

## **Topic: “International Civil Jurisdiction over Intellectual Property Rights Infringement on the Internet: Comparative Study of the United States and Europe”**

### ***Background and significance***

The interaction between private international law and intellectual property law is not a new topic. It has already attracted a lot of attention and questions and I do not propose to go over these aspects again in this work in any great details. Instead of this I would like to highlight a new set of problems arising in the digital area: the advent of the Internet and its impact on private international law issues.

Although such issues are becoming increasingly important, just a dearth of literature exists on the subject<sup>1</sup>. Thus, a systematic and comprehensive analysis of the topic is required.

The Internet not only revolutionary has changed our society but has affected legal regulation of intellectual property law. Indeed, the law which used to regulate intellectual property in the offline environment does not seem to satisfy the requirements of a new virtual world.

### ***Hypothesis***

Private international law issues such as jurisdiction are not regulated globally. In spite of what the label suggests, private international law does not constitute a set of rights and obligations between States, but aims to regulate conduct between private parties with the presence of a foreign element. Thus, each country has its own set of private international law rules.

As a general principle, the laws adopted in a particular country have effects within the limits or boundaries of that jurisdiction. The application of this principle to offline activities is usually approached on a territorial basis taking into account the geographical location of the parties at a specific time of a dispute (e.g. the domicile of the defendant<sup>2</sup>).

When cross-border intellectual property litigation is brought, it is necessary to resolve private international law issue: which court will have jurisdiction to make decisions as to IP infringements occurring on the Internet?

Indeed, the main jurisdictional problem with intellectual property rights infringement committed over the Internet is identifying the place where events occur<sup>3</sup>. In particular, there is a problem in localizing the place where the act of infringement occurred as the latter can be truly multi-national.

Intellectual property infringement over the Internet by definition happens in all countries around the world where for example, a trade mark that is used on a website is accessible and usable; the same occurs with the uploading of copyright material without permission of the right holder. Peer-to-peer file sharing services that involve copyright material also span the globe<sup>4</sup>. Existing rules could potentially give a form of jurisdiction to the courts of every single country and for each country. In addition, in such cases multiple parties may be involved. These questions arise: which court will have jurisdiction in those cases that are at least potentially truly global in nature and how does one avoid a country-by-country approach and the risk of

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1 James J. Fawcett FBA, Paul Torremans, *Intellectual Property and private international law* (Second edition, Oxford University Press, Oxford 2011) v-vi.

2 Chris Reed, *Internet Law. Text and Materials* (2nd ed, Cambridge University Press, Cambridge 2004) 217.

3 Article 5 (3) of the Brussels I Regulation states that in matters relating to tort a person domiciled in a Member State may be sued “in the courts for the place where the harmful event occurs or may occur”.

4 Fawcett (n 1) 913.

contradictory decisions that goes with it?<sup>5</sup>; is the accessibility of a website enough to grant jurisdiction to the courts of these countries or is there an additional requirement that the website must be directed at customers in the country for a court to have jurisdiction?<sup>6</sup>; how much interactivity or commercial nature of the website is enough to satisfy jurisdictional requirements and how those factors interact<sup>7</sup>.

Despite the ubiquity of the problem, no country has yet expressly developed rules of jurisdiction in the area of intellectual property rights infringement on the Internet. In addition, it is important to note that even after the failure of the Hague Conference of Private International Law to adopt an international convention on jurisdiction and foreign judgments in civil and commercial matters<sup>8</sup>, no rapid development is expected.

Moreover, private international law principles were developed when Internet and digital technology were in the process of their development and neither the US Supreme Court nor the European Court of Justice has so far clarified how the established principles apply in the context of the Internet.

Therefore, intellectual property infringements on the Internet raise problems for the right holders which are interested in enforcing their parallel rights and stop the illegal activities in all the countries where they occur<sup>9</sup>. Thus, the consolidation of transnational intellectual property disputes before one court uniformly applying the law of a particular country is essential for the right holder.

### ***Questions Involved***

The protection of intellectual property rights on the Internet poses extraordinary challenges to the existing models of adjudicating international disputes. This is so because territoriality is deeply rooted as a basic feature of IP rights influencing jurisdiction rules and choice of law provisions<sup>10</sup>. Thus the main question here is how to apply existing private international rules when it comes to transnational intellectual property disputes on the Internet.

As some authors have explained, the territoriality principle, as a principle of substantive law, lost its ground in the context of Internet due to its ambiguous meaning<sup>11</sup> and perhaps the Internet requires its own governance and jurisdiction<sup>12</sup>. Yet some other authors support the idea that territoriality principle is still the basis of modern intellectual property regime<sup>13</sup>.

In order to deal with the above private international law issues it is important to verify whether the Internet is simply a new tool for achieving old objectives in our familiar world. In other words, is the Internet an existing method of communication such as the telephone,

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5 Fawcett (n 1) 911.

6 *Hotel Maritime*, BGH, judgment of 13 October 2004, [2005] CRUR 431.

7 *Zippo Manufacturing Co. v. Zippo Dot Com, Inc.* (1997) 952 F. Supp. 1119 (W.D. Pa).

8 Schulz A., "The Hague Conference Project for a Global Convention on Jurisdiction, Recognition and Enforcement in Civil and Commercial Matters. – An Update", in J. Drexler and A. Kur (eds.), *Intellectual Property and Private International Law* (Hart, Oxford 2005) at 5-18.

