

Private International Law, Intellectual Property and the Internet

Johnson, Phillip Michael

The copyright of this thesis rests with the author and no quotation from it or information derived from it may be published without the prior written consent of the author

For additional information about this publication click this link.

<http://qmro.qmul.ac.uk/jspui/handle/123456789/1829>

Information about this research object was correct at the time of download; we occasionally make corrections to records, please therefore check the published record when citing. For more information contact scholarlycommunications@qmul.ac.uk

Private International Law, Intellectual Property and the Internet

Submitted by
Phillip Michael Johnson
Queen Mary, University of London

Thesis submitted for the degree of Doctor of Philosophy

Supervisors: Dr Uma Suthersanen and Dr Guido Westkamp

Completed 31st August 2005



Abstract

Intellectual property is a territorial right; yet despite this there are a number of international treaties mandating standards. Historically, this has allowed private international law and intellectual property to ignore each other. With the advent of the Internet this benign neglect has not only ended, but there has been a flood of new ideas on reconciling the territoriality of intellectual property with the global nature of the Internet. These new approaches attempt to deal with the problems associated with international intellectual property litigation – the uncertainty of which law applies, multiplicity of claims and forum shopping – each of which increases the cost for both users and proprietors of intellectual property. This thesis examines these approaches, using wealth maximisation and economic efficiency, and determines that none of them fits within the constructs of an efficient solution. However, the proposal for a single applicable law, enabling consolidation, is seized upon as efficient. It then follows that the principle of consensual exchange, enabling private parties to agree which court has jurisdiction and which law applies (rather than States mandating these matters), is the efficient solution to the selection problem. This consensual exchange proposal contains two paradigms – the bilateral and the unilateral – which in turn are broken down into ten propositions. The bilateral paradigm permits parties to select not only the jurisdiction to adjudicate the dispute, but also the universal applicable law. The unilateral paradigm uses the doctrine actor sequitur forum rei, with the universal applicable law being selected ex ante by the proprietor. Finally the propositions are placed within the context of international, regional and domestic law (of the four target jurisdictions: England and Wales, the United States, France and Germany) and questions of compatibility are assessed.

Table of Contents

1: INTELLECTUAL PROPERTY: A PECULIARLY TERRITORIAL RIGHT?	11
I. INTRODUCTION	11
II. A BRIEF HISTORY OF INTELLECTUAL PROPERTY RIGHTS.....	14
A. PATENTS	14
B. COPYRIGHT	16
C. TRADE MARKS.....	17
III. THE DEVELOPMENT OF INTERNATIONAL PROTECTION OF INTELLECTUAL PROPERTY	18
A. TERRITORIAL PERIOD	18
B. INTERNATIONAL PERIOD	19
C. GLOBAL PERIOD	21
IV. WHY SHOULD INTELLECTUAL PROPERTY LAWS BE TERRITORIAL?.....	25
V. INTELLECTUAL PROPERTY AND THE INTERNET	30
A. FORUM-SHOPPING.....	33
B. MULTIPLICITY OF CLAIMS	34
VI. CONCLUDING REMARKS	36
2: PRIVATE INTERNATIONAL LAW: A MYRIAD OF CONFLICTING THEORIES	37
I. JURISDICTION	38
A. ALLEGIANCE THEORY	38
B. POWER THEORY (TERRITORIAL APPROACH).....	39
C. FAIRNESS THEORY.....	41
II. APPLICABLE LAW	44
A. COMITY	45
B. VESTED (ACQUIRED) RIGHTS.....	47
C. LOCAL LAW THEORY (THEORIES)	50
D. UNIVERSALISM AND INTERNATIONALISM: AN ALLOCATION APPROACH.....	52
(i) <i>Normative basis</i>	53
(ii) <i>The approach</i>	55
(iii) <i>Public policy</i>	57
(iv) <i>Lois d'application immediate – law of immediate application – priority rules</i>	59
(v) <i>Modern adaptations</i>	60
E. POLICY INTERESTS	61
(i) <i>General background</i>	62
(ii) <i>Government interest</i>	64
(iii) <i>The most significant relationship</i>	67
(iv) <i>Leflar's "choice-influencing considerations"</i>	69
(v) <i>Principles of preference</i>	72
(vi) <i>Substantive rules</i>	74
(vii) <i>Pillet's "leur but social"</i>	75
(viii) <i>The difference between the internationalist approach and the policy approach</i>	76
(ix) <i>The use of state interests: a critique</i>	77
F. REASONABLE EXPECTATIONS	81
G. POLITICAL RIGHTS THEORY	82
H. THE ENGLISH PRAGMATISTS.....	83

III. RECOGNITION AND ENFORCEMENT OF JUDGMENTS	85
A. "CORRECTNESS" AND "REPOSE"	85
B. JURISDICTIONAL CHALLENGES TO FOREIGN JUDGMENTS	87
(i) <i>Derivative theories</i>	88
(ii) <i>Non-derivative theory</i>	89
IV. CONCLUDING REMARKS	89
3: AN ECONOMIC APPROACH	90
I. THE BACKGROUND TO "WEALTH MAXIMISATION"	91
A. THE FUNDAMENTAL AXIOM	91
B. THE CARDINAL AND ORDINAL SCALE	94
C. LEXICOGRAPHICAL ORDERING	96
D. RULES AND ACTS	97
II. WEALTH MAXIMISATION	99
A. NORMATIVE APPROACH	99
(i) <i>Wealth and value</i>	100
(ii) <i>Consent</i>	102
(iii) <i>Ex ante compensation</i>	104
(iv) <i>The self-interested "wealth maximiser"</i>	106
B. CRITICISMS OF THIS APPROACH	109
(i) <i>Completeness</i>	109
(ii) <i>Link to utilitarianism</i>	110
(iii) <i>Distillation</i>	110
(iv) <i>Moral objections</i>	111
(v) <i>Fairness</i>	112
(vi) <i>Distributive justice</i>	113
C. WHY WEALTH MAXIMISATION?	114
III. GAME THEORY	114
A. THE PRISONERS' DILEMMA	115
B. REPEATED PLAYERS AND UNRAVELLING	116
IV. COSTS AND INCENTIVES	117
A. WHY AN INTELLECTUAL <i>PROPERTY</i> RIGHT?	118
B. COSTS ASSOCIATED WITH PROPERTY RIGHTS	120
(i) <i>The cost of transferring rights</i>	121
(ii) <i>The cost of rent seeking</i>	122
(iii) <i>The enforcement cost</i>	122
(iv) <i>The cost of restricting use</i>	124
(v) <i>Monopoly</i>	125
C. THE INCENTIVE TO CREATE	125
D. COSTS IMPOSED BY INTELLECTUAL PROPERTY	128
(i) <i>Access costs</i>	129
(ii) <i>Administrative costs</i>	129
(iii) <i>Cost of speculation</i>	130
(iv) <i>Costs caused by underproduction</i>	130
(v) <i>Costs caused by under-utilisation</i>	131
E. SEARCH COSTS	131
F. COSTS OF CIVIL PROCEDURE	133
(i) <i>Stages of civil dispute</i>	133
(ii) <i>Cost of judicial error</i>	135
(iii) <i>Procedural costs</i>	135
(iv) <i>Certainty and deterrence</i>	136
(v) <i>Forum shopping</i>	137
(vi) <i>Procedural costs and the proof of foreign law</i>	139
G. COSTS OF CONSOLIDATION	140

V. PRIVATE INTERNATIONAL LAW: AN ECONOMIC APPROACH	143
A. JURISDICTION.....	144
(i) <i>Over and under-regulation – territorial application of laws</i>	144
(ii) <i>Exercise of jurisdiction</i>	145
(iii) <i>Jurisdictional trade</i>	147
B. APPLICABLE LAW	148
(i) <i>Comparative impairment</i>	149
(ii) <i>Comparative regulatory advantage</i>	152
(iii) <i>Mandatory rules</i>	154
(iv) <i>Game theory and state interests</i>	155
C. PRIVATE CHOICE OF LAW	156
(i) <i>The limitations of the state interests approach</i>	156
(ii) <i>Party autonomy</i>	157
(iii) <i>Bundling</i>	159
(iv) <i>Why party autonomy?</i>	160
D. RECOGNITION OF FOREIGN JUDGMENTS	161
(i) <i>Game theory and recognition</i>	161
(ii) <i>Requiring the issuing court to have jurisdiction and refusing to recognise judgments on the ground of <i>ordre public</i></i>	163
VI. CONCLUDING REMARKS	165
4: NEW ANSWERS OR NEW QUESTIONS?	166
I. CYBERSPACE – THE NEW JURISDICTION?	166
A. THE PROPOSAL.....	167
B. THE PROBLEMS	169
II. <i>LEX MERCATORIA</i> FOR THE INTERNET?	171
A. <i>LEX INFORMATICA?</i>	171
B. THE DRAFT INTERNATIONAL COPYRIGHT CODE: <i>A LEX MERCATORIA?</i>	174
(i) <i>Universality</i>	175
(ii) <i>Parallel application</i>	177
(iii) <i>The drafting of the proposed International Copyright Code</i>	179
(iv) <i>Suitability?</i>	180
III. PRIVATE INTERNATIONAL LAW SOLUTIONS	181
A. AIPPI: RESOLUTION 174	182
(i) <i>Jurisdiction</i>	183
(ii) <i>Applicable law</i>	184
(iii) <i>Resolution 174 – another damp squib?</i>	185
B. “ROME II” DRAFT REGULATION ON THE LAW APPLICABLE TO NON-CONTRACTUAL OBLIGATIONS	185
C. VAN EECHOUDE’S ALLOCATION METHOD: “CHOICE OF LAW”	188
(i) <i>The failure of the <i>lex protectionis</i></i>	189
(ii) <i>Evaluation</i>	191
D. ALI DRAFT PRINCIPLES ON JURISDICTION AND RECOGNITION OF JUDGMENTS	191
(i) <i>Scope</i>	192
(ii) <i>Jurisdiction</i>	194
(iii) <i>Consolidation</i>	201
(iv) <i>Enforcement of judgments</i>	202
(v) <i>Applicable law</i>	203
E. MAX PLANCK INSTITUTE JURISDICTION PROPOSAL	207
(i) <i>General rule</i>	207
(ii) <i>Ruling on validity</i>	208
(iii) <i>Consolidation</i>	209
IV. CONCLUDING REMARKS	210

5: INTELLECTUAL PROPERTY MEETS PRIVATE INTERNATIONAL LAW: A NEW PROPOSAL	211
I. INTRODUCTION	211
II. THE BILATERAL PARADIGM	212
III. THE PROPOSITIONS APPLICABLE TO THE BILATERAL PARADIGM	214
<i>FIRST PROPOSITION</i>	214
<i>SECOND PROPOSITION</i>	216
(i) <i>Bundling</i>	217
(ii) <i>Evolution of intellectual property law</i>	219
(iii) <i>Procedural and substantive rules</i>	220
(iv) <i>The traditional theories</i>	221
<i>THIRD PROPOSITION</i>	222
(i) <i>Why not propose a universal law?</i>	223
(ii) <i>Consolidation</i>	224
(iii) <i>Certainty</i>	224
(iv) <i>Permitting territorial division is inefficient</i>	225
(v) <i>Particular issues</i>	226
<i>FOURTH PROPOSITION</i>	228
<i>FIFTH PROPOSITION</i>	231
IV. THE UNILATERAL PARADIGM	232
V. THE PROPOSITIONS RELEVANT TO THE UNILATERAL PARADIGM	233
<i>SIXTH PROPOSITION</i>	234
<i>SEVENTH PROPOSITION</i>	238
(i) <i>Re-nomination</i>	241
(ii) <i>Failure to nominate</i>	242
<i>EIGHTH PROPOSITION</i>	242
<i>NINTH PROPOSITION</i>	244
(i) <i>Search costs</i>	244
(ii) <i>Initial ownership</i>	245
<i>TENTH PROPOSITION</i>	246
(i) <i>Race to the top</i>	246
(ii) <i>"Local exceptions"</i>	247
VI. TRADE MARKS AND UNIVERSALITY	248
VII. CONCLUSION AND NEXT CHAPTERS	250
6: JURISDICTION AND ENFORCEMENT OF JUDGMENTS	252
I. INTERNATIONAL LAW	252
A. PERSONAL JURISDICTIONAL RULES	253
(i) <i>General jurisdictional rules</i>	254
(ii) <i>Permissive grounds of jurisdiction</i>	254
(iii) <i>Choice of court clause</i>	255
B. SPECIAL SUBJECT MATTER RULES	256
(i) <i>The Intellectual Property Conventions</i>	256
(ii) <i>The Hague Convention on Civil and Commercial Matters</i>	258
(iii) <i>The Hague Convention on Choice of Court Agreements</i>	259
C. THE ACT OF STATE DOCTRINE	260
D. ENFORCEMENT OF JUDGMENTS	262
II. REGIONAL LAWS: THE BRUSSELS REGULATION	262
A. SCOPE OF THE REGULATION	263
B. GENERAL JURISDICTION	264

(i) <i>Domicile</i>	264
(ii) <i>Choice of court agreements</i>	265
C. SPECIAL GROUNDS OF JURISDICTION	266
(i) <i>Matters related to contract</i>	267
(ii) <i>Matters related to tort</i>	268
(iii) <i>Multiple defendants</i>	270
(iv) <i>Lis pendens</i>	273
D. EXCLUSIVE JURISDICTION	273
(i) <i>General</i>	273
(ii) <i>"Principally concerned"</i>	276
(iii) <i>European Patent Convention and the Litigation Agreement</i>	279
E. RECOGNITION AND ENFORCEMENT OF JUDGMENTS	280
III. NATIONAL LAW	283
A. ENGLAND AND WALES	284
(i) <i>Restrictions on jurisdiction</i>	285
(ii) <i>The act of state doctrine</i>	288
(iii) <i>The recognition of judgments</i>	288
B. UNITED STATES	291
(i) <i>Due process requirements</i>	292
(ii) <i>Habitual residence</i>	293
(iii) <i>Choice of court clauses</i>	294
(iv) <i>Intellectual property: special jurisdiction</i>	294
(v) <i>Internet jurisdiction</i>	295
(vi) <i>Multiple defendants and consolidation</i>	297
(vii) <i>Act of state</i>	298
(viii) <i>Recognition of foreign judgments</i>	299
C. FRANCE	301
(i) <i>Articles 14 and 15 of the French Civil Code</i>	301
(ii) <i>The domestic rules applied to international cases</i>	302
(iv) <i>Special rules of jurisdiction</i>	303
(v) <i>Choice of court clauses</i>	304
(vi) <i>Subject matter restrictions</i>	306
(vii) <i>Recognition of judgments</i>	306
D. GERMANY	307
(i) <i>Habitual residence</i>	307
(ii) <i>Special jurisdictional rules</i>	308
(iii) <i>Agreement between the parties</i>	310
(iv) <i>Subject matter restrictions</i>	310
(v) <i>Recognition of judgments</i>	311
IV. CONFLICTS AND SOLUTIONS	312
A. THE VALIDITY OF FOREIGN INTELLECTUAL PROPERTY RIGHTS	312
B. CONTRACTS WITH CONSUMERS	315
7: APPLICABLE LAW, NOMINATION AND MINIMUM RIGHTS	317
I. INTERNATIONAL LAW	318
A. THE COUNTRY OF PUBLICATION OR GRANT	319
B. THE LAW OF THE PROTECTING COUNTRY	323
C. THE ABSENCE OF A CHOICE OF LAW PROVISION	324
II. REGIONAL LAWS: THE EUROPEAN COMMUNITY	327
A. THE ROME CONVENTION	328
(i) <i>Freedom of choice</i>	329
(ii) <i>Contracts which include no choice of law</i>	329
(iii) <i>Mandatory rules and ordre public</i>	331
B. EUROPEAN COMMUNITY DIRECTIVES	334
(i) <i>Rules of applicable law</i>	334

(ii) <i>Country of origin</i>	335
(iii) <i>Mandatory laws</i>	336
C. COMMUNITY RIGHTS AND THE EUROPEAN PATENT CONVENTION	336
D. CONCLUDING REMARKS.....	337
III. NATIONAL LAWS.....	338
A. CREATION, SUBSTANCE AND INITIAL OWNERSHIP	338
(i) <i>Registered rights</i>	338
(ii) <i>Copyright: England and Wales</i>	340
(iii) <i>Copyright: United States</i>	341
(iv) <i>Copyright: France</i>	342
(v) <i>Copyright: Germany</i>	344
B. LICENSING	344
(i) <i>Choice of law clauses</i>	345
(ii) <i>Applicable law in the absence of choice</i>	347
C. TRANSFER.....	348
D. INFRINGEMENT	349
(i) <i>England and Wales</i>	349
(ii) <i>United States</i>	352
(iii) <i>France</i>	353
(iv) <i>Germany</i>	353
E. MANDATORY RULES AND PUBLIC POLICY.....	354
F. NOMINATION.....	356
IV. MINIMUM RIGHTS.....	357
V. CONFLICTS AND SOLUTIONS.....	358
A. THE APPLICATION OF THE <i>LEX PROTECTIONIS</i>	358
(i) <i>The acceptance of a single applicable law</i>	359
(ii) <i>Arbitration</i>	359
(iii) <i>Presumptions of foreign law</i>	360
(iv) <i>Other rules adopted</i>	361
(v) <i>Substantive rules</i>	362
B. UNIVERSALITY	362
C. NOMINATION	363
8: CONCLUSION	364
I. THEORETICAL FRAMEWORK.....	365
II. THE LIMITATIONS OF THE PRESENT PROPOSALS.....	367
III. THE NEW PROPOSAL	367
IV. THE PRESENT LEGAL FRAMEWORK.....	369
V. FINAL REMARKS.....	371
ANNEX: THE TEN PROPOSITIONS	373
BIBLIOGRAPHY	374
CITED BY OTHER AUTHORS	407
TABLE OF CASES.....	409
AUSTRIA	409
AUSTRALIA.....	409
BELGIUM	409
ENGLAND AND WALES	409
EUROPEAN COMMUNITY.....	411

FRANCE	412
GERMANY.....	413
INTERNATIONAL CASES	413
IRELAND.....	413
NETHERLANDS.....	413
SCOTLAND.....	414
SPAIN.....	414
SWEDEN.....	414
UNITED STATES OF AMERICA	414

Abbreviations

Berne	Berne Convention for the Protection of Literary and Artistic Works 1886 (Paris Act, 24 July 1971)
Brussels Regulation	Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters
CPR	Civil Procedure Rules 1998 (SI 1998/3132)
FRCP	United States Federal Rule of Civil Procedure
NAFTA	North American Free Trade Area
Paris	Paris Convention for the Protection of Industrial Property 1883
PCT	Patent Co-operation Treaty (19 June 1970, as amended)
Phonograms Convention (Rome)	International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations (Rome 1961)
QMIPRI	Queen Mary Intellectual Property Research Institute
Restatement (First)	The Restatement (First) of the Conflict of Laws (ALI 1934)
Restatement (Second)	The Restatement (Second) of the Conflict of Laws (ALI 1972)
Rome Convention	Rome Convention on the Law Applicable to Contractual Obligations (80/934/EEC)
TEU	The Treaty Establishing the European Union (Maastricht)
TRIPS	Agreement on Trade-related aspects of Intellectual Property Rights
UCC	Universal Copyright Convention (as revised at Paris on 24 July 1971)
WCT	WIPO Copyright Treaty (20 December 1996)
WPPT	WIPO Performances and Phonograms Treaty (20 December 1996)
ZPO	Zivilprozeßordnung

1

Intellectual Property: A Peculiarly Territorial Right?

The world is a collection of States. The extent of each State is set at its territorial boundaries; and the laws of each State extend only to those boundaries. It is trite to say that intellectual property only exists within those boundaries; the territorial nature of intellectual property is a basic concept set out in every textbook.¹ It has even been described as its “dominant norm”.² But every law is territorial³ – criminal, commercial, domestic or otherwise – yet a whole area of law, private international law,⁴ has emerged to deal with the application of foreign legal concepts to domestic disputes. It is this conflict that is central to this work.

I. Introduction

This Chapter sets the background to intellectual property and territoriality. It begins by briefly examining the history of how the rights came into being; this is

¹ Either expressly, see for example Cornish and Llewelyn (2003): [1-30]; Bently and Sherman (2004): 5; or implicitly, see for example Holyoak and Torremans (2005): 27-28; also see the recent judgment of the Court of Justice in *Lagardère* (unreported) 14th July 2005 (Case C-192/04) at [46].

² Goldstein (2000): 65.

³ Troller suggests “the territorial boundaries of intellectual property rights are...not their special characteristic they share it with all other laws”: Troller (1983): 137 (cited in van Eechoud (2003): 97).

⁴ It is also called conflict of laws, for a short discussion of the problems with both sets of terminology see Collier (2001): 5-6.

followed by a short discussion of how the protection afforded was extended from being purely domestic to become truly global. Once these rights became global new problems emerged with the advent of transnational litigation.

Chapter 2 examines the conflicting, and often confusing, theories which have been used as a basis for private international law. It demonstrates the problems, pitfalls and inconsistencies of those theories. It suggests that a new approach is needed.

Thereafter, Chapter 3 introduces the economic approach, it sets out the basis of wealth maximisation and then assesses the incentives and costs of intellectual property and intellectual property litigation. Finally, it discusses the methods applied to private international law. It concludes that the most efficient approach to the subject is through using the paradigm of exchange.

Chapter 4 examines the various solutions proposed to the problems caused by transnational intellectual property litigation and concludes that none of the solutions, confined as they are by the traditional frameworks, solves those problems.

The central chapter of this work, Chapter 5, proposes a new approach based on a “bilateral paradigm” and a “unilateral paradigm”, which in turn are broken down into ten *Propositions*. These *Propositions* use efficient exchange as a model to build a new approach to private international law, intellectual property and the Internet.

Thereafter, Chapters 6 and 7 test the basis of those *Propositions*. They are not intended to set out a detailed examination of the law. To undertake such a study here could add very little to those works that have already been produced. In English⁵ there are a number of such works, the two most substantial texts being Eugen Ulmer's *Intellectual Property Rights and the Conflict of Laws*⁶ written for the European Community and James Fawcett's and Paul Torremans's monograph *Intellectual Property and Private International Law*,⁷ which deals only with English law, but remains the leading text in the field. In addition there are a number of publications limited to copyright, in particular Jane Ginsburg's Hague Lecture⁸ and Mirelle van Eechoud's *Choice of Law in Copyright and Related Rights: Alternatives to the Lex Protectionis*⁹ as well as those limited to patents such as Marta Perteás Sender's *Cross-Border Enforcement of Patent Rights*.¹⁰

Instead the discussion in Chapters 6 and 7 details the approaches and weighs their relative merit, but ultimately its purpose is to place the ten *Propositions* within the legal framework. The legal framework studied in these Chapters covers the international framework, the regional laws and the laws of four national jurisdictions: England and Wales, the United States, Germany and France.

Many different rights have been considered to fall within the scope of "intellectual property". These fall into three groups: registered rights (patents, designs and trade marks), unregistered rights (copyright, database right and unregistered trade

⁵ Numerous works have been published in other languages: for example, Raynard (1990); Novier (1996) and Blanco (1998).

⁶ Ulmer (1978).

⁷ Fawcett and Torremans (1998). Torremans (1999) briefly considered some of these issues as they affect the United States.

⁸ Ginsburg (1998b).

⁹ Van Eechoud (2003).

marks) and other rights (trade secrets and unfair competition). This work concentrates on the traditional areas of intellectual property: registered and unregistered rights. The laws of unfair competition are so diverse that it is difficult to bring them within the framework of an internationally agreed approach to private international law. The laws of trade secrets are much more straightforward and rarely have a transnational element, consequently they are therefore not dealt with in this work. Accordingly, in this work the term intellectual property means patents, copyright (and related rights) and trade marks (registered and unregistered).¹¹

II. A brief history of intellectual property rights

A. Patents

The concept of the patent emerged from a simple form of patronage. These “letters patent” were open letters¹² issued by the Sovereign¹³ granting the recipient the exclusive right to do something. However, these early letters patent were rarely granting an exclusive right to one person, but rather making provision for anyone with a particular skill to be free to exercise it within a country.¹⁴ Indeed, the patent system was originally little to do with rewarding inventive endeavour but was a method of ensuring technology transfer.¹⁵ For example, the origins of

¹⁰ Sender (2002).

¹¹ Registered designs are not really exploited on the Internet and any rules that apply to patents (and to a lesser extent copyright and trade marks) could apply equally to designs.

¹² In England these “open letters” were often accompanied by Statutes (e.g. 1331 Pat 5 Ed III p.1 m. 25) confirming the powers, the letters were identifiable because they bore the King’s Great Seal.

¹³ “The powers of the prerogative are of great antiquity in fact, as ancient as the law itself” and the Royal prerogative to regulate trade gave the power to grant a patent: Wallace and Williamson (1900): 2-3.

¹⁴ Wyndham Hulme (1896-1900): 142-3 (Part I).

¹⁵ This is still the case; for a discussion of granting patents as a method of technology transfer see Blakeney (1989): 87.

the English patent system¹⁶ can be traced to the reign of Edward II and his son Edward III,¹⁷ this was a time when English technology lagged far behind Continental Europe and “letters patent” were a way of enticing talented Europeans to bring their skills to England.¹⁸

However, like all Royal Prerogatives, patents were more to do with granting a reward or bounty to traders or even to court favourites than for rewarding invention. Many of the elements now considered central to patent law, such as the requirement of disclosure¹⁹ and the time limit,²⁰ are relatively modern innovations. The “improvement” of previous inventions was, until comparatively recently, considered unpatentable.²¹ The Statute of Monopolies, so often heralded as the first patent law,²² was nothing of the kind; as William Mackinnon said in 1835, there was at that time “no express statute according to which patents might be granted...the granting did not rest upon the foundation of statute law”,²³ instead the Statute of Monopolies no more than spelt out the rules of common law,²⁴ which had previously been set out in James I’s “Book of Bounty”.²⁵

¹⁶ The first known patent for an invention was granted in 1236 for woven fabrics with multicolour patterns, the first known English Patent was to John of Utynam in 1449 for the making of stained glass (according to the UK Patent Office) or 1440 to John of Shiedame for manufacturing salt (according to Wyndham Hulme).

¹⁷ Edward III granted letters of protection to John Kempe in 1331: Wallace and Williamson (1900): 3, note (g).

¹⁸ Some five hundred years later a modern patent system was introduced into Japan for a similar reason: Kumagal (1999).

¹⁹ In the United Kingdom the disclosure required was first mandated in an individual case in 1716, but it was not until circa 1740 that it was required generally: Wyndham Hulme (1902): 283.

²⁰ 14 years: Statute of Monopolies s. 6.

²¹ See generally Wyndham Hulme (1896-1900): 56 (Part II) (in particular *Matthey’s Case* (1559) WPC 6) and Wyndham Hulme (1902): 282.

²² There is a record of a patent system existing in Venice in the mid-fifteenth century, this was codified in a statute in 1474, although this system disappeared within two hundred years: see Mandich (1948). It has been suggested that an even earlier system was used by German miners in the thirteenth century: Wegner (1993): 2-3.

²³ *Patent Laws*, 14 February 1837, 36 Hansard (3rd Series) column 555.

²⁴ Sherman and Bently (1999): 149-151 and 208-211; Coke (1809) suggests that the Statute of Monopolies “maketh [patents] no better, then they should have been, if this act had never been made” (at 184).

Even when the elements of the modern patent system started to take shape there were still doubts about whether it could be justified or not; indeed as late as the mid-nineteenth century, there were movements to abolish it.²⁶ The patent system and the justifications for it are still relatively new and in many ways they have piggy backed on its older brother, literary property.

B. Copyright

It is possible to argue that the concept of “literary” theft dates back to classical times²⁷ when the crime of “plagiarism” was even, on occasion, considered to be robbery²⁸ or theft.²⁹ In early modern times “copyright” was granted by letters patent³⁰ or by a similar privilege,³¹ which were generally granted in exchange for censorship. However, these privileges were eventually replaced by a statutory right to prohibit the copying of a literary work. The first such right was under the Statute of Anne. It was this Act that enabled a separate conception of “literary property” to develop, which in turn led to the great literary property debate of the mid-eighteenth century, where not only the courts, but also the country at large,

²⁵ The name given to a Proclamation made in 1610.

²⁶ See Sherman and Bently (1999).

²⁷ See Streibich (1975-6): 4 *et seq* (Part I).

²⁸ Putnam (1896): 74, describes how a number of entries to a literary competition judged by Aristophanes the Grammarian (c. 257 – 180 BC) were literal copies of pre-existing works. Those who submitted these copied works were brought before a tribunal, sentenced as veritable robbers and thrust out of the city.

²⁹ In the Royal Irish Academy (M.S. 24 P. 25) there is a report of how in the sixth century Columcille copied the book of Finnian and so was accused of theft. The now infamous words were uttered by Diarmuid “To every cow its calf, and to every book, its copy”.

³⁰ Streibich (1975-6): 52 (Part II). The first Venetian grant was made either in 1469 to Jean de Spire or in 1495 to the printer Alde Maanuce; the first French grant was made in 1507 to Antoine Verd for an edition of the Epistles of St Paul; the first English grant was in 1518: Breyer (1970): 292 n. 42.

³¹ In England this right was granted exclusively to the Stationary Company by the King. The *ancien Regime* allowed the French monarch to grant the exclusive privilege to print and distribute printed works (as well as public performances) for a discussion of the late history of these grants

considered the nature of literary property.³² The arguments in this debate were greatly influenced by the views of natural rights philosophers such as John Locke,³³ but the debate was not about whether there was such a thing as literary property or not,³⁴ but whether it was limited in time or perpetual (or whether a common law copyright ever existed³⁵). When it concluded,³⁶ it was clear that there was a limited statutory property right in literary works within England. This view spread across the rest of Europe although the philosophical arguments supporting this right came not from Locke but from Immanuel Kant³⁷ and Georg Hegel.³⁸

C. Trade marks

The protection of “trade marks” (in the broadest sense) dates back to ancient times,³⁹ but it was not until relatively recently that trade marks became property.⁴⁰

The protection of marks was a way of preventing fraud (a police mark) where

see Birn (1970). Until the end of the Holy Roman Empire, the Emperor and the Heads of the various Länder were able to grant the exclusive privilege to print.

³² Sherman and Bently (1999) is an excellent starting point for discussion of the literary property debate (for a detailed discussion see Deazley (2004)); in relation to the United States, France and Germany a similar starting point is Davies (2002): Chapters 5, 6 and 7.

³³ See Chapter V of his Second Treatise of Government: Locke (1998).

³⁴ Cf. Yates J dissent in *Millar v Taylor* (1769) 4 Burr 2303, 98 ER 201.

³⁵ Deazley (2004) argues convincingly that the debate was not simply whether a common law copyright continued to exist after the passing of the Statute of Anne, but whether it ever existed in the first place. He concludes that, in fact, there was never a common law copyright and it was a creature of the Statute.

³⁶ With the House of Lords decision in *Donaldson v Beckett* (1774) 4 Burr 2407, 98 ER 257, which was a *de facto* appeal from the earlier decision of *Miller v Taylor*.

³⁷ See Kant (1994).

³⁸ See Hegel (1821) and Knowles (2002).

³⁹ The marking of goods goes back far further, indeed it has been suggested that the branding of animals pre-dates literacy: Diamond (1975): 266. The assignment of responsibility (by affixing a mark) for the manufacture of a particular product (bricks) can be dated to ancient Egypt: Rogers (1949). However, the beginning of a more active regulation of marks is far more modern, indeed in the first ten editions of Kerly (Kerly (1894) to Kerly (1972)) it was argued that trade mark law “cannot be traced back further than the [nineteenth] century”: Kerly (1894): 2; although by the eleventh edition (Kerly (1983)) the editors started to discount this myth.

⁴⁰ In the middle ages certain marks were considered to be hereditary, although a slight change was always required to distinguish between the work of the father and the son: Schechter (2002): 24. Notwithstanding, marks were not considered transferable *inter vivos*.

disputes were resolved by the guilds rather than the courts. The mark itself only started to be seen as an asset between the fifteenth and seventeenth century⁴¹ and despite marks being valued and protected, they were still not property.⁴² It was only when the registration of trade marks began that the modern mark, as it is known today, came into being.

III. The development of international protection of intellectual property

So how do these Sovereign acts fit within the development of international intellectual property law? A development which has been described as having three epochs:⁴³ the territorial period, the international period and the global period.

A. Territorial period

Intellectual property, as discussed above, is a territorial right. Cornish and Llewelyn have identified the four principles of territoriality:

(1) The right in each country is determined by the law of that country and is independent of equivalent rights governing the same subject-matter (invention, work, trade mark, etc.) in other countries and neither stands nor falls with them.

(2) The right only affects activities undertaken by others within the geographical territory for which it is granted. This area is

⁴¹ *Ibid*: 101.

⁴² By 1861 it was possible to say that “it may, no doubt, be urged that in the case of trade marks there is no property...but the analogy between copyright and patents... is no longer far fetched”: Lloyd (1861): 666.

normally defined by the boundaries of the State concerned, with possible extensions for cross-border, sea, air and space activities connected to it.

(3) The right may be asserted only by nationals of the country for which it is granted and such others as the law also includes.

(4) The right may be asserted only in the courts of the country for which it is granted.⁴⁴

The early period of intellectual property was defined by these principles. Obviously they would have been undermined should the rights have extended outside the territory of the granting nation. Therefore, it was during this period that free-riding became a problem, as a citizen of one country could ignore intellectual property rights granted by the Sovereign of another.

B. International period

This led, during the nineteenth century, to a move by nations to co-operate on intellectual property issues. The British International Copyright Act 1838⁴⁵ and International Copyright Act 1844⁴⁶ started the trend of reciprocity, whereby one state would give protection to nationals of another state if they did likewise. This trend extended to other intellectual property rights and led to a series of bi-lateral treaties.⁴⁷ By 1883 there were 69 international agreement in place, mainly dealing

⁴³ The terms used are based on those used by Drahos (1999).

⁴⁴ Cornish and Llewelyn (2003): [1-30]. This represents what Richard Fentiman calls strong territoriality: see Fentiman (2005), where he contrasts this with weak territoriality.

⁴⁵ An Act for Securing to Authors in Certain Cases the Benefit of International Copyright 1 & 2 Vict. c. 59 (1838).

⁴⁶ An Act to Amend the Law Relating to International Copyright 7 & 8 Vict. c. 12 (1844).

⁴⁷ For the history of bilateral copyright treaties see Ricketson (1987): 25-38.

with trade marks.⁴⁸ Those States which benefited from the works of other nationals (i.e. those benefiting from positive externalities) did not enter bi-lateral treaties and remained isolationist.⁴⁹ These bi-lateral treaties were a prelude to two central agreements: the Paris Convention of 1883 and the Berne Convention of 1886.

The German delegation proposed a universal intellectual property laws at both the Berne Conference⁵⁰ and the Paris Conference.⁵¹ Outside those international meetings other German scholars, most notably Joseph Kohler,⁵² argued that trade marks *actually were* “universal”;⁵³ a view which has now been discounted.⁵⁴ However, what was adopted in place of universalism was a series of minimum standards of protection and the concept of national treatment.⁵⁵ These basic requirements persist to this day.

Unlike universality, the approach of adopting minima and national treatment barely intruded upon national sovereignty⁵⁶ because the standards were undemanding and more or less codified existing state practices.⁵⁷ Thus, many important concepts were left for signatory states to determine according to

⁴⁸ Ladas (1975): Vol 1, 43-45.

⁴⁹ The greatest pirates were Americans, who copied British authors; thus American stayed out of much of the “international period”.

⁵⁰ See Ginsburg (2000): 268. This had also been argued at the earlier Brussels Conference on Literary and Artistic Property held in September 1858: Ricketson (1987): 41-2.

⁵¹ Discussed in *Crocker National Bank v Canadian Imperial Bank of Commerce* (1984) 223 USPQ 909 at 918-21.

⁵² See Kohler (1910) (cited in Derenberg (1961): 734).

⁵³ Thus, the first person to obtain the right, anywhere in the world, could defend it against anyone, anywhere else in the world.

⁵⁴ Kohler, in the 2nd Edition (1910) rejected his own theory and accepted territoriality (see Derenberg (1961): 734). However, the US Courts took a long time to discount this theory: see *Weil Ceramics & Glass v Dash* (3rd Cir, 1989) 878 F.2d 659 at 677: “the universality theory is no longer viable”.

⁵⁵ It is arguable that Article 6bis and 6quater of the Paris Convention actually imposed territoriality (see discussion in Chapter 7).

⁵⁶ Dinwoodie (2002): 995.

national policies and values.⁵⁸ However, there remains no interpretative mechanism for these international conventions⁵⁹ and so national laws remained widely divergent.

Therefore, during the international period the territoriality of rights remained fundamental. It has been suggested that this led to the promotion (indirectly at least) of policies of isolationism;⁶⁰ albeit governments began to understand that internationalisation was a part of domestic lawmaking.⁶¹

C. Global period

Sir Robin Jacob has suggested that “as time goes on... the world will realize that at least for intellectual property the days of the nation-state are over.”⁶² Indeed, looking at European legislation over the last few years this prediction appears to be coming true. The Television without Frontiers Directive⁶³ introduced the country of origin principle for television broadcasts which was applied, in a modified form, in the Satellite Broadcasting and Cable Re-transmission Directive⁶⁴ for satellite transmissions. Thereafter, the country of origin principle was adopted on a wider scale by the E-Commerce Directive,⁶⁵ where Article 3 makes it clear that the provider of an information society service must only

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*; also see Stewart (1989): [4.46].

⁵⁹ See Cornish (1997), where he criticises WIPO's provision of model laws and for offering interpretations of international conventions.

⁶⁰ See Austin (2002): 56; where he suggests that the arguments forwarded by some in *Eldred v Ashcroft* (2003) 537 US 186 would mean the copyright clause precludes the US Congress from granting copyright protection to any foreigner.

⁶¹ This was suggested by the government, as the defendant, in *Eldred v Ashcroft*, *supra*.

⁶² Jacob (2000): 516.

⁶³ Council Directive 89/552/EEC (as amended by Directive 97/36/EC).

⁶⁴ Council Directive 93/83/EEC.

⁶⁵ Council Directive 2000/31/EC.

comply with the requirements of the country of origin. This principle was also central to the first Draft Services Directive.⁶⁶

Although the E-Commerce Directive states that it does not establish rules on private international law,⁶⁷ some commentators have suggested that it is difficult to see how requiring a service provider to comply with its own national rules, and then requiring other member States to recognise the application of these local laws, can be anything other than a rule of private international law.⁶⁸ This, in essence, internationalises local regulation, albeit outside the scope of intellectual property law.⁶⁹

A similar pressure to internationalise intellectual property law (i.e. increased globalisation) has pushed policy making into the realm of trade relations.⁷⁰ Once attached to global trade it becomes more difficult for intellectual property laws to be devised to meet the particular needs of a state. At the highest level, the divisions in the world have, in the past, limited the globalisation of intellectual property rights. The split between the developed and the developing world makes this point clearly. The developed world sees intellectual property as a tangible private property right that must be protected, whereas the developing world sees it as a public good to promote economic development.⁷¹

⁶⁶ COM (2004) 2 final/3.

⁶⁷ Article 1(4).

⁶⁸ Moerel (2001): 189. The Directive at Article 1(4) states that it does not establish additional rules of private international law nor does it deal with jurisdiction. However, as the Department of Trade and Industry point out "the Directive as a whole does not make clear whether the role of private international law is retained or superseded": DTI (2002): [4.8].

⁶⁹ The E-Commerce Directive and the Draft Services Directive both exclude intellectual property from the country of origin principle: Article 3(3) of the E-Commerce Directive; Article 17 of the Draft Services Directive.

⁷⁰ Dinwoodie (2002): 1003.

⁷¹ Matthews (2002): 11. For further discussions of the impact of stronger intellectual property rights in the developing world see Coombe (1996) and Oddi (1987).

The push to develop global norms in intellectual property has received considerable academic support.⁷² The norms that are promoted are almost exclusively those of Europe and the United States,⁷³ which has been perpetuated by a tendency to “treat principles as if they were ahistorical, absolute concepts”.⁷⁴ However, the Western corporations’ demands to extend Western standards of intellectual property has not, unsurprisingly, included extending requirements of fair use or dealing.⁷⁵

These global⁷⁶ norms were set out in the 1994 Agreement on Trade Related aspects of Intellectual Property; this was after a number of previous attempts to reach an agreement. The earlier attempts at global action began in the 1970s when the Anti-counterfeiting Coalition (an alliance of 100 multinational corporations) promoted a code of anti-counterfeiting for the Tokyo round⁷⁷ of GATT.⁷⁸ This code was not adopted during that round due to resistance from developing countries.⁷⁹ This led the US to start taking unilateral and bilateral action to try to increase intellectual property protection in other countries. This action was made possible by section 301 of the Tariff and Trade Act 1930,⁸⁰ which permits trade sanctions to be imposed against a third country where that country did not provide

⁷² Professor Sterling proposes an International Copyright Code (see page 174 *et seq* below). Further, Dinwoodie (2000): *passim* suggests that international norms could be adopted to create substantive solutions to solve conflict of laws (see page 74 below).

⁷³ Ironically, the United States was very late to grant any rights to foreigners. Indeed, the US held off granting foreigners copyright until the balance of trade in intellectual property was positive: see Dutfield and Suthersanen (2004): 4 and Burkitt (2001).

⁷⁴ Sherman (1994): 118.

⁷⁵ Coombe (1996): 246.

⁷⁶ The norms are not strictly “global” as the WTO only has 148 members, whereas the UN (which still does not represent every nation) has 191 members.

⁷⁷ Between 1973-9.

⁷⁸ Matthews (2002): 9.

⁷⁹ *Ibid*: 9-10.

⁸⁰ This was amended by the Trade Act 1984.

adequate protection for intellectual property. Thus, the United States could place pressure on a country to improve its intellectual property laws and to push them into bilateral treaties. As Duncan Matthews has explained:

*the dual strategy of Section 301 and linking intellectual property standards to trade in bilateral negotiations had come to be viewed as a successful strategy by US business and government.*⁸¹

This aptly demonstrates the merging of trade and intellectual property. It is therefore not surprising that, in 1986, the Ministerial Declaration launching the Uruguay round of negotiations for GATT included intellectual property.⁸² It is also not surprising that the supranational norms eventually adopted in TRIPS are, on the whole, a move towards increased protection rather than increased users' rights. TRIPS firmly established intellectual property as an acceptable part of international trade and commerce.

In addition, the European Community has made a number of legislative instruments and has well and truly moved into the intellectual property field. The North American Free Trade Agreement also has specific intellectual property provisions.⁸³ Notwithstanding the growth of this regional and global convergence, the United States has continued to use the same "dual strategy" to force countries to increase their respective intellectual property laws by entering a number of Free

⁸¹ *Ibid*: 16.

⁸² GATT Doc No. MIN.DEC (20 September 1986).

⁸³ NAFTA Chapter 17, Articles 1701-1718. For a general discussion of this issue see Blakeney (1998).

Trade Agreements, each requiring a higher standard of protection than that mandated by TRIPS.⁸⁴

This regional and global convergence of intellectual property norms could be seen as undermining a state's right to reflect its own social, political and economic conditions⁸⁵ to such a degree that many of the arguments of localisation are becoming increasingly irrelevant.⁸⁶

IV. Why should intellectual property laws be territorial?

It can be seen from the brief summary of the history of intellectual property rights that there is very little that makes them different from other laws. Yet there are three arguments that are used to suggest that specialist treatment is appropriate: (a) intellectual property is created by the grant of a sovereign power (at least registered rights are); (b) intellectual property is territorial in nature (i.e. it reflects the socio-economic norms of the country); and (c) intellectual property is a particularly specialised and complicated area of law.⁸⁷

It is true that intellectual property rights are created by sovereign acts, but as Austin points out "all property rights may be described as resulting from the

⁸⁴ The United States has entered an increasing number of Free Trade Agreements; the other parties include Australia, Bahrain, Chile, Singapore, Israel, Jordan and Morocco as well as a number of regional groupings. They are continuing to negotiate these agreements at a very fast rate.

⁸⁵ Dinwoodie (2000): 503.

⁸⁶ However, the Convention on Biological Diversity (concluded 5th June 1992) re-asserts national sovereignty, which contrasts with the global trade promoted by TRIPS: Gibson (2004): 15.

⁸⁷ These arguments were identified by Sender (2002): [2.11].

exercise of territorially bound sovereign power”.⁸⁸ Taking this further, every right requires a sovereign act to create it (e.g. a statute, letter patent etc), so why should intellectual property be any different?⁸⁹ The answer is simple. It is not different.⁹⁰ The third ground, that the area of law is particularly specialised and complicated is, at best, irrelevant. The difficulties of intellectual property do not relate to the technicality of the law, but of the subject matter. In reality, intellectual property law is no more complicated than many other areas of law which regulate markets, such as banking or competition law. The only supposedly special characteristic remaining is intellectual property’s territorial nature.

Van Eechoud suggests that it is only the intellectual property lawyer’s desire to find the territorial confines of a particular right⁹¹ that sets them apart from other lawyers. All laws, from a socio-economic viewpoint, have always had a strong justification for localisation; limiting laws territorially is a way of localising them to a pre-defined area. Indeed, this desire for localisation is reflected by the literature on subsidiarity,⁹² a concept⁹³ that is derived from the Papal Encyclical: *Quadragesimo Anno*:

⁸⁸ Austin (1997): 329.

⁸⁹ It has been suggested that what makes copyright special is the “lack of automatic recognition of the author’s capacity of enjoying and exercising rights in his work... outside the territorial jurisdiction of the State whose legislation granted him such rights”: Boytha (1988): 402. This point is exemplified in the United Kingdom by section 159 of the Copyright, Designs and Patents Act 1988 and Orders made thereunder.

⁹⁰ Westkamp (2006) suggests that that this limitation can be avoided if intellectual property is recognised “not as a privilege but as a legal term in its own right”.

⁹¹ This she described as harking back to the work of the old Statutists who spent hundreds of years trying to clarify and discover the extent of a particular law: Van Eechoud (2003): 16 (also see page 45, n. 45 below).

⁹² Although subsidiarity relates to the level of decision-making, it has theoretical connections with the belief that laws should be localised.

⁹³ Subsidiarity is a central concept of the European Union (see Article 5 of the TEU).

*Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, as also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organisation can do. For every social activity ought of its very nature to furnish help to the members of the body, social, and never destroy and absorb them.*⁹⁴

Therefore, allowing laws to be made at the local level enables them to represent “historical, geographical condition[s], as well as [the] religious, ethical, economic and social requirements” of each social group.⁹⁵ These requirements, it may appear, are evident from the many different philosophical traditions of intellectual property,⁹⁶ traditions⁹⁷ that are often used to maintain the rigid division and territoriality at the heart of intellectual property; in particular the division between the civil law *personality* theories and the common law *labour theories*.⁹⁸ However, beyond these high level abstract traditions, many authors argue there are anthropological reasons for these divisions. Copyright laws, Jane Ginsburg suggests:

⁹⁴ Given in 1931; the concept has been linked to Aristotle, Thomas Aquinas and others: Stauffer (1999).

⁹⁵ Valladão (1961): 99 (discussing unification of laws).

⁹⁶ The most complete examination of the various philosophical arguments for intellectual property was carried out by Drahos (1996), although his study did not include trade marks. However, an examination of the Hegelian and Lockean proprietary theories in relation to trade marks was undertaken by Maniatis (2002). For a more general discussion of the philosophy of property see Schlatter (1951).

⁹⁷ These traditions have been described as “invented”. For a discussion of the invention of tradition generally see Hobsbawn and Ranger (1983); in relation to intellectual property see Bently and Sherman (1999): chapter 11; and in relation to copyright alone see Ross (1992).

⁹⁸ Even France, where the personality theory is very strong, originally based its justification for intellectual property along consequentialist lines: see Ginsburg (1994).

*are a component of local cultural and information policies. As such, they express each sovereign nation's aspirations for its citizens: exposure to works of authorship and participation in their country's cultural patrimony.*⁹⁹

Similarly, Barbara Ringer argues:

*a nation's copyright laws lie at the roots of its cultural and intellectual climate. Copyright provides the inducement for creation and dissemination of the works that shape our society and, in an imperfect and almost accidental way, represents one of the foundations upon which freedom of expression rests.*¹⁰⁰

The construction of these boundaries has other side effects many of which have started to be identified in relation to maintaining and protecting indigenous (or traditional) knowledge. It has been suggested that the construction of boundaries can legitimise “anthropological homogenising of community at [an] historical and geographical moment”.¹⁰¹ This leads to artificial *imagined* political communities, which may, or may not, have some degree of cultural and social homogeneity.¹⁰² The perfect example is the comparison between the “community” on a small island, such as one of the Shetland Islands, with the European Community where

⁹⁹ Ginsburg (2000): 267. A brief introduction into the various ideologies of copyright was set out by Stewart (1989): Chapter 1.

¹⁰⁰ Ringer (1968): 1050.

¹⁰¹ Gibson (2004): 4.

¹⁰² This idea of imagined communities, now becoming widely accepted, stems from Anderson (1991). Gibson (2005) points out that “while intellectual property laws continue to depend upon territorial definitions and application, it is important to be aware that community boundaries are not necessarily compatible or even related to national limits” (at 127).

the term “community” is at best aspirational.¹⁰³ In fact, boundaries are relational to different communities, they are not absolute, but mark out the community in relation to others.¹⁰⁴

Furthermore, a community might have alternative traditions, both legal and otherwise, competing for support and supremacy.¹⁰⁵ Yet, ironically, the fragmentation of the world into these imagined communities enable intellectual property to provide a “cultural filter” and remove diversity and encourage homogenisation.¹⁰⁶ This is further exaggerated when owners of intellectual property only exploit their wares in a limited number of countries,¹⁰⁷ which inhibits the cross-fertilisation of cultures.

If these matters are of any significance it is difficult to imagine *why* the protection of intellectual property is at the “root of [the] cultural and intellectual climate” of any nation,¹⁰⁸ when each state’s political community is to varying degrees artificial. Although a *state* (in the modern geo-political sense) may not have an homogenous cultural or intellectual climate, this does not mean that communities do not exist within that state, simply that its borders do not define them.

It has also been suggested that intellectual property reflects the economic conditions of a state. Although not irrelevant, the market for intellectual property goods is rarely demarcated by national boundaries. The market for copyright

¹⁰³ Cohen (1989): 13.

¹⁰⁴ *Ibid*: 58.

¹⁰⁵ Glenn (2004): 26.

¹⁰⁶ Macmillan (2003).

¹⁰⁷ See Capling (1996) where it is suggested that the corporations who control 70% of the global music market only release 20% of their works in Australia.

works will depend on language borders, rather than national boundaries. There is a large market for French language books in the French speaking world, but only a limited market outside it. Where countries are divided linguistically, such as Belgium, the literary market will also be divided down that line. However, since the creation of the European single market the linguistic barriers, rather than national barriers set the confines of the market. When considering trade marks the point is even clearer; a mark may be very strong in one region, but unknown in another. Even within developed countries there are economically developed areas and underdeveloped areas, each with different prices and different market emphasis. In short, it is clear that markets are not set out by national boundaries.

V. Intellectual property and the Internet

The limitations of the territorial approach to intellectual property are exacerbated by the Internet. The Internet has presented the world with almost infinite opportunities by enabling the transfer of information and knowledge across the globe in seconds. Yet from the point of view of intellectual property the Internet has been seen not as a panacea, but as a nightmare. The conflicting interest groups have tried to propose ways of ensuring fairness both for right holders and for users, which range from an on-line jurisdiction with its own court, to leaving disputes purely to self-regulation.¹⁰⁹

Beyond these ambitious (and often misguided) suggestions, real problems have been identified in relation to private international law. The following pages,

¹⁰⁸ Although, paradoxically, Lord Mustill has observed that “the essence of culture is heading now, not towards internationalism but non-nationalism”: Mustill (1999).

¹⁰⁹ See Chapter 4.

which set out the theoretical basis of private international law,¹¹⁰ will show that this is not surprising as there are a plethora of complex issues, conflicting views and approaches. Yet none of these are tuned to the problems of the Internet. The choice of law ideal for most commentators is a car accident (i.e. a negligence claim) with a non-resident passenger, rather than an unauthorised communication to the public in cyberspace.

Therefore, with the obvious differences between a car crash and an unauthorised download of music, and considering there are “networks [which] are indifferent to national borders...and legal rules whose competences are territorial, how does one reconcile the ubiquity of the infringement with the boundaries of adjunction?”¹¹¹

The Internet has been described as on the verge of being “lawless”¹¹² or “anarchic”,¹¹³ although, antithetically, it has been suggested that it is over-regulated with countries applying their laws extra-territoriality in an unreasonable fashion.¹¹⁴

A number of proposals have been made to address the ubiquitous nature of the Internet; from proposing a general *lex mercatoria*¹¹⁵ for the Internet and for copyright,¹¹⁶ to creating a separate Internet jurisdiction. In the more traditional

¹¹⁰ See Chapter 2.

¹¹¹ Ginsburg (1997): 153.

¹¹² Wittes (1995).

¹¹³ Cohen (1998): 294.

¹¹⁴ *Playboy v Chuckleberry Publishing* (SDNY, 1996) 939 F.Supp 1032 and *LICRA & UEJF v Yahoo! Inc & Yahoo France* (unreported), 20th November 2000: for comment see Hugot and Dalton (2002).

¹¹⁵ The law of the merchant is medieval in origin. It stemmed from merchant’s customs and floated over local municipal law: for a discussion of the history see Garavaglia (1991).

¹¹⁶ See Ginsburg (1998b) in particular Chapter V. For an actual proposal see Professor Sterling’s International Copyright Code (discussed at page 174 *et seq* below).

fields a number of harmonisation solutions have been proposed, both of substantive law and of private international law.¹¹⁷

Yet, many of the proponents for such schemes seem to presume that the law in every other country matches their own (in essence using the judicial “cheat” of presuming that foreign law is the same as domestic law), for example Perritt suggests that “the courts of country X would apply the country X choice of law rules, which probably do not differ materially from those that would be applied by a court sitting in Virginia”.¹¹⁸ Not only does this ignore the fact that the choice of law rules differ between nations, it also ignores the differences between the several States of the United States.

The main problem with the Internet is finding a way to locate the situs of the damage caused or of a transaction, where it is difficult to know where any action starts or finishes. Especially, when the political outlook of the world is different and local perceptions have different interests, those countries with strong protection may look to those countries with weak protection (or no protection) as harbouring pirates.¹¹⁹ These differences of protection can easily cause either havens for infringement or choke points which forbid “infringement” to cross a particular “border”.¹²⁰ But, there are two important things caused by the Internet that present real problems: forum shopping and multiplicity of claims.

¹¹⁷ See Chapter 4.

¹¹⁸ Perritt (1996): 6.

¹¹⁹ Geller (2000): 126-7.

¹²⁰ *Ibid.*

A. Forum-shopping

If every forum across the world determines the dispute in the same way, by applying equivalent laws to facts, then forum shopping would not flourish.¹²¹

However, the law applied is different in almost every forum, but it is not just the differing laws that will affect the choice of forum, there are also varying rules of court procedure.¹²² Although a claimant may weigh the procedural advantages for themselves or disadvantage for the defendant, they still usually shops at the forum with which they are most familiar.¹²³

It is a truism to suggest that a person only undertakes forum shopping to maximise their chances of success in litigation.¹²⁴ Therefore, it is not surprising that forum shopping has been described as inevitable¹²⁵ and traditionally accepted by common law courts as they feel that they have “no sort of right, moral or legal, to take away from the claimant any real chance he may have of advantage”.¹²⁶ The problem is that “as a practice, ‘forum shopping’ has pejorative connotations”¹²⁷ as it “runs counter to ideas of equality that are basic to Western views of justice”;¹²⁸ indeed, it was recorded to be “one of the seven deadly sins” at The Hague.¹²⁹ But what can really cause rancour is that forum shopping may turn “an unpromising

¹²¹ Bell (2003): 23.

¹²² See Moore (2001), particularly at 901-24 where she shows that notwithstanding the uniformity of patent law across the United States, the different procedural resolutions applied by the various federal districts lead to different results.

¹²³ Collins (1976): 36.

¹²⁴ Moore (2001): 920-921 notes that in patent litigation where the claimant chooses the forum they win 58% of the time and where the defendant chooses the forum (by applying for a declaratory judgment) they win 56% of the time (although this may be attributed to defendants only starting cases they think they can win: *ibid* at 922).

¹²⁵ *Lubbe v Cape* (2000) 1 Lloyd’s Rep 139 per Buckley LJ at 154.

¹²⁶ *Peruvian Guano Co v Bockwoldt* (1883) 23 Ch. D 225 per Bowen LJ at 234.

¹²⁷ Bell (2003): 25; also see Juenger (1989): 553.

¹²⁸ Von Mehren (1974): 350.

¹²⁹ Morris (1971): 149-50 (it was not described in the same fashion in the second edition: Morris (1980); although it is not clear whether forum-shopping was given absolution or whether there were other reasons); also see *The Atlantic Star* (1974) AC 436 at 454.

case into an eminently winnable one”¹³⁰ so that a defendant becomes liable where they were not before. Furthermore, a lawyer who engages in forum shopping is not acting improperly, but serving their client well¹³¹ and failure to shop may even compromise their professional duty.¹³²

The problems of forum shopping are self-evident. The claimant will attempt to file first to get the forum they desire (and so maximise their advantage) whereas the defendant will try to file first (for declaratory judgments and so forth) to preempt the claimant. This destroys any chance of predictability for users of intellectual property.¹³³ It may also lead a user to ensure that their conduct complies with the most restrictive law possible (or the most restrictive combination of those laws) to avoid infringing any rights.

B. Multiplicity of claims

Even where the forum is certain there is another intractable problem with Internet disputes. “A party may have to sue in more than one place to fully satisfy a claim or to end unlawful conduct”¹³⁴ and they “may need to initiate several plenary actions to fully satisfy their claims”¹³⁵ as the:

ubiquity of the Internet has altered the delicate balance between creators and users of intellectual property, forcing legal theorists

¹³⁰ Bell (2003): 47.

¹³¹ Juenger (1989): 570-1.

¹³² *Ibid*: 572.

¹³³ It also creates a number of economic costs, which are discussed at page 137 *et seq* below.

¹³⁴ Dreyfuss (2001): 424.

¹³⁵ *Ibid*: 422.

*and lawmakers to re-conceptualise the substance of intellectual property law.*¹³⁶

Notwithstanding this balance, the real problem is that the Internet presents:

*concurrent, even if non-conflicting, jurisdictional claims [so imposing a] potentially unbearable burden... on individuals, ...to comply with laws of every State.*¹³⁷

Or as Christopher Reed puts it:

*because the Internet is accessible from almost everywhere in the world, transactions whose real-world analogies would have been restricted to only one or two jurisdictions may potentially be subject to every jurisdiction.*¹³⁸

The requirement to comply with the law of every nation can lead to very real problems such as where the ruling of one court has worldwide effect: for example, when CompuServe were unable to prohibit Germans from accessing certain pornographic material, the only way they could obey a German court order was to totally remove the material from the Internet.¹³⁹ Of course, within these diverse jurisdictions it may also be possible for different results to be reached regarding the same act. This occurred in the *Epilady* patent litigation, where the courts of

¹³⁶ *Ibid.*

¹³⁷ Kohl (2002): 579.

¹³⁸ Reed (2004): 2.

¹³⁹ See Nash (1996).

three different countries came to slightly different decisions on whether or not the same European patent was infringed.¹⁴⁰

To avoid this problem it has been suggested that all claims should be consolidated in one court, thereby conserving worldwide judicial resources and those of the parties.¹⁴¹ There are two possible approaches for consolidating claims: leaving a court to apply a plethora of different laws or deeming a single law to apply to the entire dispute. The second approach is advocated by a number of the proposals in Chapter 4 as well as being part of the new proposal set out in Chapter 5.

VI. Concluding remarks

It can be seen that the rhetoric of territoriality, which was suggested to be the defining feature of intellectual property is nothing of the sort. Intellectual property is no different from other laws, each of which is equally “territorial”. The real problem is that a single act can cause “damage” in a plethora of territories at the same time and it is unclear how private international law (rather than intellectual property) can address these problems.

¹⁴⁰ See *Improver v Remington* (1989) RPC 69 (UK); *Improver v Sicommerce/Remington* (1990) IIC 572 (Ger) and *Beska & Remington/Improver* (1990) IIC 586 (Hague, CA) and (1990) IIC 589 (Hague, DC).

¹⁴¹ Dreyfuss (2001): 432.

2

Private International Law: A Myriad of Conflicting Theories

“Conflict scholars have known for some time now that the hard part of their inquiry is figuring out what really matters. Answers are a dime a dozen: it is the questions that are precious”.¹ Before looking for those questions, the general theories of private international law will be explored.² There are three limbs to private international law; although interdependent, each limb can be considered separately. The first limb is jurisdiction, namely whether or not a court can actually hear a matter; the second is determination of the applicable law, or the law against which facts in the case will be judged; and the final limb is the enforcement of foreign judgments. The theoretical aspects of each of these limbs will be investigated.

¹ According to Singer (1989): 3.

² For a more detailed outline of the various theories see one of the many textbooks on private international law: e.g. Cheshire and North (1999): Chapter 2 and Anton (1990): Chapter 2.

I. Jurisdiction

The theories surrounding jurisdiction and competence³ are closely related to the territoriality of states, indeed one of three doctrines explored below is based on territoriality. However, before progressing to examine these theories, some basic terminology needs explanation; jurisdiction can either be limited or unlimited; this can be over a person (*in personam*); limited to property (*in rem*) or limited to the value, but not the rights, in a piece of property (*quasi-in rem*).

These terms are unhelpful in relation to the modern jurisdictional approaches. The modern distinction is drawn between general jurisdiction,⁴ which means that a court can hear any matter relating to a particular defendant, and special jurisdiction, which grants a court jurisdiction only over a particular dispute.⁵

A. Allegiance theory

The use of a person's allegiance to a system of law as a basis for granting a tribunal jurisdiction dates back to the feudal system of medieval Europe,⁶ where the personal bonds between a lord and his tenant gave the lord the right to determine any dispute involving his tenant. The allegiance theory waned as personal bonds broke down and became less important,⁷ but it remains where jurisdiction is based on the nationality of the parties. The most obvious existing

³ The term "jurisdiction" and "competence" mean slightly different things. In most common law countries jurisdiction also encompasses competence (although it is sometimes called justiciability); however in civilian countries the two are far more distinct. Broadly speaking, the competence of a court is its power to hear a particular dispute, whereas jurisdiction is the area over which a court has authority. In most respects therefore, it is jurisdiction rather than competence that is central to this discussion: see Smit (1961).

⁴ Or "*compétence générale*".

⁵ This use of the terminology *special* and *general* jurisdiction began with Trautman and Von Mehren (1966).

⁶ Von Mehren (1983): 283.

examples of the allegiance theory are Articles 14 and 15 of the French Civil Code, which allow the French court to have jurisdiction over any dispute involving a French national. Allegiance brings to the forefront one of the anomalies of jurisdictional theory, namely that when authority is based on a relationship between the subject and the Sovereign, logic would suggest that a judgment can only be given against – but not for – the subject.⁸ Notwithstanding, this theory is dying out,⁹ whereas its successor the power theory remains strong.

B. Power theory (territorial approach)

The basis of the power theory of jurisdiction in private international law, at least according to some, is public international law. As Beale indicated, “the sovereign cannot confer legal jurisdiction on his courts or his legislature when he has no such jurisdiction according to the principles of international law”,¹⁰ or as Mann puts it, “the international jurisdiction to adjudicate is... not a separate type of jurisdiction, but merely an emanation of the international jurisdiction to legislate”.¹¹ Therefore, Mann agrees with Beale that the rules of jurisdiction in private international law must follow those of public international law.

The origin of the power theory, like many other aspects of private international law,¹² comes from Huber’s *De conflictu legum diversarum in diveris imperiis* in which he set out three principles, two of which are relevant to jurisdiction:

⁷ *Ibid.*

⁸ Von Mehren (2002): 34.

⁹ See page 301 below.

¹⁰ Beale (1922): 243; although he later retracted his view suggesting that jurisdiction was purely domestic.

¹¹ Mann (1984): 67.

¹² Although Mann (1964), suggests that these maxims are actually maxims of public, rather than private, international law.

1. *the laws of each state have force within the limits of that government and bind all subjects to it, but not beyond;*
2. *all persons within the limits of a government, whether they live there permanently or temporarily are deemed to be subjects thereof.*¹³

These principles set out the basic theory of territoriality, they were later adopted and refined by Justice Story who made it clear that:

*the laws of no nation can justly extend beyond its own territories, except so far as regards its own citizens. They can have no force to control the sovereignty or rights of any other nation, within its own jurisdiction.*¹⁴

When these maxims are put into the context of public international law, it brings to the forefront the fact that jurisdiction is fundamentally linked to a state's sovereignty¹⁵ and this link makes it irrefutable that the nature of the power theory is universalist.¹⁶ This must be true, as it is clear that each state, large or small, rich or poor, has equal sovereignty and therefore has the same precincts of power and authority.¹⁷ Indeed, early Continental thinking was in accordance with this view, one civilian lawyer opining that: "the adjudicatory authority of a State is an

¹³ Huber (1919): 403.

¹⁴ *The Apollon* (1824) 9 US (Wheat) 362 at 370.

¹⁵ See comments of the International Court of Justice in: *Denmark v Norway (Legal Status of Eastern Greenland Case)* (5th April, 1933) Series A-B 22 where they suggest that legislating "is one of the most obvious forms of the exercise of sovereign power" (at 48).

¹⁶ Mann (1964): 30.

emanation of its Sovereignty".¹⁸ In 1964 Mann felt it was possible to proclaim that it would be bad law to suggest that a State could proclaim its own jurisdictional extent, because to do so would impact on another State's sovereignty;¹⁹ however when he reviewed the question twenty years later he was not so sure.²⁰

The essential characteristic of a sovereign State is its ability to exercise power;²¹ therefore it is unsurprising that Justice Holmes felt he could declare, "the foundation of jurisdiction is physical power"²² and the International Court of Justice could confidently state that "a state...may not exercise its power in any form in the territory of another state".²³ Accordingly where a state has power over a person, it has unlimited jurisdiction over them and the fact that the exercise of jurisdiction would be unfair is, in theory at least,²⁴ more or less irrelevant.²⁵

C. Fairness theory

The power theory originally had no room for fairness. However, this did not last and initially the doctrine of *forum non conveniens* took out some of its sting.²⁶

¹⁷ Mann (1984): 20.

