubiquitous infringement. For partisans of a universal concept of intellectual property, this may be seen as a regrettable setback. But from a public policy point of view, it should be welcomed that the projects have shied away from opening the door wider for an extraterritorial application of intellectual property rights. This remarkable level of congruence should encourage international organizations, especially WIPO, to initiate negotiations on a truly global instrument.<sup>81</sup>

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<sup>79</sup> See *Basedow/Metzger* (supra note 67), p. 160; *Helmut Heiss/Leander Loacker*, Die Vergemeinschaftung des Kollisionsrechts der außervertraglichen Schuldverhältnisse durch Rom II, JBl. 2007, 613, 633 et seq. But see *Boschiero* (supra note 60), 107 et seq.; *Leistner* (supra note 67), 105-06; *Moura Vicente* (supra note 15), p. 352; *Schack* (supra note 67), 83.

<sup>80</sup> See *Thomas Kadner Graziano*, Gemeineuropäisches Internationales Privatrecht (2002), 180-81.

<sup>81</sup> The issue of applicable law was already suggested by the European Community as an issue of future work of WIPO's Standing Committee on Copyright and Related Rights; see WIPO SSCR Doc. SCCR/17/4 of 3 November 2008, p. 3. See also the positive reactions of the U.S. and Japanese Delegations at the Seventeenth Session of SSCR, WIPO SSCR Doc. SCCR/17/5, 25 March 2009, p. 31

What will be the future role of the CLIP Principles within Europe? Once the Principles are published in a final version, their chance to gain influence on the future development of European private international law will vary from provision to provision depending on the existing legal framework. Two examples may illustrate this. Article 3:502 on contracts in the absence of choice may have a realistic chance of being accepted by legal practice in Europe because Article 4 Rome I Regulation does not provide a special rule on license and transfer agreements. Hence, courts may find it useful to apply the factors listed in Article 3:502 para. 3 to determine the “characteristic performance” or the “closest connection” according to Article 4 paras. 2, 3 and 4 of the Rome I Regulation. By contrast, the provisions on infringement and remedies may have a longer road to arrive in legal practice because Article 8 of the Rome II Regulation provides for a less liberal regime. But even under the regime of the current Article 8 Rome II Regulation, one may consider whether the provisions on ubiquitous infringements could be applied *praeter legem* since the Regulation obviously was not enacted as an exhaustive answer for infringement cases on the Internet.<sup>82</sup>

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<sup>82</sup> See *Drexl* (supra note 5), at 212 (*empfindliche Lücke* [regrettable lacuna]).