9 Pedro A. De Miguel Asensio, "The Networked information society: Territoriality and beyond" (paper presented at Annual Kyushu University Law Conference 2010, Fukuoka) <http://www.law.kyushu-ac.jp/programs/english/conference2010/draft12.pdf> accessed 20 May 2013.

10 Pedro A. De Miguel Asensio, "The Networked information society: Territoriality and beyond" (paper presented at Annual Kyushu University Law Conference 2010, Fukuoka) <http://www.law.kyushu-ac.jp/programs/english/conference2010/draft12.pdf> accessed 20 May 2013.

11 Wadlow Christopher, *Enforcement of Intellectual Property in European and International Law* (Sween & Maxwell, London 1998).

12 Dan L. Burk, "Trademark Doctrines for Global Electronic Commerce" (1998) 49 S.C. L. REV. 695-699

13 Paulius Jurcys, "The role of the territoriality principle in modern intellectual property regimes: institutional lessons from Japan" (2010) <<http://ssrn.com/abstract=1663219>> accessed 15 May 2013.

television, facsimile or a new form of communication? The answer directly impacts upon the manner in which activities on the the Internet should be regulated.

As noted by Kurbalija J., there are two prevalent views about the way in which laws should be adopted on the Internet:

a) “New wine in old bottles” – there is nothing conceptually new about the Internet. Existing legal systems in the fields of telecommunications, intellectual property and jurisdiction could be applied to most issues related to the Internet.

b) “New wine in new bottles” – the Internet entails new social realities that cannot be regulated by existing legal rules. There is a need to introduce new laws – i.e. cyber laws<sup>14</sup>.

In this connection I instead tend to agree with Dutson’s point of view that “the Internet is an old wine in new bottles from conflict perspective”<sup>15</sup>. In other words, private international law principles should apply to this new form of communication but taking into account unique factual circumstances in which infringements of IP rights may be committed.

There are a number of practicality-based reasons in support of this point of view<sup>16</sup>. The most prevalent of these objections are that (1) “no one lives or works in cyberspace” and (2) no nation can reasonably be expected to agree to give up significant portions of their sovereignty to some newly conceived realm of existence<sup>17</sup>. “The Internet medium differs from these other media in a variety of respects, but not so radically that a declaration of *sui generis* jurisdictional status is required.”<sup>18</sup> Instead of this, the rules of private international law need to be updated to satisfy new needs of the online environment in order to guarantee an appropriate protection of intellectual property rights on the Internet.

In particular, intellectual property infringement on the Internet is a global issue and thus requires a global response involving participation of all stakeholders in the international community. Since it is not possible within the frames of this work to investigate every country’s approach to jurisdiction on the Internet, I decided to face these issues in the light of legal development in the member states of European Union (in particular UK, Germany and Sweden) and USA.

Special attention will also be given to the two academic projects which have been established in order to develop international standards better adapted for adjudicating international disputes on intellectual property claims – the American Law Institute’s (ALI) and Max Planck Group’s on Conflict of Law and Intellectual Property (CLIP) Proposals on Jurisdiction, Applicable Law, and Recognition and Enforcement of Judgments in Intellectual Property<sup>19</sup>. Despite of the fact that none of them have a binding legal value, they both intend to provide guidelines for courts, legislative bodies or international organizations on international private law issues in cross-border intellectual property disputes<sup>20</sup>.

The focus of this research is the challenges that the international system for the protection of intellectual property rights faces in today’s global environment.

The following points will be discussed.

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14 Jovan Kurbalija, “The taxonomy of internet governance” (Workshop on Internet Governance, 2004) <[http://www.itu.int/osg/spu/forum/intgov04/contributions/taxonomy\\_internet\\_governance.pdf](http://www.itu.int/osg/spu/forum/intgov04/contributions/taxonomy_internet_governance.pdf)> accessed 9 May 2013.

15 Stuart Dutson, “The Internet, the Conflict of Laws, International Litigation and Intellectual Property: the Implications of the International Scope of the Internet on Intellectual Property Infringements” [1997] *Journal of Business Law* 495.

16 Dan L. Burk, “Trademark Doctrines for Global Electronic Commerce” (1998) 49 *S.C. L. REV.* 695- 699 .

17 *ibid.*

18 *ibid.*

19 American Law Institute, “Intellectual Property: Principles governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes” (American Law Publishers, St Paul, MN 2008); Group on Conflict of Law in Intellectual Property (CLIP), “Principles for Conflicts of Laws in Intellectual Property”, The Draft of March 25, 2011 <<http://www.ip.mpg.de/de/data/pdf/draft-clip-principles-25-03-2011.pdf>> accessed June 8, 2013.

20 CLIP Proposal, Preamble; ALI Principle, § 102.

What is the current situation in the member states of European Union and USA regarding the conflict of jurisdiction concerning intellectual property infringements on the Internet?

Why are the traditional offline jurisdictional principles applicable to intellectual property rights infringement inadequate or problematic in dealing with such infringements on the Internet?

Which could be the direction in which jurisdictional principles will develop in order to properly deal with IP issues on the Internet?

**Methodological basis** of the investigation is dialectics analysis. Besides, the following methods will be used during the study: comparative analysis, historical, formally logical, system-structured analysis, transition from particular to common and vice versa. Will be used quantitative and qualitative social research methodologies. The application of all named methods contributes to a comprehensive, more objective and more thorough study of the topic: “International Civil Jurisdiction over Intellectual Property Rights Infringement on the Internet: Comparative Study of the United States and Europe”.

**Material:** Legislation, doctrine and related case law.