¹⁸ Waizenegger (1915): 43-44 (cited in Von Mehren (2002): 145).

¹⁹ Mann (1964): 35, although see the discussion of the fairness doctrine below, which had begun to evolve by the time he made this statement.

²⁰ Mann (1984): 30.

²¹ This is very close to the Hobbesian theory of sovereignty: see Hobbes (1985).

²² *McDonald v Mabee* (1917) 243 US 90 at 91.

²³ *France v Turkey (S.S. Lotus Case)* (1927) PCIJ, Series A, No. 10 at p. 18.

²⁴ The English courts, for example, allowed proceedings to be stayed when the purpose for commencing them within the jurisdiction was vexatious or oppressive: see *Logan v Bank of Scotland (No. 2)* (1906) 1 KB 141 and *Egbert v Short* (1907) 2 Ch 205.

²⁵ See, for example, *New York Life Insurance v Dunlevy* (1916) 241 US 518 where an insurance company was held liable to account in two different courts for the same debt; for a discussion of this problem see Von Mehren (2002): 108-110.

²⁶ This power to stay proceedings on the grounds of *forum non conveniens* has existed in Scotland since 1892: *Sim v Robinow* (1892) 29 SLR 585; and in the United States since 1947: *Gulf Oil v Gilbert* (1947) 330 US 501. However, the House of Lords, in *The Atlantic Star* (1974) AC 436, rejected the introduction of the full Scottish doctrine in England, but accepted the principle. The

This doctrine enables a court to stay an action where it feels that the forum is not the appropriate place to hear it.²⁷ Beyond this limited concession, it has long been felt, in some quarters, that “jurisdiction must rest on principles of justice [and] arbitrary power...should [not] be decisive”.²⁸ The US Supreme Court in *International Shoe v Washington*²⁹ took the first bold step away from power towards fairness by suggesting that it was acceptable to exercise jurisdiction where a defendant has “certain minimum contacts with [the forum] such that the maintenance of the suit does not offend ‘traditional notions of fair play and substantial justice’”,³⁰ thus ensuring that the defendant does not have the burden of litigating in a distant or inconvenient forum.³¹

The doctrine of fairness made it into the ALI Restatement (Second) of the Conflict of Laws where §24(1) states that “a state has power to exercise judicial jurisdiction over a person if the person’s relationship to the state is such as to make the exercise of such jurisdiction reasonable”. Thus, “a careful inquiry [should be undertaken] into the reasonableness of the assertion of jurisdiction in the particular case, and an unwillingness to find the serious burdens on an alien defendant [are] outweighed by minimal interests on the part of the plaintiff or the forum State”;³² indeed the minimum contacts test “is not susceptible of mechanical application; rather, the facts of each case must be weighed to

modern doctrine was introduced in *Spiliada Maritime Corp v Consulex* (1987) AC 460. The power is unknown in civilian countries.

²⁷ Indeed, *forum non conveniens* decisions are actually based, to some extent, on the jurisdiction being fair, therefore in some ways fairness existed in reverse.

²⁸ Meili (1906): 199 (cited in Von Mehren (2002): 147).

²⁹ (1945) 326 US 310.

³⁰ *Ibid*: 316.

³¹ *World-Wide Volkswagen v Woodson* (1980) 444 US 286 at 292.

³² *Asahi Metal Industry v Superior Court of California* (1987) 480 US 102 at 115.

determine whether the requisite ‘affiliating circumstances’ are present”.³³ These “minimum contacts” can include strong links between the litigants and the forum, whether or not the controversy was closely linked to the forum or whether forum law will be applied to the dispute.

The theory of fairness developed in other jurisdictions at a similar time to its emergence in the US; the German scholar Neuhaus³⁴ argued that a person “submits” to a jurisdiction by the doing of certain acts there, thereby factoring in fairness and convenience.³⁵ Indeed, Pfeiffer suggested that it is possible to determine jurisdiction in terms of connecting factors. He argued that a person is independent of any forum in which they are not resident, however as their contacts increase their “independence” decreases and provided that the exercise of jurisdiction is proportional to the nature of relations, the forum can accept jurisdiction.³⁶ There is obviously a similarity between the *International Shoe* minimum contacts approach and that adopted by Pfeiffer; the former requires a link between the controversy and the forum and the latter requires contacts between the defendant and the court’s authority.³⁷

The fairness theory is justified by the parties’ expectations,³⁸ thus it moves away from the state-centric approach of both the allegiance and power theories and puts the relationship between the defendant, the litigation and the forum at the

³³ *Kulko v Superior Court of California* (1978) 436 US 84 at 92.

³⁴ Neuhaus (1955) (cited in Von Mehren (2002): 150-151).

³⁵ Von Mehren (2002): 151.

³⁶ Pfeiffer (1995) (cited in Von Mehren (2002): 160-171).

³⁷ Von Mehren (2002): 166.

³⁸ See Kropheller (1982): 205-6 (the task of the legal order is above all to find a just balance of the competing interests of the parties) and Geimer (2001) (both cited Von Mehren (2002): 157 and 159 respectively); also see Von Mehren (2002): 137.

forefront.³⁹ Notwithstanding the rapid progress of this theory,⁴⁰ it has been criticised by those who believe it to be contrary to international law, in that, when determining whether or not a court has jurisdiction, the reasonableness of “political, economic, commercial or social interests” should be disregarded.⁴¹

The divergence of these three approaches means that there is a real need to rediscover uniformity and, as Pryles suggests, a “new general or all-embracing conception of jurisdiction is required”.⁴²

II. Applicable Law

There have been a number of schools of thought on choice of law (applicable law) so it is unsurprising that it has been said, “a universal system of clear and unambiguous choice of law rules is a utopia”⁴³ and that “probably no simple answer can be given to the question why courts apply foreign law; the reasons probably vary from country to country, from century to century and from context to context”.⁴⁴ These schools have often evolved from each other, yet they fall into two distinct camps: those upholding the interests of the litigants (private parties) and those upholding the state’s policy interests. The complexity of the theoretical approaches to choice of law could be discussed at length; however a detailed analysis is not appropriate here and so only a brief summary and critique of each of the major theories will be set out.

³⁹ See *Shaffer v Heitner* (1977) 433 US 186 at 204.

⁴⁰ *cf. Burnham v Superior Court of California* (1990) 495 US 604 where it was felt that mere presence in a State was still enough to give a court jurisdiction (power theory).

⁴¹ Mann (1984): 28.

⁴² Pryles (1972): 80.

A. Comity

Although conflict of laws scholarship began in the Middle Ages,⁴⁵ it was not until the seventeenth century that any substantive theory took shape. Before then it had more or less been accepted that conflicts were determined by reference to a higher “imperial authority” (i.e. the authority from the Holy Roman Emperor or the French King⁴⁶). The first break from this was the principle of comity,⁴⁷ which was developed by the Dutch school, and is usually attributed to Ulrik Huber.⁴⁸ He stated:

*Sovereigns will so act by way of comity that rights acquired within the limits of a government retain their force everywhere so far as they do not cause prejudice to the power or rights of such government or of its subjects.*⁴⁹

However, it was probably best explained by its most prominent advocate, Justice Story:

⁴³ Kahn-Freud (1974): 150.

⁴⁴ Akehurst (1973): 221.

⁴⁵ It began with the work of Bartolus of Sassoferrato (1313-57), who attempted to classify local laws as either “real” and “personal”. Real statutes only had force within the territory of the enacting State; whereas, personal statutes bound all person who owed allegiance to the law (wherever they may be). He believed that all statutes could be classified as one or the other. Later, Bertrand D’Argentre (1519-90) argued there was a third classification: “mixed”. Where a conflict exists between a real statute and a personal state, real would be supreme.

⁴⁶ It must be remembered that conflict of laws, as a discipline, only really existed in areas under the control of the old Roman Empire and in France. In England there was little or no consideration of the complexities of the issue.

⁴⁷ For a discussion of the history of the theory of comity see Yntema (1966).

⁴⁸ The theory was mentioned by others, in particular Paulus and Johannes Voet, some years before Huber wrote his seminal treatise: Lipstein (1972): 122.

⁴⁹ Huber (1919): 403. This maxim is also the basis of the vested rights approach: see below.

'comity of nations' ...[expresses] the true foundation and extent of the obligation of the laws of one nation within the territory of another. It is derived altogether from the voluntary consent of the latter; and is inadmissible, when contrary to its known policy or prejudicial to its interests.⁵⁰

Thus, the comity principle asserts that the application of foreign law is not a legal duty but a matter of courtesy. So, at a time when sovereignty was supreme and absolute, comity enabled its restrictive grasp to be loosened,⁵¹ but beyond that it resolves few other problems, for as Dicey stated:

the application of foreign law is not a matter of caprice or option, it does not arise from the desire of the sovereign of England, or of any other sovereign, to show courtesy to other states. It flows from the impossibility of otherwise determining whole classes of cases without gross inconvenience and injustice to litigants, whether natives or foreigners.⁵²

Furthermore, if one accepts that comity is not a legal obligation, but merely a matter of politics and good international relations, it poses a question, which Schaffner asked in the following terms:

⁵⁰ Story (1857): 36; cited with approval *Fenton v Livingstone* (1859) 3 Macq 497 at 548.

⁵¹ Anton (1990): 21.

⁵² Dicey (1896): 10.

*where is the beginning or the end of comity? How can questions of laws be solved according to views of policy, which are the most shifting and uncertain things in the world?*⁵³

Therefore, to enable private international law to be based on a solid foundation, it was impossible to maintain the doctrine of comity. The enforcement of foreign law could not, and cannot, be left to judicial views of international relations. A judge had to be bound to follow foreign law.⁵⁴ Indeed, when one considers the separation of powers, it is unclear why it was ever thought appropriate for judges to determine whether a political courtesy should be extended to a third country.⁵⁵ Notwithstanding the shortcomings of the comity theory, it was the first break from the old, somewhat staid, ideologies and it enabled others to follow.

B. Vested (acquired) rights

The idea of having vested or acquired rights was originally proposed by Ulric Huber, based on those maxims set out above,⁵⁶ but the idea was best expressed by Dicey who said:

*Judges... never in strictness enforce the law of any country but their own. [When] they are popularly said to enforce a foreign law, what they do, in reality, is... to enforce not a foreign law, but a right acquired under the law of a foreign country.*⁵⁷

⁵³ Cited in Von Savigny (1869): 33.

⁵⁴ For an early example of this view see *Watson v Renton* (1791) 8 Bells Cas 92 per Macqueen LJC at 106.

⁵⁵ In relation to the act of state doctrine see page 260 below.

⁵⁶ Huber (1919): 403.

⁵⁷ Dicey (1896): 10 and 24.

Indeed, he used vested rights to support General Principle No. 1:

*Any right which has been duly acquired under the law of any civilised country is recognised and, in general, enforced by English courts, and no right which has not been duly acquired is enforced or, in general, recognised by English courts.*⁵⁸

This theory seems simple enough and manages to address some of the concerns caused by territoriality. Indeed, the strong belief in territoriality may explain why vested rights were so widely accepted; the common law world embraced them as an ideal⁵⁹ and they featured prominently in the early treatises (e.g. Dicey⁶⁰) and textbooks, as well as being the basis of the Restatement (First) of the Conflict of Laws⁶¹ (drafted by Joseph Beale). Indeed, even today, twenty percent of states in the United States still follow this principle.⁶² However, despite the continued application of the vested rights doctrine,⁶³ the theory has been heavily criticised.⁶⁴

One of the main advantages of “vested rights” is its ability to reconcile the application of foreign laws with territoriality. An English court in recognising French law would, at first, appear to be giving French law extra-territorial effect.

⁵⁸ *Ibid*: 22. In Dicey (1949) the wording of General Principle No. 1 was modified to address some of the changes in theory; it was finally removed from Dicey and Morris (1967).

⁵⁹ For examples of judicial application see *Slater v Mexican National Railway* (1904) 194 US 120 (per Holmes J at 126) and *Loucks v Standard Oil Co of New York* (1918) 120 NE 198 (per Cardozo J at 201).

⁶⁰ Dicey (1896).

⁶¹ (ALI 1934).

⁶² Symeonides (2000): 13.

⁶³ *cf* Cheshire and North (1999) who suggest that the theory receives little or no support (at 21).

⁶⁴ There are six criticisms set out in Morris (2000): 538-9. Indeed, even before the vested rights theory was in the ascendancy it was criticised by Von Savigny (1869): 102-3.

However, the first criticism is that⁶⁵ when a Court applies its conflicts rules and so assesses foreign law, it is not actually applying foreign law but its own. So the foreign laws are not being given extra-territorial effect at all.

The second, and greatest, criticism is that vested rights are self-contradictory in nature.⁶⁶ The theory states that a court, in enforcing a foreign acquired-right, is not enforcing foreign law at all but merely recognising a pre-existing right. However, as Walter W. Cook points out, this is treating legal rights as “things” which are independent from the legal systems that create them.⁶⁷ In reality, when a court has to determine what rights have “vested” or have been “acquired”, it needs to look at the laws of the country where these rights were acquired, including its conflicts laws. Thus, the foreign law must actually be applied to determine the rights that have been “acquired”, which means it is difficult to see how the doctrine of vested right can actually advance private international law.⁶⁸

Finally, even if these other objections could be overcome, it is clear that vested rights theory does not reflect the reality of private international law, in that, in practice, the courts have found “acquired” rights which would never have been “acquired” if the courts of the legal system in question had applied their own law.⁶⁹ The theory of vested rights could not withstand this onslaught, possibly

⁶⁵ By Cheshire and North (1999): 21, although also see Judge Learned Hand in *Guinness v Miller* (SDNY, 1923) 291 Fed 768 at 770 and Cook (1952).

⁶⁶ Cook (1952): *passim* and Carswell (1959).

⁶⁷ Cook (1952): 30-1.

⁶⁸ The work undertaken by Cook received high praise: “[his] technique has enabled him to destroy the intellectual foundations of the system to the erection of which Professor Beale devoted a lifetime”: Cavers (1943): 1172.

⁶⁹ See Arminjon (1933): 32-33 and 47-48.



because it was a “pseudo-scientific” theory without a normative basis⁷⁰ and so was unable to adapt and evolve.

C. Local law theory (theories)

The short lived local law theory rose from the ashes of vested rights; it was first expounded by Judge Learned Hand in *Guinness v Miller*⁷¹ and thereafter by Cook in his book the *Logical and Legal Bases of the Conflict of Law*.⁷² However it was pointed out, when the local law theory was at its nadir, that this single theory is actually two separate theories.⁷³ The first that of Judge Learned Hand stated:

*no court can enforce any law but that of its own sovereign, and, when a suitor comes to a jurisdiction foreign to the place of the tort, he can only invoke an obligation recognized by that sovereign. A foreign sovereign under civilized law imposes an obligation of its own as nearly homologous as possible to that arising in the place where the tort occurs.*⁷⁴

This theory initially requires an assessment of what right would have been created had the matter been determined in the jurisdiction selected by the forum’s choice of law rules. Thereafter, the forum seized models its law on that right. In many ways, this theory can be seen as a halfway house between vested rights and Cook’s local law. Cook’s theory was not based on high principle but on an

⁷⁰ Whincop and Keyes (2001): 15.

⁷¹ (SDNY, 1923) 291 Fed 768.

⁷² See Cook (1952) particularly chapter 1. This book and theory actually stemmed from Cook (1924).

⁷³ Cavers (1949).

⁷⁴ *Guinness v Miller, supra* at 770.

empirical study of the decisions courts actually made. This theory is best summarised by Cook himself:

the forum, when confronted by a case involving foreign elements, always applies its own law to the case, but in doing so adopts and enforces as its own law a rule of decision identical, or at least highly similar though not identical, in scope with a rule of decision found in the system of law in force in another state or country with which some or all of the foreign elements are connected, the rule so selected being in many groups of cases...the rule of decision which the given foreign state or country would apply, not to this very group of facts now before the court of the forum, but to a similar but purely domestic group of facts involving for the foreign court no foreign element...The forum thus enforces not a foreign right but a right created by its own law.⁷⁵

Cook's theory, unlike that of Judge Hand, looked at foreign law only to enable the local law to be appropriately modelled (and not for the 'right'), thus a judge should search that law to find a rule of decision⁷⁶ and use it to determine the case before the court.

Neither this theory nor that of Judge Learned Hand is a theory at all, but a statement of the obvious. It has been suggested that the local law theory is sterile as it merely mandates that the law of the forum is supreme, but does not assist in

⁷⁵ *Ibid*: 20-21.

explaining how the conflicts system works especially when the purpose of such a system is to find exception to that very rule,⁷⁷ because:

*to remind a... judge, about to try a case concerning a foreign element, that whatever decision he gives he must enforce only the law of the forum is a technical quibble that explains nothing and solves nothing.*⁷⁸

However, once Cook's theory was discounted in the United States it led to a shift away from the supremacy of private rights to those of the State. Before considering the policy based approaches, it is appropriate to discuss internationalism, which has dominated civilian thinking.

D. Universalism and internationalism: an allocation approach

The Universalist school was led by the great Friedrich Carl von Savigny, who believed that the principles of private international law could be derived *a priori* or from logic. Yet neither he nor any of his followers put forward the defining principle required as a logical base for their theory. However, the internationalists or multilateralists, the offspring of the universalists, did put forward such grounding.

⁷⁶ This is Cavers' term; see Cavers (1949): 825. Although as Juenger (1985) points out applying a foreign law only applies "an inferior replica of the foreign law in action" (at 259).

⁷⁷ Yntema (1953): 317 (postscript).

⁷⁸ Cheshire and North (1999): 23.

(i) Normative basis

The internationalists, in particular Pillet,⁷⁹ argued that “private international law” comes from⁸⁰ customary “public international law”.⁸¹ By this it is not meant that public international law provides the authority to set conflict rules, but rather that the reasoning behind these rules is derived from public international law.⁸² It cannot be disputed that public international law does set some rules of private international law, in particular rules governing State immunity, laws prohibiting the violation of sovereignty⁸³ and so on. However, it does not deal with the determination of applicable law. Yet the internationalists argue that there are general principles of law and thus of public international law (or the law recognized by civilised nations⁸⁴) that have been identified:⁸⁵

- (1) every state must have a system of conflict of laws;
- (2) states must not altogether exclude the application of foreign laws and must respect rights acquired thereunder;⁸⁶
- (3) but states may exclude the application of otherwise relevant rules of foreign laws on the ground of public policy;
- (4) status bestowed on a person by his personal law must be respected in other states in which he is transiently present;
- (5) the *lex situs* governs immovables;

⁷⁹ Pillet (1923-4) suggests that “private international law is a branch of the tree of public international law” (at 21) (author’s translation).

⁸⁰ Despite “private international law” being about four centuries older than “public international law”: Mann (1984): 27.

⁸¹ There are obviously certain treaties dealing with matters of private international law that do constitute part of the corpus of public international law, however this is not the same as customary law.

⁸² See Kahn-Freud (1974): 166-167 for a discussion of this distinction.

⁸³ See the Protection of Trading Interests Act 1980 (UK) and Bowett (1982): 22-23.

⁸⁴ McNair (1957): *passim*.

⁸⁵ Collier (2001): 390, who sets out a consolidation of what others have identified as general principles, he does not advocate them himself.

⁸⁶ McNair (1957): 16.

- (6) *mobilia sequuntur personam*, that is, title to movables, is governed by personal law;
- (7) the *lex actus* governs the form of a transaction;
- (8) the parties have a free choice of the law to govern their contractual obligations.⁸⁷

It is quite clear that some of these principles are rules of public international law or nothing more than introductory, in that principles (1) to (4) (save the “acquired rights” set out in the second principle) uphold the public international law principle of maintaining certain minimum standards and not illegally discriminating.⁸⁸ However, these four principles are neither normative nor practical, in that they neither explain why a particular rule is adopted, nor do they actually contain rules (or even guidance for creating rules) in private international law. Furthermore, the rules of public international law do not generally form part of domestic law⁸⁹ and so individuals cannot rely on them, as an infraction of public international law requires an affected State to take action, something which has to date happened only rarely. As Kincaid concludes “the forum...owes no legal duty to other states or to the national community to apply choice of law rules”.⁹⁰

Looking at the second four principles, it is clear that these are rules of private international law but there is nothing to suggest that they form part of the *corpus* of public international law. Even if these rules were universally applied (which

⁸⁷ *Ibid: passim.*

⁸⁸ Lipstein (1972): 170.

⁸⁹ Except in a monist State where certain treaties are “self-executing”.

⁹⁰ Kincaid (1996): 195.

they are not) this would only lead to a uniform practice, it would not prove that they are principles of public international law.⁹¹ Indeed, Kahn-Freund has stingingly criticised the internationalist theory by pointing out that these general principles have never (and probably can never) been proved normatively;⁹² he reiterates that many of the proponents of this reasoning believe that simply explaining a theory justifies it.⁹³ The failure of universalists to go beyond explaining a rule's pedigree naturally means they have never managed to derive an *a priori* reason for the rule to exist in the first place.

(ii) The approach

Notwithstanding the somewhat dubious normative foundations of the internationalist approach, it still remains prevalent in Europe and so an explanation of its general workings is appropriate. The internationalist approach requires the law of the country most closely connected with the dispute to be applied. To discern which country is most closely connected, rules are formulated which designate the laws applicable to certain categories of legal relationship. Thus, every legal relationship is classified to fit it into a particular category; each category in turn has a series of conflict rules.⁹⁴ This approach firstly requires spatial determination of an issue (the conflicts issue) and thereafter a substantive determination of relevant law (the material issue). Indeed, the international approach to choice of law, like Justice herself, is meant to be blind. Therefore a court would be erring if it decided to consider what would happen if a particular rule were applied. This type of approach is simple; if a rule applies to a dispute it

⁹¹ *Ibid.*

⁹² Kahn-Freund (1974): 171.

⁹³ *Ibid.*

⁹⁴ Sauveplanne (1982): 22.

applies almost unquestionably and there is little more to it. It is therefore unsurprising that American lawyers often call this a “mechanistic type of thinking”.⁹⁵

This mechanistic type of thinking has remained largely unchanged since it was set out by Savigny⁹⁶ in his classic work on the conflict of laws, which was actually volume eight of his *System of Current Roman Law*.⁹⁷ Savigny was a universalist, his approach (like the internationalists) was multilateral. At the centre of this approach was the requirement that wherever a dispute is heard the result would be the same. The only exceptions permitted to this requirement were what he called “laws of a strictly, positive, imperative nature”⁹⁸ (or what is now called *ordre public* or *lois de police*). Notwithstanding, he considered those exceptions to be “anomalous”⁹⁹ and believed that as the uniformity of laws increased, these anomalies would eventually disappear.¹⁰⁰

Savigny, like his successors, mandated that each legal relationship should be “characterised” with a “seat”, which is allocated on the basis of the particular characterisation. His original characterisations were: personal status,¹⁰¹ law of things,¹⁰² law of obligations,¹⁰³ succession¹⁰⁴ and law of the family (sub-divided

⁹⁵ See for example Hancock (1961): 369.

⁹⁶ It has been argued that Savigny was not particularly original in his ideas, only his presentation of them: Juenger (1985): 162-163.

⁹⁷ It was later translated and published in English: Von Savigny (1869).

⁹⁸ *Ibid*: 34; discussed: 34-36.

⁹⁹ *Ibid*: 38.

¹⁰⁰ See page 219 *et seq* below.

¹⁰¹ Von Savigny (1869): 104-128.

¹⁰² *Ibid*: 129-147.

¹⁰³ *Ibid*: 148-221.

¹⁰⁴ *Ibid*: 222-239.

in marriage, paternal power and guardianship).¹⁰⁵ Once the relationship has been characterised, one of four factors would be assigned, these are domicile (habitual residence) (*lex domicili*), situs (*lex situs*), place of transaction (*lex contractus*) and place of litigation (*lex fori*).

The impact Savigny had on private international law cannot be overstated. It may be true that his theory was not original,¹⁰⁶ but it remains the predominant theory underlying the laws of Continental Europe (and now English law). The only other major influence on internationalist theory comes from Pasquale Mancini and his treatise *Nationality as the Basis of International Law*,¹⁰⁷ in which he re-introduced the use of citizenship/nationality as a determinant of the applicable law (*lex patriae*), so moving further away from the view that the law should be determined by the law of the forum (*lex fori*).

One of the greatest problems with multilateralism is that there is too great a disparity in characterisations and connecting factors, so that uniformity,¹⁰⁸ which continues to be the ideal of multilateralists, is still unobtainable.¹⁰⁹

(iii) Public policy

Even though internationalists believe spatial justice should be blind, they do accept that occasionally foreign law should not be applied because to do so would

¹⁰⁵ *Ibid*: 240-276.

¹⁰⁶ See Juenger (1985).

¹⁰⁷ Published in 1851.

¹⁰⁸ See Rabel (1950) "since Savigny, it has been customary to regard the attainment of uniform solutions as the chief purpose of private international law. Cases should be decided under the same substantive rules, irrespective of the court where they are pleaded." (at 94).

¹⁰⁹ Juenger (1985): 257.

undermine some domestic rule that is designed to protect public welfare (called *ordre public*).

Public policy is something that is very difficult to define as it is a “vague and slippery conception”.¹¹⁰ It has even been suggested, “the doctrine of public policy...ought to [be] a warning that there was something the matter with the reasoning upon which the rules to which it is the exception were supposed to be based”.¹¹¹ The public policy exception is a result of friction caused by trying to achieve “conflicts justice” and ensuring that the parties’ dispute is resolved fairly. The problem is that “the very concept of public policy spells uncertainty, unpredictability, and lack of uniformity”¹¹² and without uniformity there can be no decisional harmony, the cornerstone of internationalist theory.¹¹³ It is therefore no surprise that it has been suggested that the “multilateralists, preoccupied as they are with puzzles of their own making, easily lose touch with reality”.¹¹⁴

The failure to consider the substantive issues involved in a particular dispute, and to follow strictly certain rules, has been widely criticised.¹¹⁵ Notwithstanding the theory is thought “blind”, in practice the blindfold often slips because the vague nature of the categories makes it easy for judges to choose the law they would prefer to apply¹¹⁶ by using the “mysterious process...of adaptation or

¹¹⁰ Wolff (1979): 179 (cited in Juenger (1985): 200); further see per Judge Lehman “‘public policy’ is frequently used in a very vague, loose or inaccurate sense”: *Mertz v Mertz* (1936) 271 NY 466 at 472.

¹¹¹ Lorenzen (1923): 747.

¹¹² Juenger (1985): 201.

¹¹³ *Ibid*: 206.

¹¹⁴ *Ibid*: 205.

¹¹⁵ Sauveplanne (1982): 24.

¹¹⁶ Hancock (1961): 366.

adjustment”.¹¹⁷ Even with these “get outs” it is still suggested by some that in attempting to achieve spatial justice (or conflicts justice) they fail to provide substantive justice.¹¹⁸

(iv) *Lois d’application immediate – law of immediate application – priority rules*

Laws of “immediate application”, “mandatory laws”, *eingriffsnormen* or *lois d’application immediate*¹¹⁹ are laws that are not spatially conditioned and that are intended to be applied *before* conflict rules or, put another way, the local law “trump” the foreign law. These trump laws are, according to Francescakis, those which safeguard political, social or economic organisations of the state. However, Loussouarn has pointed out that *all* laws try to guarantee economic or social interests; so the only difference can be the degree of protection granted to these interests.¹²⁰

It has also been argued that these laws are not actually different from the traditional rules of *ordre public*.¹²¹ In practice there is probably very little difference between *lois de police* and *ordre public*, and they are often used interchangeably.¹²² There are, however, a number of suggestions of what might be potential distinctions. Firstly, it has been argued that the difference is the time at which the test is undertaken – *lois de police* apply before the conflict rule, but the *ordre public* applies after a foreign law has been found to be applicable.¹²³

¹¹⁷ Juenger (1985): 259.

¹¹⁸ Sauveplanne (1982): 25.

¹¹⁹ This term (and *lois de police*) originated with Francescakis (1966); it was based on a study of French case law. The courts relied on “*lois de police et de sûreté*” of article 3(1) of the French Civil Code and the “*lois d’ordre public*” which has no statutory basis.

¹²⁰ Loussouarn (1973): 328-9.

¹²¹ Heuzé (1990): [355] *et seq.*

¹²² Sauveplanne (1982): 35.

¹²³ See Soubeyrand (2000).

Alternatively, the difference is the nature of the law, laws which are contrary to the *ordre public* are of a general nature, whereas *lois de police* serve a specific purpose.¹²⁴

Notwithstanding these differences, the principle behind *ordre public* and mandatory rules is simple – a forum's law should not be sacrificed to the goal of decisional harmony¹²⁵ – in many ways it has a similar justification to the use of policy interests to determine applicable law.

(v) Modern adaptations

To discuss all the modern adaptations to the allocation rules would be beyond the scope of this work. They range from the idea that there are *cumulative connecting factors* (i.e. the more factors connecting the dispute to a legal system, the more likely it is the laws of that system will be applied), *tiered connected factors* (i.e. either/or factors) and many more. There are also a number of factors which are used to determine which law has the closest connection. The oldest factor is *party autonomy* (i.e. what the parties chose), the newer factors, which warrant explanation, are *functional allocation* and the *favour principle*.

Functional allocation expressly recognises policy interests. It considers that a law which protects a weaker party should be given greater connecting weight (it has also been suggested that this rule could be used to promote a more general policy interest¹²⁶). The more controversial, in terms of a decisional harmony, is the favour principle; this permits connections to be selected on the basis of a

¹²⁴ Vitta (1979): 122.

¹²⁵ Juenger (1985): 278.

preconceived result. The older favour principles ensure that contracts, wills and other instrument are valid. Some of the modern favour principles support the claimant's choice of forum. These modern modifications have moved internationalism away from decisional harmony and by doing so have undermined its basis.

E. Policy interests

The United States, following the rejection of vested rights and local law, underwent an intellectual revolution with its proponents suggesting that the primary concern of conflict of laws is ensuring that a state has its policy protected.¹²⁷ This revolution occurred at the same time as American conflicts scholarship was in the ascendancy, so much so that policy interests became almost axiomatic.¹²⁸ There have been a number of policy theories, most of which were developed in the third quarter of the twentieth century. Indeed there are so many theories that it has been suggested that there is no longer a mainstream of thought in conflict of laws, but instead it has dissolved in "a marshy delta with hundreds of rivulets and canals and no clear central channel".¹²⁹

¹²⁶ Van Eechoud (2003): 37.

¹²⁷ This view first appeared in the sixteenth century when Guy de Coquille (1523-1603) suggested that a statute should be interpreted not by the words "but on...the presumed and apparent purpose of those who have enacted the statute or custom": Junger (1985): 146.

¹²⁸ Hill (1959): 474. However, as Brilmayer points out, policy analysis has come to mean all things to all people: Brilmayer (1985): 459. Despite the pre-eminence of progressive theories there were other American scholars who were attempting to promote the belief that the *lex fori* should be pre-eminent; Ehrenzweig (1960) argued that a court should apply its own laws unless the relevant domestic law, when properly interpreted, can be properly displaced by the foreign law. This theory was similar to that proposed by the German Carl Von Wächter in the middle of the nineteenth century, for a summary of this see Nadelmann (1964).

¹²⁹ Lowenfeld (1982): 99.

These rivulets and canals can be divided into five main schools: the first, the government interest approach; the second, is based around “the most significant relationship”; the third school, which is closely related to the second, is based on certain “choice influencing considerations”; the fourth school aims to determine the “better law” or “principles of preference”; and the fifth proposes “substantive rules”. Although there are differences between these schools, they have one thing in common, the promotion of the state’s interests over the interests of the individual.

(i) General background

There are a few basic ideas that have to be set out before it is possible to consider the detail of any of these schools, in particular the difference between a “jurisdiction-selecting” rule and “rule-selection”.¹³⁰ A “jurisdiction-selecting” rule is one that selects a whole legal system as applicable, irrespective of the particular laws that this in turn applies. In contrast, “rule-selection” means that a court can “pick and chose”¹³¹ which rule to follow for each aspect of the case.¹³² The question is:

*should a court in dealing with a claim that a foreign law is applicable to the case before it or to an issue in that case choose between its own and the foreign legal system or, instead, choose between its own rule and the foreign rule?*¹³³

¹³⁰ This distinction was originally proposed by Cavers (1970). Although he proposed abolishing the jurisdiction-selection approach earlier: Cavers (1933).

¹³¹ The French call this: *dépéçage*.

¹³² As Cavers accepts, this approach is similar to that of the old statist: Cavers (1970): 103.

The real difference between rule selection and jurisdiction selection is that rule selection is “result selective”.¹³⁴ It determines the applicable law on the basis of the best “result”, not on the basis of applying a pre-ordained rule to select a jurisdiction. All policy analysis is “rule selecting”.

The second background matter is the difference between “true” and “false” conflicts. Obviously, a conflict of laws presupposes that the substantive rules of two different jurisdictions may be applied to a dispute. However, if those two rules are the same or, if applied, they would produce the same result then this is considered to be a “false conflict” because it would make no difference to the outcome which state’s rules were adopted; whereas, if the choice is between two different rules that have different outcomes then it is thought to be a “true conflict”.

Furthermore, within certain policy theories, it is argued that where one of the two states has no interest in the dispute, in particular because it has not legislated in the field, this should also be considered to be a “false conflict”; the absence of legislation indicating that the forum is “not interested”. This second type of false conflict is more contentious, as a state’s failure to regulate may actually show that the forum intends to be “permissive” in that field.¹³⁵ Indeed, the basis of the common law has always been what is not prohibited is permitted.¹³⁶ Notwithstanding the slight dissensus, the central plank of the policy approach is

¹³³ *Ibid*: 122.

¹³⁴ Coined by Hancock (1961).

¹³⁵ See Guzman (2002): 917-920 (this article has a somewhat confusing use of the word “jurisdiction”).

that a rule is only applied once it has been established that there is a true conflict.¹³⁷

(ii) *Government interest*

Professor Brainerd Currie, who was styled as the father of the government interest approach,¹³⁸ suggested that judging significant contacts with a state is meaningless “unless significance is judged in terms of the policies and interests of the states involved”.¹³⁹ Similarly Cheatham and Reese suggest:

*a choice of law decision is, therefore, of real concern to the states involved, since in net effect it determines whose policy shall prevail in the particular case. This consideration dictates that the law of the state with the dominant interest should, normally at least, be applied.*¹⁴⁰

¹³⁶ Indeed for many years the English only had “civil liberties”, in that a person was at liberty to do anything that they were not specifically prohibited from doing, rather than positive “human rights”.

¹³⁷ Although Currie seems to propose, Currie (1963a): 1241-2, that if it appears that there is a true conflict the matter should be re-examined more closely to confirm that there actually is such a conflict.

¹³⁸ See per Justice Sullivan in *Bernhard v Harrah's Club* (1976) 546 P.2d 719 at 722-3; Currie derived the theory from Workers Compensation cases: see Currie (1961): 274; he cites Justice Stone in *Alaska Packers Association v Industrial Accident Commission* (1935) 294 US 532, see that judgment at 547: “the conflict is to be resolved... by appraising the governmental interests of each jurisdiction, and turning the scale of decision according to their weight”. It does, however, even predate this: Hill (1959): 474.

¹³⁹ See Currie (1963a). Although Brilmayer (1979): 400, suggests that Currie's approach tended to be a product of his own beliefs about how far certain policies should reach, rather than those of the legislature.

¹⁴⁰ Cheatham and Reese (1952): 972.

It is helpful to summarise Currie's approach before examining it further; his final summary extended to six propositions,¹⁴¹ which were somewhat verbose and can be reduced to three:

- (1) when there is a foreign element, the court should consider the policies reflected in the different laws and the relevant government interests;¹⁴²
- (2) if one state has an interest and the other does not, then the interested State's law should be applied;
- (3) if the court finds two states have an interest in a dispute, then (even if the forum is disinterested) the court should apply forum law.¹⁴³

The advantages Currie perceived in adopting his approach stem from its straightforward methodology and eliminating the need for characterisation and difficult rules of construction and interpretation.¹⁴⁴ However, unlike most of the other "policy" theories, where there is a "true" conflict of laws Currie believed that the court should be compelled to apply its own law. He reasoned that for a court to do otherwise would be to undermine the legislature's role, because only they have the right to subordinate the state's interest¹⁴⁵ in favour of the interests of another;¹⁴⁶ notwithstanding, all courts and writers who have accepted the principle

¹⁴¹ See Currie (1963a): 1242-3.

¹⁴² It has been suggested by Kegel (1963): 181, that this is better described as "political" or "public" interest rather than "government interests". These alternative words do fit better with the approach Currie suggests; however his terminology will be used to remain consistent.

¹⁴³ As Bridges and Segal (1963) point out, this actually defeats the whole point of the government interest approach in that it applies the law of a completely disinterested state over the law of two more interested states (at 782).

¹⁴⁴ Currie (1959): 173-4.

¹⁴⁵ Although Currie thought that a legislator would be acting wrongly if it decided to take a territorial approach to choice of law, such an approach he describes as "sterile formalism". Indeed, it appears that Currie thought some policies are better than others and therefore the legislator should not always be followed, in other words he introduces a judicial value judgment: see Currie (1958): 208-9.

¹⁴⁶ *Ibid*: 176-7, although he modified this view eventually.

of Currie's theory have modified it to include the weighing of the forum's interests.¹⁴⁷

The central problem with Currie's approach is that wherever there is a "true conflict" one state or the other must actually give up its legitimate interest,¹⁴⁸ or as Kramer puts it:

*true conflicts are difficult precisely because there is no general theory against which to measure the justice of conflicting laws of different states. Because...true conflicts present a dispute between competing but equally legitimate versions of what is just in a particular case.*¹⁴⁹

Indeed, when as part of this process a state gives up an interest, it is often without ever having had any input in the making of that decision. However, if one allows the forum's laws to be "balanced" in the equation this leads to another problem, namely that states tend to view their own laws as better than foreign laws.¹⁵⁰ Therefore, to avoid determining the applicable law solely by considering governmental interests, others have suggested that the law with the most significant relationship should be applied.

¹⁴⁷ Ehrenzweig (1966): 389. However, it has been suggested that Currie's requirement that a "more moderate and restrained interpretation of the policy or interest of one state or the other may avoid conflict" (not set out above) is essentially a back-door method of weighing state interests: see Morris (2000): 550; Currie (1961): 278, answers this point.

¹⁴⁸ Currie (1963a): 1241.

¹⁴⁹ Kramer (1990): 280.

¹⁵⁰ Leflar (1966a): 298-9.

(iii) *The most significant relationship*

The determination of applicable law on the basis of which state has the “most significant relationship”¹⁵¹ to the dispute was adopted as part of the Restatement (Second) of the Conflict of Laws.¹⁵² The basic rule proposed that a court should determine choice of law in accordance with its own statutory directive.¹⁵³ However, when it is unclear what the legislative intention was in respect of a particular rule, the court should try to ascertain, by interpretation and construction, what the conflict rule for the statute should be.¹⁵⁴ However, where there is no specific conflict law they should consider certain “factors” to help them find the state with the “most significant relationship”¹⁵⁵ to the rule; these factors are set out in section 6 of the Restatement (Second):¹⁵⁶

- (a) the needs of the interstate and international systems;
- (b) the relevant policies of the forum;
- (c) the relevant policies of other interested states and the relative interests of those states in the determination of the particular issue;¹⁵⁷
- (d) the protection of justified expectations;

¹⁵¹ This approach is very similar to the “proper law” approach: Morris (1951). Although, in that article he never actually sets out how the proper law of tort would be determined, he simply asserts that the proper law could be determined.

¹⁵² (ALI 1971); also see the Rome Convention.

¹⁵³ §6(1) *Ibid.*

¹⁵⁴ See the notes on §6(1).

¹⁵⁵ This test is expressly included for determining the applicable law in tort (§145) and contract (where the parties did not chose the applicable law) (§188).

¹⁵⁶ Reese set out similar considerations in his article with Professor Cheatham (1952); factors (a), (d), (f), (g) were included in that article; as were the following (numbered according to that article): (2) a court should apply its own local law unless there is good reason for not doing so; (3) a court should seek to effectuate the objective of its relevant local law rule in determining a question of choice of law; (6) application of the law of the state of dominant interest; (8) the fundamental policy underlying the broad local law field involved and (9) justice in the individual case. It is clear that these considerations are similar, although not the same, to those in the Restatement.

¹⁵⁷ Although US choice of law theory has been based on *intra* state conflicts, the Supreme Court has suggested that the relevant interests of foreign nations are relevant: see *Romero v International Terminal Operating Co* (1959) 358 US 354 at 382-3 (where the court noted “the controlling considerations are the interacting interests of the United States and of foreign countries”). Indeed,

- (e) the basic policies underlying the particular field of law;
- (f) certainty, predictability and uniformity of results; and
- (g) ease in the determination and application of the law to be applied.

The factors were only ever intended to provide guidance to the court and so they were drafted as broad principles, but it has been suggested that they are:

*too brief to be extremely helpful...[and fail] to provide meaningful insights in determining when these principles should override the presumptive law designated by a specific [rule].*¹⁵⁸

However, much like the other methods of determination, it is clear that “the state whose interests are most deeply affected should have its local law applied”¹⁵⁹ so like other policy-based rationales, “state interests” are important to determining the applicable law.

These state’s interests, according to the Restatement, have to be balanced against a person’s legitimate expectation of which law will apply. Thus, if a person conforms their actions to the laws of one state, they should not be criticised if that lawful action has an unlawful effect elsewhere. However, the Restatement suggests that justified expectations are less relevant to tort disputes than to contract, trust or property disputes.¹⁶⁰

Cheatham and Reese (1952): 963, make it clear that the rules of “international choice of law should be derived from the interests of international society”.

¹⁵⁸ McDougal (1999): 119.

¹⁵⁹ Note (f) comment on §6(2) of the Restatement (Second).

Amazingly, Professor Reese, the Restater himself, suggested in 1963, “choice of law, even now, is not ripe for restatement”.¹⁶¹ Indeed one of the reasons he proposed the “most significant relationship” test was that “at the very least [it] will not stand in the way of progress”.¹⁶² The progress he sought was towards the creation of certain and definite rules that could be applied wherever there is a conflict.¹⁶³ He thought that the guidelines he proposed would enable courts to reconcile the various social and political values to create an acceptable body of rules.¹⁶⁴

(iv) Leflar’s “choice-influencing considerations”

Robert Leflar was a contemporary of the Restater, while Reese was producing and promoting the Restatement (Second), Leflar set out a “manageable” number of “choice-influencing considerations”.¹⁶⁵ These have been adopted by a number of States,¹⁶⁶ and are as follows:

- (a) predictability of results (uniformity of result, regardless of forum);
- (b) maintenance of interstate and international order;
- (c) simplification of judicial task;
- (d) advancement of the forum’s governmental interests (courts should act in accordance with the State’s social and legal policy);

¹⁶⁰ Note (b) comment on §145(1) of the Restatement (Second).

¹⁶¹ Reese (1963): 681.

¹⁶² *Ibid*: 699.

¹⁶³ *Ibid*: 681.

¹⁶⁴ Cheatham and Reese (1952): 960.

¹⁶⁵ Leflar (1966a): *passim* and Leflar (1966b): *passim*. Yntema (1957) produced yet another list of considerations (seventeen in total).

¹⁶⁶ Five US states use Leflar’s method in tort cases; whereas two use his method in contract disputes: Scoles and Hay (2004): 86.

(e) application of the better rule of law.¹⁶⁷

It is clear that some of these considerations are similar to those set out in section 6 of the Restatement (Second) and, like others of the same period, Leflar thought a court should take into “account the content and function of particular laws as well as their geographical origin”.¹⁶⁸ All but one of the factors appears more or less self-explanatory; it therefore falls to explain the application of the “better rule of law”. The “better law”¹⁶⁹ is the one that makes “good socio-economic sense for the time when the court speaks”.¹⁷⁰ Leflar then proceeds to give a series of examples, each making the “better law” seem even more superficial.

Firstly, he argues that a particular Spanish rule, which would invalidate a consensual agreement entered between a married couple in New York, is not the best law because it is “pretty medieval”.¹⁷¹ Secondly, he suggests a rule prohibiting a wife from suing her husband for unintended injuries to their child is not “anachronistic or otherwise contrary to currently accepted social standards”.¹⁷² In yet another example, he suggests that allowing siblings to recover damages from each other after an accident rather than limiting recovery to dependents is the better law because it is “the more enlightened rule of law” and “more nearly

¹⁶⁷ The idea of selecting laws on perceived merits is ancient, Aldricus who has been credited by some as having “discovered” private international law, suggested the most meritorious law should be applied: Yntema (1953): 301-2.

¹⁶⁸ Leflar (1966b): 1585.

¹⁶⁹ Jaffey (1982b): 378, asks: if a court can pick between the rules of two countries for the better law, why “stop short of inventing ad hoc a rule which seems to the court even better than any existing one?” This is what Von Mehren proposes see page 74 below.

¹⁷⁰ Leflar (1966b): 1588; Leflar suggests this law corresponds to Ehrenzweig's “basic rule of validation”: Ehrenzweig (1962): 465.

¹⁷¹ Leflar (1966b): 1590.

¹⁷² *Ibid*: 1591.

corresponds with the civilised rule".¹⁷³ Thus, it appears that a newer law is better because it reflects more recent socio-economic policies, whereas older decisions may be outdated and anachronistic.¹⁷⁴

Apparently, according to Leflar, a court will identify contemporary policy by looking at recent books and articles and thereafter the court will be able to determine the policies that are relevant.¹⁷⁵ It is, however, unclear how contemporary academics or indeed any writers, can explain the policy motivations of the legislator. If there actually is a policy behind legislation it usually comes from either the parties interested in the legislation or from the legislator; a writer can only criticise or hypothesise about a policy. Indeed, in the United Kingdom for many years even what was said in Parliament was thought to be an unreliable indicator of legislative intent.¹⁷⁶ How can a commentator outside the legislature give a reliable indicator?

It is difficult to see how the bland statements forwarded by Leflar can be sufficient to indicate the real underlying policy; indeed it has been suggested that the striking thing about the relevant judicial reasoning is its "sheer shallowness".¹⁷⁷ Furthermore, it has been pointed out that it is not the task of a judge in one country to try to reform the law in another by telling them their law

¹⁷³ *Ibid*: 1593.

¹⁷⁴ McDougal (1999): 110.

¹⁷⁵ *Ibid*: 115-6.

¹⁷⁶ The rule excluding reference to Parliamentary debates was first stated by Willes J in *Millar v Taylor* (1769) 4 Burr 2303, 98 ER 201 at 217, although the rule varied greatly over the next two hundred years, it was finally abolished in *Pepper v Hart* (1993) AC 593.

¹⁷⁷ Hill (2000): 538.

no longer meets contemporary socio-economic standards;¹⁷⁸ unless, at the very least, the relevant laws are abhorrent to public policy.

The problem with presenting a list of “contacts” or “factors”, as both the Restatement and Leflar propose, means that it simply leads to a counting exercise; thus if the courts find three relevant factors in favour of forum “X” and two in favour of forum “Y”, the law of “X” is applied; thereby determining a “centre of gravity” for the case.¹⁷⁹ Even if contacts are not counted the “most significant relationship” method requires weighing interests; thus it means that the theory is open to criticism from those who want “simple or predictable rules”.¹⁸⁰

(v) Principles of preference

It has been suggested that the *Choice-Of-Law-Process*,¹⁸¹ the work in which David Cavers set out his principles of preference, “is the most important contribution of our era” in the field of conflicts.¹⁸² In his work, Cavers gives seven examples of these “principles of preference”,¹⁸³ leaving it to others to develop more.¹⁸⁴ For this reason, it would be pointless to set out and explain each of these principles,¹⁸⁵ however it would be helpful to explain the basis of these principles by examining just one.

¹⁷⁸ Cavers (1971): 215.

¹⁷⁹ This is exactly what the New York Supreme Court did in *Auten v Auten* (1954) 308 NY 155.

¹⁸⁰ Bridges and Segal (1963): 781.

¹⁸¹ Cavers (1965) also see his lectures to the Hague Institute: Cavers (1970).

¹⁸² Ehrenzweig (1966): 378.

¹⁸³ A similar approach with “Canons of Construction” has been proposed by Larry Kramer (1990): 319-338; Jaffey (1982b) suggests similar sorts of propositions based on the so called “conflicts justices”.

¹⁸⁴ Cavers (1965): 133.

¹⁸⁵ This is done at *ibid*: 122-198.

Cavers suggests that a broad principle enabling one law to be preferred to another (so advancing the purpose of one kind of law over another) avoids the need to show one state's law is superior to another.¹⁸⁶ Such principles would be applied where there are no conflict rules pre-existing in statute or in case law and the conflict is neither false nor avoidable.¹⁸⁷ His first principle of preference is:

*where the liability laws of the state of injury set a higher standard of conduct or of financial protection against injury than do the laws of the state where the person causing the injury has acted or had his home, the laws of the state of injury should determine the standard and the protection applicable to the case, at least where the person injured was not so related to the person causing the injury that the question should be relegated to the law governing their relationship.*¹⁸⁸

The reason Cavers suggests that this principle should be followed is that all states establish standards of conduct to protect against physical and financial harm. Thus, he says a defendant who is held to a higher standard cannot complain because a person who enters a state cannot expect to benefit from that State's protection and not be burdened with its higher standards of care. This is extended so that if a defendant's action could foreseeably have an effect in such a state they should be subject to the higher standard.

¹⁸⁶ *Ibid*: 133-4.

¹⁸⁷ *Ibid*: 137.

¹⁸⁸ *Ibid*: 139.

There are two things to note about Cavers' proposal: firstly, it only thinly veil State preference and secondly basing choice of law on foreseeability can lead to vague and uncertain results. Looking firstly at state preference, the principle quite clearly prefers one law to another, all it does is set out in advance that one type of law is superior to another. Therefore the principle essentially prefers those states with the favoured policy, thereby showing the non-preferred states to be inferior, and so undermining Cavers' central purpose.

To determine if the higher standard of liability of a particular state is foreseeable requires an evidential determination (thereafter requiring another determination of the facts in terms of liability); but when torts are committed over the Internet (for example infringement) it is possible to see that following this theory the highest standard should be applied. Yet because the approach is rule selective, rather than jurisdiction selective, it could lead to the cumulative application of each country's most restrictive law being applied to the activity, without all the counterbalances being included.

(vi) Substantive rules

A similar proposal to the choice-influencing considerations was forwarded by Von Mehren.¹⁸⁹ He suggested that there are certain policies and values that a state wishes to advance.¹⁹⁰ However, unlike similar theories, he proposed that instead of working out ways to select one law over another, multinational rules could be developed.¹⁹¹ Every jurisdiction should be given equal respect¹⁹² and the court

¹⁸⁹ Von Mehren (1974); Dinwoodie (2000) proposed using this approach for international copyright litigation.

¹⁹⁰ Von Mehren (1974): 352.

¹⁹¹ *Ibid*: 357.

should thereafter “apply both states’ rules, compromising differences on the basis of the relative strength of each legal order’s claim to regulate.”¹⁹³ Thus, the rules are neither the law of one state nor the other, but are *sui generis*; thereby providing “a more comprehensible [result] than the all-or-nothing solution that results from applying either domestic rule”.¹⁹⁴

Von Mehren acknowledges that the reluctance of civilian jurisdictions to allow judges to make legal rules would inhibit their development of substantive rules.¹⁹⁵ But the problems are greater than that. The proposal has one fundamental flaw: it is totally unpredictable. How would a person know what law applies? Indeed, in many cases the law that applies may not even have been developed! In essence this proposal is a cross between proposing a *lex mercatoria*:¹⁹⁶ (an extra layer of law with supranational effect) and a universal law.¹⁹⁷

(vii) *Pillet’s “leur but social”*

The doctrinal approach based on State interests has been largely rejected in Europe,¹⁹⁸ but it has not been totally ignored. It was Antoine Pillet¹⁹⁹ who suggested that legal rules should be classified on the basis of their social aim (*leur but social*), so that laws which were intended to protect personal interests should

¹⁹² *Ibid*: 359.

¹⁹³ *Ibid*: 366.

¹⁹⁴ *Ibid*: 369.

¹⁹⁵ *Ibid*: 357.

¹⁹⁶ See page 171 *et seq* below.

¹⁹⁷ See page 175 *et seq* below.

¹⁹⁸ Although see Morris (1951), where he suggests that tort law could have a proper law in much the same way as contract law. In respect of contract law see Dicey and Morris (1987): rule 180 (at 1161). Rule 180 makes it clear that the “proper law” of contract is the law by which the parties intended the contract to be governed or where this is not clear the system of law with which the transaction has its closest and most real connection. This matter is only briefly discussed in the more recent editions as it no longer applies to contracts entered into after 1st April 1991 (because of the Rome Convention).

¹⁹⁹ In Pillet (1923-4): see a summary in Wolff (1950): 41-2.

apply to all nationals of the state wherever they are located; whereas laws which are for the protection of the community should protect everyone within the territory of the State. His theory has been called neo-statutist,²⁰⁰ in other words a return to the pre-nineteenth century theories.

Although it does not address policy in the same way as the American theories, it still bases the determination of applicable law on the policy intention behind the law.²⁰¹ Indeed, considering Pillet's unusual approach, it is surprising that the International Court of Justice adopted it in the first conflict case it decided.²⁰²

(viii) The difference between the internationalist approach and the policy approach

Gerhard Kegel compared²⁰³ and summarised the differences between the internationalist approach (which he titled "the paternal home") and the new policy approach ("the dream home") thereafter he set out a comparison of the differences:²⁰⁴

	Paternal Home	Dream Home
1. Substantive and Conflicts Law	Division	Unity
2. Particular Conflicts Rules	Wide Conflict Rules	Ad Hoc Decisions
3. General Conflicts Rules	Exist	Do Not Exist
4. Content of Conflicts Law	Conflict Rules	Process
5. Private International Law and Public International Law	Division	Unity

²⁰⁰ Sauveplanne (1982): 28.

²⁰¹ In a more extensive way than functional analysis.

²⁰² *Netherlands v Sweden (Application of the Convention of 1902 governing the Guardianship of Infants)* (1958) ICJ Reports 55 (commonly called the *Boll Case*).

²⁰³ Kegel (1979).

²⁰⁴ *Ibid*: 619.

6. Treatment of Own and Foreign Law	Equal	Different
7. Treatment of Good and Bad Substantive Law	Equal	Different
8. Resulting Decision	Mostly Application of Existing Substantive Law	Often Reformulation of Substantive Law

(ix) The use of state interests: a critique

It has been accepted by most American commentators, almost without question, that a state has an interest in private law litigation. This view has received considerably less support and much criticism outside the United States, particularly in the civilian jurisdictions of Europe.²⁰⁵ The most comprehensive critique of Currie's government interest approach²⁰⁶ came from Gerhard Kegel during his 1963 lectures to the Hague Institute of International Law.²⁰⁷ He began by arguing that a state, or more accurately the legislators, has no interest at all in the disputes between private individuals,²⁰⁸ but only in affairs of state;²⁰⁹ these affairs encompass law and order, the economy, health, education and public regulation, but not the regulation of contracts or tort law.

²⁰⁵ For an English criticism see Fawcett (1982): 151. Many of the points Fawcett raised are now somewhat outdated because of the evolution of the legal profession and the legal system. He argued that English courts are not used to teleological interpretation of laws; this is no longer true with the ascendancy of the Court of Justice, who only use that approach. Further, he argues that foreign laws are not readily available in the United Kingdom, although comparative law is still quite rare, the internationalisation of law generally (particularly on the Internet: see Kozyris (1994): 172-3) and the United Kingdom's involvement in the European Community has made this less troublesome.

²⁰⁶ The critique is also, on the whole, applicable to other policy based approaches.

²⁰⁷ Kegel (1963); also see Law Commission (1984): [4.38] and Jaffey (1982a).

²⁰⁸ For example, in *R v International Trustee for the Protection of Bondholders AG* (1937) AC 500 the British Government successfully argued that New York law applies to an international loan, suggesting, maybe, that governments are not necessarily interested in private disputes.

²⁰⁹ Kegel (1963): 181.

Kegel's central point is that choice of law is not related to the protection of state interests, but with obtaining conflicts "justice" (spatially as well as substantively), which seeks to provide the best and fairest solution to all private parties.²¹⁰ He argues that the proper purpose of choice of law is to obtain substantive uniformity of result²¹¹ to ensure effective commerce and order.²¹² State interests, he postulates, should only become relevant where a significant public policy (*ordre public*) is involved. He even goes further, maintaining that the state only serves the welfare of its citizens through public law not through the application of private law.²¹³ This is demonstrated by courts being willing to apply foreign law, even when it is that of an enemy State (i.e. during wartime). Which would be consistent with ensuring a just outcome for the individual,²¹⁴ but diametrically opposed to the upholding of state interests.

Indeed, Kegel's condemnation goes further. He suggests that Currie's insistence that he has removed the need for characterisation is actually incorrect; instead he suggests that Currie makes the problem several times worse by requiring the complicated construction and interpretation of different State policies.²¹⁵ Furthermore, others have pointed out that if the several states of the US are so interested in the application of their laws, why have they not intervened in the various cases involving conflict of laws?²¹⁶

²¹⁰ *Ibid*: 183.

²¹¹ *Ibid*: 188. This is why *renvoi* exists, in that it enables a court of one nation to "pretend" to be the court of another, thus enabling the dispute to be decided as it would have been decided in the state of the applicable law.

²¹² *Ibid*: 207.

²¹³ Kegel (1979): 631; although the concept of "public" law and "private" law is not as distinct in common law countries as it is in civilian jurisdictions.

²¹⁴ Akehurst (1973): 221.

²¹⁵ Kegel (1963): 203.

²¹⁶ See Lowenfeld (1982): 109, although also see n. 42 of that article where it is explained that the Attorney-General of Nevada submitted a letter to the appeal court in *Berhard v Harrah's Club*

If one accepts that *state* interests are important and that a government's policy should, where possible, be given effect, there are real problems with a court trying to identify the policy²¹⁷ underlying a particular law.²¹⁸ It is quite clear that a government represents a bundle of diverse and conflicting views.²¹⁹ Therefore, it is not surprising that legislative debates do not necessarily give a reliable indicator of the legislator's intentions. Often comments made during debates are made under pressure;²²⁰ more importantly, the reasons why each legislator votes for a particular provision may differ. In many cases, a member of the legislature will not attend the debate before a vote and will either vote on the wording of the official documents²²¹ or on the basis of party affiliation. It would be wrong to thereby impute a statement they may not have heard to their intent. Similarly, amendments are withdrawn for different reasons so the legislation itself may not indicate a legislative consensus.²²²

Furthermore, relying on statements by a government minister may undermine the separation of powers, by imputing the words of the executive as those of the legislature as whole.²²³ So if the object of the legislation is unclear then the only option for the judge is to "guess" its policy objective, which is quite different from the legislative intent.

(1976) 546 P.2d 719, in which he stated that the enforcement of Nevada's laws was an important issue.

²¹⁷ For example, Currie (1960) spends forty pages trying to justify a particular policy.

²¹⁸ In particular, what about the repeal or amendment of a law? As Brilmayer (1979) observed, if the law is repealed or changed and the interests of the State in a particular case, are that the "old law" should apply; does this mean that the law should be re-instated? (at 417-18).

²¹⁹ Hill (1959): 481.

²²⁰ See the submissions of the Attorney-General Sir Nicholas Lyell QC in the case of *Pepper v Hart* (1993) AC 593 at 604-605.

²²¹ *Ibid* at 607.

²²² *Ibid* at 605.

Even if one decides to look at legislative documents, debates and so forth, the problem of finding a policy within a federation (where the language is normally the same) is difficult; but it may be almost impossible when trying to identify the underlying policy of another nation, especially when not only its legal norms, but its cultural and political make up may be different. It is not surprising that the policy argument leads to courts harbouring three biases: being pro-resident, pro-forum and pro-recovery.²²⁴

The use of state interests to determine choice of law issues has begun to be criticised within the United States, in particular from Brilmayer. She argues that interest analysis has no normative base²²⁵ and that the particular state interest is not derived from empirical assessment but from hypothesis or bold assumption.²²⁶ Furthermore, she suggests these theories ignore the possibility that a state may *not* want its law applied in some circumstances.

Finally, it is worth remembering “the plaintiff sues in order to have the wrong done to him set right. He or she is not a private enforcer of a public interest”;²²⁷ in other words they go to court for their own purposes without caring about the interests of the state.

²²³ Kavanagh (2005): 102-3.

²²⁴ See for example Brilmayer (1979): 398; an empiric study of this result carried out by Solimine (1990), suggests that it tends to be correct. A similar conclusion was reached by Borchers (1992b), who concluded that all approaches used by US Courts produce this conclusion, except those following the Restatement (First) (vested rights), he even suggests this must indicate that the courts do not take the new approaches seriously (at 379).

²²⁵ Brimlayer (1985).

²²⁶ Brimlayer (1985): 467; also see Cheshire and North (1999): 26, where it is suggested that where US Courts have used the policy basis for assessment they have tended to give a statement, without evidence, of the relevant State’s “policy”.

²²⁷ England (1993): 46.

F. Reasonable expectations

The theories based on the “reasonable expectations” of the parties²²⁸ would appear perfect for selecting the applicable law; indeed it would accord with many other legal standards.²²⁹ However, the problem is determining where a person’s reasonable expectations come from, Kincaid attributes it to territorial sovereignty, or as he puts it “when in Rome do as Roman’s do”.²³⁰ However, even if the source of these expectations can be determined, all the approach provides is the continuation of previous rules, it does not, in itself, suggest that those earlier rules are actually right. Neither does it provide a point in time for determining a person’s legitimate expectation; does it arise at the time of the incident, at the time of commencing proceedings or at another time?

In relation to contract it is easy to accept Peter Nygh’s suggestion that a party’s reasonable expectations are those set out in a contractual clause,²³¹ and likewise that the applicable law of a contract should also be applied to torts related to that contract. However his other suggestion, that in tort claims a claimant can “choose” any *lex causae* with justice being determined by jurisdictional challenge, is far from acceptable.

This approach is apparently based on an international consensus that claimants should be able to choose the most favourable law.²³² Although it is true that the

²²⁸ See in particular the work of Nygh (1995) and Kincaid (1996).

²²⁹ For example a person’s legitimate expectations of procedure (“due process”) leading to the possibility of judicial review.

²³⁰ Kincaid (1996): 196-7.

²³¹ Nygh (1995): 294-7.

²³² *Ibid*: 369.

English Courts adopted this approach, as they acknowledge that the courts “have no sort of right, moral or legal, to take away from a plaintiff any real chance he may have of advantage”²³³ and later, “if a plaintiff considers that the procedure of our courts, or the substantive law of England, may hold advantages for him superior to that of any other country, he is entitled to bring his action [in England]”;²³⁴ it is far from internationally accepted that the claimant should have this freedom. Furthermore, even where courts do accept claimant favourable selections it may be this is something that should not be encouraged. Indeed, such an approach only encourages uncertainty for both parties.

G. Political rights theory

This approach, proposed by Professor Brilmayer,²³⁵ is essentially a policy analysis but person centred, rather than state centred. She expressed unease at the consequentialist nature of “state interests” which permit a person’s interests to be sacrificed for the general good of a state, in which they may not even be resident.²³⁶ Further, she argued that an individual state might not have sufficient political interest to permit it to exercise authority over a party.²³⁷ According to Brilmayer, the real difference between the state interest approach and that of political rights is that state interests looks at *beneficial* links between states and parties, whereas political rights looks at *burdens* that link.²³⁸

²³³ Per Bowen LJ in *Peruvian Guano Co v Bockwoldt* (1883) 23 Ch D. 225 at 234.

²³⁴ Per Denning MR in *The Atlantic Star* (1973) 1 QB 364 at 382.

²³⁵ Brilmayer (1989).

²³⁶ *Ibid*: 1293.

²³⁷ *Ibid*: 1295.

²³⁸ *Ibid*: 1301.

Brilmayer has proposed a number of contacts which are suitable for determining whether it is right to apply a law. The first is consent; a person cannot complain that a law is applied to which they have agreed to be bound. The next proposed contact is domicile, in that it would normally be unfair to apply the laws of England to someone living in Australia and so, in such cases, a state must justify the application of its law to a non-resident.²³⁹

The next suggested factor is territoriality, so where “an individual’s connections with a state are such as to make it fair to impose upon him or her the state’s conception of substantive justice” that state’s law should apply.²⁴⁰ Thus, a state’s law should only burden a person if they live within its territory, should they wish to leave its territory they should no longer be bound by its law. The final connecting factor is mutuality; a burden should only be imposed on a person where they also receive the benefit of a law.

The political rights approach, although aimed more at party interests, does not provide any more certainty than state interests. It is also a rule based theory, which means the determination of any litigation will be unnecessary complicated and expensive.

H. The English Pragmatists

Lawyers of the common law have always tended to be pragmatic and nowhere is this more apparent than in the English approach to private international law. The English courts began by hearing cases using a series of legal fictions to locate an

²³⁹ *Ibid*: 1297.

action within England.²⁴¹ Next they dallied with the theories of comity and vested rights,²⁴² but when they proved unsatisfactory, English lawyers did not bother to find any further unifying theory.²⁴³ The English law tried to achieve justice and fairness²⁴⁴ through the development of certain rules which would be applied by the courts. The position of English law and its pragmatic base has been put most clearly by Cheshire and North:

*But on what principle are the rules constructed? Is there one overriding principle from which they can all be deduced? ... theoretical analyses are unsupported in English private international law. They are alien to the common law tradition and if offered in argument would be a matter of surprise to an English judge. The instinct of the English lawyer is to test a proposed rule by its practical bearing on normal human activities and expectations. It is by this method that in his opinion the purpose of law, which at bottom is to promote justice and convenience can best be furthered. He is nothing if not an empiricist and a pragmatist.*²⁴⁵

The pragmatists developed only a few basic policies: the favouring of individual freedom, the upholding of consensual agreements (contracts), support for multilateralism and maintaining a very limited application of any public policy

²⁴⁰ *Ibid*: 1306.

²⁴¹ See Juenger (1985): 149-150. The fiction was that a place, say Paris, France, was considered to be "Paris, at London in the parish of St. Mary le Bow, in the ward of Cheap".

²⁴² For some years the courts followed Dicey's views of vested rights, which he had set out in the "general principles".

²⁴³ The English courts are, following the enactment of the Private International Law (Miscellaneous Provisions) Act 1995 and the Contracts (Applicable Law) Act 1990, more internationalist than pragmatic.

²⁴⁴ For a more detailed discussion see Graveson (1962).

exception.²⁴⁶ However, pragmatism is an approach and not a theory in its own right.

III. Recognition and enforcement of judgments

The recognition and enforcement of judgments has only received limited attention from most conflicts scholars. Comity remains central, although it is now used as a general expression and is no longer accurately defined.²⁴⁷ Notwithstanding, it is generally agreed that the recognition of judgments is neither a matter of obligation²⁴⁸ nor a mere matter of courtesy.²⁴⁹

Comity was thought to lead to reciprocity, where a State's court would enforce the judgments of another if they did likewise. The US Supreme Court advocated enforcement on this basis in the case of *Hilton v Guyot*,²⁵⁰ and for over half a century this was followed by the courts of the several States. However, following the decision in *Klaxon Co v Stentor Electronic Manf Co*²⁵¹ it became a matter for state courts to determine which approach to take.

A. "Correctness" and "repose"

Von Mehren suggests that there are two conflicting "principles" that must be taken into account when deciding whether or not a foreign judgment should be

²⁴⁵ Cheshire and North (1999): 32.

²⁴⁶ Graveson (1962): 355-6.

²⁴⁷ Trautman and Von Mehren (1967): 1603.

²⁴⁸ Historically things were different see: *Cottington's Case* (1678) (cited in *Kennedy v Earl of Cassillis* (1818) 2 Swan 313, 36 ER 635 at 640); where Lord Nottingham suggested not enforcing a foreign judgment was "against the law of nations".

²⁴⁹ Alexander (1928): 222.

²⁵⁰ (1895) 159 US 113. For a historic perspective see Gutteridge (1932).

²⁵¹ (1941) 313 US 487.

recognised; these are “correctness” and “repose”.²⁵² The principle of correctness “expresses the concern that legal justice, as understood by the society in both substantive and procedural terms, be done”.²⁵³ Whereas the principle of repose “accepts the inherent imperfection of human knowledge and institutions and the need to put to rest quarrels and disputes that have arisen so that energies of individuals and the resources of society can be devoted to more constructive tasks”.²⁵⁴

These two principles are in direct conflict. If too much weight is given to the principle of correctness then this will create huge social and economic costs by undermining the security of transactions²⁵⁵ (this occurred in France prior to its abandonment of *revision au fond*);²⁵⁶ whereas giving too much weight to a judgment, which may, or may not be correct, and may even have been influenced by a parties misconduct, is unjust and encourages dishonesty.²⁵⁷ A particular problem with allowing the principle of repose to dominate is that in some jurisdictions, a decision at first instance is automatically entitled to an appeal on the merits (*double degree de jurisdiction*). Therefore to enforce, at least whilst an appeal was possible, would put the defendant in a more disadvantageous situation than in the original jurisdiction. The right balance between correctness and repose exists where a court, in which the recognising court has faith, issued the final

²⁵² Von Mehren (1980).

²⁵³ *Ibid.*: 22.

²⁵⁴ *Ibid.*

²⁵⁵ *Ibid.*

²⁵⁶ The possibility of a *de novo* hearing before recognition of a judgment.

²⁵⁷ Von Mehren (1980).

judgment. This means recognising such a judgment prevents a litigant from facing harassment or evasive tactics from the opposing party.²⁵⁸

Notwithstanding those two general principles, courts invariably have certain requirements or limitations on the enforcement of foreign judgments. At one extreme a court will assess whether the foreign court had a full and fair trial,²⁵⁹ this may have a damaging affect on international relations. At the other extreme, most courts will not enforce a judgment where there are problems with its jurisdictional base, or where enforcement would offend public policy as a state is “not prepared to make its legal machinery available where the consequences would deeply offend its views of justice and morality”.²⁶⁰

B. Jurisdictional challenges to foreign judgments

It is an almost universal requirement that a judgment will only be recognised where the foreign court had jurisdiction.²⁶¹ However, the decision over whether or not a court has the appropriate jurisdiction has, according to von Mehren,²⁶² two theoretical groupings: derivative theories and non-derivative theories.

²⁵⁸ *Ibid*: 36.

²⁵⁹ Contrast *Hilton v Guyot* (1895) 159 US 113 at 204-5 where the US Supreme Court considered the French system provided such a trial, with *Banco Minero v Ross* (1915) 106 Tex 522 at 537, where the Texas Court considered the Mexican court in question did not provide a full and fair trial.

²⁶⁰ Von Mehren (1980): 47.

²⁶¹ Akehurst (1973): 237.

²⁶² Von Mehren (1980): Chapter II.

(i) *Derivative theories*

These theories take the view that the jurisdictional tests must stem from the basis upon which the rendering court actually adjudicated.²⁶³ The doctrine *l'unilatéralité simple* asserts that the only question that can be relevant is whether or not the State of origin (the state whose judgment is trying to be enforced) had jurisdiction over the matter.²⁶⁴ Thus, if the State of origin had jurisdiction, the judgment should be enforced by the receiving State, unless to do so would be contrary to public policy. In contrast the doctrine of *l'unilatéralité double*, which is similar, allows the receiving state to refuse to enforce a judgment where the receiving state claims exclusive jurisdiction.²⁶⁵ The public policy exception that applies to both these theories somewhat undermines their central hypothesis, as it refuses recognition on a ground other than the state of origin lacks jurisdiction.

In contrast, the *bilatéralité* theory requires not only that the state of origin had jurisdiction, but also that the receiving state would have exercised jurisdiction in a similar case with comparable facts. The problem with this approach is that jurisdictional requirements of states vary. So, for example, if an English Court exercised jurisdiction over a claimant by reason of service, and that defendant was domiciled in England, should a foreign court, following the *bilatéralité* theory, agree to enforce the judgment if it only recognises jurisdiction on the basis of domicile? Strict adherence of equivalence would suggest they should not, but courts have been willing to be flexible.²⁶⁶

²⁶³ *Ibid*: 56.

²⁶⁴ Holleaux (1970): 18-19.

²⁶⁵ *Ibid*: 19.

²⁶⁶ See *Schibsby v Westenholz* (1870) LR 6 QB 155 and *Gould v Gould* (1923) 235 NY 14.

(ii) Non-derivative theory

Where a court follows a non-derivative theory, the jurisdictional requirements are dependent on the policies of the receiving state.²⁶⁷ Therefore, the court only enforces a judgment in pursuance of a particular policy. The receiving court will only enforce where the jurisdictional basis of the judgment and the chosen law were reasonable and where the enforcement of the judgment is fair to the defendant.²⁶⁸

IV. Concluding remarks

It has been suggested that the coherence of conflict of laws remains subject to doubt.²⁶⁹ This is unquestionably true. Different nations pursue different aims in determining how a conflict should be resolved, leading away from certainty²⁷⁰ and towards chaos and the unforeseen. None of the theories or approaches set out in this chapter provides sufficient uniformity or normative basis for it to be conclusively adopted. Therefore, a new approach is required.

²⁶⁷ Von Mehren (1980): 57.

²⁶⁸ *Ibid*: 65.

²⁶⁹ Ehrenzweig (1963): 700.

²⁷⁰ Although as Currie (1963b) chided, it is possible for laws to be uniform and predictable by always applying the law of Alaska! (at 11).

3

An Economic Approach

When the study of economics was first applied to the law it was in very specific areas which had a direct relationship to economic principles; indeed, the application of economics to some areas of law has never been controversial. The most obvious of these uncontroversial areas was competition law (anti-trust), which regulates dominance and monopoly. It was considered natural to assess competition law using economic principles, because economists had been studying monopolistic behaviour even before it was regulated; this area of law is so closely linked to economics that some of the leading textbooks have chapters dedicated to introducing basic economic concepts.¹

Notwithstanding the acceptance of economics within some fields of law, the general application of economic principles to law and legal processes was received with hostility and not just from those who thought that there should be a “pure” theory of law.² The first of these new applications was made in the 1960s with Guido Calabresi’s first article on risk distribution³ and Ronald Coase’s

¹ See for example Whish (2003): Chapter 1.

² The leader of this school was Kelsen (see Kelsen (1934-5) and Kelsen (1941)). Pure legal theorists argue that “law” should be considered without reference to “foreign elements” such as moral considerations (e.g. “justice”), sociology of law and, by natural implication, economic considerations.

³ Calabresi (1961).

seminal article⁴ on transaction costs. Thereafter, economics was being applied not only to the traditional inter-related fields between law and economics, but also to the study of law in general.⁵

I. The background to “wealth maximisation”

Before discussing “wealth maximisation”, it is necessary to examine its roots: utilitarianism and the theory of utility.⁶

A. The fundamental axiom

Although the idea of measuring utility is often attributed to Jeremy Bentham, in fact he was only building from the thinking of earlier philosophers.⁷ When Bentham proposed⁸ his “fundamental axiom”: “it is the greatest happiness of the greatest number that is the measure of right and wrong”⁹ he was, as Newton had been a century earlier, “standing on the shoulders of giants”.¹⁰ Bentham’s fundamental axiom was not particularly original,¹¹ but his contribution to the

⁴ Coase (1960).

⁵ For good discussion of the rise of law and economics see: Posner (1975); Posner (1979) and Posner (2003).

⁶ An interesting discussion of the development of utility theory in economics can be found in Stigler (1950).

⁷ A good summary of the pre-Benthamite development of utility can be found in Ward (1907-21): Volume XI, Part III, Chapter 5. A more detailed account can be found in Albee (1902).

⁸ Bentham (1988a): 3.

⁹ This maxim was coined almost half a century earlier by Hutcheson (1990) who stated “that action is best which secures the greatest happiness of the greatest number” (at iii s 8), although there is nothing to suggest Bentham read his work: Ward (1907-21).

¹⁰ The exact quote “If I have seen further, it is by standing on the shoulders of giants” was in a letter from Sir Issac Newton to Robert Hooke dated 5th February 1676.

¹¹ David Hume (1985) argued that the tendency to pleasure was the mark of all virtues; Claude-Adrien Helvétius (1758), whom Bentham studied closely (see Ward (1907-21)) proposed a maxim in very similar words to that used by Bentham (“La justice consiste... dans la pratique des actions utiles au plus grand nombre”). Joseph Priestly (1768) suggested using a similar standard in political reasoning: the goal of a society is to advance “the good and happiness of the members, that is of the majority of the members, of any state is the great standard by which everything relating to the state must finally be determined”). Bentham, however, links his theory to the work of the Italian jurist Cesare Beccaria (1995), where he sets out the proposition that the acts of men

theory of utility was to create a united doctrine. The basis of Bentham's thinking was both hedonistic¹² and consequentialist.¹³ Indeed his basic postulation can be divided into two elements: (a) people act in their own interests;¹⁴ and (b) people are seekers of pleasure and avoiders of pain.

Bentham summarises this as follows:

*[by the] principle of utility [it] is meant that principle which approves or disapproves of every action whatsoever, according to the tendency which it appears to have to augment or diminish the happiness of the party whose interests are in question.*¹⁵

He went on to suggest a number of considerations that determine how to measure pleasure and pain¹⁶ in relation to a particular activity. His analysis went far further, in that he identified the sources of pain and pleasure;¹⁷ however, the extent and depth of his theory and his proofs do not add that much more to the concept. His simple proposition was that if one adds up the units expressive of the good tendencies (pleasure) of the act and then subtracts the units expressive of the bad (pain) the balance of the units will suggest whether there is a general good

should assess "whether or not they conduce to the greatest happiness shared among the greater number" (*Ibid* at 7).

¹² Or the belief that pleasure is the highest good and that pleasure has value in itself and all pleasure is valuable. This should be contrasted with a eudaemonist who believes that happiness (not pleasure) has such value. Although the fundamental axiom relates to happiness, Bentham bases his work on pleasure not happiness: Chapter V of Bentham (1988b).

¹³ Being concerned about the consequences of a particular moral actions rather than being concerned whether something is "right" or "virtuous".

¹⁴ See page 106 below.

¹⁵ Bentham (1988b): 2.

¹⁶ Intensity, duration, certainty and propinquity (*ibid* at 29); he adds three other qualifiers fecundity, purity and extent (as in how many people feel the pain/pleasure) (Chapter IV, IV). Although H. Sidgwick (1981) points out that "propinquity" should not be included as delayed pleasure is pleasure nonetheless (at 124 n. 1).

tendency or evil tendency.¹⁸ This Bentham expressed by means of *felicific calculus*,¹⁹ although not his equation, it can be summarised as follows:

$$\sum_{\text{Citizens}} \left(\sum_{\text{Pleasure}} - \sum_{\text{Pain}} \right) = \text{Total Pleasure}$$

If the total pleasure in the above equation is positive then the change is desirable, as it would increase the overall pleasure in the world;²⁰ however if it is negative then the change would not be beneficial, as it would add to the pain of the world. It is also important to remember that utilitarianism is not about maximising an agent's pleasure but about maximising all pleasure, therefore a person may have to act in a fashion which actually diminishes their own pleasure, if it gives greater pleasure to others.²¹

Notwithstanding the huge contribution of Bentham, he had considerable trouble trying to explain how certain aspects of his theory fit together. In particular, he accepted that what makes one person happy may not make another happy, or may even make them less happy. Furthermore, he worked on the premise that there are "units" of pleasure or pain, and that everything was measurable in the same "unit". In other words, the pleasures from one thing can always be equated with

¹⁷ Bentham (1988b): Chapter III, divided into physical, political, moral and religious.

¹⁸ *Ibid*: 31.

¹⁹ Coined: *ibid*: Chapter 4.

²⁰ Although the term "world" is used here (so including both nationals and foreigners), there have been discussions of whether "foreigners" should be included in the equation as legislators are not responsible for or to foreigners.

²¹ Mill (1985): 26.

the pleasure obtained from something else, provided they are in the correct ratio.

This would now be called a cardinal scale.²²

B. The cardinal and ordinal scale

To demonstrate the basic premises of the cardinal utilitarian scale, imagine that eating normal chocolate for thirty seconds equates to one “unit” of pleasure, but eating Belgian chocolate for only ten seconds equates to the same single “unit” of pleasure. If someone could choose which chocolate to eat over thirty seconds they would be better off eating Belgian chocolate. Alternatively, if eating three apples will produce the same amount of pleasure as eating one banana, then if a person is being sent to a desert island with limited storage space, only bananas should be taken to efficiently use the limited space. However, a problem arises when one has a choice of taking bananas or the Complete Works of Shakespeare to the island. If there is a cardinal scale, the pleasure from eating a certain number of bananas should exactly correlate with the pleasure of reading Shakespeare. But can eating bananas ever equal Hamlet? Or eating apples equate to the pleasure of reading A Winter’s Tale?

The acceptance of these differences is where John Stuart Mill²³ deviates from his predecessor he accepts that:

it is quite compatible with the principle of utility to recognize the fact, that some kinds of pleasure are more desirable and more

²² This term was not used by Bentham, nor indeed was it used by J.S. Mill.

²³ Although J.S. Mill was a hedonist, he was (in contrast to Bentham) a psychological hedonist, whereby all “acts” are undertaken to increase pleasure.

*valuable than others. It would be absurd that while, in estimating all other things, quality is considered as well as quantity, the estimation of pleasures should be supposed to depend on quantity alone.*²⁴

Mill assigns “to the pleasure of the intellect, of the feelings and imagination, and of the moral sentiments, a much higher value as pleasures than to those of mere sensation”.²⁵ Therefore, Mill does not subscribe to cardinal ranking, but ordinal ranking. This means each type of pleasure can be ranked: drinking fine wine is more pleasurable than drinking water; whereas reading Wordsworth is of a higher order of pleasure to both. This still leaves questions; is reading Shakespeare of the same order or a higher order of pleasure than reading Wordsworth? Can twenty (or a hundred) pages of Wordsworth equate in pleasure to five pages of Shakespeare, or will the pleasure of reading every word ever written by Wordsworth never equate to the same pleasure that can be obtained from a single page of Shakespeare? If it is accepted that reading Wordsworth can never equal reading Shakespeare or drinking water can never equal tasting wine, then this results in what is called lexicographical ordering.²⁶ However this in itself presents a whole new problem.

²⁴ Mill (1985): 16.

²⁵ *Ibid.* This is often explained with reference to “Hayden and the oyster” (an example created by Crisp (1997): 23), if you are a soul in heaven waiting to be allocated a life on Earth and you are given a choice between the life of Joseph Haydn which will last 77 years and include honour, recognition and influence, or the life of an oyster who will have only mild sensual pleasure but can live as long as you wish: which would you choose? If one follows cardinal measurement after a certain amount of time the pleasures in the life of the oyster will be greater than the pleasures of Haydn, but J.S. Mill gives room to choose Haydn as an oyster’s life (however long) can never equal Hayden’s.

²⁶ Coined by Rawls (1999): 37 n. 23.

C. Lexicographical ordering

If one extends John Stuart Mill's theory to include the extent of the pleasure²⁷ (the number of people effected by the rule), then by adopting lexicographical ordering one person's pleasure of reading Shakespeare can never be equalled by the rest of the world's enjoyment of bananas. Therefore, when a good utilitarian legislator (who accepts lexicographical ordering) has a choice between ensuring a single person's enjoyment of literature at the expense of everyone else's enjoyment of bananas, the lawmaker should outlaw bananas.

These problems can be taken to extremes, for being warm is considered to be low order pleasure, whereas reading is a high order pleasure; but, if a person is freezing cold, with just a copy of Shakespeare (and a match), what are they to do, read it and die? Or burn it and warm up?

These problems can of course be avoided if one puts matters in economic terms by adding the element of choice. However, if an economic approach is adopted then it is necessary for a person to have a real choice. In other words, your basic needs must be met; only then would it be fair for the pleasures of reading and the pleasures of eating to be compared.

One of the conundrums faced when judging utility is that it is very difficult to measure one person's utility in contrast to another's,²⁸ as one person may desire

²⁷ Required by Bentham (1988b).

²⁸ Although contrast Lloyd (1834) "it would indeed be difficult to discover any accurate test by which to measure either the absolute utility of a single object or the exact ratio of the comparative utilities of different objects. Still it does not follow that the notion of utility has no foundation in the nature of things. It does not follow that because a thing is incapable of measurement, therefore

cheaper health care another better transport²⁹ or greater copyright protection instead of better access to information. Therefore, if both choices were rational would it be wrong to undermine the expressed preference of one for another?

D. Rules and acts

When a theory is used to devise or justify a particular rule, it does not necessarily mean it can be used to justify the enforcement of that rule.³⁰ So if one wishes to adopt a consequentiality theory, such as either utilitarianism or wealth maximisation, it is important to determine whether one should adopt a direct or an indirect approach. A direct approach (“act utilitarianism”) would require every person to determine whether every one of their actions actually increases pleasure (or wealth). In contrast, the indirect approach (“rules utilitarianism”) requires a rule to be adopted where *normally* the adherence to the rule would increase pleasure (or wealth), although following it would, in some cases, actually decrease pleasure.

The very nature of legislation and laws generally makes it difficult, if not impossible, to follow “act utilitarianism”,³¹ as it would be too uncertain and require all legal standards to be judged subjectively. Indeed, much of the criticism levelled against utilitarianism is directed against “act utilitarianism”. This is because particular cases can be found where certain actions maximise utility, so can be justifiable, but should they become a general practice, they

it has no real existence. The existence of heat was no less undeniable before thermometers were invented than at present” (at 29-30).

²⁹ See Gibb (2002).

³⁰ See Rawls (1955).

would be abhorrent. For example, the secret murder of an elderly, malicious, unhappy and rich grandfather may maximise happiness, as no one would suffer from his malice, his money would pass to his heirs and he would not be constrained by his own misery.³² Therefore, his murder may be “justifiable” on such a basis, but if parricide were generally justifiable grandfathers everywhere would live in fear: leading to a significantly reduced birth rate (why produce a child who may kill you?) and the abolition of inheritance (why not spend money before family members start trying to kill you?) Therefore, in the long run, the *generalised* murder of grandfathers would actually be to nobody’s advantage and a rule is needed to prevent it, but in turn that prevents the (utility maximising) individual case.³³

If one accepts that only “rules utilitarianism” should guide law makers, a judge (or person) is free to use other philosophical bases for the enforcement of those rules.³⁴ Such an approach is called *multi-layered* decision making³⁵ and avoids the uncertainty that would inevitably result should act utilitarianism be generally adopted; thus, John Austin’s view was correct when he said:

...our conduct would conform to rules inferred from the tendencies of actions, but would not be determined by a direct resort to the

³¹ Mill (1925) was very clearly an “act utilitarian”, although he recognises the different role played by legislator and judge (Bk. VI, Ch. xii, §2), where he describes how the legislator sets the rules for future conduct, whereas the judge has to apply a rule already formulated.

³² This example is a slightly modified from that of Donagan (1968).

³³ This, of course, equally applies to intellectual property. Some works would be created without protection (i.e. the property right provides no incentive to create) others would not.

³⁴ This avoids the mistake identified by Rawls (1955) of thinking that if a rule is justified on utilitarian grounds then the practitioner of that rule is completely at liberty to use utilitarian arguments to decide whether to follow that rule (at 16).

*principle of general utility. Utility would be the test of our conduct, ultimately but not immediately: the immediate test of the rules to which our conduct would conform, but not the immediate test of specific or individual actions. Our rules would be fashioned on utility; our conduct, on our rules.*³⁶

Some of the problems and conundrums facing traditional utilitarianism are addressed, or at least minimised, by the doctrine of wealth maximisation.

II. Wealth maximisation

One of the greatest advantages of using economics as a basis of legal ideas and procedures is that it can be used to judge marginal improvements. Many, if not all, of the other philosophical bases of law guide us towards an ideal state, they do not supply any basis for determining if one non-ideal state is more or less just, or right, than another.³⁷

A. Normative approach

Wealth maximisation, the aim of allocative efficiency or “getting the most desirable results with the fewest resources”,³⁸ is a form of utilitarianism, which incorporates economic theory. Firstly, it is necessary to establish what is meant by

³⁵ In contrast to *single-layered*, which says a theory should be taken into account for each and every decision and *self-effacing* which suggests it should never be taken into account at any level of decision making.

³⁶ Austin (1885): Volume 1: 113-4. Also see Rawls (1955): “if similar cases didn’t recur, one would be required to apply the utilitarian principle directly, case by case, and rules reporting past decisions would be of no use” (at 22) in other words because there are difficult decisions rules are needed.

³⁷ See Arrow (1973): 249.

³⁸ See Gibb (2002).

“wealth”. The most straightforward definition is from Mill who described wealth as:

*made up of all useful or agreeable things which possess exchangeable value; or in other words, all useful or agreeable things except those which can be obtained in the quantity desired, without labour or sacrifice.*³⁹

According to Posner, wealth equates to utility in the economic sense, but it remains distinct from the utilitarian concept of “utility” in terms of happiness, although wealth and happiness are positively related.⁴⁰ Posner makes it very clear that the idea of measuring abstract utility is an anathema to the modern economist, whereas the comparison of “values” can usefully be measured for economic purposes.⁴¹

(i) Wealth and value

The term “value” stems from the father of economics, Adam Smith, who introduced the difference between “value of exchange” and “value of use”. As Smith noted, “things which have the greatest value in use have frequently little or no value in exchange. Nothing is more useful than water: but it will purchase scarce any thing.”⁴² It is the concept of “value for exchange” that is vital to wealth maximisation as all consensual exchanges enhance wealth, because in economic

³⁹ Mill (1909): PR 14, although later he contradicts himself by saying “It is essential to the idea of wealth to be susceptible of accumulation: things which cannot, after being produced, be kept for some time before being used, are never, I think, regarded as wealth” (*ibid*, Bk 1, Ch 3, §9).

⁴⁰ Posner (1985b): 87-8.

⁴¹ *Ibid*.

terms, any change leading to an increase in “value” is efficient and anything leading to a reduction in value is inefficient. Of course the best unit of value, or wealth, is money or price. Although it is true that people receive a different degree of satisfaction from the same amount of wealth it does not justify taking wealth from one person and giving it to another; because the redistribution of wealth enables no increase but only transfer.⁴³

It has to be accepted that wealth maximisation is very similar to utilitarianism, except that the “dollar” (or “pound”) scale is used⁴⁴ instead of using “utility”. Obviously a dollar has no intrinsic value,⁴⁵ so it cannot be used as a criterion to assign “first” entitlements,⁴⁶ but from the point of view of law reform this is not a problem because there will always be a present set of entitlements. The purpose of wealth maximisation is neither to evaluate new rights nor to suggest whether the original allocation was correct (although these issues are of course relevant to changes), but to look at changing or modifying those entitlements.

It must be remembered that the basic theory behind the economic study of law is that under certain circumstances certain legal changes will produce a technically efficient result. It is neither a method for determining whether something is socially or ethically desirable nor a way of promoting mandatory prescriptive

⁴² Smith (1999): 131-2. This was obviously long before the development of the market in spring water.

⁴³ Posner (1984): 80.

⁴⁴ One advantage of using money instead of utility is it abolishes the Scitovsky paradox (where the Kaldor-Hicks test is used to rank social states in terms of utility, where two different states are both Kaldor-Hicks efficient to each other: see Scitovsky (1941); for an example of such a paradox see Coleman (1980): 519). This is because dollars, unlike utility are objective comparable.

⁴⁵ Coleman (1980) points out a dollar, or wealth, is only a “means to an end” and not “an end in itself”; people only want to acquire money to use that money to acquire more (or better) goods, services or power. It also requires “prices” to exist so there needs to be a market (at 527). However, he ignores the fact that there is always a price for *everything*.

changes. Wealth maximisation is essentially a way of changing incentives. Thus the incentives must be real: if it is impossible to comply with a law then there is no incentive to comply⁴⁷ and so if a law is cheaper to break than uphold it will be broken.

Indeed, one of the main problems with using efficiency as a basis of law is its lack of a normative basis. There have always been those who attempt to argue that economics is “neutral”, so that changes are considered efficient where they have a neutral effect on society.⁴⁸ Indeed, Posner has suggested that wealth maximisation is the “third way” between the extremes of Kantian consent and utilitarianism.⁴⁹ In that, unlike utilitarianism, his version of wealth maximisation requires consent.⁵⁰ As consent to any change would have to be implied, it is vital to discuss when it might be acceptable to imply such consent.

(ii) Consent

It is relatively uncontroversial to suggest that a person would consent where they are either better off, or no worse off, after a change than they were before it. This is probably self-evident, a rational person would agree to allowing a change to be made if afterwards they would be in a better position than before; it is also possible to assume that a rational person is not going to oppose a change, if after that change they would be in the same position (or at least a different but no less

⁴⁶ *Ibid*: 526; also see Dworkin (1986): 253.

⁴⁷ Posner (1984): 75.

⁴⁸ The father of this approach was Robbins (1984) (see in particular chapter 2) who argued that economics was only related to “means” and not “ends”. So economics cannot, he suggested, inform someone whether a particular goal is desirable, only whether or not one way of achieving it was better than another. Thus, when a result has a “neutral effect” on society it must be an “end” and no longer a “means”, and so it must be efficient.

⁴⁹ Posner (1984): 66.

disadvantageous position) than before. If a change has this effect it is called *Pareto*⁵¹ *superior* and when all such changes have been made a market (or legal system) it is considered to be *Pareto-optimal*. The advantage of using the Paretian criterion is that it provides a relative measure; in other words only the margins need to be considered and not absolutes.

However the Paretian criterion is very restrictive. If law reform were to be permitted only where nobody suffers adversely, there would be little or no change in the law because almost everything hurts somebody. Calabresi has also argued that the criterion is pointless.⁵² The basis of this argument is that if nobody suffers from a change being made then it would have already been made, as nobody would have complained. In other words, a society would always be Pareto optimal because all costless changes would have already been made. Only where a new “idea” is discovered (i.e. it was previously unknown) is it possible to determine whether the implementation of that idea is Pareto superior. Thus, Calabresi suggests, the term is more or less meaningless and cannot be used as a normative guide; however, the purpose of this work is to suggest a new ideological approach, which means that laws based on the present approaches are not necessarily Pareto optimal.

The limitation of this criterion has led to a number of justifications for someone being worse off because of a change; one is the Kaldor-Hicks criterion⁵³ (the hypothetical compensation test) which permits a change if the gainers could (but

⁵⁰ See Posner (1979): 491, although at 495 he accepts that consent is unlikely to be by absolute unanimity.

⁵¹ See Pareto (1971).

⁵² Calabresi (1991).

do not) compensate those who lose out.⁵⁴ Although this avoids the restrictive nature of the Paretian criterion it does allow certain people to be made worse off by the proposed change. An attempt was made to address this problem by suggesting a dynamic use of the Kaldor-Hicks criterion; if a number of changes are bundled together it becomes more likely that a person who suffers because of one change will benefit from the next, so in the long term everything evens out.⁵⁵

(iii) Ex ante compensation

Using the Kaldor-Hicks criterion it is possible to determine whether or not each change is efficient. Where a change increases the wealth of the gaining party by more than it reduces the wealth of the losing party it is considered a desirable change. This way of looking at things has been criticised by Markovits.⁵⁶ He suggests that measuring things this way round is back-to-front, what should be measured is not whether the winner wants something enough to compensate the loser, but whether the winner's increase in wealth outweighs the wealth lost by the loser.

One problem with using the Kaldor-Hicks criterion is that no actual compensation is passed, making it difficult to use as a normative guide. Posner⁵⁷ has suggested a way to address this inconsistency, by looking for *ex ante* compensation. Such compensation means that a person is accepting a "benefit" before the fact in exchange for risking a loss. This is easy to justify in relation to voluntary

⁵³ Based on Kaldor (1939) and Hicks (1939).

⁵⁴ There has also been proposed a partial-Paretian approach by Polinsky (1972) which mixes these two approaches, so that an individual change can put a person in a worse position, but a series of changes (taken together) must benefit everyone or at least not disadvantage anyone.

⁵⁵ This dynamic or multi-change approach was proposed by Hotelling (1938).

⁵⁶ Markovits (1980) and Markovits (1983).

transactions, such as the purchase of a ticket for a (fair) lottery, because in such cases a person has chosen to take the risk of losing. However, the paradigm needs more explanation when it is applied in relation to involuntary transactions.

One of the most difficult involuntary transactions to justify in terms of *ex ante* compensation is negligence. Despite this difficulty, Posner postulates that a person is compensated within the negligence system (although *not* for the negligent conduct itself) by reducing the cost of an activity. He uses the example of driving. If liability were based on another standard of care (such a strict liability) the cost of insurance would be higher (although the number of accidents may in turn be lower) and the difference between the two insurance premiums amounts to the compensation.⁵⁸ He continues by suggesting that pedestrians and other non-drivers receive the benefit indirectly, either from cheaper public transport or more indirectly still by cheaper goods (the cost of goods will include haulage costs, these in turn will be related to the cost of driving). It is true that there may still be people who are left uncompensated in such a situation, but they could be regarded as *de minimis*.

Thus when a person indirectly accepts a benefit (by either remuneration or a reduced cost) they are consenting. This view has (unsurprisingly) been criticised on a number of grounds. The first is that the consent is never given and so this merely creates a plausible basis for such consent being given.⁵⁹ Secondly, if a consensual contract were agreed it is unlikely that Kaldar-Hicks would be its

⁵⁷ Posner (1984): Chapter 4.

⁵⁸ *Ibid*: 95.

⁵⁹ Calabresi (1991): 1225.

agreed basis.⁶⁰ Finally, consenting to a risk of harm is not the same as consenting to the harm itself.⁶¹ However, it is suggested that “acceptance”, which is not quite consent, is sufficient because accepting a benefit in return for a “more risky” system amounts to accepting the risk and the consequences. This approach, although not ideal, is preferable to some more arbitrary systems of economics.⁶²

(iv) The self-interested “wealth maximiser”

“The care of mankind for its own well-being... is the ultimate motive-force for all economic action”⁶³, or put more briefly, everyone is a “rational maximiser of self-interest”:⁶⁴ both of these are central concepts, or assumptions,⁶⁵ in wealth maximisation.⁶⁶ This rationality is not conscious, but is based on a model of rational choice. This means that the state of mind of an individual chooser is irrelevant because economics is concerned with predicting tendencies of aggregates not predicting individual’s behaviour. So how is this “self-interest” determined?

⁶⁰ *Ibid.*

⁶¹ See Coleman (1980) where he argues that consenting to the risk of losing something is not the same as actually consenting to losing something. He raises another important point (at 536): if compensation can equate with consent then it does not matter if that compensation is paid *ex ante* or *ex post*.

⁶² However, Coleman (1980) also points out that while it is conceivable that a person’s consent can be assumed for a *Pareto* efficient change (as nobody, including the consenting person, is worse off), why would a person consent to being worse off (as they would be under Kaldor-Hicks). The best answer, *ex ante* compensation aside, is the dynamic Kaldor-Hick criterion, suggested by Hotelling (1938), or simply put “you win some, you lose some”.

⁶³ Von Böhm-Bawerk (1890): 379; also see Tuttle (1901).

⁶⁴ This test has two limbs: (a) rationality; (b) self-interest: Frolich and Oppenheimer (1984): 3.

⁶⁵ A further assumption is that a persons preferences are exogenous, in other words they are not affected by the legal system. Thus, a person is not considered to follow the law, simply because it is the law.

⁶⁶ But not utilitarianism, as Mill (1985) makes clear, when judging utility a person should act in a disinterested fashion (at 26). The problems of disinterest will not be discussed here, as they essentially only apply to single-layered utilitarianism and not multi-layered rule utilitarianism.

There are two ways of assessing self-interest. Firstly, by using the *theory of egoism*,⁶⁷ which suggests that all decisions (unless mistaken) are by their very nature self-interested. So every decision attempts to maximise personal utility, be it unusual, altruistic⁶⁸ or otherwise. Secondly, there is the concept of *narrow self-interest*, which suggests that people generally act selfishly. This latter alternative concept is preferred by most economists⁶⁹ and will be considered in more detail, in particular the analysis of Harrison.⁷⁰ He argues that economics requires a wide range of human motivations to be ignored in order to make assessment more manageable; therefore it limits people to having only one characteristic: selfishness.⁷¹ Indeed, he goes further and suggests that the economic mantle of self-interest is contrary to psychological thinking, because the degree of selfishness required only equates with a child's thinking.⁷² So that *narrow self-interest* relies on certain behavioural aspects as well. The self-interest often manifests itself in the form of exchange.

The fundamental problem of using exchange as the basis of anything is that people place different values on the exchange. The traditional example is of one man buying £5 of oranges from another, this exchange must be utility maximising, as the oranges must be worth at least £5 to the purchaser (otherwise they would not buy them) and less than £5 to the seller (otherwise they would not

⁶⁷ In respect of utilitarianism: see Mill (1985): 26.

⁶⁸ See Landes and Posner (1978).

⁶⁹ Although maybe not Posner; see Posner (2003) where he suggests self-interest should not be confused with selfishness as the happiness of others may be part of one's own satisfaction (at 3).

⁷⁰ Harrison (1986).

⁷¹ *Ibid*: 1321-2.

⁷² He relies on Kohlberg (1981) and Kohlberg (1984) who sets three levels of explanation for morality *pre-conventional explanation* (I won't break the contract because I will have to pay damages), *conventional explanation* (if I break my promise, everyone will start breaking promises and the world will be chaotic) and *post-conventional* (I don't break my promise because a promise, once made, becomes someone's "property" and it is wrong to violate property rights).

sell them).⁷³ However, when one moves away from basic economic transactions to more complex choices, we encounter the “offer-asking”⁷⁴ problem. This is where a person is willing to sell a right they already possess for a sum, but they would never pay the same sum to acquire the right if they did not already have it. For example, a person who has a good view (which they desire) may be willing to “sell” it for £5,000, but if they had a poor view they would not be willing to pay the same £5,000 to acquire the good view (even if they desired it). This is compounded by the endowment effect, which suggests that the subjective perception of the value of an asset is higher if one already possesses it, than where one must pay to acquire it.⁷⁵

It has been argued by Posner⁷⁶ that the endowment effect can be explained by (1) wealth effects (our preference changes when our wealth changes, in each case it depends on whether the person owns the goods in question); (2) consumer surplus (anyone who owns a good must value it more than a non-owner, otherwise the

⁷³ Dworkin (1986): 242-3 argues that exchange does not prove anything. He uses the following example, if A has a book he would sell for \$2 (to provide money for medicine) and B would value the book at \$3 then why should the book not simply be seized (without payment) from A and given to B. He suggests that this would increase wealth and so, according to wealth maximisation, it would be desirable even though it leaves A without vital medicines. However, this analysis completely ignores externalities; leaving A without medicine is likely to have a societal cost greater than \$1 and so the “taking” is unlikely to be wealth maximising.

⁷⁴ Coined by Kennedy (1981).

⁷⁵ Harrison (1986): 1358. This point was demonstrated in a study conducted by Knetsch and Sinden (1984), where they gave each student entering a room a lottery ticket, half were one colour, half another. Those of one colour were told they had to pay \$2 to keep the ticket, those possessing tickets of the other colour were told they could sell the ticket for \$2 or keep it. They found that of those who had to “buy” the ticket, 50% choose to do so and of those who could sell the tickets only 25% did so. This suggest that the first group was split evenly on whether the ticket was worth more than \$2, whereas the second group predominately acted as if the ticket was worth more than \$2 (the result was confirmed by Knetsch and Sinden when they carried out a similar experiment with different permeations). This is simply psychological “risk-avoidance”, people try to avoid making the wrong choice (i.e. improperly exchanging the lottery ticket). Dworkin appeared to get this the wrong way round, suggesting not “risk avoidance” but “grass is greener” syndrome (leading to the coveting a neighbours property); he went on to argue that this leads to the cyclic problem: see Dworkin (1986): 238.

⁷⁶ Posner (2003): 19.

non-owner would buy it from the owner) and (3) rational adaptive preference (the cost of adapting to something new).

B. Criticisms of this approach

This application of economic analysis has proved very revealing and has led to many unexpected results. For example, Peltzman⁷⁷ found that the imposition of a mandatory requirement to wear seat-belts was actually likely to increase the number of accidents as the cost of each individual accident, and so careless driving generally, would be reduced.⁷⁸ This is one example of economic analysis providing new (sometimes unwelcome) answers to old questions.

(i) Completeness

It is therefore not surprising that these answers, counter-intuitive as they are, have been subject to criticism. The arguments raised by the original group of critics, who were desperately trying to set the boundaries of economic analysis, were three-fold.⁷⁹ First, they asked: if economists cannot answer some basic economic questions, how could they provide answers to legal problems? This question is somewhat obtuse; no science (or social science) has reached a complete and total answer to every question. Indeed, scientific endeavour repeatedly proves that the prevailing knowledge is wrong or at least incomplete, for example quantum-physicists are having great problems understanding even the most basic principles

⁷⁷ Peltzman (1975).

⁷⁸ In addition, see Arthur D Little Consulting (2002), which concluded that encouraging smoking was beneficial to government because it caused citizens to die thus reducing government expenditure on pensions, housing and health care.

⁷⁹ Set out by Posner (1979).

of their subject,⁸⁰ but this does not mean that their study has added nothing to physics.

(ii) Link to utilitarianism

A second criticism was directed towards the link between economics and utilitarianism. The critics postulated that utilitarianism is considered (by them at least) to be discredited and so economic analysis must also be discredited. A “discredited” social science, they argue, has no role in the study of laws and legal processes. Although utilitarianism may no longer be thought to be a “unifying” theory, it has not been completely discredited, nor has its child “wealth maximisation”.

(iii) Distillation

The third criticism is of the economic methodology, which involves distilling a particular legal rule from the plethora of rules and then studying it in isolation. This presumes that the rest of the law is in its “perfect” state.⁸¹ This methodology means the economist maybe basing their conclusion on a false premise, by arguing that one legal rules relationship to another rule is inefficient, as it may be an undistilled rule rather than the distilled one which is inefficient. Notwithstanding, if appropriate steps are taken then this problem can be contained if not irradiated.

⁸⁰ See Gribbin (1985).

⁸¹ Michelman (1980).

(iv) Moral objections

Beyond these criticisms there is another very important limitation on the economic analysis of law, in that an economist can say that a particular law is efficient or wealth maximising but they cannot say whether it is morally right. This leaves economists free to suggest a legal reform without having to defend it ethically.⁸² However, some legal economists have moved on and tried to do just that by arguing that a “just” system is necessarily efficient⁸³ and that the demand for justice should never be considered independently of its price.⁸⁴

This movement towards “economic” morality led to lengthy philosophical wranglings between efficiency and other philosophical approaches. However, a detailed discussion of these differences would be unnecessarily protracted. Indeed, Ronald Dworkin and Richard Posner have continued a theoretical debate about efficiency for over twenty-five years, with Dworkin arguing that efficiency and wealth maximisation have no moral justification and, in particular, that “wealth” is not a value⁸⁵ (by which he means “something worth having for its own sake”⁸⁶). In reply, Posner points out that “no one values wealth for its own sake”⁸⁷ and it is merely instrumental. Thus, Dworkin’s central question – “why a society with more wealth is, for that reason alone, better or better off than a society with less [?]”⁸⁸ – somewhat misses the point. Indeed, his suggestion that it is false to suggest that someone is better off having more wealth⁸⁹ tends to ignore that

⁸² See Posner (2003): 14-15.

⁸³ See Posner (1984).

⁸⁴ Posner (1975): 778.

⁸⁵ Dworkin (1986): Chapter 12.

⁸⁶ *Ibid*: 240.

⁸⁷ Posner (1984): 108.

⁸⁸ Dworkin (1986): 242.

⁸⁹ *Ibid*: 245.

monetary value can be attributed to many things that are not normally given a market value.⁹⁰

(v) *Fairness*

It has to be accepted that there is nothing to suggest why efficiency is the best “norm” to follow.⁹¹ Indeed, it has often been pointed out that economic analysis has no normative basis, but a “fairness” (“justice” or “rights”) approach is equally flawed. In their extensive article *Fairness versus Welfare*⁹² Kaplow and Shavell argue that “welfare economics” is a better criterion than fairness to make legal policy. Thus, they argue that a policy should only be supported if it maximises individuals’ well being (or utility),⁹³ thereby reverting to traditional utilitarianism. However, it is their criticism of deontological theory that is most illuminating.⁹⁴

They accept that fairness⁹⁵ accords with internalised social norms and is something with which people feel more familiar, but still they criticise it heavily.⁹⁶ First, they suggest that notions of “fairness” are independent of the effects of the rule and therefore a fair rule may actually have the effect of making nobody better off; second, the terms “fairness” and “rights” are used without

⁹⁰ Indeed, this is what law is all about. Otherwise, how could a court determine that a broken leg is worth £7,250, whereas paraplegia is worth £145,000: see Judicial Studies Board (2002): 3 and 47.

⁹¹ It must also be accepted that capitalism may be contrary to certain legal and cultural traditions, in particular that of Islam: see Glenn (2004): 185.

⁹² Kaplow and Shavell (2001).

⁹³ *Ibid*: 968.

⁹⁴ Notwithstanding, they do also criticise wealth maximisation because they suggest it ignores important aspects of an individual’s well-being: *ibid*: 996-7. They do, however, accept that maximisation of wealth in many contexts reasonably approximates welfare maximisation.

⁹⁵ They do not differentiate between fairness, rights or justice: *ibid*: n. 7.

⁹⁶ *Ibid*: 973. They accept that ideas of what is fair may actually maximise welfare as what people consider fair may equate with promoting well-being. They also argue that social norms make it easier for people to assess decisions; otherwise, if they were forced to make decisions on a case-by-case basis, such people would be bound to make errors (*ibid*: 1028).

being defined.⁹⁷ Therefore it is impossible to know why something is fair, other than by merely accepting that it is so. Even less satisfactory is the fact that there is no universal standard of fairness: all standards of fairness come from within our own traditional framework.⁹⁸ Finally, fairness normally requires an assessment *ex post*, based on what actually happened, so prohibiting the planning of activities, because only when the result of an activity is known will it be possible to assess whether or not it was fair.⁹⁹

(vi) Distributive justice

Wealth maximisation takes no account of distributive justice objections. Thus, the overall wealth of a society will be the same if £1,000 is spread over 1,000 people with £1 each or one person with £1,000. So, for example, where a rich person is willing to pay £5 for a loaf of bread, which they may or may not eat, but a starving person is only able to pay £1 for the same loaf of bread, the wealth maximising solution appears to be to give the bread to the rich, well fed person. This conclusion ignores externalities, the costs on society of a person starving is likely to be high. These costs include: 'lost labour', the cost of health care or burying the starved person. Therefore, it may actually be wealth maximising (on a societal basis) to allow the poor man to buy the bread for £1.¹⁰⁰ It also ignores the fact that taxation and other state intervention can be used to re-distribute the wealth to ensure that the starving man can obtain bread.

⁹⁷ *Ibid*: 1007.

⁹⁸ Glenn (2004): 47.

⁹⁹ Kaplow and Shavell (2001): 1010.

¹⁰⁰ This of course does not address the "inequity" point raised first.

C. Why wealth maximisation?

The obvious question is why should wealth maximisation be used to provide a basis for international intellectual property law reform? After all, intellectual property is usually discussed in terms of high philosophical ideals, from Locke's concept of property and Kant and Hegel's conception of the expression of the personality, to the more humdrum views of utilitarian thinkers. However, intellectual property, like all other property, must be exploited economically. A patent is worthless if it is not exploited during its term and its economic worth must be exploited as efficiently as possible to maximise the owner's profits.

Wealth maximisation, like any other theory,¹⁰¹ cannot be proved "objectively",¹⁰² but it does provide a "basic norm"¹⁰³ and because it is easier to assess qualitatively than other theories, it presents a straightforward method for assessing intellectual property and private international law.

III. Game theory

The normal rules of economics are that a person acts both rationally and "independently" from all other people, but this is taken a stage further with game theory. The basis of game theory is that a person not only acts rationally but they act *strategically*; therefore a person will modify their conduct depending on what they think other "players" will do. The most commonly cited game is the

¹⁰¹ As Bertrand Russell noted, once a theory has been proven to be the right "one" it is no longer philosophy (or theory) but science: Russell (1957): 276.

¹⁰² cf Dworkin (1996).

¹⁰³ Thus, it is accepted that there are *other* entirely acceptable theories.

prisoners' dilemma¹⁰⁴ this game shows how a person is better off "cheating" than playing it straight.

A. The prisoners' dilemma

A modified version of the prisoners' dilemma relates to the copying of intellectual property¹⁰⁵ and can be presented in the following matrix:

		Player 1	
		Original Work	Copy
Player 2	Original Work	100, 100	-450, 470
	Copy	470, -450	0, 0

As this matrix shows, if both Player 1 and 2 create original works they both receive a pay off (profit) of £100; however if Player 1 produces an original work and Player 2 copies it then Player 1 will have to pay the cost of production £450, but Player 2 (who sells cheaply) can copy and make a profit of £470; finally if they both chose to copy then there will be nothing to copy, so nobody spends money or makes money.

¹⁰⁴ It has been suggested that this game is over used, and other games would be more appropriate: Baird, Gertner and Picker (1994): 1.

¹⁰⁵ This game was set up by Gordon (1992). In fact, the issue of copying is much better shown in what is called an *extensive form* game (rather than a normal form game such as the prisoners' dilemma). The reason for this is that the act of copying can only take place *after* there has been a decision to produce an original work. However, the result would be the same.

As this matrix shows, the production of original works is strictly dominated¹⁰⁶ by the other strategy, namely to copy. This is because nobody would risk producing an original work if they know that their rival would be better off copying their original work than producing a second original work. Further, if their rival also decides the best play is to copy they are still better off than they would be if they produced an original work. Therefore, no original works will be produced for financial gain. However, if legal protection prohibits copying then the only lawful option is to produce an original work or to produce nothing. The strategic and rational choice would be to produce such works and receive the pay-off of £100.

B. Repeated players and unravelling

There is, as with all theories, a further caveat. The prisoners' dilemma is only played once by each player, therefore players do not need to consider "future games". However, game theory suggests that if the players are forced to play the game repeatedly (either indefinitely or potentially indefinitely) they will find the co-operate solution and adhere to it. This is because the cost of not co-operating on every play is greater than the cost of the other player not co-operating on a single play.¹⁰⁷ At some point one player will take the risk of suffering on a single play, but in so doing they signal to the other player that they are willing to co-operate in the future and so, in the long run, the co-operative solution will be played.

¹⁰⁶ A dominant strategy is the best choice for the player in a game whatever the choice of the other player; whereas a strictly dominated strategy is one that is always worse than any other strategy.

¹⁰⁷ See Luce and Raiffa (1957): 97-102.

If, however, the players know that a game will only be played a limited number of times, say a thousand times, the players will strategically play each game as if it were a one-off game. This is because on the thousandth play the players know there will be no further games; therefore there is no opportunity to respond to the actions of the other player and so the player plays in the same way they would if it were a single game. This in turn leads to the “unravelling” of the game because on the penultimate play the players know how their rival will play the last game and so, in the penultimate game, there is no advantage in co-operation. Thus, the players know how their rival will play the penultimate game and so in the preceding game there is no advantage in co-operation. This then unravels back to the very first play.¹⁰⁸

This is why the intellectual property game can be demonstrated as a single play because, although players may play repeatedly, they all know they will not be playing indefinitely (or even potentially indefinitely), so they do not take the risk of co-operation.

IV. Costs and incentives

This chapter has explained how wealth is maximised by balancing the “costs” and “incentives”. These need to be explored before it is possible to examine the economic approach to matters of private international law.

¹⁰⁸ *Ibid.*

Of course intellectual property has been studied in economic terms for many years.¹⁰⁹ It has even been suggested to be “a natural field for economic analysis.”¹¹⁰ In this global period,¹¹¹ intellectual property is now so intricately linked with trade that economic analysis becomes inevitable. At the European level, the various Directives and Regulations are based on the free movement of goods and services and the right of establishment,¹¹² similarly the Lanham Act in the United States is based on the Commerce clause in the Constitution.¹¹³ Therefore, it is unsurprising that the original motivation for the European Commission to address intellectual property issues came from the problems that differing intellectual property rights have on the economic activities of the common (single) market.¹¹⁴

A. Why an intellectual *property* right?

Before examining the incentive / cost balance at the heart of intellectual property law, it is important to consider *why* the protection of intellectual endeavour should be achieved by means of a property based system. Property rights can be divided into *dynamic* and *static* property rights.¹¹⁵ Two agricultural examples presented by Posner¹¹⁶ explain this distinction. Firstly, dynamic rights: if there were no property rights, a farmer who plants and tends a crop would have no legal remedy

¹⁰⁹ The most complete study to date is Landes and Posner (2003b); a basic introduction to this area is: Besen and Raskind (1991).

¹¹⁰ Landes and Posner (1989).

¹¹¹ See Chapter 1.

¹¹² Article 14(2) TEU, Article 95 allows the approximation of laws to achieve the objectives set out in Article 14(2).

¹¹³ The original trade marks legislation was based on Article 1 section 8 of the Constitution (the Patents and Copyright clause); however this was struck down by the Supreme Court in the *Trade Mark Cases* (1879) 100 US 82 and 100 US 94.

¹¹⁴ COM (85) 310 def: also see Jehoram (1994).

¹¹⁵ Posner (2003): 32-34.

¹¹⁶ *Ibid.*

if a neighbour harvests their crop, thus property rights are required to ensure that the investment is not wasted (otherwise they would not invest in the first place).

Static rights can be exemplified by imagining a cow pasture. If nobody owns the field then nobody will have the right (or ability) to exclude animals from it. This means that everyone will continue putting out cows to pasture, notwithstanding that as the number of cows increases the quantity and quality of grass decreases. In turn this would eventually mean that each cow would have to expend more effort to eat the same amount of grass. Thus, the cows will either have to eat more (and make the problem worse) or alternatively they will become thinner. However, if the pasture had an owner, that owner could rent out the land so that only the optimal number of cows would graze. The equilibrium would be reached by the market because the payment required by each farmer for grazing would reflect this reduction in quantity and quality of grass. This means the owner will have to balance the rent charged against the number of cows permitted to graze.

As these agricultural examples show, most property right arises out of scarcity; either scarcity of a particular good or scarcity imposed by efficient use. However, as Plant points out what is peculiar to intellectual property rights is that they are not a consequence of the scarcity of the object, but the rights themselves *create* scarcity.¹¹⁷

Although it remains difficult to use economics to conclusively justify the “property” in intellectual property, some steps can be made in that direction. In

particular, it is possible to argue that a property right is a more appropriate way of protecting the investment than a liability rule. Following the grounds put forward by Calabresi and Melamed,¹¹⁸ a property rule is appropriate where (1) there are only two parties to the transaction; (2) the costs of a transaction between the parties is otherwise low; and (3) a court called on to set the terms of the exchange would have a difficulty doing so quickly and cheaply given the complexity of the exchange or as Polinsky put bluntly: a property rule¹¹⁹ should be adopted where “the court lacks information about both damages and benefits”.¹²⁰ The reason why insufficient information presents problems is somewhat self-evident: without accurate information a court is likely to either set damages too low (and so provide an inadequate deterrent to cease the activity) or set them too high (and so over compensate the injured party) and so stifle others from undertaking legitimate activity.

The subject matter of intellectual property, namely inventions, creative works and the confusion caused by improper use of a trade mark, often makes it very difficult to assess damages; how can one accurately price the copying of a book, the invention of penicillin or the trade lost by the use of the mark ‘Acme’?

B. Costs associated with property rights

Once the rules for allocating property rights have been created, there will be four costs linked to this allocation: (a) the cost of transferring rights, (b) the cost of rent

¹¹⁷ Plant (1934a): 31. Although, Landes and Posner argue that intellectual property is like all other property (e.g. land), it can be commodified permitting others to be excluded: Landes and Posner (2003b): 374.

¹¹⁸ Calabresi and Melamed (1972).

¹¹⁹ He was actually talking about injunctions, although traditionally in the US injunctions were only permitted in relation to property rights.

seeking¹²¹ to obtain a property right, (c) the cost of enforcement and protection of that property right and (d) the cost of restricting the use of any property when it has a public-good character.

(i) The cost of transferring rights

The cost of transferring rights (“transactions costs”) is inflated by informational problems associated with agreements. Central to the argument over transactions costs is *Coase’s theorem*.¹²² This has been expounded as follows:

*There are two striking implications of this process that are true in a world of zero transaction costs. The output mix that results when the exchange of property rights is allowed is efficient and the mix is independent of who is assigned ownership (except that different wealth distributions may result in different demands).*¹²³

Assuming Coase’s theorem is correct, in a world of zero transaction costs, even without intellectual property rights, the same number of things would be created. Using a book as an example, imagine that an author would write a book for £100 and all the people who wants the book written are willing to divide up the cost of production.¹²⁴ The book would be produced, when the money was raised, without the need of a property right; whereas, the book would not be produced if the money could not be raised. An author’s expectations of profit will be determined

¹²⁰ Polinsky (1980): 1112.

¹²¹ Rent-seeking (in relation to intellectual property) is the spending of money not on producing goods or services, but on obtaining a right in the first place.

¹²² Based on Coase (1960).

¹²³ The theorem was actually spelt out by another economist, Demsetz (1967): 349.

by what they think the market value of their services to be, thus an established author may only be willing to write a book for £1 million or more. However, as the expectations of the author increase the transaction costs associated with dividing up and collecting money from the potential buyers go up. Eventually the cost of co-ordinating the potential buyers would become prohibitive.

(ii) The cost of rent seeking

The costs associated with rent seeking cause particular problems in relation to intellectual property. For example, rent paid during the research and development associated with obtaining a patent is “wasted” if the person paying the rent does not actually obtain the patent. Thus, if a patent (once granted) is worth £1000 and it costs £200¹²⁵ to develop then the person who obtains the patent obtains a benefit of £800; however everyone else who almost made it loses up to £200.¹²⁶ Therefore, each of the failed researchers leads to a societal welfare loss of up to £200, which, depending on the number of losers, may exceed the actual societal welfare gain.¹²⁷

(iii) The enforcement cost

The enforcement cost of protecting a property right, once granted, is the central consideration of this work. The cost of enforcing intellectual property is particularly onerous, as a person may have to enforce that right separately in each

¹²⁴ This is exactly what Hogarth did for the production of *A Harlot's Progress*: see Paulsom (1965): Vol 1, 5 n. 7: 6-8.

¹²⁵ This is also a “rent” although the patentee will be able to benefit from it later, these costs should be treated as “sunk”.

¹²⁶ Although, the closer one is to getting the first patent, the closer one is to making the first improvement (assuming such an improvement is possible), therefore in reality the costs are not necessarily wasted. Furthermore, it is possible that two competing (but different) inventions will be discovered, this is particularly true in the pharmaceutical industry: Landes and Posner (2003b): 301.

state where it is created or registered. Furthermore, the uncertainty of varying protection drives up related costs (both for the user and the owner). If it costs the owner £100 to go to court and obtain the return of a £100 piece of property, most owners would not bother pursuing the claim and would accept the loss of the property (as they gain nothing). In contrast, when a person infringes another's intellectual property rights they do not have to give up the property, merely decide whether it is worth enforcing.

Therefore, the owner of the intellectual property will have to add up the cost of pursuing the action (both legal costs and other costs) and weigh that against the potential gains, both in terms of damages and in terms of the "deterrent effect".¹²⁸

It has been put bluntly that if:

*the property owners' ability to enforce their intellectual property is inefficient or unpredictable, its value decreases for its owner, competitors, and the public, thereby stifling innovation and competition.*¹²⁹

This is because it will divert resources away from the research and development of new inventions and towards enforcement.¹³⁰ Therefore, the lower the cost of

¹²⁷ *Ibid* described this a "patent race" (at 300-301).

¹²⁸ This effect is particularly important in intellectual property. If the owner of an intellectual property right publicly goes after a non-commercial user (as has occurred in relation to "peer-to-peer" sharing), then it makes others less likely to copy as they fear they will be next: see *The Times* (2005). Although, it is actually doubtful this has much effect as "one off" acts against an unknown person do not generally deter people from offending. For example, in Birmingham in 1973 a youth was sentenced to twenty years for a brutal mugging, his sentence was published nationally and locally, yet it was found that there had been no effect on the number of muggings either locally or nationally: Baxter and Nuttall (1975).

¹²⁹ Moore and Parisi (2002): 1334.

¹³⁰ *Ibid*: 1334-5. This works on the basis that inventors are "repeat players" in the patent game.

enforcing intellectual property, the more responsive creators will be to pecuniary incentives and the closer the system will be to optimal efficiency.¹³¹

(iv) The cost of restricting use

The defining feature of intellectual property is that it has the attribute of a “public good”. Such goods are characterised by their non-rivalrous nature, meaning something whose consumption by one person creates “no subtraction from any other individual’s consumption of that good”.¹³² The lighthouse is used to demonstrate the problems associated with public goods. Once a lighthouse has been built everyone, whether they paid for it or not, can benefit from it. Therefore, everyone waits for everyone else to build the lighthouse (knowing they can free-ride) and so nobody ever builds the lighthouse in the first place, unless there is governmental or quasi-governmental involvement.¹³³

However, the subject matter of intellectual property rights is not a true public good, but rather it is a partial non-excludable;¹³⁴ this is because there are some “costs” (however small) in copying the subject matter; either reflected by the cost of searching for the work or simply the time spent copying it. The advent of the Internet has greatly reduced these costs; therefore, in relation to intellectual property found on the Internet, it is fair to assume that such subject matter is almost a “full” public good.

¹³¹ Landes and Posner (2003b): 344.

¹³² Samuelson (1954) (where he defines collective consumption goods).

¹³³ Although, Coase (1974) suggests, in fact, this example is ill founded as many lighthouses in Britain were paid for privately, albeit with a public right to collect tolls in port. Therefore, a lighthouse may not be an appropriate example for true public goods, but it may be for intellectual

(v) *Monopoly*

Although intellectual property rights are often called monopolies they are not monopolies in the strictest sense. Firstly, there is an argument that the subject matter of a patent or copyright is new, therefore the rights cannot grant a monopoly because prior to the creation of the invention or work there was nothing to monopolise. Secondly, there is no evidence to suggest that the grant of an intellectual property right also grants the significant market power normally associated with monopolies.¹³⁵ Notwithstanding these points, intellectual property rights are often called monopoly rights and this traditional reference will continue herein.

C. The incentive to create

The underlying rationale for granting patents, copyright and related rights is that the promise of a monopoly creates an incentive to produce inventions and intellectual works. Similarly, the protection of trade marks¹³⁶ creates an incentive to create a “strong brand” and build a mark’s reputation.¹³⁷ Therefore, if intellectual creations were not protected they could be used by everybody and so – like the ‘public goods’ lighthouse – nobody would invest in developing them in the first place. Therefore governmental involvement is required (by creating a property right) to prevent this free riding.

property because, as with the lighthouse, the state steps in to ensure the unrecoverable becomes recoverable.

¹³⁴ See Novos and Waldman (1984): 237, n. 1.

¹³⁵ See Dam (1994): 249-250; he explains how US courts have misunderstood patent law and used certain rules regarding the regulation of monopolies, which has produced some undesirable results.

¹³⁶ The central reason for protecting trade marks is to reduce consumer search costs (see below). However, as a brands reputation increases the search costs are proportionally reduced.

Jeremy Bentham suggested that intellectual property “produces an infinite effect, and it costs nothing”.¹³⁸ However, this conclusion and the underlying rationale for granting the property right were challenged from the outset.¹³⁹ After one of the most detailed studies to date, Machlup concluded that:

*if we did not have a patent system, it would be irresponsible, on our present knowledge of the economic consequences, to recommend instituting one. But since we have had a patent system for a long time, it would be irresponsible on the basis of our present knowledge, to recommend abolishing it.*¹⁴⁰

Despite this agnostic conclusion the rhetoric behind the “incentive to create” has continued. There have been a plethora of different proposals of how this “incentive” actually works (or should work). Most of these proposals relate to the grant of patents,¹⁴¹ but the principles are generally the same and do not affect the central rationale. A person is granted a property right to enable them to recoup their

¹³⁷ The protection of reputation can be taken a step further: see *Parfums Christian Dior v Evora* (1998) RPC 166 (Case C-337/95).

¹³⁸ Bentham (1829-30): vol 2 at 230. This comes from the fourth book, which was excluded from the English translation: it was kindly found by Professor Marci Guidi, Pisa University.

¹³⁹ See Machlup and Penrose (1950).

¹⁴⁰ Machlup (1958) (a copy of this study is included in Towse and Holzhauser (2002) Vol. II). Lamberton, Mandeville and Bishop (1982) concluded, in an Australian report, that there were no arguments for introducing a patent system if you do not already have one and there were also no firm arguments for getting rid of a patent system if you do have one. Similarly, Breyer (1970) concluded that “taken as a whole, the evidence now available suggests that, although we should hesitate to abolish copyright protection, we should equally hesitate to extend or strengthen it” (at 284).

¹⁴¹ These include: the patent inducement theory, championed by Oddi (1995), which suggests patents should only be granted where the invention was induced by the patent system. The problem with this system is, of course, determining when a patent was so induced. The prospecting theory of Kitch (1977), argues that the patent system is similar to old prospecting laws and its purpose is to “strike a claim”; this theory is somewhat unrealistic particularly when improvement inventions are considered. The “rent dissipation” theory, suggested by Alexander and Grady (1992), means that a patent should only be granted where it provides signals of how the invention could be improved. Therefore it should not protect “elegant” inventions or those which cannot be improved further. These are just three of the many specific theories that have been put forward.

outlay on research and development for an invention or the investment (in time or otherwise) in creating a work or brand (trade mark).¹⁴²

This simplicity conceals a paradox, many ground-breaking inventions are difficult to commercialise and so leave the inventor without any reward.¹⁴³ Similarly, many of the most socially desirable books are not rewarded through the copyright system, but are written for other reasons. The archetypal example of this is the scholarly article, most academics are not directly remunerated for writing articles (although these authors are paid by their employers, universities). Indeed, some of these authors will go as far as paying to have their books published. They, like many other authors, work simply for recognition and not for money.¹⁴⁴

The ideal economic outcome would be to devise the law so that it achieves the optimal balance between the incentives necessary to create the invention, work or mark (e.g. by breadth and term) and the costs imposed by intellectual property (access, enforcement and administrative). There has been an extensive discussion of what should be the optimum copyright term, particularly following the passing of the US Copyright Term Extension Act (the “Sonny Bono” Act).¹⁴⁵ The

¹⁴² Therefore governmental involvement is required (by creating a property right) to “prevent... free riding [which] will eventually destroy the information capital embodied in a trademark... [and] therefore eliminate the incentive to develop a valuable trademark in the first place”: Landes and Posner (1987): 270.

¹⁴³ For example, Sir Frank Whittle invented the jet engine (although this claim could also be made by Dr Hans Von Ohaiw), which he patented in 1930. The first jet plane was not built in the UK until 15th May 1941, by which time the patent had lapsed. Thus, one of the greatest inventions of the twentieth century went unrewarded by the patent system (although Whittle received £100,000 from the British Government).

¹⁴⁴ This is not new, in 1522 Erasmus went to Basle to see Frobenius, who was printing Erasmus’s work without his permission, not to complain but to assist the printer in his good work. Erasmus acknowledged that the wider the circulation the more universal the recognition.

¹⁴⁵ See *Eldred v Ashcroft* (2003) 537 US 186.

prevailing economic view is that the copyright term should be as short as necessary to induce production,¹⁴⁶ but no longer.¹⁴⁷

D. Costs imposed by intellectual property

If the general assumption about intellectual property is correct, namely that its existence creates an incentive to produce, then permitting unrestricted copying will lead to less intellectual property being produced. Many right owners improperly extend this assumption by arguing that all copying reduces their revenues and therefore their incentives. However, this is only true where the demand-enhancing effects outweigh the demand-switching effect.¹⁴⁸ What this actually means is that there is no adverse effect on the intellectual property owner (or society) where the only people who buy (or make) copies are those who would not buy the original at its market price. Indeed, the unrestricted copying of works will increase the social utility to each person per work, but this will be offset by a reduction in the number of works available (less product variety).¹⁴⁹

However, even if there was unrestricted copying, there is still value in an original. An original artist work, for example Leonardo's *Last Supper*, is of a totally different nature to a poster of the same work or even a copy made by another artist. Similarly, a printout of *Hamlet*, taken from the Internet, will have substantially lower value than a bound printed copy of the play. This is because

¹⁴⁶ Breyer (1970), argued against extending the term from 56 years to life plus 50 years (this change was made by the US Copyright Act 1976), similarly Landes and Posner (1989): 361-3, initially argued that the new term was unnecessarily long.

¹⁴⁷ However, there is now an alternative view arguing that indefinitely renewable copyright would be better than having a definite term, because copyright (like other property) needs maintenance to avoid over-exposure and to keep the product desirable: Landes and Posner (2003a).

¹⁴⁸ Johnson (1985): 165.

¹⁴⁹ *Ibid.*

such a printout is not as desirable as the original printed book, similarly being the “official” version of a book¹⁵⁰ adds value to it. Similarly, this applies between counterfeit clothing and the genuine article. Intuitively it is possible to conclude that the greater the difference between the original and the copy, either through quality or allure, the greater the price differential that will be accepted by the consumer, in turn the smaller the need for intellectual property protection.¹⁵¹

(i) Access costs

Access costs fall on a consumer who places a higher value on the work than the cost of making additional copies, but less than the price being charged; in addition, these costs also fall on an author who wants to use another’s work, but is unwilling to pay the licence fee to do so.¹⁵² Thus, intellectual property protection, in itself, increases the cost of intellectual property; however, this cost is minimised where independent creation is permitted.¹⁵³ This removes the need for a creator to search all the previously created works to determine whether their work (or proposed work) is substantially similar to any existing (protected) works. Such a search would place a further cost on the creator, which in turn would increase the cost of producing the work and raise its sale price.¹⁵⁴

(ii) Administrative costs

Administrative costs represent the time cost and fiscal cost of organising a licence. It is normally argued that an exception to intellectual property rights (or

¹⁵⁰ For example after the copyright expired in *The Lord of the Rings* J.R.R Tolkien endorsed one book as the only version from which he received remuneration. This in turn increased the value of the book and allowed it to be sold above marginal cost.

¹⁵¹ Landes and Posner (1989): 329 (copyright).

¹⁵² Landes (2000): 6-7.

more strictly an act of copying) is economically efficient when the cost to the user of the work (excluding the licence fee itself) would be greater than any licence fee payable. Thus, it is suggested that the permitted acts are allowed because the transaction costs of negotiating a licence would be so high that there would be market failure.¹⁵⁵

(iii) Cost of speculation

An additional cost which must be factored in, or at least so producers would argue, is the cost of the book failing (or a potential invention proving unsuccessful). In other words the revenue received from successful books allows other books to enter the market. However, as Farrer asked should “the public and the successful author...have to pay handsomely for the publisher’s unsuccessful speculations”?¹⁵⁶ Notwithstanding, there is no doubt that the cost incurred by the original producer is high; therefore there is a need to limit (or stop) others illicitly copying the work which would reduce the market price to cost.

(iv) Costs caused by underproduction

Novos and Waldman¹⁵⁷ suggest that an increase in intellectual property protection (they discuss it terms of copyright) may *increase* the social loss due to underproduction (i.e. less intellectual creations will be produced). This is because

¹⁵³ An independently created work cannot infringe copyright; similarly a secret prior user of an invention is permitted to continue using that invention after it is patented by another.

¹⁵⁴ This cost, of course, exists in relation to registered rights (novelty searches).

¹⁵⁵ This argument is often attributed to Gordon (1982); although since then she has partially retracted it see Gordon (2002).

¹⁵⁶ T. Farrer’s evidence to the Royal Commission on Copyright, March 16th 1877. It is of course the publisher who takes the risk not the author, yet most legal systems purport to protect authors not publishers, so why should the system be geared towards protecting publishers profits when it is justified in terms of the author (although where would an author be without their publisher?). Indeed authors are constantly trying to obtain a greater risk (thus a greater reward when it pays off): see Cornish (2002).

an increase in protection not only pushes consumers towards purchasing from the monopolist,¹⁵⁸ but also towards secondary markets. Every person who enters the secondary market deducts a sale from the monopolist creator, thereby reducing their incentive to create and causing a societal loss caused by underproduction.

(v) Costs caused by under-utilisation

Further, Novos and Waldman¹⁵⁹ suggest that an increase in intellectual property protection could (not would) lead to an increased social welfare loss caused by under-utilisation (i.e. people will not pay the high price demanded by the monopolist); however they suggest that in some circumstances it might not. They point out that there is a social welfare loss caused by evading barriers, such as intellectual property rights, and only when the sum of the cost of evading a barrier and the marginal cost of production is lower than the price charged by the monopolist, will there be under-utilisation. In the digital age this analysis still holds true, however it is likely that as the cost of copying reduces (even now it is still not zero¹⁶⁰) it may have to be reflected in the monopolist's prices.

E. Search costs

A central function of a trade mark is to guarantee the origin of the goods.¹⁶¹ The reason for this is straightforward, it enables a consumer to know who

¹⁵⁷ Novos and Waldman (1984): 237.

¹⁵⁸ The prevailing view at the time their article was written was that an increase in the copyright protection will lead to more people being forced to purchase from the monopoly producer, which in turn will lead to an increase in quality of the goods, the greater the increase in copyright protection the better the quality of goods.

¹⁵⁹ Novos and Waldman (1984).

¹⁶⁰ It is now necessary to evade "technical measures", but also there is the cost associated with the time spent copying.

¹⁶¹ *Arsenal v Reed* (2003) ETMR 227 (Case C-206/01).

manufactured, distributed or sold them their goods. However, as Schechter points out, a trade mark:

*indicates, not that the article in question comes from a definite or particular source... which [is] specifically known to the consumer, but merely that the goods in connection with which it is used emanate from the same...source...as certain other goods that have already given the consumer satisfaction.*¹⁶²

Therefore, trade marks provide information to the consumer, not necessarily direct information about the origin but information about the continuity of the goods. This information reduces the cost of discovering the quality of the goods: in economic terms this product information cost is called the “search” cost.¹⁶³ This represents the cost (in time) that a person has to spend approaching different sellers to discover and compare price and quality differentials.¹⁶⁴ Or put another way, if a consumer can rely on the information provided by a trade mark they need not investigate all the other products in the market every time they make a purchase: lowering the cost of the purchasing decision.¹⁶⁵

In economic terms a trade mark lowers the gap between the market price received by the seller and the full price paid by the buyer.¹⁶⁶ This gap represents the cost to

¹⁶² Schechter (1926): 816.

¹⁶³ This term was coined by Stigler (1961).

¹⁶⁴ See *Ibid*: 216; Stigler also points out that cost will not be the same for everyone, search costs are dependent on the income of the searcher.

¹⁶⁵ See Mins (1984): 658.

¹⁶⁶ In that the full price of the goods to the consumer includes the time spent searching and the transportation cost: see Folsom and Teply (1980). Indeed without these costs, the price paid by a consumer will eventually be the same as the cost of production (that costs would include a reasonable return on the capital invested).

the consumer of obtaining the information about the characteristics of the various goods and the cost of adjusting to disappointing or imperfect purchases.¹⁶⁷ In contrast, in the absence of knowledge about the product (either by advertising or a trade mark) the cost of consuming it increases. Thus, false advertising or marking tend to increase, rather than reduce, the full price of the product.¹⁶⁸

F. Costs of civil procedure

(i) Stages of civil dispute

According to Cooter and Rubinfeld¹⁶⁹ a legal dispute has four steps. Firstly, there is an intention to undertake an event, such as an act of infringement, where one person (the infringer) is potentially going to causes harm to another (the proprietor). Economic efficiency demands the cost of the harm to be balanced against the cost of avoiding it. At this early stage, before the event has occurred, the parties can bargain to strike their own balance (i.e. depending on the market).

The second stage, after the alleged infringement has occurred, involves the injured party (the proprietor) deciding whether or not they wish to assert a legal claim and, if so, where to commence proceedings. Following normal economic principles, a person will only start litigation where the immediate costs (filing and legal fees) are lower than the expected benefits in the future (the value of any damages or settlement).

¹⁶⁷ In terms of the economics of advertising (from which a considerable proportion of economic trade mark literature stems), this idea stems from Ehrlich and Fisher (1982): 366.

¹⁶⁸ *Ibid*: 367.

¹⁶⁹ Cooter and Rubinfeld (1989): 1069-1071.

Once a claim has been asserted the third stage begins which lasts until the trial commences. It is during this period that the system encourages the parties to reach settlement, the likelihood of a settlement depends on the parties perceived chances of success. This stage can be viewed as a bargaining game where the co-operative solution is to settle, whereas the un-co-operative solution is to proceed to trial.¹⁷⁰ The fourth and final stage is the trial, by which time all action is un-co-operative (unless a mid-trial settlement is considered).

Private international law has an impact at every stage. During (or at least immediately prior) to the first stage the potential infringer will consider the rules of private international law to decide whether to proceed with the activity or attempt to negotiate with the owner. At the second stage, the proprietor will consider in which forum it is most efficient to conduct litigation. During the third stage, there is potential for negotiations on procedural elements to allow proceedings to continue in a particular forum. The parties will also address choice of law issues in order to maximise their gain or minimise their loss. Finally, once trial begins the costs of undertaking further civil litigation (e.g. restarting in another jurisdiction) will have to be considered. Once proceedings have started the economic object is to reduce the sum of two costs: the first cost is that associated with judicial error and the second cost is that associated with running the procedural system.¹⁷¹ There are also additional costs, introduced in Chapter 1, caused by forum shopping and the multiplicity of claims.

¹⁷⁰ See *ibid*, where this is discussed in more detail.

¹⁷¹ Posner (2003): 563.

(ii) Cost of judicial error

The cost associated with judicial error is essentially the social cost of an incorrect legal decision. Thus, if the cost associated with infringing an intellectual property right amounted to £100 and the cost to the potential infringer to avoid infringing activity were £80, then no infringement would take place as it would be unprofitable. However, if there is a 25% chance of judicial error then the cost of infringing activity is reduced by 25% to £75 and so it becomes profitable to infringe.¹⁷²

(iii) Procedural costs

The costs imposed by procedure are best examined by looking at a new procedure. A new procedure should only be introduced where the reduction in the cost of judicial error is greater than the cost to implement the reform. For example, should the cost of judicial error be £25 and a particular procedure reduces that cost to £10, but that procedure costs £20 to implement, then it should not be introduced as it would be inefficient and impose a social cost of £10.

As Posner points out, this approach has actually been used in relation to the “amount” of due process to which a person is entitled in administrative proceedings. The US Supreme Court, in *Mathews v Eldridge*,¹⁷³ set three factors:

- (1) the private interest that will be affected by the official action;
- (2) the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and

¹⁷² This example is loosely based on that presented by Posner.

¹⁷³ (1976) 424 US 319.

(3) the Government interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail.¹⁷⁴

In other words, a relevant factor is the cost of adding an additional procedural requirement compared to the benefit it would bring. Thus, the costs can be minimised and wealth maximised, where the appropriate theory governs private international law.¹⁷⁵ One of the best examples in the field of private international law is the doctrine of *forum non conveniens*, where there is an explicit balancing test between the costs and benefits of alternative forums for litigation.¹⁷⁶

(iv) Certainty and deterrence

One of the problems, particularly acute in relation to the modern “state-interest” based approaches, has been set out as follows:

The criticism of the modern trend away from mechanical choice-of-law rules is that they make it difficult for people contemplating activity in another state to know what laws they have to comply with, and their ignorance reduces the deterrent effect of all states laws.¹⁷⁷

¹⁷⁴ *Ibid* at 334-5.

¹⁷⁵ Solimine (1990): 59.

¹⁷⁶ Posner (1985a): 305-6; also see the opinion of Justice Jackson in *Gulf Oil v Gilbert* (1947) 330 US 501 at 508, where he suggested the interests of the party required “all other practical problems that make trial of a case easy, expeditious and inexpensive”. In the UK see *Rockware Glass v MacShannon* (1978) AC 795 at 819 where Lord Salmon made it clear that “expense” was a relevant consideration.

¹⁷⁷ Posner (1985a): 305-6.

However, it is also possible that the deterrent effect will increase rather than decrease with uncertainty,¹⁷⁸ although the cost will still grow. This argument revolves around the belief that because a person is generally risk adverse, if their conduct might be governed by four different laws, each of differing standards, they are likely to ensure that their conduct falls within the most restrictive of these laws. The deterrent effect of laws has been suggested to be an outdated concept¹⁷⁹ and in many contexts it is grossly misunderstood,¹⁸⁰ notwithstanding it is an essential economic consideration that plays at least a part in the blend of incentives (and disincentives) that govern economic conduct.

(v) Forum shopping

From an economic viewpoint, forum shopping enables a claimant to maximise their returns by making an appropriate selection. The nature of this advantage is relevant to both the claimant and defendant as it may promote a race to the court. The claimant will attempt to file first to get the forum they desires (and so maximise their advantage), whereas the defendant will try to file first (for declaratory judgments and so forth) to pre-empt the claimant. However, an *ex ante* decision on the appropriate forum will promote an efficient choice, as parties can select in advance what court has jurisdiction, thereby promoting a wealth maximising solution;¹⁸¹ similarly *ex ante* predictability of the applicable law is “the primary goal of the conflict of laws system”.¹⁸² Therefore, forum shopping decreases *ex ante* predictability and with it the efficiency of the choice of forum and choice of law.

¹⁷⁸ This is suggested by Solimine (1990): 64.

¹⁷⁹ Fawcett (1982): 154.

¹⁸⁰ See page 123 n. 128 above.

¹⁸¹ Moore and Parisi (2002): 1329.

A potential user of a work or invention knows that the right holder will try to commence litigation in the forum most favourable to them; thus the user will systematically make decisions that are the most favourable to the right holder.¹⁸³

Therefore, the careful balance, purportedly at the centre of the intellectual property law, is disturbed. The first two steps of an intellectual property dispute are the decision to use the intellectual property and the decision of which forum to select. The first decision can be taken either bi-laterally (where two parties agree licence terms) or unilaterally, where a person continues a course of conduct believing that in doing so they are not infringing any intellectual property rights (or where they think the risk of being sued for infringement is worth taking). The second decision can, especially when the action was unilateral, affect the first.

Using this paradigm, it has been suggested that the ideal case would be where there is a voluntary transaction in which neither party can affect forum choice,¹⁸⁴ with deviations from that ideal leading to a variety of problems including moral hazards¹⁸⁵ (referring to the *ex post* opportunism of a party, where they controls the selection of the forum, causing them to have a less than optimal incentive to behave efficiently in their relationship with the other party¹⁸⁶) or an adverse forum selection (caused by informational asymmetry and *ex ante* strategic behaviour of

¹⁸² *Ibid.*

¹⁸³ *Ibid.*: 1337. This follows the general belief in law and economics that rules that apply *ex post*, but have effect “retrospectively”, will impact on *ex ante* strategic decisions.

¹⁸⁴ *Ibid.*: 1341; however Moore and Parisi believe that basing jurisdiction on the defendant’s habitual residence is inefficient because of virtual “costless relocation”: this suggestion is examined in more detail in Chapter 6.

¹⁸⁵ Moral hazards arise where an agreement benefits a person when certain conditions occur and that person will change their conduct to satisfy those conditions, even where this would be inefficient: for a general discussion see Holmström (1979).

¹⁸⁶ Moore and Parisi (2002): 1340, n. 45.

the informed party¹⁸⁷). Therefore, any solution to the determination of disputes on the Internet must attempt to be as close as possible to the ideal case.

(vi) Procedural costs and the proof of foreign law

The proof of foreign law has positive costs, the most obvious of which is the lengthening of the judicial process. However, this cost can be minimised by certain procedural steps; for example, in the United States the rule allowing judicial notice (with enquiry) to apply to foreign laws;¹⁸⁸ or the presumption in English law that unproven foreign law is the same as English law.¹⁸⁹ This presumption means that where a defendant wishes to disprove infringement of foreign intellectual property rights they have to incur the cost of proving each foreign law. However, this expense can be used as a tactic to force the defendant to settle the case early, even when they may have been able to defend the action.¹⁹⁰ Aside from the procedural cost of “proof” there is also the increase in costs caused by judicial error,¹⁹¹ for it is self-evident that a judge applying a law with which he or she is unfamiliar with is more likely to do so incorrectly.¹⁹²

The cost of proving foreign law is exacerbated where the dispute involves activities in a number of different states. In other words where intellectual property infringement claims, which each relate to a different country, are consolidated. If, and when, a dispute requires a court to apply a multitude of different laws it creates potential costs caused by pleading foreign law, or face the

¹⁸⁷ *Ibid.*: 1339, n. 44.

¹⁸⁸ Uniform Judicial Notice of Foreign Law Act and the Uniform Interstate and International Procedure Act. The federal courts have adopted the later Act as FRCP r. 44.1.

¹⁸⁹ See page 360 at n.233 below.

¹⁹⁰ See Dutson (1998).

¹⁹¹ See Whincop and Keyes (2001): 150.

alternative of starting proceedings in each court. The costs of pleading a foreign law are twofold: the cost of instructing and hearing the evidence of foreign experts and the cost of judicial error in applying foreign law.

G. Costs of consolidation

From a purely practical point of view, if a case heard by a single court involves infringement in twenty different countries (assuming this in turn involves the application of twenty different laws) then twenty (or even forty¹⁹³) different experts would have to be instructed and they, in turn, would have to have their evidence (or opinion) considered. These longer and more complex proceedings would push up costs significantly. Indeed, where the claims are consolidated in this way it is still necessary to divide up the world so it can be decided which part of the activity occurred under which law.

Once all this myriad of evidence had been heard and digested, the judge would have to make his or her decision about whether there was a case of infringement in each of the different jurisdictions. As already identified,¹⁹⁴ the cost associated with litigation increases as the chances of judicial error increase. Furthermore, the greater the number of differing laws being applied in a dispute, the greater the chance of internal errors (i.e. getting things mixed up) both by the parties and by the judge. The result of such complex and lengthy procedure is more mistakes and more appeals; indeed just the appearance of a mistake will increase costs – as this

¹⁹² See Juenger (1985): 259 (applying foreign law “increases the margin of error in adjudication”).

¹⁹³ Where both sides are permitted to instruct their own expert.

¹⁹⁴ See page 134 above.

would be enough to trigger an appeal. The net result of all of this is that the cost of the litigation would rocket.

It is therefore suggested that without moving towards selecting a single applicable law, the potential cost savings achieved by consolidation would be eaten up by error riddled and complex litigation.

If, however, a single applicable law were selected, the costs would be substantially minimised. The selected law may not be the law of the forum, but at worst it would result in requiring only one or two foreign experts and the judge applying only one foreign law. Furthermore, the evidence supporting the infringement could be examined on an international basis forgoing the necessity of dividing the claim up into the respective jurisdictions.

There are grave risks associated with selecting a single applicable law. Firstly, the problems of selecting that law; secondly, once that law is selected, the undermining of the different societal nuisances which are considered, by some, to be central to intellectual property; and finally, the differing scope of the particular intellectual property right; for example, Sir Hugh Laddie has pointed out that patent claims are not only linguistically different, but often patent applicants will make different claims in different countries.¹⁹⁵

The problems directly associated with this are similar to those associated with forum shopping but significantly magnified. If the single applicable law were

selected *ex ante* (by agreement) then the parties could take this into account in their bargain and the user could ensure that they stayed within the confines of that law (or the licence) thereby avoiding the problems of over-complying. However, if the selection of the single applicable law was *ex post* (without notice) it will intensify any race to the court (as the odds are greater); it will magnify any inefficiencies caused by over compliance and would be grossly unfair on the defendant (whether the proprietor or infringer). This being the case, consolidation would only encourage efficient use of intellectual property where the user was aware of the law by which they are bound before they commenced use.

Another concern, which relates only to registered rights, is would a State be willing to allow a foreign court to declare its registered right invalid?

A final concern is that each society (or State) has devised its intellectual property laws taking into account its cultural, social and intellectual needs, technology capacity and so forth¹⁹⁶ and unifying law (either directly or indirectly) “override[s] historical, geographical condition, as well as religious, ethical, economic and social requirements” of each social group.¹⁹⁷ To ensure that these special needs are taken into account, courts use certain mechanisms such as mandatory rules and refusing to apply certain laws that are contrary to public policy. If a court were asked to apply its own law, as the single applicable law, then there would be no problems because any mandatory domestic rules would apply to the dispute in any event. Likewise, it would be highly controversial (and in many

¹⁹⁵ Laddie (2001). Thus, the breadth of the claim may be different in different jurisdictions, as may the prior art. This is because the some jurisdictions (e.g. the US) priority is assessed on the basis of first to invent, rather than the later date of filing.

¹⁹⁶ Dreyfuss (2001): 441.

instances improper) for a court to refuse to apply the *lex fori* because of a foreign State's public policy.¹⁹⁸

However, if a court were asked to apply a single applicable foreign law it may present problems. If the *lex fori* has a mandatory rule, should it trump the single applicable rule? If so, should it apply only in relation to the local infringement? Or should it trump the single applicable law in respect of the infringement worldwide? Similarly, if an aspect of the single applicable law offends the public policy of the forum State should it be disapplied globally or just locally?

Logically speaking, where a law offends the public policy of a forum it should offend it if it is applied to domestic elements of the dispute as well as to foreign elements. However, if these elements of public policy became too pervasive and are applied too freely it would fundamentally undermine every aspect of consolidation; unless the single applicable law was that of the *lex fori* which, in itself, might be equally unacceptable.

V. Private international law: an economic approach

The economic analysis of conflict of laws is comparatively new. Solimine¹⁹⁹ recently pointed out, that although there has been considerable literature on the choice of law, for many years very little was contributed by law and economics scholars. Similarly, Posner has noted that economics has only ever been applied

¹⁹⁷ Valladão (1961): 99.

¹⁹⁸ However, Article 7(1) of the Rome Convention allows signatories the option of considering foreign mandatory rules: see Juenger (1995): 450-1. Furthermore, some courts have shown a willingness to consider matters of foreign public policy when determining the applicable law: see for example *Romero v International Terminal Operating Co* (1959) 358 US 354.

sporadically to conflict of laws.²⁰⁰ Both cite the work of William Baxter,²⁰¹ with his “comparative impairment principle”, as one of the few exceptions.²⁰² Before considering this approach and others, the economics of jurisdiction will be examined.

A. Jurisdiction

(i) Over and under-regulation – territorial application of laws

It has been argued that a strict territorial application of laws leads to under-regulation whereas extreme extra-territoriality leads to over-regulation.²⁰³ This is because a State aims to maximise the wealth of its residents; therefore it will regulate where there is a positive wealth benefit, whereas it will refrain from regulation where it would produce a negative wealth effect.

Following normal efficiency logic, a transaction which creates a global positive wealth benefit should be encouraged. However, assuming every country can apply its laws extra-territorially, if there is at least one country in which there would be a net wealth loss from the transaction then that country will regulate to stop the transaction. This means a transaction which would increase global wealth would be prevented by extra-territorial regulation where any one country suffers a net wealth loss.²⁰⁴

¹⁹⁹ Solimine (2002).

²⁰⁰ See his foreword to Whincop and Keyes (2001).

²⁰¹ Baxter (1963).

²⁰² Solimine (2002): 209; Whincop and Keyes (2001): xiv (Posner).

²⁰³ See Guzman (2002).

²⁰⁴ *Ibid*: 906-7. Although, a re-distribution of wealth could overcome any wealth loss effects it may attract prohibitive transaction costs: *Ibid*: 908.

In contrast, where a state does not apply its laws extra-territorially it will sometimes permit an activity that creates a local welfare loss because exposing local firms or consumers to the regulation may create a greater welfare loss.²⁰⁵ This is because in the long run the knock on effect of regulation may allow foreign (less regulated) firms to undercut local firms and so undermine their market position. Where a state cannot apply its regulations abroad it avoids applying them locally thus ensuring the long term competitiveness of the local economy.

It is self-evident that the rules of jurisdiction will affect both the total cost of litigation and its distribution; firstly because legal costs vary between forums and secondly because of the different rules on cost allocation at the conclusion of litigation (i.e. whether a jurisdiction allows costs to follow the event or not). Simple economics would suggest that the litigation should be held in the forum that minimises the total litigation cost; however, this may leave the claimant with a substantial number of forums from which to choose. Therefore, not only will this create search costs associated with choosing the forum, but also in addition it may be difficult to ascertain which forum actually minimises costs.

(ii) Exercise of jurisdiction

Jurisdictional rules go hand in hand with forum shopping. When a party chooses one jurisdiction over another, they will make the selection on the basis of which jurisdiction they think will be most advantageous to them. Thus, if the same law would be applicable to the dispute wherever it is litigated, it is self evident that a

²⁰⁵ *Ibid*: 910-11.

claimant will bring proceedings in the forum where *their* overall costs will be minimised,²⁰⁶ whereas the most efficient forum is the one where the overall costs to *both* parties are minimised.

However where different laws are applied by different courts, a claimant will forum shop to pick a court on the basis of which law it would apply, in particular whether it will apply its own law.²⁰⁷ However, this must be weighed against the cost of litigation in each forum.²⁰⁸ Thus, there will be an inefficient result (an increased social cost) if a claimant chooses a forum where they face higher costs (but potentially higher damages), unless the defendant's costs are reduced. To reduce the social cost incurred by a claimant choosing an inefficient forum, rules are adopted to limit the exercise of jurisdiction or alternatively to empower a court to stay proceedings when the forum is inappropriate (i.e. inefficient).²⁰⁹

Applying game theory (with perfect information) to jurisdictional choice²¹⁰ suggests that the claimant will select an efficient forum. This is because the claimant knows that if they select an inefficient forum the defendant's best strategy (to avoid paying excessive costs) is to obtain a stay; thereby requiring the claimant to pay the costs that accrued prior to the successful jurisdictional challenge, in addition to the costs of recommencing the litigation in the new forum. Being aware of this, the claimant will not commence litigation in the inefficient forum. However, where there is an information asymmetry, the

²⁰⁶ Whincop and Keyes (2001): 132.

²⁰⁷ *Ibid.*, where it is suggested that the scale of the advantage in forum shopping comes from the willingness of the court to apply the *lex fori*. This ignores the fact that a court may be chosen because it applies the law of a third country, where other courts (or even that third country) would not apply that law.

²⁰⁸ *Ibid.*

defendant may incorrectly believe that an efficient forum is inefficient and so ask for a stay. Therefore the claimant, knowing of the defendant's ignorance, may commence litigation in an inefficient forum, in the belief that the defendant will not know the choice was inefficient.

(iii) Jurisdictional trade

Although this game theory analysis is based on an un-co-operative model, there is potential for co-operation in the form of *jurisdictional trade*.²¹¹ This trade occurs when the parties to the dispute negotiate to reduce litigation costs, for example by including a jurisdiction clause in a contract. Obviously a party who agrees to a less advantageous forum will expect a lower contract price (or other benefit) in return.²¹²

Although more difficult, it is also possible for parties to agree litigation costs after the event but before (or soon after) the litigation commences. This trade could result in a defendant either agreeing not to contest jurisdiction (or actually consenting to jurisdiction) in exchange for non-financial incentives, for example not relying on certain types of damages claims²¹³ or voluntarily disclosing certain material.²¹⁴

²⁰⁹ *Ibid*: 133.

²¹⁰ Following the model set out by Whincop and Keyes (2001): 134.

²¹¹ This term was coined by Whincop and Keyes (2001).

²¹² *Ibid*: 136.

²¹³ This would be appropriate where the litigation forum allows punitive damages (e.g. most US States), but the more convenient forum does not (e.g. England). If the claimant agrees not to seek punitive damages then the defendant may consent to jurisdiction.

²¹⁴ In patent litigation, for example, the disclosure requirements in the United States are very liberal whereas in the United Kingdom they are more restrictive, therefore it may be that voluntary disclosure is offered in exchange for not contesting jurisdiction.

The decision to trade has to be made early to be efficient. As litigation proceeds, trade becomes more costly and the incentive to change forum wanes; the parties have to consider the costs they have sunk (this is coupled by the problems of the endowment effect)²¹⁵ and weigh these against the advantage in changing forum. Further, as time goes by, settlement on the substantive issue becomes more likely and “jurisdictional settlement” becomes less important.

If jurisdictional trade is possible and courts have the power to stay “inefficient” proceedings (albeit mainly in common law jurisdictions), why are any primary jurisdictional rules needed at all? (i.e. limiting general jurisdiction to the forum of the defendant’s habitual residence). Whincop and Keyes suggest²¹⁶ these restrictions are necessary to *restrict* jurisdictional trade. If every court in the world could exercise jurisdiction then certain very high cost jurisdictions (either in damages or litigation expenses) will be potentially available. So to avoid the risk of litigating in a high cost forum, *ex ante* jurisdictional trade will occur. However this trade will involve high transaction costs because both parties will be trying to obtain the lion’s share of gains and so protract negotiations.²¹⁷ Rules of jurisdiction minimise these costs and so provide a wealth maximising rule (although individual cases may not maximise wealth).

B. Applicable Law

In economic terms the adoption of policy interest approaches (particularly Currie’s approach) increases the likelihood and thereafter the durability of

²¹⁵ Whincop and Keyes (2001): 130.

²¹⁶ *Ibid*: 142-3.

²¹⁷ *Ibid*: 143.

inefficient laws²¹⁸ (i.e. those laws that do not maximise the wealth of residents). This inefficiency is caused by a legislator's desire to benefit his or her constituents at the expense of everyone else. As public policy theory makes clear, interest groups can organise cheaply to extract legislative benefits and only when a regulation becomes too costly will the taxpayers be willing to expend the relatively large resources necessary to overturn the law.²¹⁹ However, because this is a slow process it means inefficient laws remain in force for a long time. Notwithstanding these issues, most economic approaches are still based on state interests.

(i) Comparative impairment

Baxter began what could be called the "traditional economic approach",²²⁰ which is characterised by its aim of resolving the interests of states rather than parties. It is in some respects similar to the policy interests approach;²²¹ indeed Baxter's article was a direct response to Professor Currie's solution to the choice of law problem.²²² Baxter's main criticism of that solution was its approach to "true conflicts"; he suggested that it is wrong not to balance *all* the State interests involved (including the forum's).

Baxter's theory of comparative impairment begins with the principle:

²¹⁸ Allen and O'Hara (1999): 1024.

²¹⁹ There is extensive literature in this field: see for example Becker (1983).

²²⁰ This approach has been followed by the Californian courts: e.g. *Bernhard v Harrah's Club* (1976) 546 P 2d 719.

²²¹ See page 61 *et seq* above.

²²² See page 64 above.

*that the private interests in choice of law are necessarily in balance, and that the cases can be decided by them as instances of conflicting state interests rather than of conflicting private interests.*²²³

His analysis is almost Rawlsian.²²⁴ He suggests that we should imagine that all the states get together at a conference to resolve inconsistent laws. At this conference, the parties would negotiate and “bargain” with each other so that their domestic laws would apply in some cases but in exchange they agree that foreign law would apply in other cases.²²⁵ Because this uses the basic economic premise of exchange, it is likely to lead to the maximisation of the states’ wealth (or utility). Indeed, he suggests that all states favour one group over another – drivers over pedestrians, producers over consumers and so forth – Baxter argues that a conflict only occurs where these preferences are divergent.

From this basic position he postulates that a state has two types of objectives: internal and external. Internal objectives relate to the resolution of conflicting private interests, whereas external objectives are those which also relate to the interests of non-residents; with the objective of the choice of law being to solve the problem for state residents in the same way as it would have done if it had only involved matters located within its borders.²²⁶ This approach, overriding Currie’s objections, allows the subordination of the forum’s interests; however, the problem for Baxter was finding a normative principle for determining when

²²³ Baxter (1963): 22.

²²⁴ See Rawls (1999).

²²⁵ Baxter (1963): 7-8.

²²⁶ *Ibid*: 17.

the external objectives of one state should be subordinated to the internal objectives of another. He concluded:

*The principle is to subordination, in the particular case, the external objective of the state whose internal objective will be least impaired in general scope and impact by subordination in cases like the one at hand.*²²⁷

He argues, therefore, that a court should weigh the relative regulatory impairment of the two states' policies, without making super-value judgments (decisions about whether a particular policy is right or wrong). This means that the policy itself is not evaluated, but only the effect the decision would have on the efficacy of that policy.

There are a number of problems with this approach. Baxter himself acknowledged one of them, namely that the comparative impairment principle seemed to be "vulnerable to attack...on the ground of uncertainty...that it is so vacuous in content and uncertain in application as to be inappropriate for adjudicative administration".²²⁸ This is compounded by the fact that "in practice, judges have neither the data nor the intuitive undertaking of the complexities of any legal problem to make comparative impairment determinations";²²⁹ furthermore, in most cases it will be difficult to find "an easy empirically demonstrable solution".²³⁰ Where the conflict between two laws (i.e. a particular type of

²²⁷ *Ibid*: 18.

²²⁸ *Ibid*: 20.

²²⁹ Allen and O'Hara (1999): 1030-1.

²³⁰ *Ibid*.

dispute) is infrequent both states are only likely to suffer *de minimis* impairment to the effectiveness of their respective policies; but where such a conflict is frequent then it is likely that it will cause substantial impairment to the efficacy of both states' policies.²³¹

Posner criticises Baxter's approach on the basis that the "impairment" depends on only one of the two states having a regulatory advantage.²³² However, most states' interests are balanced; for example the desire of one country to prohibit the infringement of a patent is balanced against another country's desire (where there is no patent) to enable free enterprise and the development of technology. Posner makes a similar point²³³ using a statute of limitations: if the purpose of this statute is to exclude stale evidence, he suggests the law of the court hearing the case should apply (as they would be more experienced at dealing with older evidence), but if the statute's purpose is to provide certainty then the law of the defendant's state should apply as this would be the only way of giving potential defendants certainty and so giving effect to the statute.

(ii) Comparative regulatory advantage

The problems identified by Posner led him to suggest that the doctrine of comparative regulatory advantage should govern choice of law.²³⁴ Posner's theory, like Baxter's, is based on the argument that at the lowest level a state "wins" if its resident wins a dispute and a state "loses" where its resident loses the case: these cancel each other out. Using an axiomatic example, he suggests that

²³¹ *Ibid*: 1031-3.

²³² Posner (1985a): 305.

²³³ Posner (2003): 603.

²³⁴ *Ibid*: 602-3.

State A has a desire to enable its residents to travel, transact and do business within State B, likewise State B has a desire to ensure the proper regulation of travel (safe roads etc), transactions and business within its territory. Therefore the applicable law should be the state with the comparative regulatory advantage, or put another way the state with the laws that best “fit” the particular circumstances of the dispute.²³⁵ Essentially, he argues that the lawmaker who is best able to obtain the necessary information about a particular rule should be able to have that rule applied.²³⁶

Although it has been suggested otherwise,²³⁷ it is clear that Posner is also applying “interest analysis” of another type.²³⁸ Therefore his own criticisms of Baxter’s approach equally apply to his own tests. Furthermore, his theory minimises the parties ability to undertake *ex ante* planning, as they will only know which law is applicable after a complex assessment of the factors, which they will probably be unable to know after the event, let alone beforehand. His approach also requires most cases to be determined individually and so only after two rules have been weighed up against each other will precedent become of assistance.²³⁹ Furthermore, the chances of judicial error inevitably increase with “recourse to alien rules, let alone alien policies”,²⁴⁰ and so the cost caused by judicial error and the additional litigation costs associated with implementing comparative regulatory advantage would be far greater than following any traditional rules.

²³⁵ *Ibid*: 603.

²³⁶ See the interpretation of O’Hara and Ribstein (2000): 1179.

²³⁷ *Ibid*: 1190; Whincop and Keyes (2001), in their Chapter 6, suggest that comparative regulatory advantage bases choice of law on the *ability* to regulate rather than extending regulatory influence.

²³⁸ Solimine (1990): 65.

²³⁹ O’Hara and Ribsten (2000): 1179.

(iii) Mandatory rules

The application of mandatory rules or *lois de police* has already been discussed.²⁴¹

These rules enable a court to “trump” rules that would otherwise be imposed by the applicable law or even to overturn a choice of law clause in a particular contract. Such rules tend to exist in better-developed legal systems with more clearly defined legal norms.²⁴²

It would, of course, be contrary to normal economic principles to overturn a contractual term, because contractual agreements are generally wealth maximising. However, there are only two situations when legal economics would permit it: where weak parties frequently agree to contractual terms which are adverse to their interests; and where legislators are better judges of the contracting parties’ preferences than the parties themselves.²⁴³

Mandatory rules, which by their very nature cannot be avoided by contract, can still be circumvented in other ways. For example, the parties could agree to have the case adjudicated within a jurisdiction that does not apply the mandatory rule²⁴⁴ or they could take non-legal measures to avoid the effect. Such an agreement would only be effective if the contract is either ongoing or repeats, as the incentive to “cheat” is too high.²⁴⁵

²⁴⁰ Juenger (1985): 259.

²⁴¹ See page 59 above.

²⁴² Drahozal (2005): 534.

²⁴³ Whincop and Keyes (2001): 53.

²⁴⁴ This demonstrates the trade off between subjecting oneself to mandatory rules and choosing a developed system of laws: Drahozal (2005): 534.

²⁴⁵ Whincop and Keyes (2001): 54.

(iv) Game theory and state interests

It has been argued by Kramer²⁴⁶ that choice of law can be analysed using a “prisoners’ dilemma” game.²⁴⁷ Firstly, Kramer’s theory is based around a belief that the state “wins” if its policy is advanced by having its law applied and “loses” if it is not applied. He suggests that a state would want its law applied where it matters most, in cases of true conflict,²⁴⁸ and that State A does not benefit from applying State B’s laws if State B does not apply State A’s law in return.²⁴⁹ He continues by arguing that State B would be better off if: (a) it applied its own laws whenever there is a true conflict; (b) State A is willing to apply either its own law or that of State B; since State B would have its laws applied in all cases heard in State B as well as some heard in State A. State A knows this to be the case and therefore would not apply foreign law at all in its courts.

However, if both State A and B act co-operatively then foreign law would be applied in the cases that are most important to the respective States. Thus, a state is better off acting co-operatively over repeated games, even though it would be worse off in a single game. Therefore, game theory suggests that over repeated plays (in an infinite game) the players will find the co-operative solution if this provides the best payoff.²⁵⁰ Thus, because there is a co-operative solution which will leave states better off, they will follow it.²⁵¹

²⁴⁶ Kramer (1990): 344.

²⁴⁷ For a description of game theory see page 114 above.

²⁴⁸ Kramer (1990): 344.

²⁴⁹ *Ibid.*

²⁵⁰ *Ibid.*

²⁵¹ See Keohane (1986).

It is clear that predictability should be the primary goal of private international law.²⁵² State interests, either as part of traditional theory or as developed in comparative impairment or comparative regulatory advantage, are uncertain and therefore fail to meet this goal. Therefore, it should not be considered a satisfactory norm.

C. Private choice of law

There has been a recent trend in the economic approach to move away from state interests and return to the interests of the parties. This began with Erin O'Hara and Larry Ribstein's article *From Politics to Efficiency in Choice of Law*²⁵³ published in 2000 and continued with Michael Whincop and Mary Keyes who, with the publication of *Policy and Pragmatism in the Conflict of Laws*,²⁵⁴ set out the most comprehensive and unified theory based on the parties private choice of law.

(i) The limitations of the state interests approach

Whincop and Keyes identified four limitations and problems with using State interests to determine choice of law.²⁵⁵ Firstly, they suggest that the unilateralist nature of "state interests" creates a pressure on jurisdictional rules by giving the party initiating the litigation a substantial advantage. This leads to excessive litigation as parties have an incentive to be the "first mover". However, the forum to which they move may not be wealth maximising (as the gains to the claimant may be smaller than the losses to defendant).

²⁵² Allen and O'Hara (1999): 1041.

²⁵³ O'Hara and Ribsten (2000).

²⁵⁴ Whincop and Keyes (2001).

Secondly, the extension of state policies over territorial limits may lead to economically strong interest groups obtaining further advantages through the political process. This is based on the general principle that legislation generally has the effect of transferring wealth from citizens without political influence to those with such influence.²⁵⁶

Thirdly, because interest analysis makes the selection of applicable law uncertain the legal rights and obligations in turn become uncertain. Finally, and most importantly, states may have an interest in encouraging or permitting a transaction without actually governing its applicable law. Therefore, it may be that a state's interest can be ignored unless the legislation specifically proscribes a mandatory law.

(ii) Party autonomy

The older private interest theories such as vested rights are, except perhaps in their evolution in the English Courts, generally hostile to the enforcement of applicable law and forum-selection contractual clauses.²⁵⁷ This led O'Hara and Ribstein to propose a new theory, the basic premise of which is:

parties should be able to choose their governing law, subject to possible procedural protections designed to ensure that the choice is real...courts should apply rules that facilitate parties choice...the

²⁵⁵ *Ibid*: 18-19.

²⁵⁶ See n. 219 above.

²⁵⁷ Solimine (2002): 217.

*system relies on clear rules that enable the parties to determine, at low cost and ex ante, what law applies to given conduct.*²⁵⁸

Their proposal only really extended to contractual and quasi-contractual disputes.²⁵⁹ It will be suggested that this could be taken much further. However, before moving on, it is vital to understand the underlying methodology. Central to this methodology is the parties' ability to use choice of law to mitigate the effect of *inefficient* laws²⁶⁰ (by opt out) and to minimise the social welfare loss by opting out of *efficient* laws; thus fulfilling the general efficiency rationale that parties should be free to agree which law applies to their dealings, subject to certain exceptions such as capacity, duress or fraud.²⁶¹

However this choice must be made *ex ante* and not *ex post*. This is because before a dispute arises (i.e. *ex ante*) neither party is aware that it will arise and even if they suspect such a problem they will not be sufficiently aware to choose a jurisdiction (or law) from which they are certain to benefit. They are likely to choose the "efficient" option, or that which produces the greatest mutual benefit. In contrast if the choice of law is made after the event (i.e. *ex post*) then the choice is likely to benefit the chooser and so it is less likely to be the efficient choice.²⁶²

It must be remembered that economists ascribe the parties' failure to select an

²⁵⁸ O'Hara and Ribsten (2000): 1151. They suggest that a State should, following a clearly expressed legislative intent, be able to apply its law extra-territorially even if it directly contradicts a contractual provision on applicable law, but without such expressed intent, its laws should not be so applied (at 1184).

²⁵⁹ They suggested that the default position in choice of law, where *ex ante* agreement between the parties was impossible, should be based on comparative regulatory advantage: *ibid* at 1191.

²⁶⁰ There has been extensive work on why there are inefficient laws. Two possible reasons are: that legislators face incentives from interest groups; and that it is difficult to determine whether a particular law is Kaldor-Hicks efficient as the various burdens and benefits depend on the nature and changes in the market: O'Hara and Ribstein (1997).

²⁶¹ Whincop and Keyes (2001): 22.

applicable law to high transaction costs. Therefore it is efficient to fill the gaps in the contract.²⁶³ In relation to contract, efficient choice of law dictates that the court should select the applicable law by determining what the parties would have chosen at the time of making the contract: this choice should, of course, maximise the wealth of both parties.²⁶⁴

(iii) Bundling

One of the problems of basing applicable law on contractual choice is that the efficient laws will be “bundled” with the inefficient law (the good with the bad). The only advantage of bundling is that it stops well-informed parties, who know each individual law intimately, forcing a less informed party to agree to hand-picked disadvantageous laws. In other words, in cases of information asymmetry, it is better that one party is forced to take the good with the bad.²⁶⁵ Indeed, bundling lets the legal market determine choice of law because it will only be worth “exiting” from laws where they place a heavy burden on the parties.²⁶⁶ This is because a person would only contract around laws that they know will be (mutually) disadvantageous.

Vitality however, some laws have an internal balance. Nowhere is this more apparent than in relation to intellectual property. It was explained how the correct balance was drawn between incentive and use. For example, the “fair use” doctrine (or the concept of fair dealing) is efficient because it reduces transaction

²⁶² O’ Hara and Ribstein (2000): 1184.

²⁶³ Whincop and Keyes (2001): 29.

²⁶⁴ *Ibid*: 22. This was the basic premise of the “proper law” approach.

²⁶⁵ O’ Hara and Ribstein (2000): 1191.

²⁶⁶ *Ibid*: 1192-3.

costs.²⁶⁷ Therefore, a licence is only appropriate where the transaction costs represent a reasonable proportion of the licence payment. It may, therefore, undermine the consistency and economic basis of intellectual property to allow the rights to be granted in one law, but the exceptions to be governed by another.²⁶⁸

(iv) Why party autonomy?

O'Hara and Ribstein accept that there are two ways of reducing the effect of inefficient laws while preserving efficient regulation; the first is to allow the courts to determine which laws are efficient and the second is to let the parties affected decide.²⁶⁹ The first of these propositions suffers from all the problems identified above (uncertainty etc.) and so the second is more desirable, albeit there are still costs associated. These costs are caused by informational asymmetries (parties knowing different things), bargaining imbalance (particularly important when dealing with consumers) and judgment biases; however, such costs are balanced against legal certainty. One of the greatest problems of the state interest approach is the cost of legal uncertainty caused by the need to determine which law applies on a case-by-case basis. This cost is completely eliminated if parties can make an *ex ante* choice of law.

²⁶⁷ Of course, if there were no transaction costs, Coase's theorem would dictate that there would be no need to have exceptions: also see page 129 above.

²⁶⁸ For example, a high standard of originality often means that there are fewer copyright exceptions, whereas in countries with low standards of originality more exceptions are necessary: bundling is an appropriate resolution of this problem.

²⁶⁹ O'Hara and Ribstein (2000): 1163-4.

D. Recognition of foreign judgments

Once a court has entered judgment it will have mechanisms to enable that judgment to be enforced locally. However, where the assets of the defendant are not within the court's jurisdiction, the successful claimant will need some mechanism to enforce the judgment in a country where the defendant has sufficient assets.

Recognition of judgments is particularly important where jurisdiction or applicable law was agreed by contract. It may be that the parties are content to have their conduct governed by a foreign law (this is particularly likely if both parties are from different countries) and to have the same foreign courts determine any dispute. However, if the respective home courts of the two countries are unwilling to recognise the judgment of the "chosen" foreign court, then the parties are not going to allow that court to determine the matter (as the judgment would be worthless). In turn, this means that parties may not choose that law and so they may have to opt for a less efficient law. To avoid this problem it has been suggested that the two parties should be able to "contract" for recognition.²⁷⁰

(i) Game theory and recognition

The recognition of foreign judgments can be considered in terms of game theory. This requires acceptance of a general proposition, namely the defendant is more likely than the claimant to be resident in the jurisdiction for which recognition is sought.²⁷¹ If this assumption is true, a forum has a number of incentives not to recognise a foreign judgment. Most notably, to recognise a judgment means that

²⁷⁰ Whincop (1999): 437-8.

the courts are acting to the detriment of resident defendants to the advantage of non-resident claimants.²⁷² Another potential advantage to non-recognition is that it creates an incentive to move assets to that jurisdiction to “guard” them.

The advantages of recognition are more numerous. If a defendant knows that a judgment will be enforced in other jurisdictions there is no incentive to move assets, thus avoiding potentially inefficient transfers.²⁷³ Further, recognition allows claimants to have a wider choice of potential forums, thereby encouraging each forum to be efficient to attract litigation (encouraging a “race to the bottom”²⁷⁴ in costs).

The prisoner’s dilemma, recognised by Whincop, involves two states having to determine whether to recognise each other’s judgments or not; the dominant strategy is not to recognise. This is because if both recognise judgments they receive the benefit of recognition, but incur the cost of having to recognise. However, if only State A recognises but State B does not, then State B obtains a benefit from its judgments being recognised but incurs no cost to itself; whereas the recognising State A incurs the cost of recognition but receives no benefit in return. However, if neither State A nor B recognise the other’s judgments they both incur no loss (albeit they also receive no gain). Thus, a state in a one-off situation has an incentive to “cheat” and not to recognise. However, even if this were true, the interplay of states is not a one-off game but a continuous

²⁷¹ *Ibid.*: 421.

²⁷² *Ibid.*

²⁷³ *Ibid.*: 422.

²⁷⁴ This reduction is minimised because of the costs of re-litigation.

(indefinite) game. Therefore states will move over time to being co-operative and the wealth maximising solution: recognising each other's judgments.

This is not the end of the story. Whincop also acknowledges that States achieve some benefit from the recognition of foreign judgments, namely that foreign litigants do not need to re-litigate a dispute locally, particularly as the societal cost of re-litigation may be higher than the cost of recognition. This equally applies to the defendant who will have to bear the cost of re-litigation (now with a realisation that they are unlikely to win). Further, if a state's judgments are not recognised abroad then any costs "sunk" by the parties in domestic litigation would be wasted (as litigation is worthless without enforcement), in turn this means that to avoid inefficient litigation in the domestic forum it is advantageous to play the recognition game co-operatively.

(ii) Requiring the issuing court to have jurisdiction and refusing to recognise judgments on the ground of ordre public

Most courts will only enforce a foreign judgment where the rendering court exercised jurisdiction on an acceptable basis. So, for example, most foreign states will not enforce a French judgment that is based solely on Article 14 or 15 of the French Civil Code or other similar extra-territorial jurisdictional bases. This limitation enables the forum court to "temper" the extra-territorial application of foreign laws where it thinks that such an application was inappropriate.²⁷⁵ Indeed, an example of where this may actually have worked is the French abandonment of

²⁷⁵ This could also be achieved by the use of "anti-suit" injunctions, which enjoin a party from starting or continuing a suit in a foreign jurisdiction (this term has been criticised as inaccurate by Lord Hobhouse in *Turner v Grovit* (2002) 1 WLR 107, he points out that these suits do not actually bind foreign courts but parties to such suits (at 117)).

the *revision au fond*, which followed (amongst other things) a continued German refusal to recognise French judgments.²⁷⁶

Furthermore, requiring an acceptable jurisdiction basis limits forum shopping because the claimant would only shop in forums where any judgment obtained will be acceptable to potential recognising courts. This is limited further by the refusal to enforce judgments that are offensive to local public policy. It is generally recognised that a court will not enforce a foreign judgment where to do so would be contrary to the *ordre public* (public policy). A good example of this policy in action is the consistent refusal by courts in the United States to recognise English libel judgments,²⁷⁷ as to do so would be contrary to the first amendment.²⁷⁸ The balance that must be struck is between the cost of re-litigating and the cost that would be imposed where, in a limited number of cases, the public policy is circumvented.²⁷⁹

It is therefore possible to see that, with limited exceptions, it is efficient for States to recognise and enforce foreign judgments, both to ensure their own judgments are recognised (so that the litigation costs are not wasted) and to avoid domestic re-litigation.

²⁷⁶ This refusal was possible on the basis of EGBGB §24.

²⁷⁷ For example, see *Ajitabh Bachchan v India Abroad Publications* (1992) 585 NYS 2d 661; *Telivikoff v Matusевич* (Md, 1997) 702 A. 2d 230.

²⁷⁸ This is mainly due to the requirement imposed by *New York Times v Sullivan* (1964) 376 US 254 that libel laws will not protect a public figure unless the statement was made maliciously.

²⁷⁹ If jurisdictional requirements are a condition of enforcement, it is not possible for parties to consistently select foreign jurisdictions to avoid public policy restraints. This is because they will not be able to enforce the judgment locally.

VI. Concluding remarks

The theories outlined at the end of this chapter place the emphasis squarely back on private parties, but only in contractual and market tort situations. Somewhat paradoxically, in non-market torts legal economists repeatedly suggest that the comparative regulatory advantage approach should apply. Therefore they are adopting policy interests as a default mechanism where private choice cannot apply; the use of intellectual property is, within these confines, a non-market tort and therefore by logical extension, according to their approach, should be based on those rules – this is not practical and a new approach needs to be adopted.

4

New Answers or New Questions?

Chapter 2 set out the jumble that is the framework of private international law. This jumble has led a number of commentators to propose solutions to the problems caused by private international law and the Internet. The earliest suggestions involved setting up an entirely new jurisdiction on the Internet, later it was proposed that a new “internet” law or *lex informatica* could be applied to disputes on the Internet. However, in recent years, the radical ideas have been superseded by the mainstream, members of which have proposed a number of ways of reconciling private international law, intellectual property and the Internet. This chapter will examine those ideas beginning with the two most radical and moving on to proposals for reform that fit within the present international legal framework.

I. Cyberspace – the new jurisdiction?

The basis of a cyberspace jurisdiction is that:

Cyberspace will evolve to the extent that it is easier to develop [a] separate law than to work out endless conflicts that the cross-border existences will generate...and a law of cyberspace will emerge as the

*simpler way to resolve the inevitable. And repeated, conflicts that cyberspace will raise.*¹

A. The proposal

This evolution has not happened and, without being too bold, this will not happen. However, there have been those who have argued, most notably David Johnson and David Post,² not only that it should evolve, but also that it must evolve in this way; so it is only right to consider their arguments. The centre of which is the fact that laws are territorial. They base the legislative jurisdiction of a law on four premises: power, effects, legitimacy and notice.

The first of these, “power”, demonstrates the outdated nature, at least from an American context, of the Johnson/Post argument. Their argument runs as follows: laws are limited to people over whom the courts have control and where a court exercises control over a person located in a foreign state that control would be impinging on that state’s sovereignty.³ This argument is not wrong. Indeed it is similar to that proposed by Mann⁴ and had it been proposed by a European scholar it would have been in accord with prevailing thought.⁵ However, from an American perspective such a statement is incorrect as they are “in the grip of nineteenth century territorialist concept of how “real space” is regulated...and resolved”.⁶

¹ Lessig (1996): 1407.

² See in particular Johnson and Post (1996).

³ *Ibid*: 1369.

⁴ See page 39 *et seq* above.

⁵ However, many European Courts are now willing to accept that domestic legislation may not apply to foreign activities which have effects within the territory: see Mody (2001): 376-8.

Johnson/Post suggest that the “effects” of law, when limited to geographical space, should be limited to that space;⁷ however, they point out that the Internet is organised *logically* rather than *physically*;⁸ because neither an IP address nor a domain name necessarily indicates the location of the server. Therefore Internet actions and controls only have “tenuous connection to physical location”⁹ and “frequently, users are unaware that they have ‘crossed’ a political border in the course of their virtual travels”¹⁰ so, they argue, it would be improper for a particular nation to regulate the local effects of the Internet where that regulation would have worldwide effect.

It has been pointed out that despite a law being “applied” to foreign activities (i.e. net activities uploaded outside the relevant jurisdiction) it does not mean the law can be *enforced* internationally, as the vast majority of people who upload material on the Internet have no assets or presence outside their home jurisdiction and so only their local courts can effectively contain their activity.¹¹ This does, however, discount the willingness of most courts to enforce the judgments of foreign courts.

The “legitimacy” required by Johnson/Post comes from the generally agreed concept that the law should only apply to those who have “consented to be governed”.¹² Presumably they suggest this consent comes from participation in an election and possibly the voluntary “entry” into a country. This of course ignores

⁶ Goldsmith (1998b): 1205.

⁷ Johnson and Post (1996): 1369.

⁸ *Ibid*: 1371.

⁹ *Ibid*.

¹⁰ Burnstein (1996): 82.

¹¹ Goldsmith (1998a): 480.

the reality both of the electoral process and of modern rules of jurisdiction. Finally, they suggest that a person should have “notice” of the laws that will apply to certain conduct.¹³

If one follows Johnson/Post it is necessary to accept that the Internet is so different from the “real world” that it would be wrong to apply real world laws to the virtual world. However, there is no doubt that much Internet activity is little different to more conventional undertakings¹⁴ or can be seen as selling “old wine in new bottles”.

Following the Internet’s failure to address the four problems they pose, Johnson/Post suggest that states should refrain from regulating and the users of the Internet should be left to regulate cyberspace themselves. The basis of this courageous suggestion is that a “netiquette” has already developed, which they argue could evolve to cover other activities.¹⁵

B. The problems

Permitting such evolution would avoid the problem of one nation monopolising the rule-making for the entire net;¹⁶ although what is actually happening is the exact opposite: *every* nation’s law is being applied. The Johnson/Post proposal that cyberspace should be self-regulated is based on other self-regulating bodies such as “churches” and “clubs”; however the difference between a “club” and the

¹² Johnson and Post (1996): 1369-70.

¹³ *Ibid*: 1370.

¹⁴ For a discussion of the similarities between telegraphy, telephony and the Internet see Goldsmith (1998b): 1202-3.

¹⁵ Johnson and Post (1996): 1388-9.

¹⁶ *Ibid*: 1390.

Internet is that nobody in a “club” would seriously argue that they should not also be governed by the law of the nation within which the club operates.¹⁷ Another “leap of faith” in their proposal is that a sufficient number of States would agree to refrain from regulating the Internet; indeed it would need most countries to agree to such a framework. Yet why would a state so refrain? What do they have to gain?

The Internet is not worked by each user in the same way. It can be accessed very passively (just scrolling down a web page), through to an active use (material is downloaded), or interactively (where information is exchanged between a user and a site). If a person is purposely trying to evade a state’s regulation, how is self-regulation going to work? Who is going to be able to “turn off” the person purposely acting illegally, without relying on court sanctions?

Of course there have been suggestions that this could be addressed by on-line arbitrators, adjudicators, “virtual magistrates” or even setting up the United States Court for the District of Cyberspace.¹⁸ But such suggestions are at best overly optimistic, demonstrating that the Johnson/Post suggestion is either fifteen years too late¹⁹ or hopelessly naïve.

¹⁷ Of course there are clubs on the Internet which can regulate themselves, however this does not mean they are free of other regulation; nor does it mean that a court will not recognise the rules of a club when dealing with intra-club disputes.

¹⁸ A suggestion of Perritt (1996): 100; it is difficult to conceive that the rest of the world would agree to a US District being in charge of regulating US citizens conduct in cyberspace, even if it did appoint foreign judges as Perritt suggests (at 102).

¹⁹ It may have been acceptable to self-regulate when the Internet was almost the exclusive preserve of academic and research organisations who sent simple text at a very slow rate.

II. *Lex Mercatoria* for the Internet?

The original *lex mercatoria*, or law merchant was a law created by merchants for merchants;²⁰ indeed the first English treatise on the subject was not written by a lawyer but by a merchant: Gerard Malynes.²¹ Any disputes arising under the law merchant were usually settled by arbitration, with the panel including at least one experienced merchant. There were three important characteristics of the original law merchant: (1) it was universal amongst the mercantile classes around Europe; (2) it could be transported with the merchant; and (3) it was separate from the local and national laws of the states where the trade was occurring.²² However, as the divisions between the various states became clearer and the courts therein stronger the law merchant, which had provided some uniformity throughout Europe, died out.

A. *Lex informatica*?

Centuries after the death of the original law merchant, a new law merchant has begun to develop. This new law, like its medieval predecessor, relates almost exclusively to arbitration agreements. It only has force within the confines of such agreements, although any custom or practice required by the law merchant could be recognised by the courts. However, it is not *of itself* a new legal order.²³ Notwithstanding, Berthold Goldman suggests the new law merchant would be upheld by (a) the insertion of relevant clauses in international contracts or (b)

²⁰ Holdsworth (1945): 130.

²¹ Malynes (1622) (cited in Holdsworth (1945): 131-2).

²² Garavaglia (1991): 37-8.

²³ Delaume (1989); also see Juenger (2000): 1135-6.

arbitration panels giving effect to those rules,²⁴ and so it should be considered to have some legal force.

It has been proposed that a new law merchant, or *lex informatica*,²⁵ could be applied to the Internet. Its source would apparently be the customs of the net (this is similar to self-regulation) with websites being set up to host debates by the users of the net,²⁶ allowing them to propose new “customs”. Thus enabling the *lex informatica* to be dynamic and truly representative of the present customs of the Internet and to maintain “flexibility while removing uncertainty”.²⁷ It is unclear how a law, which is more or less flexible, could be certain enough for a real legal environment. Furthermore, such an approach may lead to the tyranny of the majority as customs are adopted by the masses without regard to whether they are effective or efficient.

This being the case, how could the *lex informatica* be extended to the Internet? The most obvious approach is simply by contractual agreements.²⁸ The Internet is a series of contracts, from the contract between the user and the service provider, to a suggestion that each “accepted” request for data is likely to be considered a legally binding transaction upon which additional duties can be attached.²⁹ Indeed, if one adopts Berthold Goldman’s suggestion, this would enable the incorporation

²⁴ Goldman (1979): 479 *et seq.*

²⁵ This term was coined as a system of conflict of laws by Van Boom and Van Erp (1996) and was used in its expanded sense as a whole system of law, by Mefford (1997).

²⁶ Mefford (1997): 229-30.

²⁷ *Ibid.*: 231.

²⁸ See Jaccard (1997).

²⁹ *Ibid.*: 658.

of the *lex informatica* by simple attachment and avoid the necessity of applying choice of law rules.³⁰

What initially appears to be a workable solution faces two intractable problems: public policy concerns and contractual problems. The law merchant is intended to regulate the dealings between merchants, not between merchants and consumers (indeed substantial protection for contracting consumers exists³¹). Further, it is very unlikely that the courts would enforce a contract on the basis of access alone or without the user having access to the terms of the contract before agreeing. There are also difficulties with enforcing agreements regarding the use of intellectual property by third parties.³² Indeed the move to remove liability from service providers for the transmission of infringing material³³ removes any incentive they had to come up with enforcing a contractual solution.

There is of course no doubt that should two merchants using the Internet wish to rely on the law merchant this would be quite possible (or at least as possible as it would be in the real world environment). It is however unlikely that a *lex informatica* would be generally acceptable for all dealings on the Internet.

³⁰ See Juenger (1998): 267 (arbitral tribunals are not really wedded to any particular national law of conflicts).

³¹ Directive on on unfair terms in consumer contracts (Directive 93/13/EC); furthermore contractual choice of law clauses, when concluded with consumers, are subject to strict scrutiny in the United States: see *Carnival Cruise Lines v Shute* (1991) 499 US 585 at 595 (dissent at 600).

³² This problem was acknowledged by Jaccard (1997): 657-60.

³³ Article 5(1) of the Information Society Directive (Directive 2001/29/EC) and section 512 Copyright Act 1976, inserted by Title III of the Digital Millennium Copyright Act.

B. The draft International Copyright Code: *A lex mercatoria*?

A project, almost exclusively conducted by Professor Sterling, produced what may appear to be an ambitious and bold undertaking. In 2001 he proposed³⁴ a draft International Copyright Code (ICC),³⁵ the basic proposition of which was a “one world” approach, or “universality”.³⁶ Under his approach, “protection...extends to every place, whether terrestrial or extra-terrestrial”³⁷ and is granted “irrespective of...nationality, location, place of fixation or...publication”.³⁸

At first blush, this appears to be a radical solution to the problem of conflict of laws on the Internet (albeit confined to copyright and related rights) by using a combination of a new jurisdiction and a *lex mercatoria*.³⁹ It turns the whole world into one jurisdiction with one law and, Sterling proposes, an International Copyright Tribunal consisting of judges⁴⁰ from the signatory States, to administer that law.⁴¹ It is self-evident that a specialised international tribunal would

³⁴ This original proposal has been supplemented by a number of other proposals dealing with related issues see Sterling (2003): [92-03 to 92-08].

³⁵ It was proposed at the Eighteenth Herchel Smith Lecture, the text of speech is available as Sterling (2001); further documentation is available on the QMIPRI website. Separately, Professor Sterling has proposed various conventions dealing with private international law and copyright, see Sterling (2002a) and the QMIPRI website.

³⁶ See Sterling (2002b): 284 (Part I). For a discussion of some of the underlying problems that are presently being faced: see Sterling (2000).

³⁷ Article 3(2).

³⁸ Article 3(1). Sterling argues the non-discrimination principle on the basis that the protection of authors is part of the international human rights mechanism: see Sterling (2002b): 285 (Part I); also see Torremans (2004). However, despite Article 15 of the International Covenant on Economic, Social and Cultural Rights 1966, it is not universally accepted that the protection of expression is a human right.

³⁹ The US Committee on the Judiciary is considering how to promote a “world” patent (see 109th Oversight Report, 2005-6 Session, 26th January 2005 at XII.C (at 17)).

⁴⁰ Article 20.

⁴¹ Sterling proposes an “E-Justice” system whereby most of the procedures take place over the Internet, with some support from video conferencing. Considering the length and complexity of many purely domestic copyright infringement cases (outside pure counterfeiting) it may be a little ambitious to conduct entire hearings over a video-link.

maximise efficiency,⁴² firstly because it would ensure consistency of determinations and further because it would eliminate any problems caused by forum shopping. However efficient such a tribunal may be to make it workable, as Sterling accepts, would require a simply code which must be compatible with the current international and regional laws.⁴³

There are a number of potential problems with the ICC and its tribunal. Firstly, setting up a court built on universal jurisdiction; secondly, the status of proceedings in the court and the concept of parallel application; and finally the open nature of the ICC drafting.

(i) Universality

One of the central planks of the ICC is the court's "universal" jurisdiction. There is no doubt that a universal law is, in terms of transnational disputes, likely to be wealth maximising. The cost of judicial error would be minimised and, if it were coupled with a universal jurisdiction, it would also reduce the need to commence multiple actions. Thus, the inefficiency could only come from the nature of the laws themselves; however, this problem is no worse (and is likely to be better) than that which occurs in national laws.

The negotiation of a universal law, implemented by treaty, is comparable to that of a contract. Both a treaty and a contract involve consensual exchange, and so a

⁴² See Moore and Parisi (2002): 1333; Posner and Landes (2004) found that the creation of the specialised patents court has increased patenting activity.

⁴³ Sterling (2002b): 285 (Part I). He calls these international and regional instruments the "source instruments" and he includes the various Conventions as well as European Directives.

treaty, freely negotiated⁴⁴ between nations would be wealth maximising.⁴⁵ However, there are transaction costs associated with a treaty: first, the initial cost of negotiating the treaty, which increases with the number of parties present at the drafting convention; and secondly, the implementation costs which are discussed below.

Notwithstanding, it is difficult to see how a tribunal with universal application would be acceptable to most States. One only has to look at the problems with the Community Patent Convention.⁴⁶ A central plank of the Convention was the “unity” of the Community patent, meaning that an injunction granted in one member State would be enforceable across the whole of the Community. This approach was resisted by member States. The new approach is to create a single European Patents Court (which would be part of the Court of Justice); this universal court is still controversial⁴⁷ and even now it looks unlikely that agreement will be reached in the near future.

Thus, even within a small union of nine States⁴⁸ with substantially similar patent laws,⁴⁹ it proved to be very difficult to achieve sufficient agreement to form a

⁴⁴ The problem is, of course, that treaties are rarely freely negotiated. TRIPS is a perfect example of this problem, with the United States (who have a strong, if not, insurmountable bargaining position) able to dictate to many developing nations the terms of the agreement, which may be unfavourable (see generally: Mathews (2002)).

⁴⁵ Treaties normally do not contain any enforcement mechanism, therefore they are often thought to be different. However, as discussed in Chapter 3, game theory would suggest that a nation would have an incentive to play by the rules.

⁴⁶ The Community Patent Convention was intended to set up a “Community patent” which would mean that where a patent was sought at the European Patent Office for a patent in any member State a community patent would be granted (Article 3), although it would still be possible to opt for a national patent instead.

⁴⁷ There have been a number of other difficulties particularly in relation to translations.

⁴⁸ When the CPC was signed only Belgium, Denmark, France, Germany, the Netherlands, Luxemburg, Italy, Ireland and the United Kingdom were members of the European Community.

⁴⁹ Based on the European Convention on the Grant of European Convention and the Strasbourg Convention.

Community Patents Court. It is therefore difficult to see an International Copyright Tribunal, able to determine all infringements in the world, being acceptable. Further, at present, there is no court dealing with private law matters that has universal jurisdiction, so that it is difficult to imagine a significant number of States being willing to grant any private tribunal worldwide jurisdiction. Indeed, Sterling acknowledges as much,⁵⁰ so he proposes the principle of “parallel application”.

(ii) Parallel application

Integral to the ICC is the principle of parallel application, which means that a decision of the Tribunal would only be enforceable where the court of a particular jurisdiction confirms the decision;⁵¹ meaning signatory States would have to *accept* the rulings of the Tribunal.⁵² This principle means that a person will be able to rely on a right or exception granted under local law, but this would only be available within the jurisdiction of the local court.

Likewise, where a ruling has been made by the Tribunal and the claimant moves to enforce the judgment, it will be possible for the defendant to challenge the ruling on the basis of local law, even where that local law conflicts with the provisions of the Code.⁵³ The right to “collaterally” challenge the Tribunal decision by incorporating new local law principles at the stage of enforcement undermines the entire purpose of the proposal by adding uncertainty and in turn *costs*. Indeed, it makes the Tribunal’s decisions comparable to those of an

⁵⁰ Sterling (2001): 529 where he states, “international consensus is very hard to achieve in some areas, as we know from long and from recent experience”.

⁵¹ *Ibid.*

⁵² Sterling (2002b): 468 (Part II).

arbitration panel. When the ICC is looked at in such a light it becomes more and more like the Uniform Domain Name Dispute Resolution Policy (UDRP).⁵⁴ The UDRP has largely been a success.⁵⁵ It has enabled the resolution of domain name disputes cheaply and effectively; however, it purposely does not oust the right to commence court proceedings. Article 4(k) of the UDRP allows the decisions of the Panel to be challenged in court; however, in practice, challenges in national courts have only occurred on a “handful of occasions”.⁵⁶

Thus, it might appear that the ICC’s similarity to the UDRP is no bad thing. If the Tribunal were accepted as a glorified arbitration panel, with the ICC as a *lex informatica*, then maybe this would be an appropriate way forward. There are, however, a number of differences between the proposed ICC and the UDRP. Firstly, the UDRP is limited to transferring the registration of a domain name, there is no right to damages, costs or an injunction; whereas Sterling proposes that the ICC should possess the full range of powers. Secondly, the issues in domain name disputes are normally straight-forward and would almost never require extensive evidence, whereas this is not true of copyright cases (save maybe counterfeiting cases). Finally, enforcement of a UDRP Panel decision is conducted through a contract with an impartial third party (the registrar of the particular domain) who can enforce the ruling without involving the defendant; this is quite different to expecting local courts to accept the decision of the International Copyright Tribunal.

⁵³ Sterling (2001): 529; this idea is similar to the old French doctrine of *revision au fond*.

⁵⁴ (October 24, 1999) also see the accompanying Rules.

⁵⁵ See Bettink (2002).

⁵⁶ Cornish and Llewelyn (2003): [19-103].

(iii) The drafting of the proposed International Copyright Code

Michael Van Alstine⁵⁷ has identified five “transition” costs associated with the implementation of a treaty: (1) the learning costs associated with determining the content of new legal norms; (2) the uncertainty costs that arise from the absence of authoritative determinations about the meaning and effect of the new norms; (3) the costs of errors through mistakes in interpretation; (4) private costs associated with adopting to new legal norms; and (5) the public costs incurred by courts and others associated with contending with the new legal norms.

It is true that international agreements with broad propositions may, in theory at least, be more efficient. This is because they allow courts to interpret, and reinterpret, the agreement over time to fit changing circumstances without having to re-negotiate the underlying treaty or agreement.⁵⁸ Such a cost is reduced by creating an authoritative tribunal, such as is proposed as part of the ICC. However, because the ICC does not include any exceptions to copyright (but leaves them to Signatory States)⁵⁹ it does not address vital aspects of any infringement.

However, more importantly, if the jurisprudence of the international court were to bind countries worldwide (so effectively modifying how authors are protected in

⁵⁷ See Van Alstine (2002b). These costs are based on those he originally identified in relation to law reform in his earlier article Van Alstine (2002a).

⁵⁸ See Posner (2003): 140-1. However, interpretation can also cover “holes” in agreements; for example, the words “not similar” were interpreted by the Court of Justice to mean “similar or not similar” to cover a perceived gap in the Trade Marks Directive (Directive 89/104/EC): *Davidoff v Gofkidd* (2003) 1 CMLR 1039 (Case C-292/00) and *Adidas v Fitnessworld* (2004) 1 CMLR 448 (Case C-408/01).

⁵⁹ Instead it simply requires that any exceptions relied upon comply with the “three-step test” (Article 10). Elsewhere, the author has suggested that the test was only accepted “because it could mean all things to all people”: Johnson (2004): 265. In other words, the uncertainty and flexibility of the test is what makes it desirable and, *ipso facto*, a wholly unsuitable test to use directly.

each signatory State), the states themselves would be interested in the decisions of the Tribunal; this is especially true if, as Sterling rightly expects, local laws increasingly approximated the Code.⁶⁰ Although it has been argued above that states are not really interested in the determination of legal disputes involving private rights,⁶¹ it does not follow that states are not interested in the evolution of their own legal systems. Therefore, as decisions on the Code would elucidate the nature of provisions, it may be that signatory States would want to be involved in that process. In similar circumstances, the procedures of the Court of Justice acknowledge that member States should be free to intervene in cases between private parties on the interpretation of a community provision.⁶² It is possible that a similar provision would be necessary in relation to proceedings before the Tribunal, which may in turn increase the expense and the controversy of rulings.

The private adjustment costs created by adopting a universal code would be very high because all the old practices would have to be revised; also, because of parallel application the agreements would be far more expensive as they will have to accommodate both the universal code and the local laws. Similarly, national tribunals would have to try and accommodate both their own law and the universal code with its fluid interpretation, further increasing the costs faced by public authorities.

(iv) Suitability?

The ICC would not provide a final solution to many of the problems presented by conflict of laws on the Internet; however, it may provide a good mechanism for

⁶⁰ Sterling (2002b): 469 (Part II).

⁶¹ See page 77 *et seq* above.

international copyright arbitrations (i.e. where both parties consent to a determination). These decisions could be arbitral awards under the New York Convention on the Recognition and Enforcement of Arbitral Awards.⁶³

III. Private international law solutions

The various normative theories explaining conflict of laws have often been ignored when trying to determine a solution to the problem of intellectual property on the Internet. This deficiency is not for want of activity as the area has attracted substantial amounts of research, particularly over the last decade. This started in 1998 with reports to the World Intellectual Property Organisation by André Lucas⁶⁴ and Jane Ginsburg,⁶⁵ which was followed up in 2001 by a WIPO Forum. This forum grew out of the Hague Conference's attempt to agree a treaty on commercial disputes in private international law.

At the WIPO Forum Jane Ginsburg and Rochelle Dreyfuss presented a "Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters"⁶⁶ (the Draft Convention). Although to date this project has not been taken further by WIPO, Professors Ginsburg and Dreyfuss joined Professor Dessemontet in the American Law Institute project "Intellectual Property: Draft

⁶² Article 40 of the Protocol on the Statute of the Court of Justice.

⁶³ Article II(1), V(2) requires enforcement of these awards unless there is strong public policy reasons for not enforcing.

⁶⁴ Lucas (1998).

⁶⁵ Ginsburg (1998a).

⁶⁶ Dreyfuss and Ginsburg (2001) this was later published (in an updated form) as Dreyfuss and Ginsburg (2002b).

Principles Governing Jurisdiction, Choice of Law, and Judgments in Transitional Disputes”⁶⁷ (the Draft Principles).⁶⁸

In parallel with the ALI project, the International Jurisdiction project is being conducted by the Max Planck Institute (MPI) for Intellectual Property.⁶⁹ In addition, the European Commission’s draft Regulation on the Law Applicable to Non-Contractual Obligations (Rome II)⁷⁰ provides general rules on choice of law, with special provision for intellectual property. In contrast, Mirelle van Eechoud has set out how, using the allocation method, the applicable law might be chosen. Finally, the International Association for the Protection of Intellectual Property (AIPPI) have passed resolution 174 on jurisdiction and applicable law in the case of cross-border infringement (infringing acts) of intellectual property rights, which is probably the only “complete” undertaking in this field so far. The purpose of this part is to discuss the various proposals⁷¹ (to the extent that they available) and put them in an economic context.

A. AIPPI: Resolution 174

On 27th October 2003 the AIPPI adopted Resolution 174 on the Jurisdiction and Applicable Law in the Case of Cross-Border Infringement (infringing acts) of Intellectual Property Rights. This Resolution did not set out a detailed approach

⁶⁷ The final draft is not going to be made public until it goes before the ALI Conference. Although an early draft was published Dreyfuss and Ginsburg (2002a), this draft is very similar to the Draft Convention.

⁶⁸ There is also a proposal for a European Patent Litigation Agreement (the most recent publicly available draft is the 16th February 2004), which would create a separate European patent court system.

⁶⁹ See Drexler and Kur (2005).

⁷⁰ COM (2003) 427 (22nd July 2003).

on how private international law matters should be resolved; it simply sets out five proposals which deal with jurisdiction and applicable law.

(i) Jurisdiction

The main provision of the Resolution follows the traditional view of jurisdiction, namely the defendant's domicile should be the normal forum.⁷² However, the recitals make it clear that "infringement may need to be looked at on a global basis and enforcement should be enhanced to become global or at least regional"⁷³ and "to achieve this goal it should be possible...for courts of a country different from the country where the infringement...[took place]" to hear the dispute.⁷⁴ Thus, the wording of Article 1(1) proclaims a general principle:

The courts of a given country should be allowed to make a ruling over infringing acts regarding certain intellectual property right which have taken place in any other country...

It is unclear why the word "certain" is included, although recital (e) suggests that the rules "may also vary according to the nature of the intellectual property rights involved".⁷⁵ Therefore, the resolution may only apply to certain types of intellectual property, although it is unclear which rights are included and which are not.

⁷¹ There have, of course, been a number of other proposals; however most of these have normally not extended beyond a single article or paper: see for example Dinwoodie (2000), which proposed using a substantive law solution similar to that proposed by Van Mehren (see page 74 above).

⁷² Article 1(4).

⁷³ Recital (a).

⁷⁴ Recital (b).

⁷⁵ Also see recital (i) which makes it clear that the agreement is intended to only cover intellectual property rights and not tort law. Whether this means torts related to intellectual property (such as passing off and unfair competition) are excluded is unclear.

Even though the Resolution dictates that a court should generally be allowed to rule on extra-territorial acts, this general rule need not be followed where the particular intellectual property right in question has an impact on the public interest.⁷⁶ Furthermore, to avoid multiple suits a *lis pendens* rule was included in the Resolution, so where a dispute comes before a court which was not the first to be seized of the matter, it should consider staying the proceedings.⁷⁷

(ii) Applicable law

The Resolution does not actually present any new propositions, it mandates that (except in special circumstances) the general rule is that the law applied is that of the “place for which protection is sought”: the *lex protectionis*.⁷⁸ In contrast, the Resolution maintains the normal rule that the rules of procedure should be governed by the *lex fori*.

However, the Resolution does not clarify what amounts to “special circumstances”, but it does suggest that in unusual circumstances it is possible to apply a law other than that for which protection is sought.⁷⁹ However, special circumstances would not appear to include an everyday matter, such as a dispute involving the Internet, or even consolidation due to a trans-national dispute.

⁷⁶ See Article 1(2) and recital (d). This is also taken into account when enforcing a judgment see Article 3(2).

⁷⁷ Article 4(1).

⁷⁸ Article 2(2).

⁷⁹ See page 318 *et seq* below.

(iii) Resolution 174 – another damp squib?

The Resolution does not go very far towards providing a comprehensive solution. The proposals on jurisdiction simply reflect the normal policy and legal basis of jurisdiction in tort disputes. The rules on choice of law tend to reflect the general approach taken by national (and possibly international) courts, which have caused far too many problems in conflict of laws already without them being reinforced. It is unfortunate to conclude, but Resolution 174 only makes it clear that the normal rules of private international law apply to intellectual property disputes, which, in recent years, has never really been in doubt.

B. “Rome II” draft Regulation on the law applicable to non-contractual obligations

The European Commission’s proposed draft on Applicable Law to Non-Contractual Obligations is meant to “finalise” the project that was started in the 1970s. It is intended to follow the Rome Convention on the Law Applicable to Contractual Obligations (Rome I) and to mesh with the Brussels and Lugano Conventions (and (EC) Regulation No. 44/2001), on jurisdiction.⁸⁰ The purported need for the Regulation is to avoid distortions of competition and forum shopping.⁸¹ However, the Regulation is intended to have universal application⁸² and therefore it applies to disputes involving third countries, as well as to disputes

⁸⁰ There was an earlier proposal by the European Group for Private International Law on the law applicable to non-contractual obligations (text adopted at the meeting at Luxembourg 25-27 September 1998). This proposal had no special provisions for intellectual property.

⁸¹ COM (2003) 427: 7. The European Parliament Legal Reform Committee has, in its Final Report, more or less rewritten the proposal (Final Report A6-2011/2005, 27th June 2005). This report was adopted in the plenary session on the 6th July 2005. The Final Report was very heavily influenced by American scholars; indeed, the Rapportuer, Diana Wallis, invited a number of leading American, scholars to a seminar on 14th March 2005.

involving activities within the European Community. The need for such a Regulation has been questioned⁸³ and so has its legal basis.⁸⁴

The general rule under the Regulation is that of the *lex delicti commissi*;⁸⁵ however there is a special provision for intellectual property,⁸⁶ based on the *lex loci protectionis*,⁸⁷ which reads as follows:

Article 8

(1) The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is sought.

(2) In the case of a non-contractual obligation arising from an infringement of a unitary Community industry property right, the relevant Community instrument shall apply. For any question that is not governed by that instrument, the applicable law shall be the law of the Member State in which the act of infringement is committed.

The wording of paragraph (1) is based on the Berne Convention (Article 5(2)) and the Paris Convention (Article 2(2)). This presents two issues. Firstly, there has

⁸² Article 2. This is the same as the Rome Convention.

⁸³ See House of Lords (2003-4); Mason and Roebuck (2003): 1-2.

⁸⁴ The legal base is Article 65 of the EC Treaty. The House of Lords (2003-4) questioned whether the Instrument, if made, would be *intra vires* (at [72]) as well as doubting whether there was a political mandate (at [64]); also see Roebuck and Mason (2003): 2 and Carruthers and Crawford (2004): 24.

⁸⁵ Article 3.

⁸⁶ The definition of "intellectual property" is found in recital 14. There is also special provision (Article 5) for unfair competition, which obviously has an impact on intellectual property. The Law Reform Committee of the European Parliament has, however, recommended that this provision should be omitted: Final Report: 21.

⁸⁷ Recital 14 suggests that "regarding [violations/infringements] of intellectual property rights, the universally acknowledged principle of the *lex loci protectionis* should be preserved".

been doubt about whether Article 5(2) of the Berne Convention is actually a choice of law provision.⁸⁸ Secondly, every member State is a signatory to all the major international treaties; therefore, if choice of law rules are provided by those treaties then there is *no* need to “harmonise” the applicable law because it is already harmonised.⁸⁹ However, if the Court of Justice determines that the intellectual property conventions, which are partially within community competence,⁹⁰ *do not* contain a conflicts rule then the diverging rules of the member States may need harmonisation.⁹¹ It has been suggested that Article 8 “ignores the difficulties in intellectual property which [have] been extensively discussed.”⁹² This is unquestionably true and so it is surprising that Article 8 remains in the draft.⁹³

Article 10(1) allows parties the freedom to choose the applicable law. However, this rule specifically excludes obligations to which Article 8 applies, in other words, intellectual property disputes. The Commission paper suggests freedom of choice would not be appropriate for intellectual property, although it does not explain why.⁹⁴ Hausmann argues that this ban is a necessary consequence of the territoriality principle⁹⁵ and he continues by suggesting that “the parties cannot be

⁸⁸ For a fuller discussion see page 324 *et seq.*

⁸⁹ A similar point is raised by Drexel (2005): 157-8.

⁹⁰ The EC is a party to TRIP and has signed (and agreed to ratify: see Council Decision 2000/278/EC) the WCT and WPPT. In addition the Court of Justice has held the Berne Convention to partially fall within community competence: *Commission v Ireland* (2002) 2 CMLR 10 (Case C-13/00) (this is based on Article 5, Protocol 28 of the EEA Agreement).

⁹¹ For example, Article 63 of Greek Copyright Law dictates that the law of the country where the work was first made available to the public should apply. It appears that the Court of Justice may have held that the Conventions do not include choice of law rules see *Tod's SpA v Heyraud* (unreported) 30th June 2005 (Case C-28/04).

⁹² House of Lords (2003-4): [131] citing the evidence of Sir Lawrence Collins.

⁹³ Although most of the other special cases were removed by the European Parliament, the special rule for intellectual property remains.

⁹⁴ COM (2003) 427: 22. The European Parliament proposes allowing such selection: Final Report: 16-7.

⁹⁵ Hausmann (2003): 285.

permitted to elect as the applicable law the law of a country in which the injured party enjoys no protection".⁹⁶ Furthermore, mandatory rules⁹⁷ and *order public*⁹⁸ apply in the Draft Regulation as they do in Rome I.

The proposed rule, particularly the restriction on contracting out of the inefficient application of rules, means that an act of infringement on the Internet may be subject to the law of not only every European jurisdiction, but to every jurisdiction in the world (due to the universality principle).⁹⁹ This proposal therefore adopts the worse case scenario.

C. Van Eechoud's allocation method: "choice of law"

Mireille van Eechoud in *Choice of Law in Copyright and Related Rights: Alternatives to the Lex Protectionis*¹⁰⁰ suggests that modern allocation methods make it possible to assign the appropriate legal seat for each of the four aspects of a copyright dispute:¹⁰¹ existence, scope and duration; initial ownership; transfer; and infringement. She proposes sound reasons why certain connecting factors should be adopted for each of these four aspects. In particular, she relies on a broad "functional allocation" using her interpretation of the purpose and reasoning

⁹⁶ *Ibid.*

⁹⁷ Article 12; Article 12(1) matches Article 7(1) of the Rome Convention and allows courts to apply foreign mandatory rules. The United Kingdom chose to opt out of Article 7(1) because it felt it would "detract from the principles of certainty and uniformity which the Convention otherwise seeks to promote": see *Contracts (Applicable Law) Bill*, 12th December 1990, 513 Hansard HL (4th Series) column 1258 (effected by section 2(2) of the Contracts (Applicable Law) Act 1990). Others member States took up this unhelpful option.

⁹⁸ Article 22.

⁹⁹ Mason and Roebuck (2003): 2-3. There has also been some lobbying to introduce a country of origin principle: see Roebuck (2002). This is, in relation to defamation, the suggestion of the House of Lords (2003-4): 130. The commission have made it clear that the country of origin principle will not be affected where it has been previously legislated.

¹⁰⁰ Van Eechoud (2003).

¹⁰¹ Although much of her reasoning could be extended to other intellectual property rights.

for copyright law (stimulating the production and dissemination of information¹⁰²).

(i) *The failure of the lex protectionis*

Her arguments suggest different laws should apply for each of these four aspects.

For the first (existence, scope and duration) she suggests that the *lex protectionis* (the country where the intellectual property is used) should govern otherwise there

“would not be sporadic, but continuous application of intellectual property law that is foreign to the place of use”.¹⁰³

In respect of initial ownership, she proposes that for copyright works with a single author the law of the author’s habitual residence should apply.¹⁰⁴ For works with joint authors, she recommends either a choice by co-contributors¹⁰⁵ or some arbitrary rule like the law of the place of publication.¹⁰⁶ In relation to employees she proposes that the law governing the employment contract applies.¹⁰⁷ For the third aspect: transfer, she suggests that the governing law should be that determined by locating where the characteristic-performance is to take place¹⁰⁸ or, where that is not clear, the law with the closest connection.¹⁰⁹ Finally, in relation to infringement she argues that the law should follow the traditional *lex delicti* (where there is no cross-border element),¹¹⁰ but in cases of cross-boarder

¹⁰² *Ibid*: Chapter 5 and 176.

¹⁰³ *Ibid*: 178.

¹⁰⁴ *Ibid*: 185.

¹⁰⁵ *Ibid*: 186.

¹⁰⁶ *Ibid*: 188.

¹⁰⁷ *Ibid*: 192.

¹⁰⁸ *Ibid*: 202.

¹⁰⁹ *Ibid*.

¹¹⁰ *Ibid*: 229.

infringement she recommends that the law can either be chosen by the parties¹¹¹ or should follow the “common habitual residence”.¹¹² Where those rules cannot apply she proposes a number of possible connecting factors:

- a) where there is one place of use, the law of the place of use;*
- b) where there are several places of use in different countries,*
 - the law of the country in which the injured party (right owner) has his place of habitual residence or place of business, if that is also an effective place of use, or, if this is not the case:*
 - the law of the country where the tortfeasor (user) has his habitual residence or principal place of business, if that is also an effective place of use.*¹¹³

She suggests how the place of use can be determined:

one should determine whether its inhabitants are a target audience of a communication or act of making available. Factors to be considered are, inter alia:

- the use of access-controlling techniques such as passwords on websites, encryption of signals, or IP-mapping;*
- the nature of the information offered (i.e. locally-oriented or not);*
- the language in which the communication takes place.*¹¹⁴

¹¹¹ *Ibid*: 213-4 and 229.

¹¹² *Ibid*: 214-5 and 229.

¹¹³ *Ibid*: 229.

¹¹⁴ *Ibid*: 229-30.

(ii) Evaluation

It can be seen that certain elements of this proposal are certainly wealth maximising. In particular, the suggestion in relation to infringement, that the parties can select the law that will govern their relationship. However, this does not relate to other matters such as subsistence and transfer. Thus, it is suggested that this proposal does not go far enough. Furthermore, it is quite clear that where there is no agreement between the parties the proposal is no clearer and no more certain than many of the long list of connecting factors proposed by others (such as the Restatement (Second)). This being the case, legal certainty disappears the moment that there is no agreement between the parties. It is also unclear whether her proposal fits the current law (in the European Community at least) or would require a whole-scale reform.

In conclusion it is quite clear that certain aspects of this proposal should be welcomed, but like the others it does not go far enough and in many cases the outcome will not maximise wealth.

D. ALI draft Principles on Jurisdiction and Recognition of Judgments

The Draft Principles presented by the American Law Institute (ALI) have only been published as an early draft.¹¹⁵ This draft is similar to the earlier work of

¹¹⁵ Published as Dreyfuss and Ginsburg (2002a). A Preliminary Second Draft (January 2004) has been prepared and made available on a limited basis, but it is not publicly available and so will not be discussed here; also see Dreyfuss and Ginsburg (2003). Similarly, Dessemontet (2002) discusses some of the provisions.

Professor Ginsburg and Professor Dreyfuss on their Draft Convention.¹¹⁶ Thus both proposals will be considered together. The difference between the two is that the Draft Convention was intended to be an international agreement, whereas the Draft Principles are intended to serve merely as a guide to (American) judges.¹¹⁷ The Draft Convention also covers a number of matters such as legal aid and the extent of judgments which, although worthy of comment, go beyond the scope of this work.

(i) Scope

The rights covered by the Draft Principles are based on those granted by TRIPS¹¹⁸ (possibly including sound recordings as well, although these are not covered by TRIPS, they are covered by the Phonograms Convention (Rome) and the WPPT). This provides some uniformity by adopting common values, which may, in time, provide a legal order.¹¹⁹ However, some interesting points stem from this approach; TRIPS includes references to rights granted by the Berne Convention and the Paris Convention, why then do the Principles not refer directly to those Conventions rather than to TRIPS? In addition, requiring signatories to these Principles to comply with these treaties ensures that minimum standards of protection for proprietors are afforded, but it does not protect *users*, potentially destroying the balance between the owner and user.¹²⁰

¹¹⁶ There is also a parallel project the ALI are running with UNIDROIT on Draft Principles of Transnational Civil Procedure, although covering a much broader remit the UNIDROIT document includes similar (much simplified) jurisdictional principles (see Study LXXVI – Doc 11, February 2004).

¹¹⁷ Hellstadius and Meier-Ewert (2005): 316 (reporting comments of Richard Fentiman on the Draft Principles).

¹¹⁸ Dessemontent (2002): 58-9. Article 1 (substantive scope) Draft Convention (DC) and Article 1 of the Draft Principles (DP). Also see Dreyfuss and Ginsburg (2002b): 1068-9 and 1090-1101.

¹¹⁹ Dessemontent (2002): 58-9.

The drafters of the Draft Principles accept that patents might need to be considered separately due to a number of objections which they set out.¹²¹ The first objection is that the grant of a patent is an act of the State and one State should not interfere with the actions of another State. This view has been strongly criticised by Dessemontet.¹²² He suggests that there is a traditional view that one state should not interfere with the acts of another; it should not be given too much weight.¹²³ Firstly, because TRIPS has now unified the differing political and economic justifications for patents and therefore historic concerns are now less pertinent.¹²⁴ Secondly, because the move towards specialised patent courts mean that there is less reason for stopping foreign courts (who are specialist) from determining the validity of a patent.¹²⁵ Where concerns remain, these could be met by requiring courts to have certain expertise before they are entitled to invalidate patents.¹²⁶

The second objection is that the cost of obtaining patents is so high that should “information havens” exist they may invalidate a number of important and expensive foreign patents.¹²⁷ However, Dessemontet suggests that where minimum standards are set by TRIPS there is no chance of “information havens”¹²⁸ coming into being. Furthermore, if courts are willing to accept the doctrine of international issue estoppel (or even *res judicata*) then two parties need only (and could only) litigate validity once; thus the cost of maintaining patents

¹²⁰ Petkova (2004): 182.

¹²¹ Dreyfuss and Ginsburg (2002b): 1097-8.

¹²² Dessemontet (2002): 60.

¹²³ *Ibid*: 61; also see discussion in Chapter 6.

¹²⁴ *Ibid*: 60.

¹²⁵ *Ibid*.

¹²⁶ Dreyfuss and Ginsburg (2002b): 1097.

¹²⁷ *Ibid*.

would be reduced worldwide.¹²⁹ However they point out that in some countries specialist courts deal with the validity of patents and other courts deal with infringement,¹³⁰ an arrangement that would have to be accommodated.

The final objection is that the technical nature of patent infringement and the varying procedural differences (in particular disclosure) in patent law mean that normal courts could not handle them.¹³¹ This objection could be avoided by requiring only courts with certain expertise to handle the dispute.

Notwithstanding, the answers to these problems, Dreyfuss and Ginsburg argue that the problems with including patents in their Draft Convention are greater than the potential benefits. Therefore they propose excluding patents from the scope of the Draft Convention¹³² (although they are in brackets in the Draft Convention and substantively in the Draft Principles).

(ii) Jurisdiction

The approach adopted by the ALI project is similar to that of the now abandoned draft Hague Convention with its “black list” of unacceptable basis of jurisdiction¹³³ and a “grey list” in favour of national basis of jurisdiction.¹³⁴

¹²⁸ *Ibid.* It must be remembered that the transitional provisions for developing countries under the TRIPS arrangements end in 2005 (see Part VI of TRIPS).

¹²⁹ Although there are different tests for validity worldwide.

¹³⁰ This is also true of trade marks.

¹³¹ Dreyfuss and Ginsburg (2000b): 1097-8.

¹³² *Ibid.* This approach has been criticised by Hankin (2002).

¹³³ DC Article 16 and DP Article 14.

¹³⁴ This list is in DC Article 15 (it allows national jurisdictional rules unless they are on the black list), there is no “grey list” in Draft Principles, as published, although it is likely to be re-introduced; however, Dessemontent (2002): 61, questions its necessity.

The ALI proposes a general rule of jurisdiction based on the defendant's habitual residence (residence itself may be enough, although not presence alone¹³⁵) and for legal persons the place of corporate establishment.¹³⁶ Alternatively, jurisdiction may be based on contract¹³⁷ (including "clickwrap" licences¹³⁸) or on the defendant's consent (by appearing and not contesting jurisdiction).¹³⁹ The Draft Principles and the Draft Convention adopt the doctrine of *lis pendens*,¹⁴⁰ thus where a court is "second seized" of a matter it should stay proceedings, unless the court first seized only had "special jurisdiction".

This "special jurisdiction" is set out in Article 5 of the Draft Principles:¹⁴¹

(1) A plaintiff may bring an infringement action in the courts of—

- any State where the defendant substantially acted (including preparatory acts) in furtherance of the alleged infringement, or*
- any State to which the alleged infringement was intentionally directed, including those States for which the defendant took no reasonable steps to avoid acting in or directing activity to that State, or*

¹³⁵ DC Article 3 and DP Article 2.

¹³⁶ Dessemontent (2002): 61-2.

¹³⁷ DC Article 4.1 and DP Article 3.1.

¹³⁸ DC Article 4.2 and DP Article 3.2.

¹³⁹ DC Article 5 and DP Article 4.

¹⁴⁰ DC Article 12 and DP Article 11.

¹⁴¹ DC Article 6 is similar, although it also provides special provisions for Internet Service Providers in article 6.4. It was also inspired by article 10 of the 1999 draft Hague Convention and it is somewhat similar to article 5 of the Brussels Regulation.

– any State in which the alleged infringement foreseeably occurred unless the defendant took reasonable steps to avoid acting in or directing activity to that State.

(2) If an action is brought in the courts of a State only on the basis of the international direction of the alleged infringement to that State, then those courts shall have jurisdiction only in respect of the injury arising out of unauthorised use occurring in that State, unless the injured person has his habitual residence or principal place of business in that State.

(3) If an action is brought in the courts of a State only on the basis of the foreseeable occurrence of the infringement in that State, then those courts shall have jurisdiction only in respect of the injury arising out of unauthorised use occurring in that State.

This approach presents a number of problems in the digital environment. Therefore, each of the three bases of special jurisdiction will be considered.

“Where the defendant substantially acted (including preparatory acts) in furtherance of the alleged infringement”

This provision is intended to catch those defendants based in one country but who make the infringing material available in another.¹⁴² Even if this provision were only limited to such circumstances, it would still be very wide reaching. It begs

the question: where exactly is a website located?¹⁴³ Is it simply located where the server is based? If this is the case then many website “owners” would be subject to the laws of a country with which they had no purposeful contact. Furthermore, jurisdiction on this ground is not limited to infringement within the particular forum.

If, however, this provision is only intended to cover “real world” acts (i.e. those over which a person has direct control) then it is unclear what “substantially acted” should mean. Is it limited to the location of “uplift”? The answer would appear to be no, as “preparatory acts” are included. Therefore, unless the uplift is intended to be the preparatory act, this provision must include conduct before uplift (however, if the uplift is the preparatory act what are the substantive acts?) Is the purchase of a computer from another jurisdiction a preparatory act? Is entering a contract with an Internet Service Provider such an act?¹⁴⁴

These unanswered questions would make this rule, which at first blush seems reasonable, very difficult to implement and, bearing in mind the requirement for national implementation, it would lead to widely different approaches to establishing jurisdiction.

¹⁴² Dreyfuss and Ginsburg (2002b): 1108-9.

¹⁴³ There is also no provision for “mirror sites”, where the service provider moves popular website material around the Internet for the purposes of better management.

¹⁴⁴ This would then lead to an underlying question of the *situs* of any contract between service providers and users, thus creating a whole new problem.

“Any State to which the alleged infringement was intentionally directed, including those States for which the defendant took no reasonable steps to avoid acting in or directing activity to that State”

This provision is intended to cover situations where the defendant “sought to communicate the allegedly infringing content to [the] State, or at least did not turn away customers who responded to the availability of the communication in that State”.¹⁴⁵ It is meant to address the problem of “forum manipulating” by a defendant who locates themselves in an “information haven”¹⁴⁶ (presumably a State which is not signatory to TRIPS or possibly the Draft Principles). It is difficult to argue that someone who deliberately acts in a state, but at the same time tries to circumvent its laws, should not be brought to account.

However, the second limb of this provision (with the drafters’ explanation) is far more concerning. The word “including” suggests that “intention” in this case is not what it would normally be understood to cover. It is unlikely that the use of the word in this context means “intentional” in the English law sense, whereby the act is only intentional where it was the actor’s purpose to do something or that something was a virtually certain outcome from the actor’s conduct;¹⁴⁷ but rather in the sense of “general intent” used in the United States, which is simply a general awareness of the relevant factors.¹⁴⁸ Indeed, even the majority US standard may be higher than the drafters intended; the second limb’s reliance on “reasonable steps” suggests that someone acting in a reckless fashion may be

¹⁴⁵ Dreyfuss and Ginsburg (2002b): 1109.

¹⁴⁶ *Ibid.*

¹⁴⁷ See *R v Woollin* (1999) 1 AC 82.

¹⁴⁸ The meaning of intent is a State matter see LaFave (2000): 237-239.

sufficient. Thus, the ignorant may be safe, but someone who is aware of this risk and takes some steps that prove inadequate (or insufficiently reasonable) would be subject to the jurisdiction of every signatory State.

“Any State in which the alleged infringement foreseeably occurred unless the defendant took reasonable steps to avoid acting in or directing activity to that State.”

This basis of jurisdiction is very weak; indeed it may have been intended to simply protect passive service providers.¹⁴⁹ As Ginsburg concedes elsewhere, once something is posted on the Internet it is foreseeable that it can be accessed anywhere else in the world.¹⁵⁰ Taken at her word, this means that a person will be subject to jurisdiction in every signatory State (albeit limited to infringement within its borders) unless they take reasonable steps, whatever these steps might be.

However, the Internet’s ubiquity has been criticised as being too simplistic;¹⁵¹ the fact that it is possible to access material abroad does not mean that it is foreseeable that the material will be accessed, particularly if there are linguistic differences or a regional element to contents of the website. This criticism is, in itself, somewhat simplistic. Primary infringement of intellectual property rights is normally based on strict liability; therefore all that is required, in theory at least, is that a person stumbles across a website which they may, upon reading, not wish to

¹⁴⁹ Dreyfuss and Ginsburg (2002b): 1111.

¹⁵⁰ Ginsburg (1998b): 295.

¹⁵¹ Reindl (1998): 828.

have accessed. The nature of the Internet means that this “accidental stumbling” is a reasonably foreseeable consequence of making a website available.

Furthermore, the “reasonable foreseeability” test may preclude a particular court from exercising jurisdiction in relation to a dispute, but it does not preclude an intellectual property proprietor from recovering for damage within that jurisdiction for infringement. The proprietor simply must sue for the damage in a court that does have jurisdiction.¹⁵²

It would therefore appear that two of criteria granting special jurisdiction are heavily dependent on what amounts to reasonable steps. At present it is difficult to “lock-out” jurisdictions¹⁵³ and only the most technically sophisticated are able to take such action, everyone else is compelled to take a site down. Indeed, should “territorial” borders be resurrected by technical means the benefits provided by the information age may well be lost.

Therefore, although the general bases of jurisdiction suggested by the Draft Principles and Draft Convention are entirely sensible, it appears that they are substantially undermined by the rules on special jurisdiction. If the proposals were adopted, the Internet would not become more certain for users or for intellectual property owners. The greater the uncertainty, the greater the cost and the lower the value of intellectual property. Therefore, this approach can never maximise wealth.

¹⁵² It must be remembered that the central piece of this proposal is the consolidation of claims and the court of the defendant’s habitual residence may be able to consolidate claims to include those from jurisdictions where the activity was not reasonably foreseeable.

¹⁵³ Although this is likely to be possible in the future see Geist (2001).

(iii) Consolidation

One of the other central propositions of the ALI proposal is that claims should be subject, in certain conditions, to consolidation.¹⁵⁴ This meets the important objective of reducing the number of concurrent proceeding and with it the cost associated with civil litigation for both the parties and the public purse,¹⁵⁵ but without consolidation “courts will likely make up for the shortfall by finding that local law covers distant activity”.¹⁵⁶

Firstly, the Draft Principles suggest that a court should only permit consolidation if the jurisdiction was the economic centre of gravity¹⁵⁷ and the court had subject matter jurisdiction.¹⁵⁸ Secondly, the court should “consider” contractual issues.¹⁵⁹ Finally, they require that challenges to a court’s jurisdiction to consolidate have to be raised prior to the first hearing on the merits.¹⁶⁰ As discussed above,¹⁶¹ the most important and practical issue is how to determine the applicable law. Should a court consolidate all the claims with a plethora of different laws being applicable? Or should there be a single applicable law? Notwithstanding, Professors Dreyfuss and Ginsburg suggest, with which it is easy to agree, that the problems with consolidation can be reduced sufficiently to be outweighed by the associated benefits.¹⁶²

¹⁵⁴ DC Article 13 and DP Article 12.

¹⁵⁵ Dreyfuss and Ginsburg (2002b): 1117.

¹⁵⁶ *Ibid.*

¹⁵⁷ DP Article 12.4(a); the Draft Convention is not as complete in this respect.

¹⁵⁸ DP Article 12.4(b); this is based on the current subject matter rules of states, it is not proposed to have a new general rule on subject matter jurisdiction: see Drefuss and Ginsburg (2002a): 130.

¹⁵⁹ DP Article 12.4(c).

¹⁶⁰ DP Article 12.4(e).

¹⁶¹ See page 140 *et seq* above.

(iv) Enforcement of judgments

The Draft Principles and the Draft Convention are *conventions mixed*. A *convention simple*, which generally forms the enforcement regime in most treaties, is based on indirect jurisdiction; thus judgments, which are founded on a certain agreed basis will be enforced by other contracting countries, but those which are not founded on that basis will not be enforceable. In contrast a *convention double* (such as the Brussels Regulation¹⁶³) is based on rules of direct jurisdiction, whereby the signatory States agree a certain basis of jurisdiction and refrain from exercising jurisdiction on any other ground. So where a court is enforcing the judgment of another signatory State it is forbidden from examining the claim's jurisdictional basis. Whereas, a *convention mixed* is half way between a *simple* and *double* convention, it includes certain grounds upon which a judgment must be enforced and grounds upon which a judgment must not be enforced; however, judgments that are based on other grounds of jurisdiction can be enforced at the discretion of national laws.¹⁶⁴

There are a number of grounds for refusing to recognise a judgment under the Draft Convention and the Draft Principles,¹⁶⁵ including where recognition or enforcement would be contrary to the State's public policy.¹⁶⁶ However, the Draft Convention also allows a court to refuse to recognise a judgment where the "choice of law" was arbitrary or unreasonable, for example where the applicable law lacked a sufficient relationship to the dispute.¹⁶⁷

¹⁶² Dreyfuss and Ginsburg (2002b): 1120.

¹⁶³ See Chapter 6.

¹⁶⁴ DC Article 22.

¹⁶⁵ These are set out in DC Article 25 and DP Article 17.

¹⁶⁶ DC Article 25(1)(g) and DP Article 17(2)(e).

¹⁶⁷ DC Article 25(1)(h).

(v) Applicable law

The Draft Principles and the Draft Convention, as published, do not deal with issues of applicable law (outside the scope of enforcing judgments). The unpublished version, however, does include such rules.¹⁶⁸ Notwithstanding the absence of any provisions in the published drafts, Professor Ginsburg has previously discussed how the applicable law should be determined;¹⁶⁹ this discussion is mentioned in the accompanying notes to the Draft Convention¹⁷⁰ where it is argued that a judgment which is based on certain choice of law principles, should be presumptively reasonable and enforceable.

Professor Ginsburg suggests, in relation to copyright, the applicable law for ownership should presumptively be the source country for ownership.¹⁷¹ Ginsburg and Dreyfus argue that this rule is fair because the rights owner will effectively “have chosen that country as the state of the work’s nationality”.¹⁷² For transfers, the applicable law should be that selected by the parties,¹⁷³ or where there is no selection then the law should be that of characteristic performance.¹⁷⁴ However, where a State expresses a strongly protective public policy, it may apply its law as a “mandatory rule”.¹⁷⁵

¹⁶⁸ This is described in Dreyfus and Ginsburg (2003).

¹⁶⁹ See Ginsburg (2001); this is an update of Ginsburg (1998a); she presented an even simpler example in Ginsburg (1995): 337-338.

¹⁷⁰ Dreyfuss and Ginsburg (2002b): 1145.

¹⁷¹ Ginsburg (1998a): 33-4; Dreyfus and Ginsburg (2003): 37.

¹⁷² Dreyfus and Ginsburg (2003): 37.

¹⁷³ *Ibid*: 37-8.

¹⁷⁴ *Ibid*: 38. The problems with the characteristic performance test are described at page 330 *et seq* below.

¹⁷⁵ For a discussion of this point, in relation to copyright, see Ginsburg (1998b): 370-373.

She suggests that where this does not apply the rules for infringement should be determined as follows:

(1) The law applicable to the entirety of a defendant's alleged Internet infringement is determined as follows:

- If the alleged infringing content is found on a website, the law of the country in which the operator of the website has its residence or principal place of business, or*
- If the allegedly infringing content is not found on a website, such as through file sharing, the law of the country of the residence or principle place of business of the person or entity that initiated the communication.*

(2) Notwithstanding #1, if a third country is shown to have a more significant relationship with the controversy – for example, if a third country is shown to have been the principal target of the infringing communication – then the law applied to the entirety of the defendant's alleged Internet infringement is the law of that third country.

(3) Notwithstanding ##1 and 2, if the infringing communication was intentionally directed to a multiplicity of countries, in such a way that the country of initiation lacks a significant relationship to the dispute, but no single third country can be shown to be the principal target, or to have the most significant relationship to the dispute,

then the laws of each country to which the communication was intentionally directed are applicable to that portion of the infringement occurring within each territory.

(4)...¹⁷⁶

“The law of the country in which the operator of the has its residence or principal place of business”

This approach is based on that adopted by the Satellite and Cable Retransmission Directive.¹⁷⁷ This directive mandates that the communication to the public of a satellite broadcast only occurs in the country of “uplift”.¹⁷⁸ This approach has been broadly accepted within the European Community and would, therefore, appear to be a sensible starting point.

However, there is a real difference between communications to the public by satellite and other acts. To broadcast a signal from a satellite is not only expensive but it is limited to a very small group of broadcasters. Therefore having a single country regulating that broadcast is practicable and easy to enforce as there are few people involved and the locations and nature of transmissions are well established and limited. Furthermore, the “footprint” of each transmission is limited to a small number of countries and so regulation for right holders is relatively straightforward. In contrast on the Internet material can be uploaded on any computer and thereafter it can be transmitted anywhere in the world.

¹⁷⁶ These are set out at Dreyfuss and Ginsburg (2002b): 1145.

¹⁷⁷ Directive 93/83/EEC.

Another concern is that there is a real risk of a person locating their websites in “information havens”; however, it must be remembered that a law would only be applicable if the relevant country was a signatory to the TRIPS Agreement.¹⁷⁹

This reduces, if not eliminates, the risk of creating such havens. However, if the claim is consolidated a website operator would still be able to establish themselves in a jurisdiction where the conduct was permitted. Thereby potentially undermining the interests of right owner, who will have no input or ability to control the use of information once it is uplifted onto the Internet. This approach would significantly weaken their intellectual property rights.

*“A third country is shown to have a more significant relationship with the controversy”*¹⁸⁰

The problems with using “significant relationship” to determine the applicable law have been discussed in Chapter 2 in relation to the Restatement (Second) of the Conflict of Laws and they will not be rehearsed here.

“The laws of each country to which the communication was intentionally directed are applicable to that portion of the infringement occurring within each territory”

¹⁷⁸ Article 1 of the Directive.

¹⁷⁹ The proposal was previously limited to countries which are signatories to the Berne Convention, TRIPS and the WCT. It also included a catch all, so that where the relevant country was not a signatory the *lex fori* would be applied: see Ginsburg (2001): 12.

¹⁸⁰ Dreyfus and Ginsburg (2003): 37, appear to have divided up this factor into (a) “any country whose market is significantly impacted by the alleged conduct”; and (b) the law of the “country with the greatest connection to the claim as a whole”. The problems with the new (a) are obvious. What is a significant impact on the market? How do you define a market? (does it include the market for the particular patent or copyright work or something else?)

This would make consolidation of a claim very difficult. It leads to a result which is both inefficient and uncertain for all parties involved. This uncertainty arises because the rights owners may simply “cherry pick” the lucrative jurisdictions, leaving the user to make decisions that are the most favourable to the right holder¹⁸¹ to avoid having to litigate in some jurisdictions.

E. Max Planck Institute jurisdiction proposal

The Max Planck Institute (MPI) proposal is also intended to carry forward the work of the Hague Convention. Like the Hague Convention, it takes a holistic approach and applies to all civil and commercial matters; only Article 12a¹⁸² applies to intellectual property. The MPI proposal copies certain aspects of the Draft Principles, in particular the general rule of jurisdiction is that of the defendant’s habitual residence and it takes a similar approach to upholding choice of court clauses. Further, paragraph 6 of Article 12a of the MPI proposal is very similar to Article 5 of the Principles. It is, therefore, not worth re-considering the merits of this approach.¹⁸³

(i) General rule

The general rule, set out in paragraph 3 of Article 12a, is that only the State where the right is registered or has otherwise acquired protection should have jurisdiction. In addition the State where the defendant has their habitual residence and any court selected by the party may also exercise jurisdiction. These courts have jurisdiction over everything, including invalidity.

¹⁸¹ See page 138 above.

¹⁸² Kur (2005).

(ii) Ruling on validity

The substantial difference between the MPI proposal and others is that it permits, in some circumstances, a court to rule on the validity of foreign intellectual property rights. The general rule, set out in paragraph 1 of Article 12a, is that the courts of the state where the right is registered have exclusive jurisdiction, “unless the judgment would only become effective *inter partes*”. The effect of this is that where the registered right would be terminated by the court’s judgment then the courts of the country of registration would have exclusive jurisdiction, but a court can hear a matter if the determination of validity only has effect between the parties. This, it has been suggested, means that the freedom to grant a particular court jurisdiction does not prevail over the public interest, when only the registering state should have jurisdiction.¹⁸⁴ Finally it should be noted that those proposing *inter partes* validity rulings accept that their proposition may not be acceptable to the intellectual property community.¹⁸⁵

Notwithstanding, foreign courts would always have jurisdiction to determine invalidity as an incidental question (paragraph 2 of Article 12a), but not even the parties are bound such a determination. This approach enables foreign courts to determine validity, facilitating litigation in the most efficient forum (which will not necessarily be the country in which the right is registered). The only drawback of this proposal is that others will not be aware of the decision (particularly where

¹⁸³ Paragraph 7 of Article 12a deals with the problems arising from multiple ownership and *res judicata*, this provision will not be discussed here as it is still tentative and the present draft is somewhat confusing.

¹⁸⁴ Peukert (2005): 74.

¹⁸⁵ Kur (2005): 319.

judgments are not routinely reported) and so may avoid using an invention or mark, which to all intents and purposes is not protected.

(iii) Consolidation

Like the Draft Principles the MPI Proposal provides for the consolidation of infringement actions in a single court.¹⁸⁶ However, in contrast to the general provision in the Draft Principles, the MPI only allows consolidation where the infringement took place on the Internet. Such consolidation is only allowed where an “essential part” of the activities took place in the forum and the defendant’s activities were not aimed solely at the domestic market.¹⁸⁷

An “essential part” of an activity takes place in the forum if either the activities causing the infringement occurred in the forum, or activities caused a “substantial number of infringements, or caused substantial harm in the forum state”.¹⁸⁸ It is difficult to know what a “substantial number of infringements” means. Any Internet activity may lead to a number of unconnected third persons downloading a particular item. Does this amount to a substantial number of infringements? In other words, do the infringements have to be committed by the potential defendant? Is it enough if the defendant is a secondary infringer, or knows about the primary infringement, but does not qualify as a secondary infringer?¹⁸⁹

Is printing out 10 copies of a book a substantial number of infringements? What about 1000 copies? What if the expected circulation of the book is very low, does

¹⁸⁶ Article 12a(5).

¹⁸⁷ Kur (2005), see explanatory note on the proposal at 329.

¹⁸⁸ *Ibid*: 330.

10 copies become substantial? The problem with a “substantial” test is that it will be interpreted differently by different states. Those courts, in particular in Germany, which have tended to use statistical tests are likely to come to very different views to the more permissive courts in England.

Similar questions arise in the application of a “substantial harm” test. Harm to whom? Presumably the claimant, but what if the claimant has not entered a particular market? Is any harm suffered? Does the harm have to be economic? Or should it include moral rights? What if substantial harm may be caused in the future?¹⁹⁰ Is that sufficient? This leaves an obvious problem, how can one know the extent of any harm before it is caused? These questions emphasise the uncertainty that result from this sort of test; such uncertainty is obviously undesirable and cannot maximise wealth.

IV. Concluding remarks

It can be seen that although many of these proposals discussed above add much to scholarship in this field, none satisfactorily address the problems discussed in Chapters 1 and 3; in particular, none of these proposals provide sufficient *ex ante* certainty. The next chapter sets out ten propositions, which fit within the framework of wealth maximisation and efficiency.

¹⁸⁹ For example, if someone could be enjoined under the implementing provisions for Article 8(3) of the Information Society Directive (Directive 2001/29/EC).

¹⁹⁰ Common where an injunction is sought.

5

Intellectual Property Meets Private

International Law: A New Proposal

I. Introduction

The previous chapters set out the theoretical aspect of intellectual property and private international law. It was suggested in Chapter 3 that the most efficient approach to the proper selection of jurisdiction and of applicable law was working within a contractual paradigm. That paradigm can be divided into two types of agreement: those stemming from bilateral negotiations and those resulting from a unilateral offer; these will be called respectively the bilateral paradigm and the unilateral paradigm.

This chapter will set out in more detail the theory of efficiency for both the bilateral and the unilateral paradigm and within that framework a number of propositions will be made. Each *Proposition* will be justified within the theories of both efficient contract law and efficient choice of law.

In the following chapters each of the propositions set out in this chapter will be assessed to determine its compatibility with international treaties; regional laws;

and the laws of the four target jurisdictions: the United Kingdom, the United States, France and Germany.

II. The bilateral paradigm

In Chapter 3 it was discussed how a consensual contractual agreement would always maximise wealth and efficiency, and how wealth maximisation is not based on the state ordering parties to act in an efficient fashion but on an incentive to act out of self-interest. Thus, contract law does not provide for efficiency directly, instead it provides incentives for acting efficiently in the future.¹

Fundamentally, an exchange is efficient because both parties get something they want in exchange for something they did not want as much. Therefore, if 'A' has a cat and 'B' a dog and they swap; provided 'A' wants a dog more than a cat and 'B' wants the cat more than the dog, both will be better off. The maximising nature of exchange is only satisfied when the parties are bargaining co-operatively and the enforcement of the contract has no impact on outside parties.²

However the efficiency of consensual exchange does not preclude an efficient compulsory exchange. Thus, at first blush, if 'A' values the cat at £5, but 'B' values it at £10, the compulsory taking of 'A's cat and giving it to 'B' will increase the overall societal wealth by £5.³

¹ Smith (2004): 109; It is outside the scope of this work to set out and explain contract law in terms of efficiency, for a detailed discussion see Kronman and Posner (1979) and Smith (2004).

² Polinsky (2003): 29 n. 16.

³ The efficiency of compulsory transfers is one of the arguments used by Dworkin to criticise wealth maximisation: see Dworkin (1986): 242-6.

However, if compulsory taking were permitted in such circumstances, on the whole it would not maximise societal wealth. Firstly, if a person has something which is worth £5 to them, which they know may be compulsorily taken, then they will spend up to £5 (the value of the goods) to try and prevent that taking. This in turn means that exchange only maximises wealth if the value to the acquirer is greater than £10. However, this then unravels, as the first acquirer would spend up to £10 to protect the thing. However, if they have to spend more than £10 to protect the thing, they would not acquire it in the first place (as it would cost more to acquire and keep it than it is worth to them). Similarly, if they do acquire it and someone else values the object at £20, they would acquire it and the whole problem starts again. However, by this point, the cost of protecting the thing would be £35 (£5 + £10 + £20) for something which is only worth £20. In other words, only if something were not further acquired after the compulsory acquisition would such a transfer remain efficient.

Secondly, allowing the compulsory acquisition in a particular case where it increases social welfare would, in the long run, mean an overall societal waste. If the compulsory acquisition were by means of “self-help” then in many cases the acquirer would take the thing – when in fact it did not increase wealth; or if it were by means of State action then the cost of assessing whether a compulsory exchange is efficient would make the exchange overly expensive and often inefficient.

The belief that exchange increases wealth does not necessarily mean that the principles of contract law actually increase wealth. The nub of efficient contract

law is ensuring that an agreement is mutually beneficial: an agreement is mutually beneficial if the parties voluntarily agreed to it and did so on the basis of good information.⁴ Thus, the rules of contract law, according to efficiency theory, are to ensure that agreements falling within that category are enforced. This protection will create incentives for wealth maximising agreements to come into being and to ensure such agreements are kept.⁵

III. The propositions applicable to the bilateral paradigm

Now that the theory of a bilateral contractual paradigm has been further explored, it is appropriate to start working through the various propositions.

First Proposition

Parties should be free to select the jurisdiction that will adjudicate any intellectual property dispute.

In Chapter 3 it was explained how a person would always chose to litigate in the jurisdiction which they believe would be most advantageous to them.⁶ It was also explained how such a choice may not be the most efficient forum (that being where the overall cost to both parties is minimised⁷). But an *ex ante* decision, with full information, freely reached between two parties, promotes a wealth

⁴ Smith (2004): 113.

⁵ The method used by contract law, damages, is only one possible solution, but in theory it would be possible to use other methods such as fines or criminal sanctions. The argument against this is that damages minimise efficiency loss between the parties, whereas a fine may have the same overall societal effect on efficiency, but would leave one party potentially suffering.

⁶ See pages 137 and 157 *et seq* above.

maximising solution.⁸ As part of this decision, any disadvantage arising from that jurisdictional choice can be accommodated as part of a jurisdiction trade.⁹ Alternatively, agreement can be reached *ex post* in the form of submission to a forum's jurisdiction.

Thus, it is clear that should two parties negotiate a settlement before any dispute arises (i.e. *ex ante*) they are likely to select the most efficient jurisdiction. Furthermore, should a jurisdiction give a benefit to one party (for example, because it is in their home jurisdiction) they may have to give something in return. Thus, following the principles set out in Chapter 3, the *First Proposition* is efficient.

However, it is necessary to make it clear that the agreement must be freely entered into. If one party can compel another party to enter into the agreement, by reasons of duress, undue influence, fraud or otherwise, then that would not be an "agreement" which is freely reached by the parties. Such an agreement would neither be efficient nor fall within the *First Proposition*.

Indeed, this *Proposition* fits within the traditional frameworks as well;¹⁰ according to the power theory, where two parties have contracted that a particular court should have jurisdiction then their submission grants the court the necessary power. Similarly, the fairness theory, which requires the court to find a sufficient number of "contacts" to grant jurisdiction, considers a contractual clause to be, of

⁷ *Ibid.*

⁸ *Ibid.*

⁹ See page 147 above.

¹⁰ Except the almost defunct allegiance theories.

itself, a significant contact. Therefore, the *First Proposition* does not conflict with the traditional theories of jurisdiction, although it does give greater weight to an agreement between the parties than is usually given by the proponents of those theories.

Second Proposition

Parties should be free to select the applicable law that will govern any intellectual property dispute.

The arguments in support of the *Second Proposition* are similar to the first. As set out in Chapter 3, allowing the parties to select the law applicable to their contract mitigates the effects of inefficient laws.¹¹ This means the parties can contract around inefficient rules and so minimise the societal loss they cause.¹² It was also made clear that the selection of the applicable law must be *ex ante* and not *ex post*; ensuring that the parties chose the rules that, on balance, are most likely to benefit both of them.

Using this basic premise it is proposed that the law governing the intellectual property *itself* should be selected by the parties. For example, X wishes to licence their invention, which is patented in most countries of the world, to Y. It would be efficient if X and Y agree in the patent licence that US patent law governs the invention's working, irrespective of where it actually is worked. Thus, if after this grant X, who worked the invention in France, goes outside the scope of their licence then the application of US law would determine whether the patent had

been infringed (or was valid).¹³ This would be irrespective of which court heard the dispute or the fact that all the relevant activities took place in France, where the French patent (*brevet d'invention*) was in force. Further, if a person in United Kingdom (where there is no patent) uses the patent on the Internet they would be liable for infringement abroad, but not in the United Kingdom; they can only avoid liability if they are not infringing US law or alternatively their invention cannot be used (the relevant website accessed) in a country where the patent is in force.

It is likely to be wealth maximising where two parties freely agree that a particular law will govern the extent and working of some intellectual property. The starting point for the property owner would be to select the law that gives the widest property right and awards the highest level of damages for infringement. For the licensee, it would be the law that grants the narrowest property right and the lowest level of damages for infringement. Despite the “monopolistic nature” of intellectual property it may have a close market substitute¹⁴ and so the two parties would both have an incentive to compromise. This being the case the parties will negotiate until they select an applicable law that provides the greatest mutual benefit.

(i) Bundling

It has been discussed how good laws are “bundled” with the bad and that only where a particular law places a heavy burden on someone will the parties contract

¹¹ See page 158 above.

¹² *Ibid.*

¹³ In many ways this could be considered to be similar to the old English fiction (see page 83 above).

around it.¹⁵ The problem of bundling is greatest where it includes different, unconnected, laws. However, intellectual property, unlike many other areas of law, is pre-bundled. In other words, each country's intellectual property laws create an internal balance between the user and the proprietor;¹⁶ therefore, the problems of pre-bundling are minimised. However, should a particular rule from one intellectual property statute be unusually inefficient (for example the US patent rule which grants triple compensatory damages¹⁷) parties can contract around it.

This "property selecting" approach means that those jurisdictions which are inefficient would either have to change their laws, or find that they are being used to govern less and less of the transactions that occur within their territory. A complete freedom of selection would, eventually, lead to increasing global harmonisation of intellectual property law.¹⁸ This would occur both for theoretical and practical reasons.

¹⁴ See Van den Bergh (1998): 25-26.

¹⁵ See page 159 above.

¹⁶ A particularly good example of this relates to the clash between copyright and freedom of speech. Courts both sides of the Atlantic have had problems trying to reconcile the two. Yet courts have suggested that, in all but the most extreme case, the balance is already within the statute (for a fuller discussion of the internal balance within the Copyright, Designs and Patents Act 1988 see the author's discussion of the public interest defence: Johnson (2005)).

¹⁷ See US Patents Act (1994) §284 permits the recovery of triple compensatory damages if the infringement was wilful. Triple compensatory damages are inefficient because they encourage patent proprietors to delay commencing proceedings. To demonstrate, imagine a third party's infringement of a patent was costing the patent proprietor £50 per day. If compensatory damages were paid the proprietor would receive £50 for each day of infringement; but if triple compensatory damages are paid they receive £150 for each day of infringement, so making a profit of £100 per day as long as infringement continues. The proprietor, therefore, has an incentive to wait until the last moment before starting proceedings (i.e. just before the end of the limitation period): this explanation is modified from an anti-trust example in Posner (2003): 330 and a similar example in Spiller (1986).

¹⁸ This aspiration is similar to Von Savigny's, indeed like him it may be possible to see a time when property selection is no longer necessary as all laws are functionally the same.

(ii) Evolution of intellectual property law

Imagine the patent laws of the United Kingdom were found to be, in terms of validity and infringement, the most efficient. Over time parties would become aware of this efficiency and so more and more parties would select UK law as being the applicable law. If other countries do not want their laws to become a dead letter they would select the efficient parts of UK law and incorporate them into their own law. If one of those countries' laws became more efficient than the UK then, in time, the UK would take similar steps. This would gradually lead to an efficient intellectual property law evolving.

The common law went through similar "evolution" or, as the Solicitor General (the future Lord Mansfield) suggested in *Omychund v Barker*,¹⁹ "the common law... works itself pure".²⁰ There are three theories, which are mutually supporting, why the common law has become efficient: demand theories, supply theories and the judicial theory.

The demand theories²¹ suggest that the inefficient laws are more likely to be litigated either deliberately (to create an efficient precedent) or simply because the rule is more costly. Thus the higher incidence of litigation involving inefficient rules means that they are more likely to be honed or even changed than efficient rules and so in time the system becomes efficient. The supply theories²² are based

¹⁹ (1744) 1 Atk. 21, 26 ER 15.

²⁰ *Ibid* at 23.

²¹ See Rubin (1977); Priest (1977).

²² See Zywicki (2003).

on the “competition” between suppliers of law (the courts),²³ each supplier ensuring that it is efficient to attract business.

Finally, and unconvincingly, Richard Posner, argues that the common law is efficient because the judges may as well decide cases in terms of efficiency as they have no other criteria to use.²⁴

Aside from this abstract evolution theory, if courts outside the UK started to apply a foreign (selected) law more than domestic law, local expertise would increase in the foreign law and diminish in the domestic. Over time this would lead to pressure from those in the professions to amend the law so that they were able to apply the familiar foreign rules as routine domestic rules.

(iii) Procedural and substantive rules

The *Second Proposition* only extends to the selection of the substantive law. It does not cover the selection of procedural laws (although it should be possible to select an individual rule: such as disclosure). This is because requiring a court to follow completely alien procedures would be very slow and cumbersome (as foreign law experts would be required) not to mention prone to error (as the advocates and the judge would stumble blindly). One only needs to imagine an American adversarial jury trial being transformed into a German inquisitorial hearing to see what the problems might be. The procedures of any local court are

²³ In England the competition was between Kings Bench, Chancery, Star Chamber, High Commission, Admiralty and so forth: Berman and Reid (1996); in the United States the decision of *Swift v Tyson* (1842) 41 US 1 meant that the Federal common law “competed” with the states’ common law. This competition ended with *Erie v Tompkins* (1938) 304 US 64, where the Supreme Court decided that there was no Federal common law.

²⁴ Posner (2003): 533-4.

very complicated, ranging from time limits to case-management and from advocacy style to the role of the judge. Therefore, to minimise judicial error the *lex fori* should determine procedural requirements. This may increase uncertainty as the result of a legal dispute often turns on procedure rather than on substantive law,²⁵ but it is a cost worth incurring. Further, when the jurisdiction is selected under the *First Proposition*, the parties are selecting the *lex fori*, and with it the procedural law, thus it is still likely to be the most efficient choice.

On a point of classification, there are always doubts about whether a particular rule is procedural or substantive, for example is a limitation period procedural or substantive? What about disclosure? This problem could be solved either by waiting for precedent to evolve (which again leads to some uncertainty), or alternatively a state could create “official” lists of certain procedural requirements which attach to their substantive law. Thus, if a person selects US law they may also have to comply with the disclosure requirements at the same time.

(iv) The traditional theories

The *Second Proposition* does not fit within the traditional theories that consider state interests to be the normative basis of selecting the applicable law. Obviously, if an infringement took place in France it would be difficult to argue that it is in the French State’s interest (or comparative impairment) to have US law applied. Similarly, it would be difficult to treat France as having a less significant

²⁵ See Jacob (2000): 507.

relationship with the dispute than the United States.²⁶ There would also be logical problems applying vested rights²⁷ or comity theories to the *Second Proposition*.

In contrast, the political rights approach would permit a law to be applied to a person where they have consented (by contract).²⁸ Similarly, theories based on reasonable expectations would permit a contractual clause to determine applicable law.²⁹ Allocation theories are not averse to allowing contractual selection clauses, but although approaches vary from country to country, it would be contrary to most allocation rules to apply such a clause in relation to intellectual property disputes.³⁰ Finally, and unsurprisingly, English pragmatism widely supports contractual freedom. Therefore, on balance, it appears that the *Second Proposition* would be contrary to some, but not all, of the traditional theories.

Third Proposition

Only one law may be selected and that law should have universal effect.

The *Third Proposition* is, in effect, only an extension of the *Second Proposition*; however, it is of such import that it warrants separate explanation. “Universal effect” should be qualified. It is not proposed that a person should be able to obtain a French patent and then enforce it in other jurisdictions without applying

²⁶ See §187 of the Restatement (Second).

²⁷ The Restatement (First), expressly forbids such selection, although Dicey permitted parties to choose the applicable law of a contract: rule 149, sub-rule 1 in Dicey (1896): 567.

²⁸ See page 83 above.

²⁹ See page 81 above.

³⁰ Although it is compatible with the “modern” method promoted by Van Eechour.

for a patent therein.³¹ However it is proposed that, if a person has a patent in force in France, the UK and the US, but not in Italy then they should be able to apply French law to the dispute in France, the UK and the US, but there would be no infringement in Italy (because there was no patent).³²

(i) Why not propose a universal law?

In the first part of this chapter it was explained why consensual exchange is wealth maximising. This applies equally to exchange between states, in the form of treaties, as it does to exchange between individuals³³ and to multi-party contracts as it does to multi-lateral treaties. Therefore, if a compromise could be reached between the various nations of the world on substantive intellectual property law, it would, at first blush, be wealth maximising (at least in respect of the State's interests).

The reason this approach may not be wealth maximising (totally ignoring the any cultural and political problems) are the high transaction and transition costs.³⁴ The extent of these costs is such that a universal law is too expensive to be acceptable.³⁵

³¹ This also means that domestic law would apply in relation to the grant of a registered right, although not for invalidity or infringement.

³² Problems may arise in relation to differing patent claims as different claims may be set out in different patent specifications across the globe.

³³ States may be made up of a number of individuals with varying interests, however organisations and individuals also have multiple motivations. Therefore it is entirely consistent to consider treaties as contracts between states: Posner (2003): 136-41.

³⁴ See page 179 above.

³⁵ In the long run, the costs may be lower, but quite how long that long run will be is quite a different matter.

(ii) Consolidation

The advantages of consolidation were discussed above.³⁶ The *Third Proposition* is the basis for this consolidation. If a chosen law has universal effect then it means that there is no need to consolidate claims *legally* but only *factually*. This needs further elucidation. If an infringement case involves infringement in a number of different states, following the *Third Proposition* it would make no legal difference whether that infringement only occurred in one state, ten states or one hundred states. This is because wherever the infringement occurred it would be governed by only one law: the law selected by the parties. However, *factually* it would still be necessary to examine each act of infringement; using this information, damages could be assessed globally.³⁷

(iii) Certainty

The second part of the *Third Proposition* means that, in practice, there is no need to determine the applicable law, as it would be pre-determined by contract. Universality results in certainty. The economic advantages of certainty are obvious. First, it means that enforcement costs would be lower, as cases only have to be determined according to one legal regime. This is not only true if the claims are consolidated in one court (although the saving is greatest in such a case), but even when they are not consolidated there are non-duplication savings. If a decision is made in one court according to one law then the parties have an indication of the likely outcome of the dispute in another jurisdiction – after all the *law applied* would be same – thereby encouraging settlement and avoiding duplicated litigation.

³⁶ See page 140 above.

Further, universality means both parties would be able to predict *in advance* the extent³⁸ of the relevant property right. This enables them to make more informed, and so more efficient, choices about their use of intellectual property. In other words, it would reduce access costs³⁹ and in some cases search costs.⁴⁰

(iv) Permitting territorial division is inefficient

The *Third Proposition* appears to be at odds with the *Second Proposition*, which would suggest that the parties should be free to agree to divide the world into different areas (e.g. activity in the Americas governed by US law, activity in Europe governed by French law). However, one of the arguments in favour of consolidation is that it would minimise the cost of legal error. This was explained in Chapter 3 in terms of the cost of proving foreign law;⁴¹ although obvious, it is important to reiterate that the greater the number of laws that have to be applied by a court the more likely it is to make mistakes. These mistakes involve a cost both to the parties and to society. Judicial error means the parties would have to pay the legal costs for the appeals and re-trials, and society has to pay the cost of running the tribunals who hear these matters.

Using the “rules” approach rather than judging each individual “act”,⁴² it is arguable that globally applying a single law is more efficient than allowing multiple law selection. This is because of the reduced costs associated with

³⁷ In many intellectual property disputes an injunction is a far more important remedy than damages. The enforcement of the injunction would be possible under the *Fifth Proposition*.

³⁸ It is impossible to be aware of the exact extent of any property right, even when the applicable law is known.

³⁹ See page 129 above.

⁴⁰ See page 131 above.

⁴¹ See page 139 above.

judicial error and complex procedural requirements, but of course this *Proposition* does not prohibit parties agreeing to “turn off” a particularly inefficient legal rule.

(v) Particular issues

The scholarship in this area suggests that there are four matters that should be considered in relation to choice of law and intellectual property: existence of the right; its scope and duration; initial ownership; transfer and infringement. These will briefly be considered in relation to the *Third Proposition*.

Of these four matters most are easy to put into the context of the *Third Proposition*. In relation to scope, transfer and infringement, the single applicable law would govern all matters. The selected applicable law would not apply to the existence of registered rights as this would be determined by national registries. However, in relation to unregistered rights (e.g. copyright) problems do exist. If the proprietor selects an applicable law where the unregistered right would not exist (because it was not original enough) then it would be fair to apply that standard across the world and so determine that the right exists nowhere (even though it may have existed in other countries had their law been selected). This is because, as a general rule, this approach promotes wealth, even if an individual erroneous selection may not maximise wealth.

In contrast, if a person selects a universal law with a low level of originality then it may grant copyright protection in countries with higher standards of originality, where copyright would not normally exist. Allowing protection to be granted in

⁴² See page 97 above.

relation to such countries would conflict with the suggestion above that – in relation to registered rights – the right cannot be enforced where it does not exist. However, if subsistence of copyright needed to be assessed individually for each relevant country then this would lead to uncertainty (in contrast to registered rights where existence or non-existence of a particular right is absolute⁴³ and the cost of proving that existence is minimal (official records are easily accessible). Thus, a court would have to determine whether or not an original work was created in accordance with each relevant law. This determination attracts substantial costs associated with both multiplicity and judicial error. In any event, in relation to the most valuable works (books, films, music and computer software) the standard of originality is normally not likely to be at issue.

Furthermore, the overall global societal cost of requiring users to determine whether the work is sufficiently original in terms of each national law would greatly outweigh the cost to users who have to comply with copyright restrictions in countries where, but for the selection of the relevant law, there would be no copyright. Finally, the bundling of rights generally means that laws with low originality standards normally include a greater number of copyright exceptions. On balance, therefore, allowing copyright to have effect in countries with higher standards of originality (where the work does not meet that standard) maximises wealth.

In contrast to initial subsistence, the duration of unregistered rights is easy to determine. As duration is absolute there would be only minimal costs associated

⁴³ Of course, a right may have been registered which is in fact invalid.

with determining whether copyright exists in a particular State and so there is little room for judicial error.

The only real problem with this approach is *initial ownership*, although it is more of a problem in relation to the unilateral paradigm. It is a problem because it has to be clear who can contract with other parties in the first place. However, it is possible to argue that the selected applicable law should govern ownership and any disputed ownership can be dealt with by way of a separate action between the real owner and the purported owner. Indeed, ownership disputes would normally be between an employer and the employee and therefore the employee's contract should be able to deal with any acquired intellectual property rights (although, in practice, this is likely to be limited to copyright).

(vi) Traditional theories

There is no point considering any traditional theories as the *Third Proposition* is completely incompatible with every theory as, in effect, it removes the need for actually choosing which law applies. Indeed, to many traditional lawyers this sort of approach would be considered deeply subversive.⁴⁴

Fourth Proposition

*No aspect of intellectual property law can be considered to be a mandatory rule for the purposes of private international law.*⁴⁵

⁴⁴ Fentiman (2005): 143.

⁴⁵ This *Proposition* also applies to the unilateral paradigm.

In Chapter 3 it was explained how it would be contrary to economic principles to overturn a party's choice of law⁴⁶ because such choices are usually wealth maximising. It was also explained that parties might avoid mandatory rules, if they so chose, by selecting an appropriate jurisdiction.⁴⁷ Notwithstanding, the two economic justifications for mandatory rules are: where the parties agreed to contractual terms that were against their interests; and where the legislators are better judges of preferences than the parties. Thus, mandatory rules are there to protect a party when they cannot protect themselves.

It cannot be denied that authors, inventors and other creators of intellectual property may need protecting from the publishers and producers' because creators may have little or no bargaining power.⁴⁸ However, on the whole, those who exploit intellectual property are not the creators but significant market players.⁴⁹ Therefore, in relation to consensual agreements between the exploiter of intellectual property and the user, there is no need for any mandatory rules to trump the applicable law selection.

The existence of mandatory rules makes it uncertain whether a particular law would be applied to a dispute. It was mentioned above⁵⁰ that where the application of laws becomes uncertain the deterrent effect of those laws diminishes and it becomes difficult for parties to balance the incentives and disincentives. Indeed, it is self-evident that the *Second and Third Propositions* would be substantially

⁴⁶ See page 154 above.

⁴⁷ *Ibid.*

⁴⁸ See for example: *Panayiotou v Sony* (1994) EMLR 229; *Elton John v James* (1985) [1991] FSR 397.

⁴⁹ Even in Germany, where the author's economic rights cannot be assigned, the exploitation is not undertaken by an author, but by their "exclusive licensee".

undermined if mandatory laws could be used to trump the selection of the universal law. In other words, the *Second and Third Propositions* are dependent on the *Fourth Proposition*. Indeed, the application of the *First and Second Propositions* would create a mechanism to the parties to avoid mandatory rules, removing any need for them to take extra-judicial steps to avoid the application of those rules.⁵¹

Few, if any, of the traditional approaches would be compatible with this proposition. The various state interests approaches require the local law to be balanced with the foreign law, which this proposition expressly prohibits (even where an important state interest is involved). The allocation approach prohibits the application of a law which a state considers to be repugnant to public policy,⁵² which would be contrary to the *Fourth Proposition*. Indeed, only the English pragmatists would provide any support for the *Fourth Proposition*.

Although this may appear to be in conflict with almost all traditional approaches the conflict is mitigated by the globalisation of intellectual property and, in particular, the TRIPS agreement. This globalisation means that intellectual property laws are converging and so fewer and fewer mandatory laws should ever need to be applied.

⁵⁰ At page 136 above.

⁵¹ See page 154 *et seq* above.

⁵² Including mandatory laws or *lois de police*.

Fifth Proposition

*Any proper judgment made on the basis of these propositions shall be enforceable in every State and shall not be subject to challenge on its merits.*⁵³

The *Fifth Proposition* promotes efficiency: firstly, by increasing jurisdictional choice, secondly by reducing duplicated legislation, and finally by avoiding inefficient transfers. The limitation of the *Fifth Proposition* to “proper judgments” means that judgments obtained in an improper jurisdiction (e.g. one not chosen by the parties) or obtained by fraud are *not* included.

The *First Proposition* makes it clear that the parties should choose the jurisdiction in which to litigate. This only has real meaning where a judgment obtained in a chosen jurisdiction can be enforced elsewhere. Therefore, the *Fifth Proposition* supports the first by encouraging efficient jurisdictional choice. Similarly, prohibiting challenge on the merits ensures that re-litigation is minimised; thereby minimising the cost of enforcement. This cost cannot be entirely eliminated as it would still be possible to challenge the jurisdictional basis of the judgment or to argue the judgment was obtained by fraud. This cost would be minimised, firstly because the jurisdictional basis is likely to be based on an express choice by the parties,⁵⁴ which makes it very clear whether a particular court had jurisdiction; and secondly, because arguing a judgment was obtained by fraud is, at best, difficult to establish.

⁵³ This *Proposition* also applies to the unilateral paradigm.

⁵⁴ Or, in relation to the unilateral paradigm, on habitual residence.

The final efficiency saving is obtained by minimising inefficient property transfers. If a person is aware that a court would not enforce a foreign judgment then they would have an incentive to transfer their assets to that jurisdiction “to protect” them. The moving of assets in this fashion is often inefficient and therefore the enforcement of a judgment would prohibit such transfers.

The *Fifth Proposition* is generally consistent with the traditional theories of recognition and enforcement. It provides a balance between correctness and repose; by mandating that an improperly obtained judgment is not enforceable, but otherwise it leaves the determination of any matter of substance to the originating jurisdiction.

IV. The unilateral paradigm

The unilateral paradigm is loosely based on the theory of unilateral offers which lead to contract (unilateral contracts). A bilateral contract is an exchange of a promise for a promise, or an act for an act; in contrast a unilateral contract is an exchange of a promise for an act.

A unilateral contract is not an “agreement” in the same way as a bilateral contract,⁵⁵ but it can still be wealth maximising; as Posner explains:

I offer \$20 for the return of my lost cat. There is no negotiation with potential finders, no acceptance of my offer in the conventional sense. Yet someone who hears of the reward and returns my cat has

⁵⁵ Tiersma (1992): *passim*.

*a legally enforceable claim to the reward; his compliance with the terms of the offer is treated as an acceptance. This is correct because it promotes a value-maximizing transaction. The cat is worth more than \$20 to me and less than \$20 to the finder, so the exchange of money for cat increases social welfare.*⁵⁶

Thus, the problem with unilateral contracts is not that the exchange is not wealth maximising, but that the requirement of performance is inefficient. Indeed, this requirement has been criticised⁵⁷ because of the requirement that the acceptor must complete performance before the promise must be satisfied. Or as Llewellyn, in his poetic diatribe points out, acceptance in a unilateral contract occurs “only after [the offeror] has received the uttermost jot of everything bargained for”.⁵⁸ However, this aspect of unilateral contracts is irrelevant to the present discussion.

V. The propositions relevant to the unilateral paradigm

Many of the points raised in relation to the bilateral paradigm apply equally to the unilateral paradigm. The bilateral paradigm has greater impact where the intellectual property in question is specialised, where there would be substantial use of the property or where both parties have similar bargaining power. Otherwise, it may not be cost effective for the owner of intellectual property to

⁵⁶ Posner (2003): 102.

⁵⁷ In the United States performance only needs to be commenced to accept the contract (Restatement (First) of Contract §45); in Germany a unilateral offer is binding from the time it is made (BGB Art. 257).

negotiate with individual users because the cost of undertaking such negotiations would be prohibitively high. Further, the user would face search costs associated with identifying the owner of the intellectual property, and once the parties have found each other, there would be a cost associated with negotiating the agreement, which may be greater than the actual value of the use. Indeed, to require such negotiation would create a further type of access cost.⁵⁹ Finally, if only the bilateral paradigm were followed, intellectual property owners would either have to face administrative costs associated with owning intellectual property under a wide range of differing applicable laws, or require everyone to deal with intellectual property under one law (in other words removing choice).

Sixth Proposition

*Where transaction costs are prohibitively high, thereby prohibiting agreement, the courts of the defendant's habitual residence should have jurisdiction*⁶⁰

It must be made absolutely clear that the *Sixth Proposition* requires no link between jurisdiction and applicable law; indeed it only works where the basis for selecting the applicable law is totally separate from the determination of jurisdiction. Further, the *First Proposition* can trump the *Sixth Proposition*, in other words should the parties wish to negotiate an appropriate forum either *ex ante* or *ex post* they should be free to do so. This proposition only represents the “default” position.

⁵⁸ Llewellyn (1938): 33 (Part I).

⁵⁹ See page 129 above.

⁶⁰ Including jurisdiction over provisional and protective measures.

It was argued above that the ideal case would be where neither party could choose the forum in advance.⁶¹ Further, that allowing only one party to select the forum would precipitate a race to court.⁶² Indeed, as discussed in relation to the *First Proposition*, where the parties can agree the jurisdiction *ex ante* these problems are minimised. However, sometimes *ex ante* agreement is impossible or at least prohibitively expensive.

When negotiation is impossible an alternative needs to be proposed; this alternative would, by definition, not be as efficient as *ex ante* choice. There are two possibilities: one of the parties could choose the forum in which the dispute would be heard or an objective factor could be used. The problem with allowing one party a totally free choice is that they will always select the jurisdiction that would be most advantageous to them: which is unlikely to be efficient.⁶³

An obvious objective factor for determining jurisdiction would be the situs of the damage. However, locating the damage caused by online intellectual property infringement is problematic; if damage has been suffered in two or more jurisdictions, how would one determine between two competing jurisdictional claims? Such an approach would require subjective determinations such as “most significant connection” or “comparative regulatory advantage”, which are, to a greater or lesser degree, unascertainable in advance and so make it difficult for both parties to plan their actions efficiently. An associated problem would be the

⁶¹ See page 137 and page 157 *et seq* above.

⁶² *Ibid.*

⁶³ *Ibid.* In contrast to applicable law a selection by the proprietor (which could be set aside by a bilateral agreement) is not likely to be efficient. Firstly, because if the forum is different from the defendant's habitual residence there will be an additional cost of enforcement; secondly, the likelihood of the forum being unduly expensive for the user is such that the user would almost

unnecessarily high litigation cost, which would arise due to the fact that both parties may have to litigate abroad. Finally, where a claimant obtains judgment against the defendant, a cost would be associated with trying to enforce that judgment in the defendant's jurisdiction. This "objective" factor would, therefore, preclude effective *ex ante* determination and increase procedural costs.

A natural alternative would be selecting the jurisdiction on the basis of where the claimant or defendant is habitually resident. Where the jurisdiction is selected on the basis of residence, one party is always going to obtain a benefit from a "local resolution". It has been argued that basing jurisdiction on a defendant's residence (although this applies equally to a claimant's) is inefficient because of virtual "costless" relocation.⁶⁴ This point, although not without merit, is considerably overstated. Initially, ignoring information asymmetry, a party is only going to move forum if the cost of moving⁶⁵ is lower than the additional cost of litigating in their home jurisdiction. In relation to individuals and almost all corporations the cost of *physically* moving abroad is too high to ever act as a counterweight to the additional costs of local litigation.⁶⁶ Even in the virtual world (where a business's only link with the world is on-line) the costs of relocation are high: staff may not be willing to move abroad and ancillary regulation and taxation issues may need to be resolved. Indeed, a prohibition on "sham" presence should protect the other party against most improper relocations.

certainly wish to negotiate with the proprietor. In turn this will substantially increase the transactions costs associated with the plethora of negotiations necessary.

⁶⁴ See Moore and Parisi (2002): 1341.

⁶⁵ This includes the cost of physically moving as well as the disruption to business that would result.

Information asymmetry would also mean that it is *less likely* for the defendant to move forum than for the claimant to do so. The defendant, even if they know the activity is illegal, is not going to know at what point the claimant would start the proceedings. However, if there were doubt which party would be claimant and which defendant (e.g. whether the action is one for infringement or a declaration of non-infringement) then both parties would be unsure when they are likely to face an action and so, if there were advantages in moving, this would precipitate an *ex ante* relocation.

Indeed, right up until an action is commenced a potential claimant may suddenly find themselves as a defendant in a “reverse” action.⁶⁷ However, it is undeniable that at the time of launching proceedings the defendant has less choice than the claimant over their habitual residence. Between these two parties it would be more difficult for the defendant to situate themselves in a favourable forum than for the claimant to do so; thus the defendant’s forum is more likely to benefit the parties more evenly.⁶⁸

In addition, if a judgment were obtained against the defendant in their home jurisdiction then its enforcement would not involve any additional “recognition” costs. Thus, the next best thing, from an efficiency perspective, after an *ex ante*

⁶⁶ Particularly as any jurisdiction where litigation is excessively expensive is unlikely to attract much investment.

⁶⁷ A perfect example of this are “threats” actions in the United Kingdom: Patents Act 1977 s. 70; Trade Marks Act 1994 s. 21; Registered Designs Act 1949 s. 26 and Copyright, Designs and Patents Act 1988 s. 253 (unregistered designs).

⁶⁸ Furthermore, a defendant may wish to be a claimant in an unrelated action, particularly if they are a repeat player. Therefore they have little incentive to move forum for a particular action (which they are unsure will ever occur) whereas a claimant knows that the action will commence and so they have a greater incentive to move.

agreement on jurisdiction, is that the forum of the defendant's habitual residence should have jurisdiction.

Where there are multiple defendants, and each one is resident in a different jurisdiction, it is not possible for all the defendants to be sued in their own jurisdiction. Therefore, the simplest rule would be that the courts of the State, which contains the most defendants, should have jurisdiction and where two jurisdictions have the same number of defendants, then the claimant can choose between them.⁶⁹

The *Sixth Proposition* fits squarely within the traditional framework; indeed it is more or less a restatement of the traditional maxim *actor sequitur forum rei*. It is also compatible with the allegiance theory and the power theories, because the defendant's court has power over them. Similarly, the requirement fits within the fairness theory, although it is *considerably* more restrictive, as nobody has ever suggested that it would be unfair for defendants to be sued in their home forum.

Seventh Proposition

Where transaction costs are prohibitively high, thereby prohibiting agreement, the applicable law should be nominated ex ante by the proprietor of the intellectual property right

The *Seventh Proposition* is central to the unilateral paradigm; it is also likely to be the most controversial. Like the *Second Proposition* it is limited to substantive

law and does not cover procedural requirements. It has been argued that universal application is efficient⁷⁰ and obviously, in many cases *ex ante* bilateral agreement is impossible, therefore an alternative method for selecting the applicable law is required. The *Seventh Proposition* sets out this method: nomination. A method that enables both parties to be aware of the selection of applicable law *ex ante*.

The problems with locating the activity, for the purposes of selecting the applicable law, have been discussed in relation to the *Sixth Proposition* and will not be repeated here. The determination of the applicable law could either be on a case-by-case basis or by using a single constant objective factor. Case-by-case determinations would have to determine where the damage was caused; so if the damage was caused in more than one jurisdiction, either a different applicable law would be necessary for each jurisdiction⁷¹ or an applicable law would need to be selected arbitrarily. Another possibility would be using the *lex fori* as the applicable law, however this would just mean that the jurisdiction selected by either the claimant or (if based on the defendant's residence) the defendant, would determine the applicable law *ex post*, which is obviously inefficient. In effect this would amount to the applicable law being "nominated" by the claimant (by starting proceedings) or by the defendant (by selecting their home forum).

An objective assessment could be based on nationality or first publication⁷² (or filing). If the law was based on nationality this would lead to corporations re-

⁶⁹ This may not be practical in relation to provisional and protective measures, in which case, the courts of the habitual residence of each defendant may need to have jurisdiction.

⁷⁰ See the justification for the *Third Proposition* at page 223 above.

⁷¹ This would be the *lex protectionis*.

⁷² In relation to copyright it could be based on fixation, although this also presents problems, for a discussion of these see Kaplan (2000): 2066-9.

incorporating in more restrictive jurisdictions and authors emigrating (should the cost be worth while).⁷³ This would, in effect, be similar to a nomination but would impose external costs associated with the selection (such as relocation costs). Similarly, selecting the applicable law based on the country of first publication (in copyright)⁷⁴ or of first filing (for registered rights),⁷⁵ is little different from the proprietor nominating the applicable law as it is the publisher who would select the country of first publication or first filing. The process of express nomination circumvents those unnecessary complications and costs.

Instead of a case-by-case assessment or relying on an objective factor, the proprietor or the user could make the nomination. If the user selected the law, they would either have to notify the proprietor (which increases transaction costs) or they would be the only person who knew the applicable law at the time of the action. In contrast, nomination by the proprietor means that *potentially* both parties would know the applicable law *ex ante*. However, the proprietor would select the law that they consider to be most advantageous to them. Thus, this approach is only efficient if the cost of having one law, universally applicable, is lower than the costs associated with multiple laws, namely judicial error and procedural costs.⁷⁶

⁷³ There are also problems where people have dual citizenship or where someone is a stateless person.

⁷⁴ The internet provides a number of problems in relation to first publication because when a work is uploaded it could be considered to have been "published" in every country in the world.

⁷⁵ Normally the application from which priority is claimed.

⁷⁶ See page 135 *et seq* above.

The proprietor would select the applicable law they believe would grant them the widest rights. This would lead to an increase in users' access costs⁷⁷ and so increase transaction costs.⁷⁸ This particular problem is addressed by the *Tenth Proposition*. Further, the uncertainty as to applicable law leads users into making decisions that are favourable to the proprietor, the effect of the *Seventh Proposition* would not change the situation significantly as only one law can be selected (and this is unlikely to be the most restrictive law in every way).

(i) Re-nomination

Laws change and few more than intellectual property.⁷⁹ Further, intellectual property lasts a long time, patents last 20 years, copyright life plus 70 years and trade marks indefinitely; therefore a sensible nomination at one point in time may no longer be desirable (or efficient) in the future. Furthermore, ownership of intellectual property can change and a subsequent owner may wish to exploit it in a different way to their predecessor.⁸⁰ Thus, it should be possible to re-nominate an applicable law after an initial choice. Such a nomination would not, of course, have retrospective effect. Where the same (or an equivalent) right has multiple owners in different jurisdictions, then only where all the owners act together should it be possible to re-nominate a new law. To facilitate this process the initial assignments could include a requirement to re-nominate when a particular owner ("root") wishes to re-nominate.

⁷⁷ See page 129 above.

⁷⁸ See page 121 and page 129 above.

⁷⁹ Jeremy Phillips described activity in the intellectual property field as "frenetic": Phillips (2003): Preface.

⁸⁰ It could, of course, be argued that where a purchaser buys a patent governed by Spanish law, the right to re-nominate allows them to change the nature of what was purchased. However, the

(ii) Failure to nominate

If a proprietor fails to make a nomination it is still necessary for a law to apply to an activity. Presuming that a single applicable law is desirable, where the proprietor fails to nominate a law it must necessarily fall to another factor. To ensure efficiency there are two possibilities: either the defendant nominates or their habitual residence nominates. There are certain efficiency advantages in selecting the law of the defendant's habitual residence, which would be the *lex fori*, as the cost of judicial error would be low. Therefore, the *lex fori* should apply. Obviously, the defendant could chose to relocate their habitual residence to affect the law applicable, but it is likely to be more efficient for them to negotiate with the proprietor to select an applicable law (and so moving within the bilateral paradigm).

The *Seventh Proposition*, like the *Third Proposition*, is completely incompatible with every choice of law theory because, in effect, it removes the need for actually choosing which law applies. Indeed, it could be argued that it creates a substantive law proposition.⁸¹

Eighth Proposition

Any nomination should be made available in the most conspicuous way possible

If a nomination is made under the *Seventh Proposition* it is vital that the user should be aware of it *in advance* of their use (*ex ante*); otherwise they would

proprietary nature of intellectual property would suggest subsequent acquires should have the same rights as initial owners.

⁸¹ See page 74 above and page 362 below.

make decisions about their use of the intellectual property that are most favourable to the proprietor.⁸²

An additional problem with permitting an inconspicuous nomination of applicable law is that it would increase the user's search costs.⁸³ The user, if they knew a nomination had been made, would search for a record of that nomination and the more difficult it is to find the longer the search would take. A long search is, in itself, expensive; however if the search were prohibitively expensive the user would start use without discovering which law was nominated (leading to proprietor use) or a mistaken belief that there is no nomination (leading to potential infringement). This in turn means a proprietor has an incentive to conceal their nomination, thus the *Eighth Proposition* nullifies that incentive.

The *Eighth Proposition* has no parallel outside the scope of these propositions and therefore no comparison can be made with traditional legal concepts. However, from a practical point of view, each registered intellectual property right must, by its very nature, be included in a record and so there is no reason why a nomination should not also be included. In contrast, certain international copyright obligations require certain "formalities" to be satisfied before national treatment is granted;⁸⁴ these formalities could be extended to include a nomination.

⁸² See page 136 above.

⁸³ For an explanation of search costs see page 132 above.

⁸⁴ UCC Article III(1); formalities are not required between members of the Berne Union: Article 5(2).

Ninth Proposition

Any nomination should have universal effect, except where the second proposition applies

The *Ninth Proposition* is essentially the same as the *Third Proposition*. If a nomination is made it should apply universally. The justification for the *Ninth Proposition* is the same as for the *Third Proposition*, but is more emphatic. Indeed, if different nominations were allowed for different countries, or different classes of people, this would undermine the *Eighth Proposition*. This is because it would reduce the certainty of each nomination and so increase search costs. These costs would be further increased if the nomination were either limited or uncertain.

(i) Search costs

A limited nomination would mean that a user who found one nomination would have to continue searching for other nominations, until they found one that they were confident applied to them. Similar nominations make the search costs higher as it is more difficult to differentiate between similar things than different things. Further, if a nomination were ambiguous or it was uncertain to what or where it applied, then a user would have to continue their search looking for other nominations, potentially searching for something that does not exist. There is no better example of wasted costs.

Finally, a universal nomination means that a proprietor is limited to making one choice to cover all uses in all places; this inflexibility means that they cannot

optimise their returns (and undermine the users) by selecting different laws. However, on the other hand it means that provided the chosen law has the necessary internal balance the user would be able to obtain benefits by undertaking activities that may be outside the main area of exploitation.⁸⁵

(ii) Initial ownership

As discussed in relation to the *Third Proposition*, there are four matters that should be considered in relation to choice of law and intellectual property: existence of the right, its scope and duration; initial ownership; transfer; and infringement. In relation to these issues only initial ownership raises different arguments to those discussed in relation to *Third Proposition*.

The problems arise where the person giving nomination only owns the copyright in some countries and not in others (once more this will not really apply in relation to registered rights or most other unregistered rights). This problem is not new Article III(1) of the Universal Copyright Convention states that protection would only be afforded under the convention where the copyright proprietor's name has been included on the publication. To overcome this problem, in relation to that Convention, it has been suggested that the test should be that sufficient information is provided to enable the prospective user to contact the right holder.⁸⁶ This is equally appropriate to the *Ninth Proposition*.

⁸⁵ A proprietor is obviously going to select the law they consider most beneficial for the expected exploitation. Thus, someone working outside the expected area of exploitation is more likely to have greater freedom under the chosen law.

⁸⁶ See Stewart (1989): 154.

In most cases the problems of ownership can be sorted out between the owner and purported owner (who would probably be the employer), leaving third parties to act within the confines of the present nominated law and when the ownership dispute is settled the (new) proprietor can re-nominate if necessary. Where the ownership is not set out by contract (so the copyright is owned by the employer in some countries, but the employee in others), then the first person (employer or employee) to nominate would bind the other as far as third parties are concerned. Ownership would ultimately, however, have to be determined in accordance with the employment contract. Where it was not governed by contract it is probably appropriate that the choice of law rules on employment agreements should determine ownership. Where there are joint authors (and so joint owners) then a nomination would have to be made by all owners; and where only one owner makes a nomination it should bind the others (to ensure certainty) but the nominating owner could, possibly, be liable to their co-owners.

The *Ninth Proposition*, like the *Third Proposition* is completely incompatible with every theory as, in effect, it removes the need for actually choosing which law applies.

Tenth Proposition

Non-proprietary users of intellectual property should be granted minimum rights

(i) Race to the top

Assuming that States “compete” to have their law selected by proprietors they would reform their law to make it more desirable; in turn leading to more

protective and pervasive laws. This would create a race to the top. To avoid the transaction costs associated with making new laws⁸⁷ large steps would be taken in favour of right holders. As that race progresses, the access costs would increase until the race is over (when all laws are as protective as possible). At this point the access costs would be exorbitant. This would increase transaction costs to such an extent that the *Seventh Proposition* would be, more or less, self-defeating.⁸⁸ To avoid this race it is necessary to ensure that users have minimum rights (e.g. “fair use” in copyright, domestic exemptions for patent users or precluding “non-trade” use of trade marks) so that when any race ends it does not undermine these *Propositions*.

(ii) “*Local exceptions*”

Allowing “local exceptions”⁸⁹ to apply to intellectual property use would lead to many different problems. First, it would mean that the exceptions would not fit with the subsistence of the right, this problem was explained in relation to bundling.⁹⁰ Second, it would require courts to apply a multitude of different laws (i.e. the exceptions from each relevant country); thereby increasing the chances of judicial error. Finally, it would mean that there would be little *ex ante* certainty for anyone. How is a person who is intending to upload information onto the Internet expected to know all the different exceptions to intellectual property rights around the world? Therefore, instead of allowing local exceptions to apply, the *Tenth Proposition* requires states to guarantee minimum rights, leaving the proprietor to

⁸⁷ See page 179 above.

⁸⁸ If the proprietor could prohibit all use of their intellectual property then every potential user would have to contact them for access. These transaction costs would either preclude use or alternatively lead to negotiations being undertaken under the *Second Proposition*.

⁸⁹ Also see the discussion of parallel application at page 177 above.

⁹⁰ See page 159 above.

select an applicable law, which obviously would include those minimum rights (albeit they would still select the most restrictive).

From a broader perspective the *Tenth Proposition* ensures constitutional and fundamental rights are protected. For example, the balance between freedom of speech and copyright would be maintained if the appropriate minimum standards were guaranteed.⁹¹

VI. Trade marks and universality

The proposal of universality is not as convincing for trade marks as it is for other intellectual property rights. There are two reasons for this: similar trademarks do not necessarily have the same origin; and the justification for copyright, patents and related rights is creating an incentive, but for trademarks it is reducing search costs.

All intellectual property rights, aside from trademarks, must (more or less) have a common “root”. It is true that the copyright or patent may be owned or used by different people in different jurisdictions, but the original owner⁹² or licensor has a link to all subsequent owners and licensees, giving them the ability to ensure the continuity of law across the world. So when the property is licensed or sold for the first time, conditions of use can be attached between those parties. Further, in any

⁹¹ These rights, it must be remembered, can be explained in economic terms as well as “rights” terms: see for example Posner (1984).

⁹² As discussed above, the determination of the original owner in relation to copyright may be quite difficult to ascertain because each country has different rules for initial ownership.

transnational litigation between the owners of the property and the *users* it would be possible to litigate the dispute in a single court.⁹³

In contrast, trade marks do not necessarily have the same root. The owner of a mark in one jurisdiction does not necessarily own or even have any connection with the owner of the mark in another jurisdiction because they may have both independently developed it. This independent creation⁹⁴ precludes them from negotiating before licensing or commencing use of the mark (this is particularly problematic with regard to unregistered marks or in “use” jurisdictions, such as the United States). It may also be illogical to require unconnected users to litigate together.

Secondly, the economic justification for trade marks is to lower search costs; but this proposal does not address lower search costs as effectively as maintaining incentives. The propositions set out in this chapter relate to resolving the legal issues, not the factual issues such as locating a *situs*. In relation to most intellectual property rights the proposals minimise the need to worry about locating where the damage actually occurred, but simply require global damages to be assessed.⁹⁵ Indeed, in relation to global brands this is equally true in respect of trade marks, but in relation to similar local brands it may still be necessary to divide up the world into local jurisdictions.

⁹³ An example of a copyright/licensee provision which could be used as a model is section 101 (or section 101A) of the Copyright, Designs and Patents Act 1988.

⁹⁴ Of course to independently create a copyright work does not infringe another identical work. However, this applies internationally and so any defence run on this basis need not be concerned about territorial boundaries.

There is, therefore, not only a potential conflict of laws but also a conflict of *rights*. For example, imagine the trade mark “DOG” was used by two unconnected firms each owning a trade mark in forty different countries. If either firm uses the mark on the Internet they would potentially be infringing the other’s mark. However, they would have to be governed by different laws,⁹⁶ although this in itself may provide some demarcation and so reduce search costs slightly (as the nomination has to be conspicuous) it does mean third parties would have to comply with “two” sets of laws. It cannot be disputed that there are problems in connection with small local users of marks, but these proposals still provide some assistance in multinational litigation and for that reason alone they provide a benefit. The evidential problems that must be solved in relation to determining the damage caused by a trade mark on the Internet is a different problem and one that must be investigated in some detail; however, this is beyond the scope of this work.⁹⁷

VII. Conclusion and next chapters

The ten propositions set out in this chapter provide the essential wealth maximising requirements of any system – they do not provide a complete code. The next chapter considers the propositions relating to jurisdiction and the enforcement of those judgments. Thereafter, Chapter 7 examines the proposition on applicable law and ancillary matters. These chapters have two purposes; firstly

⁹⁵ If there are multiple claimants then the court would need to divide damages between them, but this would be something that would either be agreed between the parties or could be the subject of separate hearings (thus reducing the defendants costs).

⁹⁶ As it would be contrary to the *Second or Seventh Proposition* to allow someone to select a jurisdiction for which they do not own the intellectual property. For example, if X owns the US mark and wishes to select US law then they can do so; however Y cannot also own the US mark and therefore they cannot select US law thus the two marks *cannot* be governed by the same law.

⁹⁷ See WIPO (2001).

to examine if the propositions are compatible with international law, regional laws and national laws;⁹⁸ secondly, to examine any issues that require practical rather than theoretical solutions.

⁹⁸ It has also been suggested that a “rule which as such does not properly reflect the public policy of the countries concerned, will invariably fail and have no chance of being universally adopted”: Dreier (2004): 124. This point is, at some level, true; but as discussed above there is a move towards states refraining from regulation in other areas of the law (e.g. television broadcasting, which has similar cultural implications) and there is no reason why intellectual property should be any different.

6

Jurisdiction and Enforcement of Judgments

This chapter will examine the rules for determining the jurisdiction of the courts and the enforcement of judgments. It will look at three levels of laws – international, regional and domestic – to assess whether or not they are compatible with the relevant propositions set out in the previous chapter. These propositions are: the *First Proposition* (parties should be free to select the jurisdiction that will adjudicate any intellectual property dispute), the *Sixth Proposition* (where transaction costs are prohibitively high, thereby prohibiting agreement, the courts of the defendant’s habitual residence should have jurisdiction) and the *Fifth Proposition* (any proper judgment made on the basis of these propositions shall be enforceable in every State and shall not be subject to challenge on its merits).

I. International law

There are two sources of international law where the rules of jurisdiction might be found: treaty and customary law. The second of these, custom, has a very close link with jurisdictional theory and was discussed at some length in Chapter 2. It

was concluded that despite the traditional view, exposed by Dr Mann,¹ that a court's jurisdiction is set by international law, in fact the jurisdiction of any state's court is a matter of domestic law.

A. Personal jurisdictional rules

The Hague Conference on Private International Law was set up to try to harmonise the rules on private international law. Its membership was originally confined to the countries in civilian Europe; however in 1951, after a Charter set up the conference on a permanent basis, its membership expanded to include common law countries.²

This conference has produced a number of conventions and some draft conventions. In 1999 a Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters³ (DCFJ) was promulgated. This project was described at the time as one of the most ambitious international legal instruments being negotiated.⁴ Therefore, unsurprisingly, that draft has not progressed. Instead a number of separate, less controversial projects are being pursued.⁵ Despite the failure of the draft, it is worth considering its proposals in relation to jurisdiction as to date it is the only attempt to reach any international consensus on civil and commercial matters.

¹ Other eminent scholars, aside from Dr Mann, traditionally asserted that jurisdiction was a matter of international law. For example, see Lawrence (1925): principle 93 at 199.

² Membership now totals 65.

³ This version was adopted on 30th October 1999, however a later version was proposed dated 20th June 2001; all reference are, unless otherwise indicated, to the earlier version. One of the most hotly contested matters was the inclusion of intellectual property. Indeed, the second version of the agreement included a wide range of proposals relating to intellectual property.

⁴ Petkova (2004): 174.

(i) General jurisdictional rules

Article 3 of the DCFJ prescribes a general jurisdictional rule: that the defendant may be sued in the courts of their habitual residence (there are four connecting factors set out which determine the habitual residence of legal persons).⁶ However, in contrast to the similar provision in the Brussels Regulation, Article 3 is not pre-eminent, in that the other grounds of jurisdiction are not derogations from, but alternatives to, the general principle.⁷ Notwithstanding, this rule conforms to the *Sixth Proposition*.

(ii) Permissive grounds of jurisdiction

There were a number of permissive grounds of jurisdiction proposed in the DCFJ, the only ground relevant to intellectual property is Article 10 (torts and delicts). This Article follows the “normal proposition” that the forum where the wrongful act was committed has jurisdiction.⁸ However, the draft Convention goes further by permitting the claimant to sue either at the place of injury (provided the injury was foreseeable) or at the place of the act or omission.⁹ However, where jurisdiction is based on the place of injury, recovery is limited to damage caused within the jurisdiction. In later drafts, a further restriction was proposed, which limited a state’s jurisdiction where the defendant had taken reasonable steps to avoid acting therein.¹⁰ The problems identified with this type of provision have been outlined in relation to the Ginsburg/Dreyfuss Convention.¹¹ In short, Article

⁵ For a discussion of these issues see Hague Conference Permanent Bureau (2001).

⁶ Agreement was reached on this proposition, see n. 16 of the 20 June 2001 draft.

⁷ Nygh and Polar (2000): 38.

⁸ Pocar (1985-6): 71-80.

⁹ Article 10(1).

¹⁰ This was included as Article 10(3) of the 2001 Draft.

¹¹ See page 191 above.

10 is more permissive than, and so incompatible with, the *First and Sixth Proposition*.

(iii) Choice of court clause

The DCFJ, in Article 4, provides that a court should have jurisdiction in pursuance to a choice of court agreement either by contract¹² or submission.¹³ The original provision was very wide, as it applied whether or not the dispute had “an international character”. This breadth caused concern among delegates and so choice was limited to international disputes.¹⁴ Importantly, Article 4 included no requirement that the contract be connected to the forum selected;¹⁵ indeed, only where another court has exclusive jurisdiction should a choice of court clause be ignored.¹⁶

When the DCFJ collapsed, work continued on clauses in relation to exclusive choice of court. To this end a Convention on Exclusive¹⁷ Choice of Court Agreements (CECC) was produced and was finally adopted on the 30th June 2005.¹⁸ The CECC carried over the final version of Article 4 of the DCFJ, but its scope is now clearly limited so that it only applies to “international cases”.¹⁹ This means that national law applies where two parties to the contract are both resident in the same State.²⁰

¹² Article 4(4) of the 2001 Draft; also see Nygh and Polar (2000): 43.

¹³ Article 5 of the 1999 Draft; Article 27A of the 2001 Draft.

¹⁴ See Article 2(a) of the 2001 draft.

¹⁵ Article 4(1); it was also not permissible for a selected court to decline jurisdiction on the grounds of *forum non conveniens*: Nygh and Polar (2000): 43.

¹⁶ Article 4(3) of the 1999 Draft; Article 4(5) of the 2001 Draft.

¹⁷ It does not cover permissive jurisdictional agreements: Article 3.

¹⁸ No state has yet signed the CECC. There was a Convention on the Choice of Court concluded on 25th November 1965, but it has yet to come into force (only Israel is a signatory).

¹⁹ Article 1(1).

²⁰ See Article 1(2) and commentary of Dogauchi and Hartley (2004): 7.

The central requirement of the CECC is that courts shall refuse to hear a matter where the parties have agreed to a different forum.²¹ There are exceptions to this general requirement, but they are limited. Leaving aside the more obvious conditions – capacity and invalidity of the contract – the most significant exception is where “giving effect to the agreement would lead to a very serious injustice or would be manifestly contrary to fundamental principles of public policy of the State of the court seised.”²² This provision may, depending on the way it is interpreted,²³ interfere with the *Fourth Proposition* (as an indirect way of applying a mandatory rule). Except for this shortcoming, and subject matter aside, the CECC is compatible with, and promotes, the *First Proposition*.

B. Special subject matter rules

There are certain international conventions (and drafts) that may create subject matter specific rules; firstly those conventions relating to intellectual property and secondly, the draft and adopted Hague Conventions (DCFJ and CECC).

(i) *The Intellectual Property Conventions*

Traditionally, it was argued that the principle of national treatment found in the Paris Convention,²⁴ the Berne Convention,²⁵ the Phonograms Convention (Rome),²⁶ TRIPS,²⁷ and the WPPT,²⁸ should be extended so that no court may determine foreign intellectual property rights. The provision in Paris is exemplary:

²¹ Article 6.

²² Article 6(c).

²³ Dogauchi and Hartley (2004): 29.

²⁴ Article 2(1).

²⁵ Article 5(1). Also see the UCC Article III(1).

²⁶ Article 4.

Nationals of any country of the Union shall, as regards the protection of industrial property, enjoy in all the other countries of the Union the advantages that their respective laws now grant... to nationals

This principle, it has been argued, should be applied to all matters related to intellectual property,²⁹ including all aspects of private international law.³⁰ It was this view that led authors to suggest a strictly territorial approach to jurisdiction.³¹

As Ulmer suggested:

the question is...whether... a limitation of international jurisdiction must be accepted in the sense that legal protection may be claimed only before national courts on the basis of the national copyright or industrial property right. Such a limitation of international jurisdiction has been accepted in the past...More recent developments, however, make this limitation appear outdated.³²

²⁷ Article 3.

²⁸ Article 4.

²⁹ This cannot be accepted; such a rule would cause problems where nationality is a relevant connecting factor (either in terms of jurisdiction – see Article 14 and 15 of the French Civil Code – or applicable law as it is in most civilian country). It would also create problems with other, unrelated, issues such as double-taxation (it would mean an author's royalties are taxed as a national, but also have to be taxed in their domicile in the normal way).

³⁰ See Ladas (1938): 268 (Berne “provides that ‘authors’ shall enjoy all rights granted to nationals, irrespective of whether such rights are granted by the general copyright legislation or by special laws”).

³¹ Fawcett and Torremans (1998): 12. Other provisions in those conventions have rarely been used to support this construction: e.g. Paris Article 4bis (1) and Article 6(3) which dictate the separate nature of each right.

³² Ulmer (1978): 10.

What this traditional approach would actually mean is that, in relation to intellectual property rights, the granting state would have exclusive jurisdiction.³³ It is unsurprising that this proposition has been rejected.³⁴ Not only are there provisions suggesting against this line of reasoning: for example, Article 2(3) of the Paris Convention,³⁵ but as Cornish points out national treatment only relates to the applicable law,³⁶ a view supported by earlier drafts of the Conventions.³⁷ Therefore, looking at the Conventions, it is easy to agree with Fawcett and Torremans:

*the role which the provisions of the international intellectual property conventions can play in relation to the determination of the court that can take jurisdiction...seems almost negligible or non-existent.*³⁸

This being the case, it is quite clear that nothing in those conventions conflicts with either the *First* or *Sixth Proposition*.

(ii) The Hague Convention on Civil and Commercial Matters

The DCFJ originally stated in Article 12(4) that the country of origin shall have exclusive jurisdiction to determine the validity of registered rights. It was suggested, “the desirability of exclusive jurisdiction for proceeding relating to the

³³ Fawcett and Torremans (1998): 12 and Stewart (1989): [3.28].

³⁴ Fawcett and Torremans (1998): 12. It was also rejected by the Court of Appeal in *Pearce v Ove Arup Partnership* (2000) Ch 403 at 442 (Berne does not seek to confer jurisdiction on the courts of one country to the expense of another).

³⁵ This provision expressly reserves matters of jurisdiction and procedure to the signatory states.

³⁶ Cornish (1996): cited Fawcett and Torremans (1998): 12. Although see the discussion in Chapter 7 below.

³⁷ Fawcett and Torremans (1998): 13.

³⁸ *Ibid.*

validity of the rights is beyond debate”,³⁹ whereas “it is not certain that [exclusive jurisdiction] is equally desirable for proceedings concerning infringement of these rights”.⁴⁰ However, the original draft of Article 12(4) attracted criticism, debate and lobbying and by the 2001 Preliminary Draft there were a large number of options on offer. Yet even these were not enough to stem the critics. The proposals in the later draft are such that considering them in their present state is futile;⁴¹ particularly, as many of the issues have re-emerged in the Convention on Choice of Court Agreements.

(iii) The Hague Convention on Choice of Court Agreements

The provisions of the CECC dealing with intellectual property were difficult to settle. Right up until the Convention was adopted it was unclear what would actually be agreed. Eventually it was decided that the Convention should only apply to intellectual property rights other than copyright or related rights where those rights relate to a breach of contract. Thus, copyright is fully within the convention,⁴² but other intellectual property rights are only within it where the matters relate to contract.⁴³ Therefore, intellectual property licences, when contractual, fall within the convention. However, a choice of court clause is only likely to arise where there is a licence and so in many cases this bar will have little impact.⁴⁴

³⁹ Nygh and Polar (2000): 67.

⁴⁰ *Ibid.*

⁴¹ For a general discussion of these proposals see: Fawcett (2002).

⁴² Dogauchi and Hartley (2004): 12-3.

⁴³ To avoid characterisation, all intellectual property licences are included whether or not a country characterises it as a matter of contract or tort (*ibid.*).

⁴⁴ *Ibid.*

However, matters of validity were, at the last minute, excluded from the Convention. Article 2(2)(n) states that the CECC does not apply to matters relating the validity of intellectual property rights other than copyright or related rights.⁴⁵

It can therefore be seen that, within its scope, the CECC goes a long way towards satisfying the requirements of the *First Proposition*; however, much of this is lost by the strict prohibition on courts considering the validity of foreign registered rights.

C. The act of state doctrine

The “act of state doctrine” dictates that “the courts of one state do not, as a rule, question the validity or legality of the official acts of another sovereign state”.⁴⁶ It has particular significance in relation to intellectual property as it forbids one state from challenging another’s decision to register a particular patent or trade mark. The purpose of all the *Propositions* is to allow a court to determine the validity of registered rights under a number of legal systems. It is therefore vital to assess whether this doctrine is part of international law. It is quite clear that it is not, as yet, incorporated into any treaty.⁴⁷ There has also been considerable doubt about whether this doctrine is part of customary public international law or whether it is purely a domestic matter.⁴⁸

⁴⁵ Previously, validity could be considered as part of an incidental question.

⁴⁶ See Oppenheim (1992): 365.

⁴⁷ Although there is a European Convention on State Immunity (1972) it does not deal with acts of state.

⁴⁸ *Ibid*: 369; Akehurst (2001): 122 and Akehurst (1973): 240 *et seq.*

It is always difficult to assess whether a matter is customary international law or not, particularly where there is probably no international judicial authority on the matter.⁴⁹ In such situations one can only turn to national courts to see whether they consider the doctrine to be a matter of international law, but this leads to contradictory results.⁵⁰ In the United States it was originally suggested in the New York case of *Hatch v Baez*⁵¹ that “by the... established rules of international law, the courts of one country are bound to abstain from sitting in judgment on the acts of another State done within its own territory”.⁵² Similarly the US Supreme Court stated in *Underhill v Hernandez*⁵³ that:

*Every State is bound to respect the independence of every other sovereign state, and the courts of one country will not sit in judgment on the acts of the government of another, done within its territory.*⁵⁴

However, it subsequently held, in *Banco Nacional de Cuba v Sabbatino*,⁵⁵ that the act of State doctrine is *not* a matter of international law. Similar inconsistency can be seen in French law where some cases and commentators have considered the doctrine to be a rule of international law⁵⁶ but most do not.⁵⁷ Unfortunately similar inconsistency exists in Germany.⁵⁸

⁴⁹ Oppenheim (1992): 369.

⁵⁰ Akerhurst (1973) discusses a number of cases on this point and concludes as such.

⁵¹ (1876) 7 Hun 596.

⁵² *Ibid* at 599. Other cases also found that it was a rule of international law: e.g. *National Institute of Agrarian Reform v Terry Kane* (Fla App, 1963) 153 So 2d 40.

⁵³ (1897) 168 US 250.

⁵⁴ *Ibid* at 252.

⁵⁵ (1964) 376 US 398.

⁵⁶ *Lafuente v Llaguno y Duranona* (1938) *Annual Digest 1938-40*, p. 152 and *Larrasquitu and the Spanish State v Société Cements Rezola* (1937) *Annual Digest 1935-37*, p. 196; see Mayer and Herzé (2004): [315].

⁵⁷ Akerhurst (1973): 247.

⁵⁸ *Ibid*.

D. Enforcement of judgments

It was once suggested, in *Cottington's Case*,⁵⁹ that enforcing a foreign judgment was required by the law of nations. However, it is now clear beyond peradventure that this is not the case (treaties aside) and the enforcement of judgments is merely a matter of domestic law. Almost every jurisdictional treaty requires that judgments rendered in accordance with its provisions should be enforced in other signatory states. It is futile to consider these provisions individually. Indeed, even the Hague Convention on the Recognition and Enforcement of Foreign Judgments in Civil and Commercial Matters⁶⁰ only requires enforcement when the judgment was given on certain approved bases.⁶¹ Thus, there is nothing inhibiting the *Fifth Proposition* in terms of international law, in fact it would be quite normal to include enforcement and recognition provisions in any convention implementing the *Propositions*.

II. Regional laws: the Brussels Regulation

There are number of agreements relating to jurisdiction, but most are bilateral agreements and so are too esoteric to be worth considering. However, it is vital to discuss the agreements between the member States of the Europe Community, in particular the Brussels Regulation. This Regulation superseded the Brussels Convention (except in relation to Denmark) and it compliments the Lugano

⁵⁹ (1678) (cited in *Kennedy v Earl of Cassillis* (1818) 2 Swan 313, 36 ER 635 at 640).

⁶⁰ 1st February 1971. This treaty is not in force having only four signatories: Cyprus, Netherlands, Portugal and Kuwait.

⁶¹ Article 10.

Convention (which applies between members States of European Free Trade Area and the European Community).

A. Scope of the Regulation

The Regulation,⁶² according to Article 1, only applies to “civil and commercial matters”. This term has an autonomous meaning,⁶³ but it is almost certain that the Regulation applies to intellectual property rights after they have been granted.⁶⁴ This is evidenced by the existence of Article 22(4): if intellectual property were generally excluded from the Regulation then this provision would be unnecessary. Indeed, the application of the Regulation to intellectual property matters has been confirmed by national courts on a number of occasions: for example the English courts in *Fort Dodge v Akzo Nobel*.⁶⁵

The Brussels Regulation is limited to international matters, thus it does not apply where proceedings involve parties who are all domiciled in one member State.⁶⁶ Until recently there was doubt over whether the Brussels Convention (and hence the Regulation) applied where the defendant was domiciled in a member State and the claimant was not,⁶⁷ but it is now clear that it does apply.⁶⁸ The Regulation does not, however, apply (except in relation to choice of court clauses) where the defendant is not domiciled in any member State. In which case that member

⁶² The scope of the Regulation is identical to that of the Convention.

⁶³ This is necessary because, as was noted by Schlosser (1979): 82, these terms have absolutely no meaning under the common law.

⁶⁴ The argument that it does not apply is based on the case of *LTU v Eurocontrol* (1977) 1 CMLR 88 (Case 29/76) where the Court of Justice held that the Brussels Convention did not apply to the situation where a public authority (e.g. a Patent Office) was acting in exercise of its powers: see Fawcett and Torremans (1998): 30-1.

⁶⁵ (1998) FSR 222.

⁶⁶ Jenard (1979): 8.

⁶⁷ This is as a result of *In re Harrods (Buenos Aires) Ltd* (1992) Ch 72.

State's traditional rules of jurisdiction apply. There are also other limitations on the scope of the Regulation, because of pre-existing jurisdiction conventions⁶⁹ or because of matters specifically excluded.⁷⁰ These are, however, too specific to be considered here.

B. General jurisdiction

(i) Domicile

The general rule of jurisdiction, set out in Article 2, states that “persons domiciled in a member state shall, whatever their nationality, be sued in the courts of that member state”. The provision does not specifically mention the defendant, but it is quite clear that the person identified actually is the defendant.⁷¹ The defendant's domicile is determined at the time of issuing process, rather than when they are notified of the same.⁷² A person's domicile is determined according to the law of the member State concerned; for example to assess whether a person is domiciled in the United Kingdom, UK law applies; in respect of French domicile, French law applies and so forth.⁷³ However, the rules for determining domicile are complicated and beyond the scope of this work. It is, however, clear that a court

⁶⁸ See *UGIC v Group Josi* (2001) QB 68 (Case C-412/98) and *Owusu v Jackson* (unreported) 30th April 2005 (Case C-281/02). In relation to the Brussels Regulation also see recitals 8 and 9.

⁶⁹ Article 67. It should be noted that the continuation of pre-existing conventions only applies where the convention is between a member State and a non-member State (Article 68 and 69). It has been argued, unsuccessfully, that the Berne Convention was such a convention (see *Pearce v Ovp, supra*) and similarly the European Patent Convention (see *Boston Scientific v Cordis* (2000) ENPR 87 at 91).

⁷⁰ Set out in Article 1(2).

⁷¹ See *Jenard* (1979): 18-9; also see *SA Consortium General Textiles v Sun and Sand Agencies* (1978) QB 279 at 295 and *Citadel Insurance v Atlantic Union Insurance* (1982) 2 Lloyd's Rep 543 at 549.

⁷² This can be determined from examining the *lis pendens* provisions. This is because the definition of a court first seised of a matter makes it clear that this is determined by the issuing of the proceedings: Article 30(1). Under the Convention this was made clear, in the English context, by the case of *Canada Trust v Stolzenberg (No. 2)* (2002) 1 AC 1.

⁷³ Article 59.

of one member State may need to determine whether a person is domiciled in another member State in accordance with that State's laws.

In contrast with the provisions granting special jurisdiction, where jurisdiction is granted under Article 2 matters may be consolidated in a single court. Thus, it is clear that Article 2 is very close to being on all fours with the *Sixth Proposition*, except that the *Proposition* bases jurisdiction on "habitual residence" rather than domicile.⁷⁴

(ii) Choice of court agreements

The Brussels Regulation includes a choice of clause provision at Article 23,⁷⁵ which gives a court exclusive jurisdiction where the parties agreed as such.⁷⁶ Intellectual property licences will often include a choice of court clause relying on this provision. Unlike other provisions in the Regulation, Article 23 applies⁷⁷ where any one party is domiciled in a member State.⁷⁸ It is, however, unclear when they must be so domiciled, but it is probably either at the time of making the contract or at time of commencing the proceedings.⁷⁹

⁷⁴ These terms certainly have a different meaning in the context of the Regulation because the term "habitual residence" is contrasted to "domicile": see Article 5(2).

⁷⁵ This was formerly Article 17 of the Brussels Convention.

⁷⁶ Like so many other words in the Regulation "agreement" is meant to be given an autonomous meaning: *Powell Duffryn v Petereit* (1992) ECR I-1745 at 1774 (Case C-214/89).

⁷⁷ Article 23 only requires the contract to be valid in form, for example it has to be evidenced in writing. Other requirements as to form, which may be required by a member State, are no longer permitted: e.g. *Elefanten Schuh v Jacqmain* (1981) ECR 1671 (Case 150/80).

⁷⁸ This is because Article 23 is excluded from Article 4 (which leaves matters of jurisdiction to member States when a defendant is not domiciled in a member State). The Brussels Convention did not specifically exclude the equivalent Article, although see Advocate-General's opinion in *Brenner and Noller v Dean Witter* (1994) ECR I-4275 at 4280 (Case C-318/93).

⁷⁹ Briggs and Rees (2003): 92.

In addition, it is possible for a party to submit to a jurisdiction under Article 24, even in contravention of an exclusive choice of court clause. This provides some flexibility for *ex post* agreements.⁸⁰ This flexibility must be contrasted with the special provisions that apply to consumer contracts (section 5 of the Brussels Regulation), these provisions invalidate all jurisdiction agreements involving consumers, except those made after the dispute has arisen.⁸¹ This restriction is contrary to the *First Proposition*.

It can be seen that Article 23 (in combined with Article 24) is almost totally compliant with the *First Proposition*, save where a court is granted exclusive jurisdiction under Article 22. Thus, it can be seen that the Brussels Regulation has completed the groundwork for implementing the propositions in the European Community.

C. Special grounds of jurisdiction

The Brussels Regulation includes certain grounds of special jurisdiction, which are derogations from the general rule,⁸² two of which are of import. The first ground is in matters relating to contract (Article 5(1)) and the second, in matters relating to tort (Article 5(3)). The relevant parts of Article 5 state:

A person domiciled in a Member State may, in another member State, be sued...

⁸⁰ For example where the earlier agreement is inefficient.

⁸¹ Article 17(1).

⁸² See *Réunion Européenne* (2000) QB 690 at 713 (Case C-51/97). As a derogation, these provisions should be interpreted narrowly.

(1)(a) in matters relating to a contract, in the courts for the place of performance of the obligation in question...

(3) in matters relating to tort, delict or quasi-delict, in the courts for the place where the harmful event occurred or may occur.

(i) Matters related to contract

A “matter relating to contract” has been given a Community meaning⁸³ and includes relationships which involve an obligation freely assumed by one party towards another.⁸⁴ This must include intellectual property licences whether they are contractual or otherwise.

The Brussels Convention gave no indication of how to determine the place of a contract’s performance, leaving the matter to national courts.⁸⁵ However, the Regulation indicates two alternatives (where there is no express agreement) for this determination. In relation to the sale of goods, the place of performance is the place where the goods should have been delivered; in relation to the provision of services it is the place where the services should have been provided.

The location of this performance has been considered in relation to intellectual property licences and it was suggested, prior to the adoption of the two new alternatives, that the place of obligation would be the place where the royalties

⁸³ *Peters v ZNAV* (1983) ECR 987 (Case 34/82).

⁸⁴ *Jakob Handte & Co v Traitements Mecano-Chimiques des Surfaces* (1992) ECR I-3967 (Case C-26/91) at 3994. Indeed, the Court of Justice has made it clear that the provision can still apply even where it is disputed that there is an agreement: *Effer v Kantner* (1982) ECR 825 (Case 38/81).

⁸⁵ *Industrie Tessili v Dunlop* (1976) ECR 1473 at 1485 (Case 12/76).

were due, namely where the licensor resides.⁸⁶ Alternatively, where no licence is actually granted in contravention of an agreement, specific performance may be necessary to agree the licence; thus the place where the document was produced is likely to be the place of obligation.⁸⁷ Similar arguments can be applied to other types of agreement.⁸⁸

Thus, it can be seen that Article 5(1) may have a very broad application to intellectual property licences, distribution agreements or other types of contracts. Allowing jurisdiction on this basis is inefficient and would, at least to some extent, undermine the *First* and *Sixth Proposition* because it would permit a court, other than that of the defendant's habitual residence or that chosen by the parties, to have jurisdiction.

(ii) Matters related to tort

The other relevant ground of jurisdiction is set out in Article 5(3). It is not surprising that whether a matter relates to "tort, delict or quasi-delict" should be determined according to an autonomous Community meaning.⁸⁹ Thus, a matter relating to tort is a matter which seeks to substantiate the liability of the defendant.⁹⁰ Although the Court of Justice has not yet ruled on the matter, domestic courts have repeatedly held that the infringement of intellectual property rights falls under Article 5(3).⁹¹ A particular problem arises in relation to

⁸⁶ Fawcett and Torremans (1998): 79; *c.f. Rank Film Distributors v Lanterna Editrice* (1992) ILPr 58 at 67 (where a guarantee under a contract was held to be performed where the money was due).

⁸⁷ *Ibid* at 80; *Olympia Productions v Cameron Mackintosh* (1992) 12 ILRM 204 at 207-8.

⁸⁸ See Fawcett and Torremans (1998): 79-89.

⁸⁹ *Kalfelis v Schroder* (1988) ECR 5565 (Case 189/87).

⁹⁰ *Ibid* at 5585.

⁹¹ In the UK: *Molnlycke v Procter & Gamble (No. 4)* (1992) 1 WLR 1112 at 1117; *Pearce v Ove Arup Partnership* (1997) Ch 293 (reversed on different grounds (2000) Ch 403) and *Fort Dodge v*

concurrent tort and contract claims. It has been argued that the Court of Justice, in *Kalfelis v Schroder*, indicated that Article 5(1) and 5(3) are mutually exclusive.⁹² Thus, the matter has to be classified as either one relating to tort or contract, but not both.⁹³ A more liberal interpretation is also possible, if the various matters are divided up between the different jurisdictional bases. However, at present the English Courts, at least, have not adopted the liberal view.⁹⁴

The most important question, when considering Article 5(3), is determining where “the harmful event occurred”. The Court of Justice, in *Bier BV v Mines de Potasse D’Alsace*,⁹⁵ made it clear that this covers both the place where the event giving rise to the damage occurred and the place where the damage itself occurred,⁹⁶ so giving the claimant a choice between the two forums. The Court of Justice reaffirmed this approach in *Shevill v Presse Alliance*,⁹⁷ a defamation case. In that case the court also held that where jurisdiction is based on damage within the jurisdiction, the court could only hear those parts of the matter that relate to that damage.⁹⁸ Thus, a claimant has two choices, they can rely on Article 5(3) and sue in each member State where damage was suffered, or they can sue in the defendant’s domicile and recover for all the damage caused by the tort.

Akzo Nobel, supra; in France: *Wegmann v Elsevier Science* (1997) ILPr 760; in Germany: *Re Jurisdiction in Tort and Contract* (1988) ECC 415.

⁹² This is based on a key passage in the judgment which reads “a court which has jurisdiction under Article 5(3) over an action in so far as it is based on tort or delict does not have jurisdiction over the action in so far as it is not so based” at 5585; see Briggs and Rees (2003): 149.

⁹³ Cheshire and North (1999): 214.

⁹⁴ *Source Ltd v TUV Rheinland Holding* (1998) QB 54. This has been complicated by the subsequent case of *Kleinwort Benson v Glasgow City Council (No. 2)* (1999) 1 AC 153 which appears to give a different interpretation of “matters related to contract” to the *Kalfelis* case.

⁹⁵ (1976) ECR 1735 (Case 21/76).

⁹⁶ Jenard (1979) originally left this open on the basis the wording had been used in certain pre-existing conventions between member States (at 26).

⁹⁷ (1995) 2 AC 18 (Case C-68/93).

⁹⁸ *Ibid* at 62. Also see *Wegmann v Elsevier Science* (1999) ILPr 379.

There are real problems identifying where the damage caused by infringement occurred. It has been suggested that damage should be assessed on the basis that intellectual property rights could only be infringed where they are protected.⁹⁹ Thus, an English court cannot hear a dispute, under Article 5(3), where it involves a foreign intellectual property right.¹⁰⁰ This approach has been criticised¹⁰¹ on the basis that it mixes up liability with jurisdiction and leaves unanswered the question of what amounts to the “damage” caused by infringement.¹⁰² In any event, infringement is thought to occur wherever an Internet site, containing intellectual property, is accessible. This accessibility enables jurisdiction to be exercised under Article 5(3).¹⁰³

The concept and principles behind Article 5(3) have already been discussed in relation to a similar proposal by Ginsburg/Dreyfuss¹⁰⁴ and have been shown to lead to very uncertain and inefficient results. Furthermore, this permissive ground of jurisdiction is directly in conflict with the *First* and *Sixth Proposition*.

(iii) Multiple defendants

Article 6 of the Brussels Regulation states:

A person domiciled in a Member State may also be sued: (1) where he is one of a number of defendants, in the courts for the place where

⁹⁹ Jooris (1996): 140; also see Laddie, Prescott and Vitoria (1995): [24.19] (this point was not repeated in Laddie, Prescott and Vitoria (2000)).

¹⁰⁰ Jooris (1996): 140.

¹⁰¹ Fawcett and Torremans (1998): 164.

¹⁰² *Ibid.* This has led Fawcett and Torremans to suggest that a *sui generis* rule should be adopted by the Court of Justice to locate the damage (at 168-9).

¹⁰³ See Dreier (2004): 126-7; the contrary more restrictive view was taken by the German court in *Re The Martim Trademark* (2003) ILPr 17.

¹⁰⁴ See page 195 above *et seq.*

*any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings.*¹⁰⁵

The application of the *Sixth Proposition* to multiple defendants is similar to the approach of Article 6(1). A number of authorities have considered when intellectual property decisions are irreconcilable for the purpose of Article 6. Judgments can be considered irreconcilable where they involve contradictory findings of facts, or contradictory legal conclusions drawn from those facts, or contradictory remedies.¹⁰⁶ In intellectual property litigation, it is possible to have contradictory findings of fact as a result of the different procedures for finding facts in each State;¹⁰⁷ similarly, different legal conclusions could be drawn from the facts, for example whether or not something amounts to an insubstantial part or whether it infringes a patent.¹⁰⁸

A more pertinent question is whether actions are sufficiently “closely connected” where they are based on parallel intellectual property rights.¹⁰⁹ It has been suggested that the “better” view is that the essence of the rights is the same and so the cause of the action is the same.¹¹⁰ However, in *Coin Control v Suzo*

¹⁰⁵ The earlier Article 6(1) of the Brussels Convention has been expanded to include certain requirements imposed by case law. In particular, in relation to irreconcilable judgments, see *Kalfeis v Schroder, supra*.

¹⁰⁶ *Gascoine v Pyrah* (1994) ILPr 82 at 93-5; also see Fawcett (1995): 752.

¹⁰⁷ *Chiron Corp v Organon Teknika (No. 10)* (1995) FSR 325 at 338.

¹⁰⁸ As happened in the *Epilady* litigation: see Chapter 1.

¹⁰⁹ For a discussion of whether the infringement of parallel intellectual property rights amounts to the same cause of action see Fawcett and Torremans (1998): 135-137.

¹¹⁰ *Ibid*: 173.

International,¹¹¹ the English High Court considered the matter and concluded that actions for the infringement of parallel rights are distinct and so the two judgments would not be irreconcilable.¹¹²

The argument that parallel rights are distinct is more difficult in relation to European patents as they are based on the same substantive law: the European Patents Convention. In *Coin Control* it was suggested that two unamended European patents were identical and were related for the purposes of Article 6(1).¹¹³ The Dutch Courts, in *Chiron Corp v Akzo Pharma*,¹¹⁴ actually held as such. However, the English Court of Appeal, in *Fort Dodge v Akzo Nobel*,¹¹⁵ held that different judgments on the same European patent would not be irreconcilable.¹¹⁶ This matter has been raised again in the Dutch Hoge Raad and a reference has been made to the Court of Justice.¹¹⁷

There is no antinomy between Article 6 of the Brussels Regulation and the *Ten Propositions*; this is because of the uniform applicable law, which means any two decisions made by different tribunals would, by that very fact, be irreconcilable. Therefore, there should never be two hearings relating to the same infringement. In other words, the doubts expressed above are no longer relevant.

¹¹¹ (1997) FSR 660.

¹¹² *Ibid* at 666-7. Also see O'Sullivan (1996): 661-2. However, the US Courts have considered a Belgian decision on validity on a Belgian patent to be *res judicata* in relation to the equivalent US patent: *Northlake Marketing & Supply v Glaverbel* (ND Ill, 1997) 986 F.Supp 471; although in *Cuno v Pall* (ED NY, 1989) 729 F. Supp 234 it was suggested that collateral estoppel in relation to foreign decisions is not appropriate; also see McGarrigle (1998).

¹¹³ *Coin control, supra* at 678.

¹¹⁴ The Hague District Court, 22nd July 1994, 1994 IER No. 24, 150.

¹¹⁵ *Supra*.

¹¹⁶ This question was originally referred to the Court of Justice (*Ibid* at 247), but the reference was withdrawn as the case was settled.

(iv) Lis pendens

The doctrine of *lis pendens* stops dual proceedings being litigated in two different forums. A specific provision is included in the Brussels Regulation to stop such proceedings.¹¹⁸ However, this doctrine is unnecessary when applying the *Ten Propositions*. This is because there are two exclusive bases of jurisdiction: the *First* and *Sixth Propositions*. If a case is not covered by the *First Proposition* it must be covered by the *Sixth Proposition*; both propositions suggest only one forum and therefore the doctrine of *lis pendens* is unnecessary.¹¹⁹

D. Exclusive jurisdiction

The Brussels Regulation mandates that in specific areas exclusive jurisdiction be granted to certain courts. Article 22 of the Regulation sets out five different grounds of exclusive jurisdiction: immovable property, existence of legal persons, validity of entries in public registries, validity of registered intellectual property rights and enforcement of judgments.

(i) General

There was an argument raised that intellectual property is immovable¹²⁰ and therefore falls within Article 22(1).¹²¹ However, this view has been heavily criticised,¹²² mainly because specific provision has been made by Article 22(4) for registered intellectual property rights and it would be illogical for intellectual

¹¹⁷ *Roche Netherlands v Primus and Goldberg* (Ref C-539/03).

¹¹⁸ See Section 9 of the Regulation.

¹¹⁹ The one exception to this is where an equal number of defendants are in two different jurisdictions, when it would be possible to start proceedings in either jurisdiction and be in accord with the *Sixth Proposition*.

¹²⁰ This was originally proposed by Arnold (1990) and he re-iterated it in Arnold (1999).

¹²¹ Article 16(1) of the Convention.

¹²² See Austin (1997); Fawcett and Torremans (1998): 34-35.

property to have two separate provisions in the same Article; but also because the Jenard and Schlosser Reports both appear to treat only land as immovable.¹²³

The relevant parts of Article 22 state:

The following courts shall have exclusive jurisdiction, regardless of domicile...(4) in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Members States in which the deposit or registration has been applied for, has taken place or is under the terms of a Community instrument or an international convention deemed to have taken place.

*Without prejudice to the jurisdiction of the European Patent Office under the Convention on the Grant of European Patents, signed at Munich on 5 October 1973, the courts of each Member State shall have exclusive jurisdiction, regardless of domicile, in proceedings, concerned with the registration or validity of any European patent granted for that State.*¹²⁴

The Jenard Report suggests that Article 22(4) is necessary because the grant of “a national patent is an exercise of national sovereignty”,¹²⁵ but infringement of

¹²³ Jenard (1979): 34-5; Schlosser (1979): 121-2.

¹²⁴ The second paragraph was not included in the Brussels Convention.

¹²⁵ Jenard (1979): 36.

those patents is governed by the general rules of the Convention.¹²⁶ It has also been suggested that the rules of exclusive jurisdiction are set out to ensure that “matters, which, because of their particular difficulty or complexity, require that the court having jurisdiction should be particularly familiar with the relevant national law...”¹²⁷ and in *Duijnstee v Goderbauer*¹²⁸ the Court of Justice suggested that conferring exclusive jurisdiction:

*upon the courts of the Contracting State in which the deposit or registration has been applied for is justified by the fact that those courts are best placed to adjudicate upon cases in which the dispute itself concerns the validity of the patent or the existence of the deposit or registration.*¹²⁹

This is more or less suggesting that it is a matter of litigation convenience.¹³⁰

Christopher Wadlow has attacked this suggestion and argued that the rule is a matter of public policy.¹³¹

The meaning of the term “registration or validity” in Article 22(4) was clarified in *Duijnstee*. The case related, indirectly, to a dispute between an employee and employer over the ownership of a patent. On ruling that such disputes fall outside the scope of Article 22(4), the court held that the expression “registration or

¹²⁶ *Ibid.* Also see Fawcett (2002): 145, where he suggests that because issues of infringement commonly raise issues of validity such cases fall outside the scope of Article 22(4).

¹²⁷ Advocate General Lenz in *As-Autoteile Service v Malhe* (1985) ECR 2267 at 2271 (Case 73/77).

¹²⁸ (1985) 1 CMLR 220 (Case 288/82).

¹²⁹ *Ibid* at 235.

¹³⁰ Tritton and Tritton (1987): 350.

¹³¹ Wadlow (1985): 310-1.

validity” must have an independent Community meaning,¹³² which did not include ownership of patents, as that did not relate to the validity of the underlying patent.

(ii) *“Principally concerned”*

Article 22(4) must be read in conjunction with Article 25, which dictates that a court of another member State must decline jurisdiction where a claim is “principally concerned” with a matter over which another court has exclusive jurisdiction under Article 22. Thus, much has turned on whether or not proceedings are principally concerned with registration or validity.

It is unclear what “principally concerned” means. The Jenard Report stated that this excludes a matter which is raised as a “preliminary or incidental matter”.¹³³ The problem, however, has always been that invalidity and infringement are as Mr Justice Walker states in *Chiron Corp v Evans Medical Ltd*,¹³⁴ “two sides of the same coin” (or “two jaws of the same squeeze”).¹³⁵ Thus, when someone alleges infringement of a registered right does a defence based on the invalidity of the relevant right mean that the granting state has exclusive jurisdiction? Mr Justice Laddie held in *Coin Controls v Suzo International*¹³⁶ that:

once the defendant raises the validity the court must hand the proceedings over to the courts having exclusive jurisdiction over that issue. Further, since Article [25] obliges the court to decline

¹³² *Duijnste*, *supra* at 235.

¹³³ Jenard (1979): 39.

¹³⁴ (1996) FSR 863.

¹³⁵ *Ibid* at 872.

*jurisdiction in relation to claims which are “principally” concerned with Article [22] issues, it seems to follow that jurisdiction over all of the claim, including that part which is not within Article [22], must be declined.*¹³⁷

The English Court of Appeal endorsed this view in *Fort Dodge v Akzo Nobel*¹³⁸ by suggesting:

*when there is a bona fide challenge to the validity of a...patent, any proceedings for infringement must...be “concerned with” the validity of the patent.*¹³⁹

Belgian Courts¹⁴⁰ and Spanish Courts¹⁴¹ have reached similar decisions, namely that once validity of a foreign registered right has been raised the court must decline jurisdiction. The Dutch Courts, in interlocutory hearings (commonly called “kort geding”),¹⁴² have been far more liberal and allowed matters of validity to be considered incidentally.¹⁴³ The German court took a similarly robust line in *GAT v Luk*,¹⁴⁴ where it considered that where a court had jurisdiction over the parties it could consider matters of validity as well as infringement.¹⁴⁵ This

¹³⁶ *Supra.*

¹³⁷ *Ibid* at 676.

¹³⁸ *Supra.*

¹³⁹ *Ibid* at 244.

¹⁴⁰ *Röhm Enzyme* (2001) 32 IIC 571.

¹⁴¹ *Rivista di Diritto Internazionale Privato e Processuale* (1981), p. 913; D Series I-16.4 – B3 (cited in Fawcett and Torremans (1998): 207).

¹⁴² See Brinkhof (1994): 361.

¹⁴³ This was however restrained by the ruling in *Expandable Grafts v Boston Scientific* (1999) FSR 352.

¹⁴⁴ (2003) ILPr 5.

¹⁴⁵ *Ibid* at 61-2.

case has now been referred to the Court of Justice.¹⁴⁶ In his opinion the Advocate-General suggested:

[Article 22(4) of the Brussels Regulation] *determines the competence of a court when a procedure concerning the validity or the nullity of a patent or other industrial property right is raised. This article applies when, in proceedings concerning infringement, the defendant or, in proceedings concerning non-infringement, the plaintiff argues that the patent is invalid or a nullity.*¹⁴⁷

It has been suggested¹⁴⁸ that such a restrictive view is inappropriate and a more flexible approach should be adopted on the basis that “principally” means “mainly”.¹⁴⁹ Thus, a claim for infringement in which validity is raised as a defence is mainly (or principally) concern with infringement and not validity or, at best, it is equally concerned with both infringement and validity.¹⁵⁰ It is unlikely that this view will be adopted until a mechanism is created for dealing with a foreign judgment that found a (domestic) registered right to be invalid or partially so (after all, an order to amend a patent is a common outcome of hearings).

¹⁴⁶ See *GAT v Luk* (2002) ILPr 41 (Case C-4/03). Another similar reference was made by another German court: *MTD* (2004) 35 IIC 325.

¹⁴⁷ *GAT v Luk* (unreported) 16th September 2004 (Case C-4/03) (*AG Opinion*): Author’s translation.

¹⁴⁸ Prior to the *GAT v Luk* reference.

¹⁴⁹ Fawcett and Torremans (1998): 203. In contrast Briggs and Rees (2003) suggest that the English approach has the correct balance because it has the “merit of practical wisdom about it, for it combines respect for article 22(4) with the need to obtain a quick and efficient resolution of all limbs of the dispute” (at 71).

¹⁵⁰ Fawcett and Torremans (1998): 203.

Alternatively, Christopher Wadlow has argued that Article 22(4) does not preclude a decision on validity, *inter partes*, where the issue is raised as a counterclaim.¹⁵¹ The basis of this approach is the Court of Justice's decision in *Davaern v Otterbeck*,¹⁵² where it was held that as long as a separate judgment was not applied for on a counterclaim, the defences available under national law should *all* be available. In other words, someone can raise the defence of invalidity, but they cannot actually get an order declaring the right to be invalid. He suggests that this approach would have been within the contemplation of the draftsmen of the original Convention.¹⁵³ Assuming he is correct, this approach would also be compatible with the various propositions.

It is quite clear that the majority view is in conflict with the *First* and *Sixth Propositions*. This is because Article 22(4) prohibits a party from challenging the validity of any foreign registered intellectual property rights before a court. Thus, a court that has jurisdiction under the *First* or *Sixth Proposition* would, by reason of Article 22(4), be precluded from determining transnational infringement (invalidity) hearings. Thus, Article 22(4) is incompatible with those propositions.

(iii) European Patent Convention and the Litigation Agreement

Article 22(4) acknowledges the rules in the European Patent Convention, in particular in the Protocol on Recognition. This Protocol deals with the right to be granted a European patent; it does not deal with validity or infringement. It therefore falls outside the scope of this work because such dispute is only likely to

¹⁵¹ Wadlow (1998): [3-132 to 3-147].

¹⁵² (1995) ECR I-2053 (Case C-341/93).

¹⁵³ Wadlow (1998): [3-137 to 3-140].

involve the European Patent Office and applicants.¹⁵⁴ There is, however, a proposal for a European Patent Litigation Agreement, which would centralise European patent litigation.¹⁵⁵ This proposal, which would require the issues surrounding Article 22(4) to be addressed, demonstrates the negotiating parties' willingness to allow the validity of patents to be adjudicated outside their domestic courts. Indeed, member States have already agreed to unitary rights being invalidated by courts in other member States (Community Trade Mark Courts and Community Design Courts).

E. Recognition and enforcement of judgments

The Brussels Regulation mandates that a judgment,¹⁵⁶ which comes within the scope of the Regulation,¹⁵⁷ shall be recognised in other member States without any special procedure being required.¹⁵⁸ It is not limited to final judgments and so provisional orders are entitled to recognition.¹⁵⁹ Nor is recognition limited to money judgments, injunctions and specific performance may be recognised with the same penalties for disobedience.¹⁶⁰

The recognition of a judgment can arise in a number of ways. First, where a person wants to enforce the judgment it is necessary, as a preliminary step, to

¹⁵⁴ For a more detailed analysis see Fawcett and Torremans (1998): 52-61.

¹⁵⁵ This is proposed as an alternative to the Community Patent Convention. The EPLA allows litigation of a number of national rights (granted as European patents), whereas the CPC creates a unitary right.

¹⁵⁶ Defined in Article 32 as "any judgment given by a court or tribunal of a Member State, whatever the judgment may be called...".

¹⁵⁷ Indeed, many of the decisions on the scope of the Brussels Convention were related to recognition rather than the primary jurisdiction: Cheshire and North (1999): 485.

¹⁵⁸ Article 33(1).

¹⁵⁹ See Schlosser (1979): 126 and *De Cavel v De Cavel* (1979) ECR 1055 (Case 143/78). However, orders without notice (*ex parte*) are not included: *Denilauler v SNC Couchet Freres* (1981) 1 CMLR 62 (Case 125/79).

¹⁶⁰ Schlosser (1979): 132.

recognise it; second, it is relevant where someone wishes to defend an action on the basis of *res judicata*; and finally, it can be relevant to establishing title to goods or for a set off. The Regulation's prohibition on any special procedure for recognition means that it should be more or less automatic.¹⁶¹ However, there are a number of defences to recognition set out in Article 34 of the Regulation, only one of which needs to be considered here:¹⁶²

A judgment shall not be recognised... if such recognition is manifestly¹⁶³ contrary to public policy in the Member State in which recognition is sought.

The meaning of "public policy" is somewhat unclear. The Jenard Report indicates that it should only be used in exceptional cases and never to criticise the decision of the court which gave the judgment; but only the judgment itself.¹⁶⁴ The Schlosser Report went further by indicating that, in some cases, fraud can come within the public policy exception.¹⁶⁵ It is also clear that it is improper to refuse to recognise a judgment on the basis of the rules of private international law used by the court giving judgment¹⁶⁶ or on the basis that there were errors of fact or law.¹⁶⁷

¹⁶¹ Jenard (1979): 74.

¹⁶² The other exceptions: "natural justice" and conflicts with judgments of the recognising state or another are discussed at length in the textbooks: Cheshire and North (1999): 497-505; Briggs and Rees (2003): 440-8 and Dicey and Morris (1999, Supp): [S14-206-S14-227].

¹⁶³ The word manifestly was not included in Article 27(1) of the Brussels Convention.

¹⁶⁴ Jenard (1979): 44. The limitation to exceptional cases was followed in *Hoffmann v Krieg* (1988) ECR 645 (Case 145/86) and *Hendrikman v Magenta Druck & Verlag* (1997) QB 426 at 442 (Case C-78/95).

¹⁶⁵ Schlosser (1979): 128. This would *not* include situations where fraud had been raised and dismissed in the court which gave judgment because this would amount to questioning the decision of that court: Cheshire and North (1999): 496. On a different basis it has been suggested that it would also be inappropriate to raise fraud where it was known about during the proceedings: *Interdesco SA v Nullifire* (1992) 1 Lloyd's Rep 180.

¹⁶⁶ Jenard (1979): 44; although compare Forde (1980): 272-3.

¹⁶⁷ Article 36 makes it clear that "Under no circumstances may a foreign judgment be reviewed as to its substance".

It is therefore necessary to examine the impact of the public policy proviso on intellectual property judgments. The territorial nature of intellectual property has led to the assumption that the granting country must have exclusive jurisdiction. Therefore, following this argument, where a court of another country adjudicates on those rights, in particular in relation to infringement, the granting state may refuse to recognise the judgment on the grounds that another court has exclusive jurisdiction and so enforcing the judgment would be contrary to public policy.¹⁶⁸ The Regulation specifically provides that a court need not recognise a judgment which conflicts with Article 22.¹⁶⁹

However, Fawcett and Torremans argue convincingly that a court *should* recognise a foreign judgment relating to its own intellectual property rights. The basis of their argument is that only in exceptional cases should a judgment not be recognised on the grounds of public policy and further, it is clear, that Article 34 cannot be used to check whether the foreign judgment is reconcilable with domestic public policy.¹⁷⁰ Furthermore, a French court had already adopted this approach, when they recognised a Dutch decision on a French intellectual property matter.¹⁷¹

¹⁶⁸ Fawcett and Torremans (1998): 729; Wadlow (1998): [8-127].

¹⁶⁹ Article 35(1).

¹⁷⁰ See Article 36 and *SISRO v Ampersand Software* (1994) ILPr 55.

¹⁷¹ *Braillecellen II* (1995) EIPR D-73.

Once a judgment has been recognised it is necessary for it to be enforced. The procedure for enforcement is set out in Chapter III of the Regulation, however it is not intended to discuss it here.¹⁷²

It can be seen that, with a restrictive interpretation of the public policy exception, the approach taken in the Brussels Regulation is in accord with the *Fifth Proposition*. Indeed, it provides a good model to use for any convention incorporating that proposition. Notwithstanding, the provisions in the Brussels Regulation have not been without their critics. The basis of this criticism is that judgments obtained against defendants (not domiciled in Member States) using exorbitant rules of jurisdiction are enforceable throughout the Community.¹⁷³ However, this criticism would not apply to the *Fifth Proposition* as it is limited to judgments founded on jurisdiction under the *First* and *Sixth Propositions*: neither of which are exorbitant.

III. National law

In this section the *First, Fifth and Sixth Propositions* will be placed in the context of the national legal systems of the four target jurisdictions: England and Wales, the United States, France and Germany. However, three of the states are members of the European Community and are bound by the Brussels Regulation. Therefore, the examination below will only consider those jurisdictions' "traditional rules", or those rules which apply when the Brussels Regulation (or the related Conventions) do not apply.

¹⁷² For a full discussion see Briggs and Rees (2003): 451-6 and Cheshire and North (1999): 489-506.

¹⁷³ See for example Von Mehren (1981).

A. England and Wales

The English traditional rules of jurisdiction permit jurisdiction over a defendant where they are served with process within the jurisdiction.¹⁷⁴ Where a person cannot legally be served, a court has no jurisdiction over them.¹⁷⁵

In certain circumstances, the English courts also permit process to be served outside the jurisdiction,¹⁷⁶ which is equivalent to granting additional special grounds of jurisdiction. Such service is permitted where the tort is committed, or damage is sustained, within the jurisdiction;¹⁷⁷ where a contract was made¹⁷⁸ in the jurisdiction;¹⁷⁹ where the contract is governed by English law;¹⁸⁰ or where the breach is committed within the jurisdiction.¹⁸¹

It is quite clear that basing jurisdiction on service alone, or permitting service abroad, means that jurisdiction can be based on grounds other than habitual residence. This would be contrary to the *Sixth Proposition*. However, of course, English law permits service on a person habitually resident within the jurisdiction; thus all that is required is that service is limited to such persons.

¹⁷⁴ A claim is started by the issue of a claim form (CPR 7.2) which must be served within four months (CPR 7.4); this principle is set out in rule 24 in Dicey and Morris (1999): [11R-076].

¹⁷⁵ Although, English courts now allow what is called substituted service at an address for service: see CPR 6.5; Companies Act 1985 s. 725.

¹⁷⁶ These grounds are set out in CPR 6.20.

¹⁷⁷ CPR r. 6.20(8); this provision is intended to mirror that in the Brussels Regulation: Sime (2004): 127. In relation to patents the action must be put into effect in the UK, it is not enough that the “effect occurs” therein: see *MBM v William Hill* (2003) RPC 31 at [24-9]; in relation to copyright Copinger (2005).

¹⁷⁸ This is based on normal contractual principles: *Brinkibon v Stahag Stahl* (1983) 2 AC 34.

¹⁷⁹ CPR r. 6.20(5)(a).

¹⁸⁰ CPR r. 6.20(5)(c).

¹⁸¹ CPR r. 6.20(6). This is similar to Article 5(1) of the Regulation.

The English courts are also willing to accept jurisdiction over a dispute where the parties have agreed that the court should have exclusive jurisdiction.¹⁸² Further flexibility is provided by the possibility of parties submitting to the jurisdiction.¹⁸³ The courts have recently made it clear that this willingness extends to intellectual property litigation.¹⁸⁴ Similarly the court will stay domestic proceedings that are instituted in breach of any such agreement.¹⁸⁵ This flexibility means that the English traditional rules are compatible with the *First Proposition*.

(i) Restrictions on jurisdiction

Despite having personal jurisdiction over a case the traditional rules include some subject-matter restrictions. The House of Lords held in *British South Africa v Companhia de Moçambique*¹⁸⁶ that English courts have no jurisdiction to adjudicate on foreign immovables. This rule was abrogated by statute¹⁸⁷ and now it only applies to questions of title or possession of such immovables.

In English law, intellectual property is not an immovable; indeed the statutes specifically state that it is moveable.¹⁸⁸ However, although intellectual property has not been classified as immovable property, it has been said to be analogous to such property. It was an Australian court that first drew this analogy in *Potter v Broken Hill Pty*¹⁸⁹ where it was held that the court had no jurisdiction over foreign

¹⁸² Rule 32 of Dicey and Morris (1999): [12R-074]; CPR r. 6.20(5)(d).

¹⁸³ This can be achieved by contesting the case on the merits (see *Marc Rich v Societa Italiana (No.2)* (1992) 1 Lloyd's Rep 624) or instructing a solicitor within the jurisdiction to accept service (see *Manta Line v Sofianites* (1984) 1 Lloyd's Rep 14).

¹⁸⁴ *Celltech R&D Ltd v Medimmune* (2005) FSR 21.

¹⁸⁵ See *Gienar v Meyer* (1796) 2 Hy. Bl 603, 126 ER 728; *The Mahkutai* (1996) AC 650.

¹⁸⁶ (1893) AC 602.

¹⁸⁷ Section 30(1) Civil Jurisdiction and Judgments Act 1982.

¹⁸⁸ Trade Marks Act 1994 s. 22; Copyright, Designs and Patent Act 1988 s. 90(1); Patents Act 1977 ss. 30 and 31.

¹⁸⁹ (1905) VLR 612.

intellectual property rights because such actions were purely local. However, when the decision was upheld by the High Court¹⁹⁰ it was on a different basis: the grant of a foreign patent was an act of state.¹⁹¹ The High Court's approach was followed in *Norbert Steinhardt and Son v Meth and Another*¹⁹² where Justice Fullagar noted:

*no action could be maintained in England for an infringement of an Australian patent, or in Australia for an infringement of an English patent...*¹⁹³

This line of reasoning is still supported by some academic commentators.¹⁹⁴ However, in England the matter has now been considered by the courts on a number of occasions. In *Tyburn Productions v Conan Doyle*¹⁹⁵ Mr Justice Vinelott¹⁹⁶ ruled that the distinction between local and transitory actions was essential to the *Moçambique* decision and that infringement of all intellectual property rights are local actions. Therefore the English courts had no jurisdiction over foreign copyright disputes. This rule was then extended to trade marks in *LA Gear v Gerald Whelan & Sons*.¹⁹⁷ However, the Court of Appeal in *Pearce v Ove Arup Partnership*¹⁹⁸ suggested that the ruling in *Tyburn* should be confined to the facts of that case; although, the Court found it unnecessary to determine whether

¹⁹⁰ (1906) 3 CLR 479.

¹⁹¹ O'Connor J at 513; Griffiths CJ at 496; Barton J at 500-3.

¹⁹² (1960) 105 CLR 440.

¹⁹³ *Ibid* at 443.

¹⁹⁴ Arnold (1999).

¹⁹⁵ (1991) Ch 75.

¹⁹⁶ In the earlier case of *Librarie du Liban v Pardoe Blacker* (unreported), 21st December 1983, he held that an English court could restrain a person from infringing a foreign copyright where the parties submitted to jurisdiction.

¹⁹⁷ (1991) FSR 671.

¹⁹⁸ (2000) Ch 403 at 439-40.

the particular action was justiciable in the English courts. The ruling in *Tyburn* has been criticised by a number of commentators¹⁹⁹ and recently Peter Prescott QC, sitting as a deputy High Court Judge, in *Griggs and Others v Evans and Others*,²⁰⁰ stated that the English court's traditional rules of jurisdiction should be similar to those under the Brussels Regulation.²⁰¹ Therefore, only where validity is at issue should the English courts decline jurisdiction; otherwise it should be free to determine matters of foreign infringement.

In addition to this (possibly defunct) limitation there is also a second restriction. This restriction stems from the case of "*Morocco Bound*" *Syndicate v Harris*²⁰² where it was held, once more, that infringement of a foreign intellectual property right (German copyright) is not actionable in England. The rationale for this decision was that the foreign decision could not be enforced as it would be applying "German law" in "Germany" and this was a matter for the German courts. In *Def Lepp Music v Stuart-Brown*²⁰³ the Vice-Chancellor thought that *Morocco Bound* was a "puzzling case"²⁰⁴ but despite this, he still made a number of suggestions indicating that an English court had no jurisdiction over foreign infringement.²⁰⁵ However, the restriction established in *Def Lepp* case pre-dates *Tyburn*, and in *Griggs* Peter Prescott QC held that it no longer applied because it related to the now defunct double actionability rule.²⁰⁶ It therefore appears that

¹⁹⁹ Fawcett and Torremans (1998): 286-90; Cheshire and North (1999): 386-7.

²⁰⁰ (2004) FSR 48. This decision was appealed, however, this aspect of the appeal was not pursued: *Griggs v Evans and Others* (2005) FSR 31 at 708.

²⁰¹ Although he discussed it in terms of the Convention.

²⁰² (1895) 1 Ch 534.

²⁰³ (1986) RPC 273.

²⁰⁴ *Ibid* at 277.

²⁰⁵ *Ibid* at 276-7.

²⁰⁶ This was a rule introduced by *Phillips v Eyre* (1870) LR 6 QB 1, which required a tort to be actionable both in England and in the foreign jurisdiction. By the very nature of intellectual property it used to be thought that because each property right was territorial it must fall foul of the

foreign intellectual property rights can now be adjudicated in English courts under the traditional rules.

(ii) The act of state doctrine

The act of state doctrine in England stems from a seventeenth century case where the court refused to review a foreign trading patent.²⁰⁷ Its recent history begins with the House of Lords decision in *Buttes Gas and Oil v Hammer*.²⁰⁸ Their Lordships, after considering the old cases and those of the United States (which are discussed below), opined that the act of state doctrine exists. Thus, a court should not consider the validity of a foreign registered right on the basis that to do so would be judging the validity of an act of state. It appears, therefore, that where an English court would have restricted jurisdiction by reason of article 22(4) of the Brussels Regulation, the “traditional” rules will impose a similar restriction by reason of the act of state doctrine.²⁰⁹

(iii) The recognition of judgments

The common law rules dictated that a final and conclusive judgment²¹⁰ for a fixed sum (i.e. a money judgment²¹¹) obtained abroad creates an obligation that is actionable in England, but the judgment itself was not entitled to recognition.²¹² Therefore, a new action needs to be started for the judgment to be satisfied; this

double actionability rule. However, this rule was finally abolished by Part 3 of the Private International Law (Miscellaneous Provisions) Act 1995.

²⁰⁷ *Blad v Bamfield* (1674) 3 Swan App 604, 36 ER 992.

²⁰⁸ (1982) AC 888.

²⁰⁹ However, the Court of Appeal in *Apple Corp v Apple Computer* (1991) 3 CMLR 49 did not rule out the possibility of investigating the validity of various foreign trade marks (at 69-70).

²¹⁰ In other words it must be *res judicata* in the state of origin. It does not mean there should be no right of appeal. Indeed, even with an appeal pending it may be actionable: see *Scott v Pilkington* (1862) 2 B & S 11, 121 ER 978.

²¹¹ Injunctions and specific performance are excluded.

²¹² Cheshire and North (1999): 407; Dicey and Morris (1999): [14-009].

requirement is less onerous than it seems because it is possible to obtain summary judgment on the grounds that there is no arguable defence. Therefore, at common law, what is relevant is that a judgment provides an actionable obligation.

An obligation is actionable only if the rendering court assumed jurisdiction on a basis acceptable to English law.²¹³ In particular, the English courts refuse to recognise any decision on the title to English immovable property.²¹⁴ It is, therefore, almost certain that they would refuse to recognise a judgment on the title of intellectual property (although there may be more flexibility with copyright than registered rights).²¹⁵ The common law considers foreign judgments to be conclusive and therefore it is prohibited, with limited exceptions, to challenge the decision even where a foreign court, when applying English law, makes a mistake.²¹⁶ The exceptions include similar provisions to those set out in the Brussels Regulation.²¹⁷

The common law rules have been supplemented by a statutory regime. Part of this regime deals with enforcement under the Brussels Regulation and enforcement between the different jurisdictions in the United Kingdom. However, it is the regime under the Administration of Justice Act 1920 (the 1920 Act) and the Foreign Judgments (Reciprocal Enforcement) Act 1933 (the 1933 Act) that will be outlined here.

²¹³ For a discussion of such grounds see Cheshire and North (1999): 408-23.

²¹⁴ *Boyse v Colclough* (1854) 1 K & J 124, 69 ER 396.

²¹⁵ Fawcett and Torremans (1998): 737; argue, on a related point, that they should not be recognised.

²¹⁶ *Castrique v Imrie* (1870) LR 4 HL 414.

The 1920 Act allows a person who has obtained a judgment under which money is payable²¹⁸ from a Superior Court in a Commonwealth country²¹⁹ to register it in the United Kingdom.²²⁰ The court will decide whether it is just and convenient for the judgment to be enforced within the Kingdom.²²¹ The court is prohibited from registering a judgment of a court that was without jurisdiction (under the common law rules²²²), but once a judgment has been registered it has the same effect as if the registering court had given it.

The 1933 Act was intended to supersede the earlier the 1920 Act as it applies to both the Commonwealth and to other countries. The 1933 Act, as its name suggests, requires reciprocity and where it is clear that such reciprocity has been afforded an Order in Council may be made to extend the application of the Act to those countries. The 1933 Act is more liberal than the 1920 Act in that it does not require judgment to be from a Superior Court. Further, it also permits arbitration awards, which have been recognised by a foreign state, to be registered. It requires, like the common law, that the judgment is final and conclusive, but it leaves no discretion to the registering court. Notwithstanding, once registered a judgment must be set aside where the court issuing it lacked jurisdiction or where other grounds are satisfied (these grounds are very similar to those under the common law).²²³ However, a judgment which could be recognised (whether or not

²¹⁷ For a more detailed discussion see Cheshire and North (1999): 441-459; Dicey and Morris (1999): [14R-118-14-158].

²¹⁸ Section 12.

²¹⁹ The Act requires reciprocity and it only applies to a country if it has been applied by an Order in Council.

²²⁰ Although a person may still sue at common law for their right obtained under the foreign judgment: *Yukon Consolidated Gold v Clark* (1938) 2 KB 241 at 252; however, they will not be entitled to their costs if the judgment was successfully registered.

²²¹ Section 9(1).

²²² See Cheshire and North (1999): 463.

²²³ Section 4(1).

is has been) is considered to be conclusive between the parties, except where registration should be set aside.²²⁴

It can be seen that that the English rules on the enforcement of judgments are far more restrictive than that mandated by the *Fifth Proposition* as they are limited to money judgments. Notwithstanding, the courts are used to enforcing judgments on the basis of the Brussels Regulation and therefore adopting the *Fifth Proposition* would be quite straightforward.

B. United States

The jurisdiction of the courts of the several States of the United States is determined by the rules of each State. Intellectual property, however, is a federal matter and so the federal courts have subject matter jurisdiction.²²⁵ Federal courts may only, however, have jurisdiction over a person where they could “be subjected to the jurisdiction of a court of general jurisdiction in the state in which the district court is located...”²²⁶ Thus, the determination of whether a State has jurisdiction is important. In effect, the federal courts adopt the “long-arm” statutes of the states,²²⁷ they also have their own long arm statute that grants a federal court jurisdiction where it would be compatible with the Constitution and no other court has such jurisdiction.²²⁸ All courts, whether federal or state, must comply

²²⁴ Section 8.

²²⁵ Some related torts are not federal, such as unfair competition, trade secrets and so forth. Further, it has been suggested that there is no subject matter jurisdiction in relation to *foreign* intellectual property rights: *Bridgeman v Corel* (SDNY, 1998) 25 F. Supp 2d 421 at 430.

²²⁶ FRCP Rule 4(k)(1)(A).

²²⁷ Some statutes, such as California’s grant jurisdiction “on any basis not inconsistent with the Constitution” (California Code Civil Procedure §410.10).

²²⁸ FRCP Rule 4(k)(2).

with due process requirements of the fifth amendment (federal) and the fourteenth amendment (state).

(i) Due process requirements

It was the case of *Pennoyer v Neff*²²⁹ that first introduced due process notions into the jurisdictional requirements.²³⁰ The modern due process standard was first enunciated in *International Shoe v Washington*²³¹ which dictated a standard based on “certain minimum contacts” with the forum in order “not [to] offend ‘traditional notions of fair play and substantial justice’”.²³² Therefore, the court indicated that there must be sufficient “contacts... as make it reasonable... to require the [person]²³³ to defend the particular suit”.²³⁴

It is unclear what amounts to “minimum contacts”: “systematic and continuous” contacts are clearly enough;²³⁵ and “single or occasional acts” may be enough if connected to the suit.²³⁶ Notwithstanding, doubt remains and the deluge of litigation on the point has not provided an answer.²³⁷ This test has led to a “haphazard jurisdictional doctrine” with the Supreme Court steering “an erratic course that confuses court, counsel, academics and often the Justices as well”.²³⁸

²²⁹ (1878) 95 US 714.

²³⁰ There is actually some doubt about whether *Pennoyer* introduced this requirement, but the majority view is that it did: Scoles and Hay (2004): 285 (n. 3).

²³¹ (1945) 326 US 310.

²³² *Ibid* at 316.

²³³ Originally it was thought that *International Shoe* applied only to corporations, but *Shaffer v Heitner* (1977) 433 US 186 makes it clear that it applies generally.

²³⁴ *International Shoe, supra* at 317.

²³⁵ *Ibid* at 320.

²³⁶ *Ibid* at 318.

²³⁷ Weintrib (1995): 531-2: n. 5; where it is noted that there were 2,321 reported decisions on what amounts to “minimum contacts” in the period between 1st January 1990 and 22nd February 1995.

²³⁸ Borchers (1992a): 122.

These minimum contacts are subject to a “reasonableness test”. This first became clear in *World-Wide Volkswagen v Woodson*.²³⁹ This test was applied in *Asahi Metal Industry v Superior Court of California*,²⁴⁰ where the Supreme Court held jurisdiction was unreasonable and so could not be exercised. The court also made it clear that the “minimum contacts” test should be applied to the exercise of jurisdiction in international cases as well as those of a domestic nature.

(ii) *Habitual residence*

If a person is domiciled in a particular state they obviously have significant contacts with it. Therefore, it is unsurprising that the Supreme Court, in *Milliken v Meyer*,²⁴¹ ruled:

one... incident of domicile is amenability to suit within the state even during sojourns without the state...²⁴²

Even where domicile is purely technical and does not represent actual residence it is still possible to use it to ground jurisdiction.²⁴³ The Restatement (Second) goes as far as to suggest that residence is sufficient to found general jurisdiction unless the link to the state is too slight.²⁴⁴ The middle concept of “habitual residence” is almost certainly sufficient to found jurisdiction.²⁴⁵ It is therefore quite clear that the *Sixth Proposition* is compatible with US Constitutional standards.

²³⁹ (1980) 444 US 286, particularly at 292.

²⁴⁰ (1987) 480 US 102.

²⁴¹ (1940) 311 US 457.

²⁴² *Ibid* at 464.

²⁴³ Scoles and Hay (2004): 343-4.

²⁴⁴ Restatement (Second) §30.

(iii) Choice of court clauses

It is also clear that choice of court clauses can give a court jurisdiction. It was the decision in *Pennoyer v Neff*²⁴⁶ that acknowledged that the due process clause permits extra-territorial jurisdiction where it was based upon consent. This was extended to choice of court clauses in *National Rental v Szukhent*.²⁴⁷ However, the Supreme Court has suggested that overweening bargaining power may affect the validity of an agreement, implying that such clauses could not bind consumers.²⁴⁸ Despite this the Court appears content to uphold such contracts provided they were not obtained by fraud or duress.²⁴⁹ Each clause, however, must be judged on its own terms to determine whether it applies to the particular dispute.²⁵⁰ This latitude means the *First Proposition* is compatible with US law both constitutionally and federally.

(iv) Intellectual property: special jurisdiction

In relation to copyright and trade mark disputes the US Courts have been very liberal in their assumption of jurisdiction. To date, the Supreme Court has not yet addressed when it is appropriate to accept specific jurisdiction in an infringement action. However, it has been suggested that it would adopt a similar approach to that used for defamation.²⁵¹ In *Keeton v Hustler Magazine*²⁵² and *Calder v*

²⁴⁵ Cavers (1972); also see Trautman and Von Mehren (1966): 1137 and 1179; and Restatement (Second) §79.

²⁴⁶ *Supra* at 735-6.

²⁴⁷ (1964) 375 US 311. However, some lower courts have held that it is still necessary for there to be some provision in statute to permit jurisdiction: *McRae v JD/MD* (Fla. 1987) 511 So.2d 540.

²⁴⁸ This argument is based on the case of *The Bremen v Zapata Off-Shore* (1972) 407 US 1 at 12, which related to federal jurisdiction.

²⁴⁹ This flexibility can be demonstrated by *Carnival Cruise Lines v Shute* (1991) 499 US 585, which involved an adhesion clause printed on the back of a ticket in very small type; also see Scoles and Hay (2004): 336 and Restatement (Second) §32.

²⁵⁰ *Omron Healthcare v Maclaren Exports* (7th Cir, 1994) 28 F. 3d 600 at 602.

²⁵¹ Scoles and Hay (2004): 409.

²⁵² (1984) 465 US 770.

*Jones*²⁵³ the Supreme Court indicated that the claimant could bring suit in any court where the defamatory material had been distributed. Like in defamation, the distribution causes the intellectual property claimant injury.²⁵⁴ Indeed, this is the approach that has been adopted by lower courts.²⁵⁵

In relation to patent infringement the jurisdictional requirements are more liberal.²⁵⁶ Normally, foreseeable and substantial sales of the infringing product within the forum are sufficient minimum contacts to establish jurisdiction over the infringer.²⁵⁷ However, mere offers to sell allegedly infringing products has been considered to be sufficient for jurisdiction²⁵⁸ and unwanted (although foreseeable) sales of “bootleg” products in the forum may also be a sufficient purposeful connection.²⁵⁹ So it appears that the connection only needs to be slight and only where the activity is unforeseeable or trivial will jurisdiction not be established.²⁶⁰

(v) Internet jurisdiction

There have been a number of cases where US Courts have assumed jurisdiction based upon activity taking place on the Internet. Initially, the courts heard cases based solely on the accessibility of the website;²⁶¹ now most courts will not grant

²⁵³ (1984) 465 US 783.

²⁵⁴ Scoles and Hay (2004): 409.

²⁵⁵ See *Cable/Home Communications v Network Prods* (11th Cir, 1991) 902 F. 2d 829; *Stabilisierungsfonds für Wein v Kaiser Stuhl Wine* (DC Circ, 1981) 647 F. 2d 200; *Johannsen v Brown* (D. Or, 1992) 788 F. Supp 465.

²⁵⁶ The divergence has grown up because all patent appeals are heard by the Federal Circuit, whereas copyright and trade mark appeals are heard by the regional appeal circuits.

²⁵⁷ *Beverly Hills Fan v Royal Sovereign* (Fed Cir, 1994) 21 F. 3d 1558 (cert dismissed 512 US 1273).

²⁵⁸ *3D Systems Inc v Aarotech Laboratories* (Fed Cir, 1998) 160 F. 3d 1373.

²⁵⁹ *Horne v Adolph Coors* (3rd Cir, 1982) 684 F. 2d 255.

²⁶⁰ Scoles and Hay (2004): 412.

²⁶¹ See *CompuServe v Patterson* (6th Cir, 1996) 89 F. 3d 1257.

jurisdiction where the only connection is through a “passive” website²⁶² and it is becoming clear that:

*the likelihood that personal jurisdiction can be constitutionally exercised is directly proportionate to the nature and quality of commercial activity that an entity conducts over the Internet.*²⁶³

Thus, there is a “sliding scale” of contacts²⁶⁴ and depending on how the Internet is utilised will determine whether those contacts are sufficient.²⁶⁵ It can be seen that the permissive nature of “minimum contacts” means only very limited contacts are actually needed for jurisdiction to be constitutional. These permissive grounds, which would allow jurisdiction to proliferate uncontrollably, conflict with the *Sixth Proposition*. This is aptly demonstrated by *Playboy v Chuckleberry Publishing*,²⁶⁶ a trade mark infringement case, where the court only agreed not to enjoin activity in Italy if the defendant made it impossible to access the site from the US. It refrained from requiring the Italian website to remove the infringing material as:

to hold otherwise, would be tantamount to a declaration that this Court, and every other court throughout the world, may assert jurisdiction over all information providers on the global World Wide

²⁶² See *Cybersell v Cybersell* (9th Cir, 1997) 130 F. 3d 414; *Bensusan Restaurant v King* (2nd Cir, 1997) 126 F. 3d 25.

²⁶³ *Zippo Manufacturing v Zippo Dot Com* (WD Pa, 1997) 952 F. Supp 1119.

²⁶⁴ *ALS Scan v Digital Service* (4th Cir, 2002) 292 F. 3d 707 (cert dismissed 537 US 1105).

²⁶⁵ See *Toys ‘R’ Us v Step Two* (3rd Cir, 2003) 318 F. 3d 446 suggesting that directly targeting, knowingly interacting with residents or other related contacts are sufficient (at 454).

²⁶⁶ (SDNY, 1996) 939 F Supp 1032.

*Web such a holding would have a devastating impact of those who use this global service.*²⁶⁷

(vi) Multiple defendants and consolidation

The US Courts are sometimes willing to take jurisdiction for reasons of necessity.²⁶⁸ The Supreme Court authority for this is *Mullan v Central Hanover Bank & Trust*.²⁶⁹ This case does not expressly state that jurisdiction could be granted on the grounds of necessity, but the court held that it had jurisdiction over the large number of defendants many of whom had little or no contact with the relevant state. If this basis of jurisdiction exists, it is because of the “plaintiff’s inability to reasonably carry out the litigation in another forum”.²⁷⁰ It is, however, unclear whether jurisdiction by necessity is an independent ground of jurisdiction or whether it simply affects the reasonableness of a court accepting jurisdiction.²⁷¹ What is clear is that the lower courts are willing to use this basis of jurisdiction to enable the consolidation of judgments.²⁷² Thus, multiple defendants can be sued in the same action, for this reason it is comparable to Article 6 of the Brussels Regulation.

There has also been an indication that United States courts may be willing to consolidate intellectual property infringement cases. In *Boosey & Hawkes v Walt Disney*²⁷³ the Second Circuit US Court of Appeals overturned the District Court’s ruling that each claim must be tried in each of the countries whose copyright laws

²⁶⁷ *Ibid* at 1039-40.

²⁶⁸ There is, however, considerable doubt about the extent of this ground of jurisdiction: see for example, Fraser (1951).

²⁶⁹ (1950) 339 US 306.

²⁷⁰ Scoles and Hay (2004): 350.

²⁷¹ *Ibid*.

are invoked.²⁷⁴ Instead, the Court of Appeals made it clear that a US court may be the most convenient forum for the determination of various foreign copyright claims, thereby enabling the consolidation of trans-national copyright infringement cases in a single US court. The decision was not a final determination of whether a court can hear a foreign copyright claim; it merely held that the court should not dismiss it on the grounds of *forum non conveniens*.

It is unclear whether this can apply to disputes involving patents or trade marks, but it is probable that it does. However, US Patent Attorneys are very successful at arguing that validity of patents is a matter of such expertise that it should be determined only by the home state (obviously they argue foreign states cannot determine anything to do with the validity of US patents). Despite this caveat, the flexible approach demonstrated by *Boosey & Hawkes* supports both the *First* and *Sixth Propositions*.

(vii) *Act of state*

The act of state doctrine in the United States is often traced back to the English case of *Duke of Brunswick v King of Hanover*²⁷⁵ and the basis of the doctrine²⁷⁶ was set out by the Supreme Court in *Underhill v Hernandez*.²⁷⁷ The rationale for the act of state doctrine has varied. It was originally thought to be part of

²⁷² See for example, *In re DES Cases* (EDNY, 1992) 789 F. Supp 552.

²⁷³ (2nd Cir, 1998) 145 F. 3d 481.

²⁷⁴ *Boosey & Hawkes v Walt Disney* (SDNY, 1996) 934 F. Supp 119 at 125.

²⁷⁵ (1848) 2 HL Case 1, 9 ER 993. Although others have also traced it back to the earlier English case of *Blad v Bamfield* (1674) 3 Swan App 604, 36 ER 992.

²⁷⁶ It has been suggested that the act of state doctrine is not a matter of jurisdiction, but of applicable law: Born (1996): 703

²⁷⁷ Set out on page 261 above.

international law,²⁷⁸ but the leading case, *Banco National de Cuba v Sabbatino*,²⁷⁹ suggested that it is a constitutional principle based on the separation of powers, whereby matters of foreign relations are for the executive and not the courts. However, the most recent Supreme Court decision, *W.S Kirkpatrick v Environmental Tectonics*,²⁸⁰ held that the doctrine should be linked to challenges of the “validity” of foreign acts.²⁸¹ But which foreign acts?

The case of *Alfred Dunhill of London v Cuba*²⁸² makes it clear that only “public” or “sovereign” acts fall within the doctrine²⁸³ and lower courts have ruled that “ministerial acts”, including the grant of patents, are not covered by the doctrine: *Mannington Mills v Congoleum*.²⁸⁴ This being the case, despite the fact that the grant of a patent appears to fit squarely within the definition of an act of state, it is not such an act. Therefore an American court can consider the validity of a foreign patent (although not affect it) and so there appears to be no conflict with the relevant *Propositions*.

(viii) Recognition of foreign judgments

The several States of the United States must recognise the decisions of sister states on the basis of “Full Faith and Credit”.²⁸⁵ Thus, it is possible to enforce both money judgments and equitable decrees rendered in other States. However,

²⁷⁸ *Ibid*; also see *Oetjen v Central Leather* (1918) 246 US 297 at 303-4; for a broader discussion of the development of the doctrine see Born (1996): Chapter 9.

²⁷⁹ *Supra*.

²⁸⁰ (1990) 493 US 400.

²⁸¹ *Ibid* at 405.

²⁸² (1976) 425 US 682.

²⁸³ “No statute, decree, order, or resolution” of the Government mandated the action therefore it was not an act of state: *Ibid* at 695.

²⁸⁴ (3rd Cir, 1979) 595 F.2d 1287 at 1293-4; also see *Sage Int'l v Cadillac Gage* (ED Mich, 1981) 534 F. Supp 896 at 904 and *Forbo-Giubiasco v Congoleum* (SDNY, 1981) 516 F. Supp 1210.

²⁸⁵ For a discussion of this Scoles and Hay (2004): 1272-1307.

this provision does not apply to foreign judgments,²⁸⁶ which have traditionally been recognised on the basis of comity.²⁸⁷ In practice, foreign judgments, including injunctions and equitable decrees,²⁸⁸ are recognised in a similar fashion to those of sister states.²⁸⁹

However, the recognition of foreign judgments is a matter for individual States and each State has developed a different approach. The two main camps are those following the common law rule and those following reciprocity.²⁹⁰ The common law rules have now been codified in the Uniform Foreign Money-Judgments Recognition Act (1962), which has been enacted by a number of states. This Act states that money judgments should be recognised and enforced on the same basis as the judgment of a sister state (which is entitled to full faith and credit),²⁹¹ subject to a number of conditions which are very similar to those for sister State recognition.²⁹²

It is not intended to review the various approaches taken by the States in any detail; but, it is clear that a judgment will *not* be enforced where the rendering court lacked jurisdiction; the judgment was obtained by fraud or duress; or it was contrary to public policy.²⁹³ The last of these grounds, in relation to sister states, is

²⁸⁶ *Ibid.*: 1146.

²⁸⁷ *Ibid.*: 1150; also see *Hilton v Guyot* (1895) 159 US 113.

²⁸⁸ Restatement (Second) §102, comment (b) and (g). Provided the decree is “consistent with fundamental principles of justice and of good morals”: Restatement (Second) §98, comment (b).

²⁸⁹ Restatement (Second) §98, comment (b).

²⁹⁰ The reciprocity approach stems from the US Supreme Court decision of *Hilton v Guyot* (1895) 159 US 113.

²⁹¹ Section 3.

²⁹² The most notable distinction is that of “a seriously inconvenient forum”, although some courts have applied this to sister state cases: Scoles and Hay (2004): 1313-4.

²⁹³ There are other grounds of refusal, but they are not relevant. It should also be noted that the US courts rarely invoke the public policy exception, and when they do it is limited to a narrow band of cases: see Minehan (1996).

very narrowly construed in that a judgment should be accorded full faith and credit even where it is based on something that is contrary to the public policy of the enforcing state,²⁹⁴ a similar approach is appropriate to foreign judgments.²⁹⁵

Finally, it is important to note that it is *possible* for federal law to dictate a national recognition requirement, either by statute or treaty.²⁹⁶ It can therefore be seen that the *Fifth Proposition* is (should a treaty be entered) likely to be in accord with US law.

C. France

(i) Articles 14 and 15 of the French Civil Code

The determination of whether a French court has international jurisdiction depends solely on the French rules.²⁹⁷ The basic grounds of jurisdiction in international cases are set out in Articles 14 and 15 of the French Civil Code. These provisions specifically grant jurisdiction to the French courts where the dispute involves a French national. Essentially they establish a privilege for the French court to hear a dispute, which the parties may renounce if they wish; in which case the domestic rules of jurisdiction apply.²⁹⁸ This emasculation of Articles 14 and 15 was compounded further by the Court of Cassation who ruled that the courts cannot apply them automatically as they are a matter of “public order”;²⁹⁹ they are now listed in the Annex I of the Brussels Regulation as

²⁹⁴ *Hieston v National City Bank of Chicago* (App DC, 1922) 280 Fed 525 at 528.

²⁹⁵ Scoles and Hay (2004): 1314 n. 6 and 1333-6.

²⁹⁶ For a discussion of this see *Ibid* at 1322-6.

²⁹⁷ Loussouarn and Bourel (2004): 444; *Scheffel* (1963) 52 RCDIP 387.

²⁹⁸ Taelman (2004): France at [112].

²⁹⁹ *Marocaine de Boissone v Société vinicole du Languedoc* (1964) 53 RCDIP 340.

prohibited grounds of jurisdiction. Indeed, even the French courts have dictated that they are subsidiary.³⁰⁰

(ii) The domestic rules applied to international cases

Once the privilege has been renounced and the domestic rules apply, it is necessary to determine the content of those rules. The New Code of Civil Procedure (NCCP) does not include international rules of territorial jurisdiction. However, according to the Court of Cassation:

*in French law, international jurisdiction is governed by the domestic rules of territorial jurisdiction whatever the law applicable on the merits and the nationality of the parties.*³⁰¹

(iii) The basic rule

The basic domestic rule is set out in Article 42 of the NCCP, which states that the court territorially competent shall be that where the defendant has established their dwelling³⁰² (*actor sequitur forum rei*) and where there are multiple defendants the claimant may elect the court where one of them lives. Only where the defendant has no domicile or residence can the claimant sue in their own domicile.

³⁰⁰ *Soc. Cognacs and Brandies from France v Soc. Orloas* (1986) 75 RCDIP 712.

³⁰¹ *B v B* (1981) 70 RCDIP 331 (extract translated in Taelman (2004): [118]); also see *Gangspill v Aries* (1997) ILPr 188.

³⁰² Article 43 NCCP determines the place where the natural person lives is where they are domiciled or in relation to a legal person where it is established.

(iv) Special rules of jurisdiction

The claimant may elect to commence proceedings in a different court under Article 46 NCCP which reads:³⁰³

The claimant may seize at his choice, in addition to the court in whose province the defendant has established his dwelling:

- in a contractual matter, the court in whose province actual delivery of the personalty or in whose province the performance of the agreed service has been contemplated;*
- in a delictual matter, the court in whose province the wrongful act was occasioned or the one in whose province the damage was suffered...*

In relation to contract it has been held that the payment of money is not the performance of a service.³⁰⁴ It is therefore, unclear where intellectual property contracts are performed. A licence is, however, unlikely to be performed at the place where payment is made. In terms of intellectual property, this ground of jurisdiction is somewhat uncertain.

This liberal grant of jurisdiction led to the controversial decision in *LICRA & UEJF v Yahoo! Inc & Yahoo France v Yahoo!*³⁰⁵ where the relevant Internet content was accessible from within France and so the court held that because of

³⁰³ All translations are based on the version of the New Code of Civil Procedure on www.legifrance.gouv.fr.

³⁰⁴ *Huguet v CIRCO* (1982) Bulletin Civil II No 7.

³⁰⁵ Judgment of 20th November 2000; see Dalton and Hugot (2002). There has also been a protected saga involving the enforcement of this judgment in the United States this culminated with the court refusing to enforce it: see *Yahoo! v LCRA* (9th Cir, 2004) 379 F. 3d 1120.

the “loss having been suffered in France, [the French Court] has jurisdiction to entertain this case by virtue of the provisions of Article 46”³⁰⁶ and, in a later decision, the French court concluded:

*Yahoo! is aware that it addresses itself to French nationals since, in connecting to its auction site from a computer situated in France, it responds by posting advertising banners in the French language; in this case therefore, the link to France is sufficiently established which thereby confers jurisdiction upon [the French court] to entertain the claim.*³⁰⁷

This wide interpretation of Article 46 would lead to a multiplicity of litigation and the attendant inefficiencies. Thus, not only is this permissive ground contrary to the *Sixth Proposition* but it undermines certainty.³⁰⁸ However, the general rule of the NCCP, set out in Article 42, is compatible with the *Sixth Proposition*, except that jurisdiction is based on domicile rather than habitual residence.

(v) Choice of court clauses

The French courts recognise choice of court clauses, to a limited degree. Article 48 NCCP states:

Any clause which, directly or indirectly, shall depart from the rules of territorial competence shall be deemed non existent save where it

³⁰⁶ Cited in *ibid* at 50.

³⁰⁷ Cited in *ibid* at 51.

has been agreed between the parties to a contract entered into in the capacity of tradesmen and that the same has been provided for in an explicit manner in the undertakings of the party against whom it shall be enforced.

Therefore any jurisdiction agreement between two private persons or between a merchant and a consumer is forbidden. Perplexingly, where the case involves an international element (i.e. it is not between two French residents) it need not be between merchants; as the Court of Cassation has held “clauses extending the international competence are lawful when they involve international litigation”.³⁰⁹ This rule has been summarised by Loussouarn and Bourel, jurisdiction selection clauses will be valid if:

- (a) the litigation has an international character; and*
- (b) it does not conflict with the exclusive competence of the French jurisdiction*³¹⁰

Where the agreement is purely domestic and it is not between merchants the French law is not in compliance with the *First Proposition*. However, if the French courts apply the flexible international rules of territorial competence to domestic matters then the *First Proposition* would be met. This is, however, likely to meet much resistance.

³⁰⁸ In *Re Domina.net* (2003) EIPR N-129 another French Court took a different view, suggesting that offering the offending articles over the Internet was not enough, it was necessary for there to actually be proof of delivery.

³⁰⁹ *Signaux et d'Entreprises Électriques v Soc. Sorelec* (1986) 75 RCDIP 537.

(vi) Subject matter restrictions

Finally, it is necessary to consider the subject matter restrictions which apply before the French courts. It is generally thought that the French courts have exclusive jurisdiction over the validity of French patents and trade marks, because they pertain to a matter of French sovereignty.³¹¹ Likewise, the Court will not interfere with the sovereignty of other states by annulling an administrative decision of a foreign state or any act of state.³¹² Disputes arising from the registration of a trade mark are therefore within the jurisdiction of the country of registration;³¹³ so even where a French court has competence over a person, either because of domicile or a choice of court clause, it will decline to hear the matter if it involves the validity of a foreign registered right.³¹⁴ This rigid approach conflicts with the relevant *Propositions*.

(vii) Recognition of judgments

For a foreign judgment to be recognised by a French court it must be granted the *exequatur*.³¹⁵ The requirements for such a grant results from *Re Munzer*.³¹⁶ A French judge must ensure that five conditions are satisfied: (i) that the foreign court exercised jurisdiction appropriately; (ii) that the foreign court's procedure was regular;³¹⁷ (iii) that the law the foreign court applied was in accord with the French rules of private international law; (iv) that the judgment was in conformity

³¹⁰ Loussouarn and Bourel (2004): [454-1] (author's translation).

³¹¹ Taelman (2004): [125].

³¹² Mayer and Heuzé (2004): [318].

³¹³ *La Martinisquaise v Companhia Geral Da Agricultura Das Vinhas Do Alto Douro* (1991) ILPr 451.

³¹⁴ *Ibid.* It has been suggested that this is because to interfere in a foreign state's dealings would be contrary to rules of public international law: Mayer and Heuzé (2004): [318].

³¹⁵ Taelman (2004) at [355].

³¹⁶ (1964) 53 RCDIP 344.

³¹⁷ This is now probably limited to ensuring that it is compatible with public order: see *Bachir v Bachir* (1968) 57 RCDIP 98.

with the international public order; and (v) the absence of any kind of violation of law. Determining whether those conditions are met is the extent of the judge's power in relation to enforcement of a foreign decision.³¹⁸ These conditions are quite restrictive; however, the first condition is required by the *Fifth Proposition*, the third condition would automatically be satisfied provided that the *Second* and *Seventh Propositions* are met. The remaining conditions (the second condition is *de facto* defunct) are in conflict with the *Fifth Proposition*.

D. Germany

The German courts distinguish between three types of jurisdictional rules: international jurisdiction (*internationale Zuständigkeit*), local jurisdiction (*örtliche Zuständigkeit*) and subject matter jurisdiction (*sachliche Zuständigkeit*). But with very few exceptions, the Code of Civil Procedure (*Zivilprozeßordnung*, ZPO) does not provide rules for determining international jurisdiction; instead the rules of local jurisdiction are applied.³¹⁹

(i) *Habitual residence*

The basic rule for determining the venue is set out in Article 12 ZPO which reads:³²⁰

The court before which a person is generally amenable to suit [hereinafter: "general venue"] shall have jurisdiction for all complaints brought against him or her, unless an exclusive venue shall be established for a complaint.

³¹⁸ Taelman (2004): [356].

And Article 13 ZPO states:

The general venue of a person shall be determined by his or her residence.

This basic rule of international jurisdiction is, therefore, that the court of the defendant's residence has jurisdiction (*actor sequitur forum rei*). Similarly, a legal person's general venue is determined by the location of its general management.³²¹ However, the ZPO also grants jurisdiction on the basis of the "branch" rule, whereby an action can be brought against a corporation at any place where there is "an establishment from which business is transacted directly".³²²

Thus, the basic rule, subject to issues of exclusive venue, is in accordance with the *Sixth Proposition*. However, the "dual" liability of legal persons – both at the corporate seat and at the branch – is contrary to that *Proposition*.

(ii) Special jurisdictional rules

There are a number of permissive grounds of jurisdiction set out in the ZPO and, where more than one court has jurisdiction, it is a matter for the claimant to decide in which court they should sue.³²³ In relation to torts, Article 32 ZPO grants the court jurisdiction where a tort was committed within the jurisdiction. In fact, this

³¹⁹ Dannemann (1993): 89.

³²⁰ All translations based on the ZPO in Stewart (2001).

³²¹ ZPO Article 17.

³²² ZPO Article 21.

³²³ ZPO Article 35. This is also linked to Article 101(1) of the Basic Law which forbids anyone to be "removed from the jurisdiction of his lawful judge": Dannemann (1993): 90.

provision grants jurisdiction both to the place where the defendant acted and where the damage was suffered;³²⁴ this is called the principle of ubiquity (*ubiquitätsprinzip*).³²⁵ Article 29 ZPO grants jurisdiction to the court of the place where the obligation in dispute is to be performed.³²⁶ The place of performance is, in relation to an unperformed sales contract, the seller's place of business; whereas in relation to unpaid money, the obligation is considered to be located at the same place as the debtor. Thus, the rules are probably similar to those imposed under Article 5(1) of the Brussels Regulation.

There is, however, an “umbrella” rule in Article 23 ZPO, which grants jurisdiction over a person where they have any property located within the jurisdiction. Such a claim is not limited to the value of the property;³²⁷ hence if someone leaves an “umbrella” behind in a hotel room they can be sued in an unconnected matter for millions of Euros. This ground of jurisdiction has potentially been curbed by a decision of the Bundesgerichtshof where it held that jurisdiction was only valid where there was “sufficient connection” with the jurisdiction; unfortunately this term was not defined.³²⁸ It is, however, an exorbitant ground of jurisdiction listed in Annex I of the Brussels Regulation. These permissive rules are, therefore, not in compliance with the *Sixth Proposition*.

³²⁴ Dannemann (1993): 92; Taelman (2004) at [70].

³²⁵ See *The Car Importing Case* (1980) NJW 1224.

³²⁶ Although any provision deeming the place of performance is only valid between merchants: ZPO Article 29(2).

³²⁷ Dannemann (1993): 93.

³²⁸ *Re Muduroglu Ltd* (1991) NJW 3092.

(iii) Agreement between the parties

Article 38(1) ZPO permits a court without jurisdiction to have jurisdiction in accordance with an express or implied agreement between the parties.³²⁹

However, such an agreement is only valid where the parties are merchants or certain other types of legal persons. In addition, Article 38(2) ZPO allows a written agreement between parties where at least one of them has no domestic general venue. Otherwise, an agreement is only permissible where it was entered into after the dispute arose. This provision goes some way to satisfying the *First Proposition*, albeit it is much more restrictive.

(iv) Subject matter restrictions

There are certain subject matter restrictions imposed on courts. In Germany the validity of any patent can only be determined by the specialist patents court. Thus, as Stauder argues:

If an action for infringement of a German patent is brought in Paris, the court may (as may the national court in Germany) – where there is doubt as to the validity of the patent in question – stay the proceedings pending the decision of a German court, specifically the Bundespatentgericht [Federal Patent Court]...³³⁰

³²⁹ It is also necessary to show that agreement relates to a specific legal relationship (ZPO Article 40) and for the other party to have clear and unambiguous notice of the clause: *Re A Wood-Cutting Machine* (1995) ILPr 191.

³³⁰ See Stauder (1998): 317 and 321 (translation by the Foreign and Commonwealth Office). This argument was based on European patents, but the argument appears equally applicable to various national patents.

However, he does argue for an alternative way forward where there is an international element:

*The phenomenon of multiple jurisdictions would invariably be avoided if the court adjudicating in the infringement proceedings examined the foreign patent at issue, and in the event of invalidity, dismiss the action only with inter partes effect (incidentally, as a preliminary issue) at least if permitted to do so under the applicable law.*³³¹

Thus, it appears that the German courts may be quite liberal and actually permit foreign states to consider the validity of German patents³³² and visa versa; although obviously the court could not actually make the patent invalid. It could, however, between the parties at least, allow a determination of validity to be made. Thus, it appears the restrictions imposed by subject matter *may not* be an impediment under German law.

(v) Recognition of judgments

The basic rule of recognition of final and conclusive foreign judgements,³³³ in the absence of a treaty, is reciprocity.³³⁴ The court may also refuse to enforce a judgment when to do so would be contrary to the German *ordre public*.³³⁵ To obtain enforcement of such a judgment it is necessary for the receiving court to

³³¹ *Ibid*: 321.

³³² This was not always the case, older texts suggest that foreign patent infringement actions were not permitted to be heard in German courts: Drobniig (1972): 298; although trade mark infringement could be so heard: *ibid*: 304.

³³³ ZPO Article 723(2) limits enforcement to "final" judgments.

³³⁴ ZPO Article 328(1) par. 5.

have jurisdiction under the domestic rules.³³⁶ The purpose of domestic proceedings is limited to the enforcement of the judgment. The requirement of reciprocity would be satisfied if the foreign country adhered to the propositions. However, the *ordre public* exception would be contrary to the *Fourth Proposition*.

IV. Conflicts and solutions

This chapter has set out a number of problems that may adversely effect the implementation of the *First*, *Fifth* and *Sixth Proposition*, most however are relatively minor and have parallels elsewhere. However two problems remain: whether a country will allow a foreign court to determine the infringement and validity of its intellectual property rights and the incorporation of choice of court clauses into consumer contracts.

A. The validity of foreign intellectual property rights

Aside from perhaps the German³³⁷ and the US courts, there is a great reluctance for the courts themselves to pass judgment on the validity of foreign intellectual property rights. Notwithstanding, some of the leading academics in the field have suggested that in some cases it should be possible.³³⁸ The problem with permitting such decisions was explained by Mr Justice Aldous in *Plastus Kreativ AB v Minnesota Mining & Manufacturing*:³³⁹

³³⁵ ZPO Article 328(1) par. 4.

³³⁶ Taelman (2004): [210].

³³⁷ The courts have, on occasion, been willing to enforce arbitration agreements based on an arbitral determination that a foreign patent is invalid: see Kur (2005): 33.

³³⁸ Fawcett (2002): 165-6

³³⁹ (1995) RPC 438.

I would not welcome the task of having to decide whether a person had infringed a foreign patent. Although patent actions appear on their face to be disputes between two parties, in reality they also concern the public. A finding of infringement is a finding that a monopoly granted by the state is to be enforced. The result is invariably that the public have to pay higher prices than if the monopoly did not exist. If that be the proper result, then that result should, I believe, come about from a decision of a court situated in the state where the public have to pay the higher prices.³⁴⁰

Accepting this restrictive view, by not even considering infringement, would probably curtail rules that have already developed. However, as far as the statements can be linked to the validity of registered rights they remain valid. Therefore, how can the *Propositions* be reconciled with the reluctance of courts to address the validity of foreign rights?³⁴¹

Despite this traditional reluctance, states are beginning to show a willingness to consider allowing other courts to determine the validity of their own patents. This is demonstrated most aptly by the European Patent Litigation Agreement,³⁴² Articles 42 and 43 of the draft Agreement permit a “European Patent Court” to revoke a patent and for the revocation to take effect in every member State, despite the fact that the patents remain purely territorial.

³⁴⁰ *Ibid* at 447.

³⁴¹ This reluctance is attributed, by Fentiman (2005): 132, to the regulatory character of intellectual property. Which leads to every state having a legitimate interest in the protection of intellectual property rights according to its own law.

³⁴² Draft Agreement on the establishment of a European Patent Litigation System, 16th February 2004.

The *Propositions* require a French court to determine that its patent and many others governed by US law are invalid according to US law (or partially invalid). This would produce a somewhat unusual result, because each right is granted according to national law and so it would lead to something being declared invalid when it had never been determined to be valid according to that law. This may make some States initially reluctant to agree to this approach.

Therefore, an alternative halfway house is possible. The alternative proposal is that the French court could determine world-wide infringement on the basis of the single applicable German law, but if (and to the extent that) the underlying patent is invalid a domestic court can only declare the domestic (French) patent to actually be invalid. The global validity determination would, however, be binding between any parties to the litigation but not in relation to anyone else. This result is undoubtedly fair as the proprietor selected the law under which they wished the patent to be governed. This approach is also gaining momentum in the international debate as it now forms part of the Max Planck Institute's proposal.³⁴³

To reinforce the effectiveness of this alternative proposal following a finding of invalidity, the national authorities would notify the authorities of every other signatory State, who would in turn then register a "notice" against the patent. This notice would have no legal effect, but would be a warning to the public as a whole. However, if a new infringement action were brought (save between the parties) it would not be possible to rely on doctrines such as issue estoppel to

³⁴³ See page 208 above.

preclude consideration of the validity. There is already a precedent for such a system, in that the UK Patent Office will soon issue opinions on the validity of UK patents; these opinions will be entered onto the register, but beyond that they have no legal effect.³⁴⁴

The proprietor, following any determination of invalidity, would be free to “re-nominate” an applicable law. This should be effective against everyone in the world (although the “French” patent will no longer exist), but it would not be effective between the parties to the original litigation (i.e. the litigation which led to the invalidity of the patent in France).

B. Contracts with consumers

The French and Germans are unwilling to allow consumers to enter choice of court agreements, except after the event. Indeed, the Brussels Regulation reflects this limitation (Article 13). However, many of the clauses in such agreements are incorporated, or purported to be incorporated, by “click wrap” agreements.³⁴⁵

During the negotiations of the Hague Convention the issue of consumer choice of court clauses was raised, with a divergence between the views of the United States and the European Community.³⁴⁶ A similar problem would also certainly be raised in relation to the *First Proposition*. In many circumstances where a contract was entered into between a consumer and a business it may not be “freely entered into” as required by the *First Proposition*. The bargaining power of the consumer being much less than that of the business. However, provided the courts are able

³⁴⁴ Section 74A of the Patents Act 1977 (to be inserted by section 13 of the Patents Act 2004).

³⁴⁵ For a discussion of the enforceability of these agreements see Johnson (2003).

³⁴⁶ For a general discussion see Martin (2002).

to take bargaining power into account when determining whether a choice of court clause is valid, it would be sufficient to satisfy the *First Proposition*.

If, however, this issue became a sticking point in any negotiations on a convention, then excluding consumer contracts would have a minimal impact on the efficiency of the scheme. This is because the amount of litigation involving “consumers” is negligible and the *Sixth Proposition*, the natural alternative, is the second most efficient choice. If such a forum were found to be inefficient then the consumer would be able to submit to a different efficient forum after the matter had arisen.

7

Applicable Law, Nomination and Minimum

Rights

This chapter examines the remaining propositions in the context of international law, regional law and the national law of the target jurisdictions. In contrast to the previous chapter, some of the propositions are novel. This chapter will begin by considering the *Second Proposition* (parties should be free to select the applicable law that will govern any intellectual property dispute) and the *Seventh Proposition* (where transaction costs are prohibitively high, thereby prohibiting agreement, the applicable law should be nominated *ex ante* by the proprietor of the intellectual property right). In combination with this assessment the *Third Proposition* (only one law may be selected and that law should have universal effect) and the *Ninth Proposition* (any nomination should have universal effect, except where the Second Proposition applies) will be examined. There will also be an assessment of mandatory rules, which involves the *Fourth Proposition* (no aspect of intellectual property law can be considered to be a mandatory rule for the purposes of private international law).

The *Eighth Proposition* (any nomination should be made available in the most conspicuous way possible) requires no legal assessment. However, there will be a

practical assessment of how a nomination could be made. Finally, the *Tenth Proposition* (non-proprietary users of intellectual property should be granted minimum rights) will also be discussed briefly, this will show that the limited bars that exist are balanced by competing interests.

I. International law

It remains clear that there are no customary rules of international law which determine when a particular law is applicable.¹ There are also no treaties that provide general rules for determining applicable law, although the intellectual property treaties have been thought to include basic choice of law rules. Even amongst those who follow this view, there is some dispute as to the actual rule; some argue that it is the *lex originis* (the country of publication or grant); others the *lex protectionis* (the country in which protection is sought), some go as far as to suggest that in relation to registered rights it is self-evident that the *lex protectionis* is applicable.² Another argument is that national treatment, or “assimilation”, means that a foreigner is “assimilated” to being a national and so the *lex fori* should always be applied, as there would never be a foreign element.³ Yet another view is that national treatment simply requires the same conflict of laws rules to be applied to both foreigners and nationals.⁴ Of these diverse theories the first two demand substantive consideration.

¹ See page 53 above.

² Fawcett and Torremans (1998): 478; also see Ulmer (1978): 57; although the Madrid Agreement and Protocol link protection (for five years) to the original mark.

³ Fawcett and Torremans (1998): 419.

⁴ *Ibid.*

A. The country of publication or grant

If the applicable law is determined by reference to the country from which the intellectual property originates then, in relation to copyright, the law of the country where the work was first published would apply, wherever the work was exploited. Similarly, in relation to registered rights the law of the country in which an application was first lodged would apply globally. The underlying idea behind the application of this law is that intellectual property (in particular copyright) is non-territorial and that it is a universally recognised concept.⁵ The pedigree of this approach derives from a bi-lateral authors' rights treaty between France and the Netherlands,⁶ which mandated that the law of the country of origin would dictate the applicable law.⁷ Thereafter, the South American Congress on Private International Law⁸ held at Montevideo in 1889, dictated at Article 2 of the Authors' Right Convention⁹ that:

*The author of any literary or artistic work and his successors shall enjoy in the Signatory States the rights that are granted by the law of the state of first publication or production of the work.*¹⁰

⁵ Westkamp (2006).

⁶ See Pataille and Huguet (1855): 272.

⁷ The relevant part of article 1 reads "...the authors of works... to whom the laws of the one of the two countries currently guarantee or will guarantee in the future the right of ownership will have the ability to exert this right on the territory of the other country during the same time and same limit" (author's translation).

⁸ For a brief summary of this congress see Puetne (1943).

⁹ Article 1 of Trade Marks Convention states that "Any person to whom shall be granted in one of the contracting States the exclusive right to a trade-mark shall enjoy the same privilege in the other States, but with due respect to the formalities and conditions established by their laws" (*ibid*: 152); Article 1 of the Patents Convention is more ambiguous about whether or not the country of grant applies (the treaty is at Puetne (1943): 155).

¹⁰ Translated by the author; the treaty, in French, is available at 90 BFSP 680.

Although, this Convention has now been superseded, because all its members adhere to the Berne Convention,¹¹ it has been suggested that Berne also uses the country of origin principle to determine the applicable law.¹² Article 5 of the Berne Convention includes a definition of the country of origin, which it has been suggested should apply throughout the convention and not only to its scope,¹³ or as Koumantos suggests:

*Article 5(1) states that two of the three means of protection under the Convention...namely assimilation and minimum protection; do not apply in the country of origin of the work. Article 5(3) states that, in the country of origin of the work, that country's national law applies...The conflicts rule is clear: application of national legislation in the country of origin. But it is equally clear that it is a unilateral or incomplete rule of conflict that must be interpreted bilaterally....[thus] if copyright is governed by the country's national legislation in the country of origin, in all other countries it must be governed by the same law.*¹⁴

He supports his argument by relating it to the Universal Copyright Convention in which the saving for the Berne Convention¹⁵ is based on a work's country of origin. Therefore, he argues, the country of origin must be a point of attachment in Berne itself. This approach leaves the national treatment principle, at the heart of

¹¹ The parties to this Convention were: Argentina, Austria, Belgium, Bolivia, France, Germany, Hungary, Italy, Paraguay, Peru, Spain, and Uruguay. Unlike its sister treaties on Trade Marks and Patents it was possible for non-South American countries to accede.

¹² Koumantos (1988).

¹³ *Ibid*: 420. For example, the country of origin determines certain limitations on duration (Article 7(8)) and whether an industrial design is protected (Article 2(7)).

the Berne, requiring only that foreigners and nationals be treated in the same fashion under domestic conflict laws.¹⁶ If this interpretation is correct then Article 5(2) does three things, none of which relate to choice of law. Firstly, it dictates there should be no formalities; secondly, enjoyment should be independent of formalities in other countries;¹⁷ finally, it applies the *lex protectionis* (meaning the *lex fori*) to the extent of protection and the means of redress (thus it only applies to remedies).¹⁸ This interpretation is in accordance with the general rule that a court should apply the *lex fori* when determining the remedies available to a claimant.

In contrast to the Berne Convention, Article 2 of the Phonograms Convention (Rome) includes a definition of national treatment: “the treatment accorded by the domestic law of the Contracting State in which protection is claimed”; but the Phonograms Convention (Rome) includes no mention of the state of origin.¹⁹ Similarly, the Paris Convention, in Article 2(2), grants national treatment but once more there is no reference to the country of origin. Therefore it is difficult to read the *lex originis* into those Conventions; this, of course, does not preclude its application. The TRIPS agreement, like the other conventions, includes the national treatment principle; however, unlike other treaties it defines the term “protection” as including “matters affecting the availability, acquisition, scope, maintenance and enforcement of intellectual property rights...”²⁰ This quite

¹⁴ Koumantos (1988): 424-5.

¹⁵ Article XVII and Appendix (declaration relating to Article XVII).

¹⁶ This view of the national treatment principle is, it is submitted, correct for other reasons see page 324 below.

¹⁷ This is based on the use of the word “such”: Koumantos (1988): 424.

¹⁸ This interpretation plays down (or even ignores) the word “consequently” in Article 5(2).

¹⁹ Koumantos (1988): 476; Ulmer (1978): 56.

²⁰ See n. 3 to Article 3.

clearly covers both contentious and non-contentious use.²¹ Thus, the critics of the country of origin approach argue, Article 5(2) cannot relate solely to remedies;²² otherwise there would be a conflict between Berne and TRIPS.²³ They accept, however, that the limitation does not apply to every aspect of intellectual property.²⁴

In addition, according to Binyomin Kaplan, the application of the laws of the country of origin leads to inequitable results because a law would be applied which may have virtually no connection to the work.²⁵ It is not clear why such an approach is inequitable, particularly as the greatest inequity is caused by parties not being aware of the law that applies, rather than finding an “unrelated” law being applied.²⁶

The advantage of a rule based on the country of origin is that it automatically means, in relation to a particular work, there would be a single applicable law. Such an approach would lead to a number of different laws applying in a single country, as each work would be governed by the law of the state of origin. This, it has been suggested, makes it difficult, or a “practical impossibility”,²⁷ for those exploiting the rights to know which country’s law governs the work.²⁸ However,

²¹ This interpretation of the phrase “enjoyment and exercise of these rights”, found in Article 5(2), has been criticised as ignoring the peaceful enjoyment of the rights: Fawcett and Torremans (1998): 474. Torremans argues elsewhere that *not all* matters fall within this definition: Torremans (2006).

²² Fawcett and Torremans (1998): 481.

²³ If Berne and TRIPS were incompatible then, according to Article 59 of the 1969 Vienna Convention on the Law of Treaties, the later (TRIPS) would prevail.

²⁴ Goldstein (2000): 90 and Torremans (2006).

²⁵ Kaplan (2000): 2079.

²⁶ Kaplan acknowledges that the expectations of the parties should be considered to determine whether something is inequitable: *ibid*: 283.

²⁷ Boytha (1988).

²⁸ Koumantos (1988): 475.

the selection of applicable law by contract, under the *Second Proposition*, means that any licensee or other exploiter must be aware of what law applies. Thus collecting societies, for instance, would be able to contract for all their licences to be governed by the same law; similarly, the producers of audio-visual works could ensure that all the rights are governed by one law. Further, provided the *Eighth Proposition* is satisfied and a nomination is conspicuous, it is not problematic for a user to determine which law applies to a work when the *Seventh Proposition* applies.

B. The law of the protecting country

The alternative, and majority, reading of the various international conventions is that the law of the protecting country²⁹ should apply,³⁰ except where specifically excluded.³¹ This would dictate, for example, that an English court should apply French law when copyright is infringed within the territory of France.

In relation to copyright, this interpretation is based on the principle of national treatment set out in Article 5(1) of Berne. Thus, it is the national treatment principle that requires the law of the country in which protection is sought, the *lex protectionis*, to apply.³² This analysis is supported by Article 5(2), which suggests that “the extent of protection... shall be governed exclusively by the laws of the country where protection is claimed”. The country where protection is claimed

²⁹ Some argue that the law of the protecting country means the *lex fori*: see Tydniouk (2004): 913. Stewart (1989): [3.17] suggests that the effect of the words is that the *lex fori* is applied.

³⁰ Although the majority view in the United States leaves initial ownership of copyright to the country of origin (see page 341 below) following the courts decision in *Itar-Tass v Russian Kurier* (2nd Cir, 1998) 153 F. 3d 82 at 90-1.

³¹ Goldstein (2000): 100.

³² Boytha (1988): 409.

means, the majority argue, the country in which the work is used.³³ Thus, Article 5 sets the substantive level of protection,³⁴ with Articles 5(1) and (3) ensuring that the author receives protection both in the country of origin and the country where protection is sought.³⁵ Similarly, they would suggest that the Paris Convention requires the application of the *lex protectionis* because of Article 2(1).³⁶ This provision also states that a person “shall have the same legal remedy against any infringement”. If Article 2(1) were a choice of law rule, this would require an English court to grant French remedies where it was adjudicating a dispute involving infringement in France. This would be quite contrary to the normal rules of private international law which suggest that procedure and remedies are a matter for the *lex fori*.³⁷

The problem with this, as Blanco points out, is that the whole legal system applies by reason of national treatment and not just the intellectual property laws.³⁸ If one suggests that applying the *lex protectionis* is an international legal obligation then it would suggest that an English court would have to apply French law to everything, including procedure and remedies.

C. The absence of a choice of law provision

If the intellectual property treaties do not provide choice of law rules, then those rules are purely a matter of domestic law. The WIPO Guide on Article 5(2) of the Berne Convention suggests that “the courts [will] apply the appropriate provisions

³³ Ulmer (1978): 10-11.

³⁴ Fawcett and Torremans (1998): 467.

³⁵ *Ibid*: 468.

³⁶ Sender (2002): [5.42] notes those holding the opinion.

³⁷ This is partly due to a problem caused by enforcement; where there is no enforcement mechanism for a particular remedy how can a court give it effect?

of private international law to resolve any conflict that arises”.³⁹ If Article 5(2) governed the applicable law then there would be no “appropriate provisions” as Article 5(2) would *itself* be an appropriate provision.⁴⁰ This implicit suggestion is supported by other leading commentators, either by denying “national treatment” was a choice of law rule or going further by attacking the words “the country where protection is sought”.

It has been suggested by Richard Fentiman that the only impact the national treatment principle has on private international law is to exclude the *lex originis*.⁴¹ The basis of this suggestion is that the principle excludes one country’s laws being applied over activity in another. Indeed, applying the *lex originis* could lead to local right holders getting *less* protection than foreign right holders.⁴² In which case foreigners could never get the same protection as nationals; by this very fact, the national treatment principle would be offended. Thus, if the court of origin is excluded, the only possibility that remains, Fentiman suggests, is the *lex protectionis*. However, he makes it very clear that this is *not* mandated by the Conventions.⁴³

However, Mireille van Eechoud goes further.⁴⁴ She argues that the words in Article 5(2) of Berne (and by implication elsewhere) do not require the *lex protectionis* to be applied, instead it has a more limited purpose: to end the

³⁸ Blanco (1998) (cited in Sender (2002): [5.48]); also see Ladas (1938): 268.

³⁹ WIPO (1978).

⁴⁰ Although see Cornish (1997), where he criticises WIPO for offering interpretations of international conventions.

⁴¹ Fentiman (2005): 135.

⁴² *Ibid.*

⁴³ *Ibid.*: 137.

⁴⁴ She makes it clear that she does not think national treatment is a choice of law rule: Van Eechoud (2003): 107.

reciprocity tests that had been applied between contracting parties.⁴⁵ She also suggests that the word “where” in the phrase “in the country where protection is claimed” is being read as “for which” and the drafters should not be assumed to have made a “mistake”.⁴⁶ If the drafters wanted to require the application of the *lex protectionis* they would have said so. Therefore, like Fentiman, she says the Conventions contain no conflict rules;⁴⁷ however she points out that courts, in particular in Germany, have tried to read the rule into the Conventions to justify their application of the *Schutzland* principle (more commonly know as the *lex protectionis*).⁴⁸

The absence of choice of law rules in the Berne Convention has always been a minority view, but in a recent case the Court of Justice has apparently joined the minority. In *Tod's SpA v Heyraud*,⁴⁹ the court suggested that:

*As is apparent from Article 5(1) of the Berne Convention, the purpose of that convention is not to determine the applicable law on the protection of literary and artistic works, but to establish, as a general rule, a system of national treatment of the rights appertaining to such works.*⁵⁰

⁴⁵ *Ibid.*

⁴⁶ *Ibid.*: 108. Although the literal interpretation would imply that the author can chose the law they wish to apply: Kerever (1993): 104.

⁴⁷ Van Eechoud (2003): 109.

⁴⁸ *Ibid.* See Walter (1976): 50, who makes a similar point nearly thirty years earlier. Van Eechoud cites a number of authors who also hold a similar view. The German Supreme Court has held that the Berne Convention dictates that the *lex protectionis* applies to the whole dispute: *Alf* (1993) 24 IIC 539 at 541 and the French Courts held similarly in *Veuve Glazounov v Soc. du Théâtre des Champs Elysée* (1969) 58 RCDIP 670.

⁴⁹ (unreported) 30th June 2005 (Case C-28/04).

⁵⁰ *Ibid* at [32].

It is unclear exactly what this Delphic statement means, but it does support the suggestion that there are no rules on applicable law in the Convention. However, the Court of Justice is no more authoritative on the Berne Convention than any other tribunal. This indication does, however, show that many commentators in the majority may have played the common trick of lawyers: to read into legal texts that which they want to see. It is suggested, therefore, that the conventions contain no choice of law provisions and the national treatment principle only requires the same rules of private international law to be applied to nationals as to foreigners⁵¹ and so states are free to apply whichever law they chose, without constraint.

II. Regional laws: the European Community

The European Community has passed a number of directives which harmonise the intellectual property laws of the member States, and Regulations which grant supra-national (regional) intellectual property rights.⁵² Further, all the member States have also signed the Rome Convention on the Law Applicable to Contractual Obligations.⁵³

⁵¹ This second point is supported by Goldstein (2000): 104.

⁵² In particular, the Community trade mark (EC Regulation No. 40/94), Community design right (EC Regulation No. 6/2002) and Community plant variety right (EC Regulation No. 2100/94). In addition there are a couple of Council of Europe treaties which lead to harmonisation of patent law. In particular, the Strasbourg Convention on the Unification of Certain Points of Substantive Law on Patents for Inventions (1963) and the European Patent Convention (1973).

⁵³ This is due to be replaced by a Regulation. Further, the European Commission has proposed a Regulation on the Law Applicable to Non-Contractual Obligations (Rome II), which was discussed in Chapter 4.

A. The Rome Convention

The Rome Convention applies to “contractual obligations in any situation involving a choice between different laws”.⁵⁴ The convention, being a Community treaty, should be interpreted uniformly throughout the Community.⁵⁵ However, unlike the Brussels Convention (or Regulation) and other Community documents there is no obligation on contracting states to make references to the Court of Justice.⁵⁶

The Convention is limited to contractual obligations and therefore it does not apply to intellectual property disputes.⁵⁷ However, it does apply to contractual obligations relating to intellectual property, such as licence agreements. The Rome Convention, unlike the Brussels Convention, applies to all disputes whether or not the law to be applied is that of a contracting State.⁵⁸ Thus, a German court should apply French law, Peruvian law or any other law selected by the appropriate rule. For this reason, it is not permissible for parties to contract out of the Rome Convention; to do so would defeat its purpose.⁵⁹

⁵⁴ Article 1(1). The Convention does not apply to any contract entered into before the convention came into force in the relevant State (Article 17).

⁵⁵ Article 18.

⁵⁶ The Two Protocols to the Rome Convention set out that courts *may* refer questions to the Court of Justice: see Cheshire and North (1999): 528-9.

⁵⁷ Giuliano and Lagarde Report (1980): 10.

⁵⁸ Article 2.

⁵⁹ North (1993): 185-7. It had been proposed by Mann (1991) that it was possible to opt for the old “proper law” and so opt of the Rome Convention. This view was soon criticised by Hogan (1992).

(i) Freedom of choice

Article 3 of the Rome Convention permits parties to select the law applicable to their dispute, or just part of it.⁶⁰ Although the contract can be governed by the chosen law, it is unlikely that a court is obliged to extend this freedom to the “property” selecting approach mandated by the *Second Proposition*.⁶¹ However, it is also clear that there is nothing in Article 3 of the Convention prohibiting that approach.⁶² The only potentially conflicting provision is Article 3(3) which makes it clear that freedom of choice does not extend to contracting out of mandatory rules. This restriction is incompatible with the *Fourth Proposition*, a problem which is compounded in relation to consumers where Article 5 makes it clear a consumer cannot contract out of a protective mandatory rule imposed by their home state. This aside, Article 3 is compatible with the *Second Proposition*.

(ii) Contracts which include no choice of law

Where the parties do not agree the law applicable to a contract, Article 4 sets out the method for determining it. The basic test, in Article 4(1), is that the contract shall be governed by the law of the state with which “it is most closely connected”.⁶³ This is a purely objective test and so the intentions of the parties are irrelevant.⁶⁴

⁶⁰ Issues of the substantive (or material validity) of a contract are determined according to Article 8; those of formal validity according to Article 9 and capacity according to Article 11. For a discussion of these aspects of the Convention see Cheshire and North (1999): 586-95.

⁶¹ It has been suggested that this is prohibited by the Rome Convention: see Goldstein (2000): 116; for a discussion of copyright and the Rome Convention (based on earlier drafts of the Convention) see Walter (1976).

⁶² However, the Austrian Court of Justice has decided that it is not permitted to choose the applicable law by contract: *Hotel Sacher* (1986) GRUR Int 735.

⁶³ The connection has to be with the country in question rather than the system of laws: *Crédit Lyonnais v New Hampshire Insurance* (1997) 2 Lloyd’s Rep 1 at 5.

⁶⁴ Cheshire and North (1999): 566.

When determining which law is most closely connected, the court may sever the contract so that different laws apply in relation to different parts of the contract.⁶⁵ However, this power should be used as “seldom as possible”;⁶⁶ indeed, the courts power to sever may actually be discretionary.⁶⁷ Whatever the case may be, this undermines the universality principle of the *Eighth Proposition*.

The problem with the “close connection” test is that it is extremely uncertain. To limit this problem, Article 4(2) presumes that the contract is most closely connected to the habitual residence of the party who has to effect characteristic performance. Unfortunately, it is difficult to determine what amounts to such performance. In relation to simple intellectual property assignments it is probably easy to determine that the place of characteristic performance is the residence or business premises of the assignor. In relation to licences it has been suggested that the characteristic performance of the licence is the place where it is granted by the licensor; in contrast Modiano⁶⁸ argues that the country of the licensee should be the country most closely connected; others argued that it should be the country of the licensor;⁶⁹ finally, some suggest that it should be the *lex protectionis*.⁷⁰ This demonstrates the real problems which exist with this sort of approach: there is no general agreement. This is compounded by the fact that the practical application of the test is far from simple, and “the more complex the transaction, the less help the [characteristic performance] criterion becomes”.⁷¹ Unfortunately, most

⁶⁵ Article 4(1).

⁶⁶ Giuliano and Lagarde (1980): 23.

⁶⁷ Cheshire and North (1999): 567.

⁶⁸ Modiano (1979) (discussed in Fawcett and Torremans (1998): 565-5).

⁶⁹ See Fawcett and Torremans (1998): 561-564.

⁷⁰ This is the view supported by Fawcett and Torremans (1998): 566-570.

⁷¹ Juenger (1982): 301.

intellectual property licences are based on royalty agreements,⁷² which are anything but simple.

In any case, the presumption does not apply where characteristic performance cannot be determined or where another country is more closely connected with the contract.⁷³ Furthermore, the fact the presumption can be rebutted means that a court will always have to consider to which country it is most closely connected.⁷⁴

In any event, it can be seen that this approach is incompatible with the *Seventh* and *Eighth Proposition*.

(iii) Mandatory rules and ordre public

A “key concept” of the Rome Convention is that of mandatory rules.⁷⁵ These rules are defined as “rules of law... which cannot be derogated from by contract”.⁷⁶ Essentially they are the rules of the *lex fori* which are applied irrespective of which law would normally be applied under the choice of law rules. There are six provisions in the convention which cater for mandatory rules. Three of these impose limitations on the parties’ freedom of choice,⁷⁷ one applies in relation to formal validity⁷⁸ and two are general provisions.⁷⁹

Where the parties select a “foreign law”, Article 3 states that if “all the other elements relevant to the situation” are connected with another country, a particular

⁷² Fawcett and Torremans (1998): 560.

⁷³ Article 4(5).

⁷⁴ Cheshire and North (1999): 574.

⁷⁵ *Ibid*: 575.

⁷⁶ Article 3(3).

⁷⁷ Article 3(3) the limitation on freedom of choice; Article 5(2) consumer contracts and Article 6(1) on employment contracts.

⁷⁸ Article 9(6).

⁷⁹ Article 7(1) and (2).

provision (but not all) of the contract may be over-ridden by the mandatory rule of that country (not necessarily the forum). In addition, consumers are given protection, by reason of Article 5(2), which means that certain mandatory rules⁸⁰ of their home jurisdiction apply. Article 7 is a general provision which permits the application of mandatory laws. The second paragraph of that Article states that: "Nothing in this Convention shall restrict the application of the rules of the law of the forum in a situation where they are mandatory irrespective of the law otherwise applicable to the contract". This makes it clear that a court can continue to apply its own mandatory rules, despite the choice of the parties or the law that would normally apply under the Convention.⁸¹ The first paragraph of Article 7, which is an optional provision,⁸² allows a court to apply the mandatory rules of a foreign country "with which the situation has a close connection".

It can be seen that the Convention enables mandatory rules to be applied in a number of situations. However, what sort of rules are mandatory? The Giuliano and Lagarde Report give examples: rules prohibiting cartels, competition and restrictive practices, consumer protection and certain rules concerning carriage.⁸³

Therefore, are laws relating to intellectual property mandatory?

There are two theories which suggest that *all* intellectual property laws should be mandatory.⁸⁴ The first is based on competition law. The starting point for this is that all competition laws are mandatory and that all intellectual property rights

⁸⁰ There are certain limitations, which make it clear that the consumer has to be "approached" to some degree for this provision to apply.

⁸¹ Cheshire and North (1999): 583.

⁸² The United Kingdom does not apply Article 7(1): see section 2(2) of the Contracts (Applicable Law) Act 1990.

restrict competition and so should also be mandatory. This approach has been criticised by Fawcett and Torremans as too crude and improperly inhibiting contractual freedom.⁸⁵ The second theory is simple: it suggests that intellectual property is territorial and therefore, within each territory, the laws of the state should be applied as mandatory laws. It was explained in Chapter 1 how all laws are territorial; therefore, it is difficult to see why intellectual property should be treated differently. This approach also presents problems where a licence covers exploitation in a number of countries.⁸⁶ How can a term of a contract be interpreted in accordance with a number of different laws at the same time?

In addition, the Rome Convention includes, at Article 16, a provision permitting a court to refuse to apply a foreign law on the grounds of public policy. This provision is only intended to be used in exceptional circumstances.⁸⁷ Its application, in intellectual property cases, is unlikely to have a significantly different effect to applying a mandatory law. For example, if the waiver of moral rights is considered to be objectionable then this leads a court to refuse to recognise that waiver: i.e. applying the local rule. Thus the result is the same whether the local rule is applied as a mandatory rule or the foreign rules are not applied on the basis of *ordre public*.

⁸³ Giuliano and Lagarde (1980): 28. They also mention that mandatory laws may be necessary to address member States' constitutional issues (at 27).

⁸⁴ These are set out in Fawcett and Torremans (1998): 582-4.

⁸⁵ *Ibid*: 583.

⁸⁶ *Ibid*: 577.

⁸⁷ Giuliano and Lagarde (1980): 38. The report uses the term "special cases".

The *Fourth Proposition* prohibits mandatory rules being applied in relation to intellectual property, therefore to the extent that the Rome Convention permits such application it is incompatible with that proposition.

B. European Community Directives

There have been a number of directives on intellectual property law, most of which harmonise the law of the member States and have little or nothing to do with applicable law.⁸⁸

(i) Rules of applicable law

At first blush it appears that the Satellite Broadcasting and Cable Retransmission Directive⁸⁹ includes a rule on applicable law. Article 1(b) of the Directive mandates that a “communication to the public by satellite occurs solely in the Member State where... the programme carrying signals are introduced into an uninterrupted chain of communication...”; although different rules apply when the transmission originates outside the European Community. However, as Fawcett and Torremans point out, this is not actually a rule of private international law, but a substantive rule.⁹⁰ This provision means that the right-holder can only exercise their exclusive right in the country of uplift; but this is because the “broadcast” itself does not occur in any other country. Notwithstanding this limitation, it is clear from the seventeenth recital that when paying to exploit rights account should be taken of the actual audience, as well as the potential audience, suggesting that any activity *outside* the country of uplift should be

⁸⁸ Harmonised standards, of course, mean that the applicable law becomes less important as the law is similar (if not the same) in the various member States.

⁸⁹ Directive 93/83/EEC.

included. Thus, “the up-link country is singled out as the applicable law while any other law is in practical terms ruled out”;⁹¹ even though these laws are ruled out, it appears, that activity within those states is not.

(ii) Country of origin

The country of origin principle was introduced in Chapter 1, where it was explained that it could have an impact on private international law. The central tenet is that only one state should regulate an activity and every other state should refrain from regulation.⁹² The rule is designed to address uncertainty and double regulation.⁹³ Therefore, for example, where a person was merely aiming services⁹⁴ at another member State (but not their own), they are still governed by the country of origin.⁹⁵

The country of origin principle, in the European Community at least, provides a substantive law solution to many of the problems raised in earlier Chapters. However, relying on this principle only works where the contracting states are fairly homogenous.⁹⁶ It does demonstrate, however, that states will refrain from regulation where they are willing to trust foreign laws. So where states are confident that a proprietor of intellectual property (and so the incentive to produce) has protection and that there is adequate protection for users (mandated

⁹⁰ See Fawcett and Torremans (1998): 505; also see Goldstein (2000): 107 and Hohloch (1994): 391 n. 52.

⁹¹ Fawcett and Torremans (1998): 506.

⁹² The Court of Justice, in *Paul Denuit* (1997) 3 CMLR 943 at 960 (Case C-14/96), was strict in prohibiting the receiving member States from regulating a broadcast under the Television Without Frontiers Directive (Directive 89/552/EC).

⁹³ Hörnle (2005): 122.

⁹⁴ The problem is the “evasion principle” which applies where someone sets up in another country to avoid the regulation in a third country; this, as Hörnle suggests “cut[s] a hole in the country of origin rule”: Hörnle (2005): 117.

⁹⁵ See *VT4 Case* (1997) 3 CMLR 1225 (Case C-56/95).

by the *Tenth Proposition*), it is possible that States would agree to refrain from regulation.⁹⁷

(iii) Mandatory laws

It could be argued that the Computer Software Directive⁹⁸ contains a number of mandatory rules. Article 6 mandates that a lawful user should have the right to decompile a program. Similarly Article 5(2) makes it clear that the right to make a back-up of a work cannot be abrogated by contract.⁹⁹ Article 4 of the Rental Rights Directive¹⁰⁰ requires that authors and performers be granted an equitable remuneration even where it is not available under the *lex protectionis*.¹⁰¹ However, it is unclear why these rights should be considered to be so fundamental that they are given the status of mandatory rules. If they were considered to be mandatory then they would be incompatible with the *Fourth Proposition*, but it is not clear that they should be so recognised.

C. Community Rights and the European Patent Convention

The Community Trade Mark Regulation and the Community Design Regulation both include simple choice of law rules. Thus, Community trade mark courts (or design courts) apply the rules from the Community Trade Mark Regulation¹⁰² (or the Design Regulation¹⁰³) to any dispute involving these rights, with the

⁹⁶ Hörnle (2005): 123.

⁹⁷ In the EU, the country of origin principle still does not apply to intellectual property.

⁹⁸ Directive 91/250/EEC.

⁹⁹ A similar provision exists in relation to databases, see Article 6 of the Database Directive (Directive 96/9/EC).

¹⁰⁰ Directive 92/100/EEC.

¹⁰¹ See Fawcett and Torremans (1998): 584.

¹⁰² See Article 97.

¹⁰³ See Article 88.

remaining rules being set by domestic law.¹⁰⁴ Considering the Community wide scope of these rights, conflict rules are not only self-evidently necessary, but the rules are obvious. The unitary nature requires no special provision but the Regulation would still need amendment to accommodate the *Propositions*.

The European Patent Convention includes, at Article 64(3), a simple provision which states that “any infringement of a European patent shall be dealt with by national law”. It could be argued that “national” law must be the law of the protecting country, but a stronger argument is that this requires the national courts to apply their rules of private international law to any dispute.¹⁰⁵ The strength of the argument arises from the wording of Article 64(1), which makes it clear that a European patent has the same effect as a national patent. Therefore, only if a national patent is judged by the *lex protectionis* should a European patent be so judged.¹⁰⁶

D. Concluding remarks

It is quite clear that the Rome Convention, particularly Article 3, facilitates the implementation of the *Second Proposition*. However, where there is no express contractual choice of law (thus leaving the determination to the *Seventh Proposition*) it is difficult to see how “connecting factors” with a country would necessarily lead to the application of the nominated law. Thus, if a patent proprietor, resident in Austria nominates French law and then enters a licence with a Russian to use a patent in Germany; it is difficult to see how Article 4 of

¹⁰⁴ In relation to additional domestic rules: see for example, the threats provisions in the Community Trade Marks Regulation 1996 (SI 1996/1908) regulation 4.

¹⁰⁵ Sender (2002): [5.78 to 5.80].

the Rome Convention could, when properly applied, determine French law as applicable. However, this limitation could be modified if the intention of the parties were considered, because if the proprietor had nominated French law (outside the contract), it would be quite clear that they intended to apply French law to the contract and the other party must have similarly intended for French law to be applied: otherwise they would have negotiated for a different applicable law (as permitted under the *Second Proposition*). This approach would be, in some ways, similar to the old English “proper law” of contract, which required the courts to determine which law the parties intended to apply.

III. National laws

This section will be divided, not by each country, but into sections dealing with the creation of the right, the exploitation of the rights (contracts), their transfer and, finally, infringement.

A. Creation, substance and initial ownership

(i) Registered rights

The very nature of registered rights means that their existence is dependent on registration. The procedure followed for registration, whether a purely deposit system¹⁰⁷ or after examination, is always based on domestic law. It is clear beyond doubt that when the UK Patent Office examine an application for a patent

¹⁰⁶ *Ibid.*

¹⁰⁷ This is common in relation to registered designs (see EC Regulation No. 6/2002 on the Community Design) and utility models: Suthersanen (1998).

they do so under the Patents Act 1977:¹⁰⁸ whether the applicant is English, French or South African.¹⁰⁹ There is no doubt that this is what happens *in fact*, but it is also clear from the Paris Convention that this is what should happen *in law*. The Convention makes it clear that patents¹¹⁰ and trade marks¹¹¹ are independent within each territory and that administrative procedures are reserved to signatory States.¹¹² On a more technical point the convention recognises the right of priority,¹¹³ which is vital for determining novelty or prior uses. Priority only makes sense if each registered right is granted according to each territory's laws; otherwise the Paris Convention would not require the recognition of priority, but simply re-registration.¹¹⁴

It is clear, therefore, that the law of the country of registration applies to the grant of those registered rights. This applies equally to national rights as it does to regional rights such as the Community trade mark. Similarly, the duration of these rights, based on renewing registration as it is, must also be based on national law.

¹⁰⁸ The UK Patent Office also handle applications under the European Patent Convention and Patent Co-operation Treaty, but generally only as far as regard the basic formalities (except where they are converted: see section 81 or enter the national phase: see section 89A).

¹⁰⁹ From a purely practical point of view, it would be impossible for a registry to work on the basis of various foreign laws. Not only would this require knowledge of foreign substantive law (in the United Kingdom this is divided between primary legislation (e.g. the Trade Marks Act 1994) and secondary legislation (e.g. the Trade Marks Rules 2000 (SI 2000/136))), but also judicial decisions and commentaries. Even where substantive law is similar, such as in relation to designs or trade marks in Europe, the domestic procedure for applying for these rights varies: time limits differ as to the relevant forms and materials. If a registry applied foreign law to registration, even if only a substantive law (i.e. ignoring procedural differences) it would make the cost of running the system prohibitive.

¹¹⁰ Article 4*bis*(1) and (2).

¹¹¹ Article 6(3).

¹¹² Article 2(3).

¹¹³ Article 4.

¹¹⁴ Such systems do exist; for example, in Jersey a trade mark application must be based on a UK registration: see Trade Marks (Jersey) Law 2000, Article 4(1).

(ii) Copyright: England and Wales

In England and Wales, the subsistence of copyright is governed by the Copyright, Designs and Patents Act 1988.¹¹⁵ Under that Act, it is permissible for the provisions of the Act to be applied to works from other countries as they are applied to British works.¹¹⁶ Notwithstanding, Fawcett and Torremans suggest that the Act contains no applicable law provisions.¹¹⁷ They argue that the law of the protecting country should apply to the creation of the right,¹¹⁸ but that initial ownership and authorship should be governed by the country of origin.¹¹⁹ It is submitted, however, that under the terms of the Act and the Order made under it, the law applicable to copyright within the UK is the law under the 1988 Act.¹²⁰

It is not clear from the terms of that Act what law applies in relation to non-UK copyrights. Dicey and Morris suggest that the *lex situs* applies to foreign movables¹²¹ and “choses in action generally are situate in the country where they can be enforced”.¹²² More specifically the editors argue that “a patent, a trade

¹¹⁵ This is not true as in relation to works created before 1st August 1989 which are governed by older statutes: the Copyright Act 1956 and the Copyright Act 1911 (by reason of paragraph 5(1) of Schedule 1 to the 1988 Act).

¹¹⁶ This is achieved by an Order in Council; the most recent Order is the Copyright and Performances (Application to other Countries) Order 2005 (SI 2005/852).

¹¹⁷ Fawcett and Torremans (1998): 499. They suggest it only contains “qualification” provisions, i.e. those found in Chapter 9 of Part 1 of the 1988 Act.

¹¹⁸ This is based on their view that the application of *lex protectionis* is required by the Berne Convention: see Fawcett and Torremans (1998): 499-500.

¹¹⁹ See Fawcett and Torremans (1998): 509-15 and Torremans (2005).

¹²⁰ Section 159 of the 1988 Act states that the provisions of the Act apply to a foreign works as they apply to British works. This is even more explicit in the terms of the 2005 Order. For a more detailed discussion see Johnson (2006).

¹²¹ Dicey and Morris (1999): Rule 111 at [22R-001].

¹²² *Ibid*: Rule 112(1) at [22R-023]. They treat intellectual property as a chose in action; however patents are not “things in action”: see section 30(1) of the Patents Act 1977 (it is unclear *what* classification a UK patent should attract).

mark or copyright is situate in the country whose law governs its existence”¹²³

Thus, under that approach the *lex situs* is the same as the *lex protectionis*.¹²⁴

(iii) Copyright: United States

The position in the United States is somewhat unusual. The law applicable to initial ownership, in relation to works for which copyright has been restored, is totally clear. Section 104A states that “the work vests initially in the author or initial rightholder of the work as determined by the law of the source country of the work”. It is not clear whether this provision is to confirm the law or present an exception to it.¹²⁵ However, the pre-eminent case in this field is the decision of the Second Circuit of the Court of Appeals in *Itar-Tass v Russian Kurier*.¹²⁶ The court opened by indicating that:

*choice of law issues in international copyright cases have been largely ignored in the reported decisions and dealt with rather cursorily by most commentators.*¹²⁷

After considering the issues, somewhat briefly, the court held that the “most significant relationship” test should be used to determine ownership and, on the facts, this led to the law of the country of origin applying.¹²⁸ This test was applied,

¹²³ Dicey and Morris (1999): [22-051]. In previous editions the editors took a different view, namely that the applicable law was governed by the country in which the intellectual property rights can be effectively transferred under the law governing their creation. This view was criticised by Fawcett and Torremans (1988): 489-494 and is no longer followed by the editors.

¹²⁴ Fawcett and Torremans argue that the applicable law should be the *lex protectionis*; thus, the two views now converge.

¹²⁵ Goldstein (2000): 103.

¹²⁶ (2nd Cir, 1998) 153 F. 3d 82.

¹²⁷ *Ibid* at 88.

¹²⁸ *Ibid* at 90.

with difficulty, in *Films by Jove v Berov*,¹²⁹ where, once more, the ownership of a Russian work was determined by Russian law.¹³⁰ In contrast, in *Bridgeman v Corel*,¹³¹ the court held that US law governed whether or not a work was protected by copyright.¹³²

Following these decisions a number of academics have argued over what law should be applied to determine subsistence, most of them propose complicated approaches. Kaplan argues for a “three-tier” approach. First, the law of the country of origin applies; secondly, it is determined whether this causes an “inequitable” result; and thirdly, if it is inequitable, the law with the most significant relationship is applied.¹³³ This policy based approach, which was criticised at length in Chapter 2, is uncertain to say the least. In contrast, Geller suggests the application of the *lex protectionis*,¹³⁴ except in “hard cases” (such as where a work was produced under an employment contract), in which case the court should apply common standards;¹³⁵ whatever those standards may be.

(iv) Copyright: France

The position under French law was until recently unclear. This is because of the problematic decision of the Court of Cassation in *Soc. Fox-Europa v Soc. Le*

¹²⁹ (EDNY, 2001) 154 F. Supp 2d 432; reheard (EDNY, 2003) 250 F. Supp 2d 156.

¹³⁰ Amazingly, on re-hearing, the US Court refused to review its interpretation of Russian law, despite a Russian court concluding the exact opposite on the same issue. The US court stating that the Russian decision was improperly influenced by the government.

¹³¹ (SDNY, 1999) 36 F. Supp 2d 191.

¹³² This decision was based on the copyright clause of the Constitution; the court held that it was impossible for Congress to adopt a treaty granting “unoriginal” works protection in the US (*ibid* at 194).

¹³³ Kaplan (2000): 2083-4.

¹³⁴ Geller (2004): 361.

¹³⁵ *Ibid*: 366.

Chante du Monde (“The Iron Curtain Case”).¹³⁶ The judge rapporteur for the case argued that the court ruled that the *lex protectionis* should be applied to creation and subsistence. However, the text of the judgment mentioned that the authors also had protection in the USSR, which was the country of origin. This led others to suggest that the case advocated the application of the *lex originis*,¹³⁷ with the law of the protecting country being used to enforce those foreign created rights.¹³⁸ The French lower courts appear, on the whole, to have interpreted this decision as mandating the *lex protectionis*.¹³⁹ However, in *Turner Entertainment v Huston*¹⁴⁰ the court relied on mandatory rules to apply French law, implying that initial ownership may not be governed by the *lex protectionis*, but something else.¹⁴¹ Indeed, the Court of Cassation held in *Scania v Diesel Technic*¹⁴² that the *lex originis* applied to the ownership of copyright. Notwithstanding, in the recent *Sisro Case*,¹⁴³ that court ruled that:

the law to be applied was not the law of the country of origin or of the court invoked, but rather the law of the country in whose territory the infringements occurred.

This decision would appear to suggest that the modern view of the French courts is that the *lex protectionis* determines the applicable law for creation, subsistence

¹³⁶ (1960) 28 RIDA 120.

¹³⁷ Batiffol and Lagarde (1983): II at 202; although this approach went via the *lex situs*.

¹³⁸ See Desbois (1966): 34 (cited in Torremans (2001): n. 10).

¹³⁹ Raynard (1990): [473 to 475].

¹⁴⁰ (1992) 23 IIC 702.

¹⁴¹ Van Eechoud (2005): 291.

¹⁴² (1998) 177 RIDA 254.

¹⁴³ (2003) 34 IIC 701.

and ownership, which seems to be in accord with prevailing French academic opinion.¹⁴⁴

(v) Copyright: Germany

The ownership of German author's right (or neighbouring right) is to be determined by German law, whatever the nationality of the author, although certain rights are restricted in relation to foreigners.¹⁴⁵ The German Supreme Court confirmed in *Spielbankaffaire (the Casino Affair)*¹⁴⁶ that:

*the question of who must be regarded as the author and first holder of the copyright in a...work is, like the question of the protective effect of copyright, decided by the law of the country providing protection.*¹⁴⁷

Recently in *Re Multi Media Recht*,¹⁴⁸ the German courts confirmed that the *lex protectionis* applies to all aspect of a foreign work and further that this cannot be changed by contract.¹⁴⁹

B. Licensing

The exploitation of intellectual property, through licensing, is normally a matter of contract.¹⁵⁰ The rules governing the licensing of intellectual property are the

¹⁴⁴ See Raynard (1990): [391] n. 9.

¹⁴⁵ See Drobnig (1972): 293-4.

¹⁴⁶ (1999) 30 IIC 227; also see *Show Format Case* (2004) 35 IIC 987.

¹⁴⁷ *Spielbankaffaire, supra* at 230.

¹⁴⁸ See discussion of the case in Vahrenwald (1998).

¹⁴⁹ This was confirmed in the *Open Source Case* (2004) (DC Munich) (trans: T. Feldmann and J. Hoepfner); also see Dreier (2004): 131.

¹⁵⁰ Of course, an intellectual property licence need not be included in a contract.

same for registered rights and unregistered rights. In relation to three of the target jurisdictions: England and Wales, France and Germany the rules relating to contractual choice of law are determined by the Rome Convention.¹⁵¹ Therefore, only the United States' rules on choice of law clauses need to be considered further.

The courts of the United States have tended to support party autonomy and upheld choice of law clauses.¹⁵² Any choice of law does not extend to include the forum's rules of private international law¹⁵³ or its procedural rules.¹⁵⁴ However, the law chosen by the parties must have some relationship to either the parties or the contract and, even where it does have that relationship, the parties are not allowed to override certain important policies of the state whose law would otherwise apply.¹⁵⁵

(i) Choice of law clauses

US law does not distinguish between mandatory laws and laws that violate public policy. However, a US court will not apply a chosen law where it offends the

¹⁵¹ In contrast to the Brussels Regulations, there is no place for "traditional" rules as the rules of the Rome Convention have universal effect. There are, however, certain rules which apply irrespective of which law applies to the contract (e.g. the German courts, for example, have held that the contractual transfer of German authors' right is governed by German law; only the underlying contract is governed by the contractual choice of law: Drobniq (1972): 295 and Dreier (2004): 137); however, in the *Open Source Case*, *supra* the German court suggested that the right of use (i.e. licensing) is governed by German law.

¹⁵² Scoles and Hay (2004) point out that "party-autonomy has support in American case-law dating back well into the nineteenth century" (at 860).

¹⁵³ Restatement (Second) §187, comment (h); also see *McGill v Hill* (Was AC, 1982) 644 P 2d 680.

¹⁵⁴ See *Federal Deposits Ins Corp v Peterson* (10th Cir, 1985) 770 F 2d 141 at 142-3 where it was suggested that a choice-of-law clause does not include procedural rules, unless the parties expressly state otherwise.

¹⁵⁵ Scoles and Hayes (2004): 954. The Restatement (Second) provides that this law is the law that would otherwise apply under the Restatement (§187, comment (c)).

forum's public policy,¹⁵⁶ but the fact that a domestic law is different from the foreign law is not a reason to disregard the choice of law clause.¹⁵⁷ It is not clear how grossly the foreign law must offend public policy for it to be trumped. It may need to affect "strong"¹⁵⁸ or "fundamental"¹⁵⁹ policies; the exact test is different for each state.¹⁶⁰ In addition, the US courts require some relationship between the state and the choice of the parties; this reduces the likelihood that selection by the parties would undermine a substantial state policy.¹⁶¹

This means that parties cannot select an "unconnected law" for a "local transaction"¹⁶² to avoid the local states laws of contract.¹⁶³ The factors connecting the chosen law to the contract can include matters such as the domicile of the parties, the place of the contract's formation and the place of performance.¹⁶⁴

It can be seen that requiring this reasonable relationship is contrary to the *Second Proposition*; however, many US commentators are critical of this very restrictive approach.¹⁶⁵ Indeed, it has been suggested that these limitations are not actually applied and the vast majority of such clauses are upheld.¹⁶⁶ Therefore, although a

¹⁵⁶ Restatement (Second) §187(2)(b); Hill (1985): 1627.

¹⁵⁷ Restatement (Second) §187, comment (g); see Reese (1960): 54.

¹⁵⁸ See for example, *Superfos Investments Ltd v Firstmiss Fertilizer* (SD Miss, 1992) 809 F. Supp 450 and *Lazard Freres & Co v Protective Life Insurance* (2nd Cir, 1997) 108 F. 3d 1531 at 1538.

¹⁵⁹ Restatement (Second) §187(2)(b); *Blalock v Perfect Subscriptions* (SD Ala, 1978) 458 F. Supp 123; affirmed (5th Cir, 1979) 599 F.2d 743.

¹⁶⁰ The New York courts, in *Reger v National Association of Bedding Manufactures* (1975) 372 NYS 2d 97 at 116, have gone as far as suggesting that a court should only override a law where the legislature specifies that the statute applies to choice of law situations.

¹⁶¹ Yntema (1955): 60 and Scoles and Hayes (2004): 974-5.

¹⁶² *New England Mutal Life Insurance v Olin* (7th Cir, 1940) 114 F. 2d 131 at 136; Scoles and Hayes: *ibid*.

¹⁶³ Scoles and Hayes (2004): *ibid*.

¹⁶⁴ See *ibid*: 977-9.

¹⁶⁵ Some support a functional "policy balancing analysis": eg Weinberger (1976); others support more general autonomy: e.g. Scoles and Hayes (2004): 980-1.

¹⁶⁶ Symeonides (1998): 273.

departure from the general position in the United States, the implementation of the *Second Proposition* is quite close to the present state of the law.

(ii) Applicable law in the absence of choice

Where there is no choice of law clause the US courts fall back to using one of the various choice of law approaches.¹⁶⁷ The majority suggest, using the rules set out in the Restatement (Second), that where the place of negotiation and performance are the same, the law of that place applies.¹⁶⁸ This is because such a place would have the greatest interest in having its law applied.¹⁶⁹ Alternatively, the Restatement (Second) “approach” suggests that the following factors should determine what law applies: (a) the place of contracting, (b) the place of negotiation of the contract, (c) the place of performance, (d) the location of the subject matter of the contract, and (e) the domicile, residence, nationality, place of incorporation and place of business of the parties. However as Professor Reese, the Restater, indicated:

*in contracts, the courts pay heed to the fact that the basic policy... is the protection of justified exceptions. As a result, there is a distinct tendency to apply a law that will uphold the contract provided [that]... the validating law has substantial contacts with the transaction.*¹⁷⁰

¹⁶⁷ These are set out in Chapter 2.

¹⁶⁸ Section 188(3).

¹⁶⁹ Comment (f).

¹⁷⁰ Reese (1980): 737.

However, save where these exceptions exist, the approach of the Restatement (Second) is based on the most significant connection, which is very similar to the rules of the Rome Convention.¹⁷¹ Thus, it leads to considerable uncertainty and would be contrary to the *Seventh Proposition*.

C. Transfer

The transfer of intellectual property rights is very complicated.¹⁷² This complexity stems in part from how “transfer” is classified in private international law. Is it a contractual matter, or an intellectual property matter? In England and Wales, it appears to be a contractual matter, because a transfer of intellectual property rights is valid, provided it is valid under the law of the contract. Similarly, under US law the transfer of rights will be upheld as long as the bargaining power between the parties is not uneven (in other words the normal contractual transfer rules apply). Notwithstanding, it has been suggested by some commentators that it is difficult to divorce the creation of rights from their transfer.¹⁷³ This being the case, in the US at least, it may be that at some point in the future, the transfer of copyright may be determined by the most significant relationship test (which often leads to the application of the *lex originis*).

However, many civilian countries, including France and Germany, characterise the transfer of intellectual property rights as an intellectual property matter, rather than a contractual matter.¹⁷⁴ Thus, French copyright is only transferred where it

¹⁷¹ See Scoles and Hayes (2004): 1037-9.

¹⁷² See Ginsburg and Lucas (2004).

¹⁷³ Nimmer and Nimmer (1964-2004): §17.05(2).

¹⁷⁴ However, see Walter (1976): particular at 82, who suggests that the law of the contract and not the *lex protectionis* should govern the transfer. He argues this on the basis that it promotes security of commerce.

satisfies the necessary formalities in the French legislation. In Germany transfer of German intellectual property rights is governed by German law, only the underlying contract is subject to the usual rules of contract.¹⁷⁵ This inflexibility completely undermines the effective management of intellectual property rights and with it the *Propositions*.

D. Infringement

(i) England and Wales

In English law, the law applicable to tort is determined according to the rules set out in Part 3 of the Private International Law (Miscellaneous Provisions) Act 1995 (the 1995 Act).¹⁷⁶ Section 9(1) suggests that the provisions apply “for choosing the law... to be used for determining issues relating to tort...”.

First, therefore, it is necessary to determine whether infringement of intellectual property rights is characterised by an English court as a matter “relating to tort”.¹⁷⁷ Initially, there was doubt whether it could be so characterised.¹⁷⁸ However, Fawcett and Torremans argue compellingly that infringement must be characterised as tortious. They support this assertion on four grounds: at common law, the tort choice of laws were applied to infringement; for jurisdictional purposes it is quite clear that infringement is a tort; domestically infringement is

¹⁷⁵ Drobnič (1972): 295.

¹⁷⁶ The provisions of this Act only apply to a tort which occurred after its commencement on 1st May 1996: section 14(1). Due to the six year limitation period no new actions can be commenced on the basis of the old common law rules. Therefore, the old rules will not be considered here.

¹⁷⁷ Peculiarly, in Morris (2000), it is suggested that the English courts will not entertain a matter relating to the infringement of a foreign intellectual property right (at 369), but suggests that where they will hear a matter it will be determined under the 1995 Act.

¹⁷⁸ See House of Lords (1994-5): Written Evidence p. 54 and Briggs (1995): 522.

considered to be a tort; finally if infringement is not characterised as a tort then it is unclear how else it could be characterised.¹⁷⁹

The general rule, once a matter is tortious, is that:

*the applicable law is the law of the country in which the events constituting the tort...in question occur.*¹⁸⁰

Thus, the law of the place where the tort was committed applies. The rule does not allow issues to be split (*dépeçage*), although the displacement rule (discussed below) may apply in relation to a single issue. Thus, if a copyright was infringed in the Netherlands, Dutch law will apply to the entirety of the dispute by virtue of this rule.¹⁸¹ However, where a tort involves more than one country then the special rules apply:

*Where elements of those events occur in different countries, the applicable law under the general rule is to be taken as being...the law of the country in which the most significant element or elements of those events occurred.*¹⁸²

It was suggested by the draftsman of the Bill that this special rule would not apply to infringement.¹⁸³ However, it has been pointed out¹⁸⁴ that there are situations where elements of the infringement may take place in different countries: satellite

¹⁷⁹ Fawcett and Torremans (1998): 615.

¹⁸⁰ Section 11(1).

¹⁸¹ *Pearce v Ove Arup Partnership* (2000) Ch 405 at 444.

¹⁸² Section 11(2), paragraph (c).

transmissions (where the footprint covers many different countries) and infringements on the Internet. Fawcett and Torremans suggest that in relation to both of these the most “significant element” is the uplift and therefore the law of the country of uplift should apply.¹⁸⁵

This rule can, however, be displaced where another law is substantially more appropriate,¹⁸⁶ this is determined by “factors” connecting the dispute to another country. These factors can include matters relating to the parties (such as domicile), to any event constituting the tort or the consequences of that tort (such as the location of the economic damage),¹⁸⁷ but policy factors may not be considered.¹⁸⁸ The nature of the 1995 Act is internationalist and so the fact that the case is heard in England should not be considered.¹⁸⁹

Once the relevant factors are identified, it is then necessary to determine their significance. How these are weighed is a matter for each court. At this stage, policy considerations, but not State interests, may be taken into account.¹⁹⁰ However, the territoriality of intellectual property rights is something to which a court may give great weight.¹⁹¹ In any event, the effect of displacement is simple;

¹⁸³ House of Lords (1994-5): 61 (Parliamentary Counsel).

¹⁸⁴ Fawcett and Torremans (1998): 621.

¹⁸⁵ *Ibid*: 622.

¹⁸⁶ Section 12. The rule was criticised on the basis that it lacks any conceptual basis: House of Lords (1994-5): 28-31 (Fentiman).

¹⁸⁷ Section 12(2)(b) includes an exemplary list.

¹⁸⁸ The Law Commission specifically rejected the American government analysis: Law Commission (1984): [4.36-4.45].

¹⁸⁹ Cheshire and North (1999): 639.

¹⁹⁰ Cheshire and North (1999): 639-40.

¹⁹¹ Cornish was strongly opposed to displacement on this basis: House of Lords (1994-5): 64 (Cornish). Also see *Mölnlycke v Proctor and Gamble (No. 4)* (1992) 1 WLR 1112 where it was taken for granted that an infringement of a UK patent could only occur in the UK and therefore the Patents Act 1977 applied and it was unnecessary to consider tort choice of law rules.

the law which is substantially more appropriate applies instead of that selected by the general rule.

It can be seen that the English approach, more or less, follows the *lex protectionis* albeit by a very roundabout route. The problems, and inefficiencies, associated with this approach have been discussed at some length and it is clear that it does not accord with either the *Second* or *Seventh Proposition*.

(ii) *United States*

There are very few US authorities on choice of law for intellectual property infringement. The leading case is *Itar-Tass v Russian Kurier*,¹⁹² which adopted the normal tort rule of *lex delicti* (so applying US law).¹⁹³ However, by implication, the court suggested that using an “interest” analysis another law might sometimes apply.¹⁹⁴ In a subsequent case, *Bridgeman v Corel*,¹⁹⁵ the court ruled that because the infringement occurred abroad US law did not apply but the foreign law did.¹⁹⁶ However, if an interest based analysis is applied then it is impossible to determine a hard and fast rule. Notwithstanding, in contrast to ownership, academic commentators generally agree that a US court should apply the *lex protectionis* to infringement.¹⁹⁷

¹⁹² *Supra*.

¹⁹³ *Itar-Tass, supra*, at 91.

¹⁹⁴ The court suggested that because the defendant was a US corporation and the infringement occurred in the United States, an interest analysis would also apply US law. Thereby suggesting that if the infringement was in the US, but the defendant was not a US corporation another law may possibly apply.

¹⁹⁵ *Supra*.

¹⁹⁶ *Bridgeman v Corel, supra*, at 428.

¹⁹⁷ See Geller (2004): 328 *et seq* and Torremans (1999): 375-6.

(iii) France

The French approach to choice of law in tort is based on the *lex delicti*, which is derived from a gloss on Article 3(1) of the Civil Code.¹⁹⁸ The French courts tend to be unwilling to depart from this general rule.¹⁹⁹ However, the Court of Cassation in the *Sisro Case* made it clear that the *lex protectionis* applies to infringement as it does to other aspects of intellectual property law.

(iv) Germany

The German choice of law rule for torts was developed from Article 12 of the Introductory Law to the Civil Code (EGBGB). This provision limits a claimant's recovery to that which would be obtainable under German law and it was extended by the courts to the effect that tort liability was governed by the *lex delicti*.²⁰⁰ This rule has now been codified as EGBGB Article 40.²⁰¹

However, this general rule is not applicable to intellectual property infringement. Indeed, it was made clear in the Parliamentary documents accompanying the codification of the tort choice of law rules that it was unnecessary to include a special rule for all intellectual property rights, because it was clear from the jurisprudence (in particular, the *Spielbankaffaire* that the applicable law is that of the protecting country.²⁰² This was confirmed in *Re Multi Media Recht*²⁰³ and the German courts took this to its logical conclusion in *Thumbnails*,²⁰⁴ where it was held that any work made available over the Internet and which is accessible in

¹⁹⁸ Morse (1984): 52.

¹⁹⁹ *Ibid*: 56.

²⁰⁰ Morse (1984): 57.

²⁰¹ See Appendix to Hay (1999): 650.

²⁰² Bundestagedrucksache 14/343 (1st January 1999): 10.

²⁰³ Vahrenwald (1998): 260.

Germany shall be governed solely by German law, even where that work was uploaded and modified abroad.

Notwithstanding the fact that intellectual property disputes are governed by the *lex protectionis*, the limitation imposed on recovery by Article 40 still applies. Until recently, an imaginary German “trade mark” was used to determine the extent of liability for infringing the foreign trade mark.²⁰⁵ However, the new Article 40 probably removes this limitation and only prohibits damages which go beyond that required for “appropriate compensation”, or where they provide for purposes “other than the provision of adequate compensation”. It is unclear how the courts will determine whether compensation was “appropriate” or “adequate”, but it is likely to be judged by local values.²⁰⁶ Courts may, therefore, continue to use “imaginary” rights for this assessment.

E. Mandatory rules and public policy

The Private International Law (Miscellaneous Provisions) Act 1995 makes provision for not applying the foreign law, where to do so would be contrary to English public policy.²⁰⁷ At present, there is very little case law on what could be contrary to public policy for the purposes of this provision,²⁰⁸ but it is clear that rules of evidence and procedure (including the assessment of damages) are governed by domestic law.²⁰⁹

²⁰⁴ (2004) 35 IIC 478.

²⁰⁵ Drobnič (1972): 304.

²⁰⁶ Hay (1999): 642.

²⁰⁷ Section 14(3)(a)(i).

²⁰⁸ This is unsurprising as under the double actionability rule it was impossible for such a tort to be recognised at all (see page 287, n. 206 above).

There is nothing in the Patents Act 1977, the Copyright, Designs and Patents Act 1988 or the Trade Marks Act 1994 setting out any “mandatory rules”. However, in *Chiron Corp v Organon Teknika (No. 2)*,²¹⁰ the Court of Appeal held that section 44 of the Patents Act 1977 (avoidance of certain restrictive conditions)²¹¹ has overriding effect in relation to a UK Patent. Similarly, it has been suggested that it would be quite wrong *in principle* to apply UK law to infringements that have occurred abroad, or to apply foreign law to infringements that have occurred in the UK.²¹² This is because any other result would lead to:

*two IP rights competing in one country which appears contrary to the principle of national treatment upon which the IP conventions and legislation is based.*²¹³

In addition it has been argued that the moral rights of an author should be considered to be mandatory as they protect a fundamental public policy.²¹⁴ It is unclear why, in English law, the moral rights of an author should be considered “fundamental”, as they certainly have never been stated to be fundamental either by the legislature or the courts, indeed allowing waiver would suggest against it.²¹⁵

²⁰⁹ See Law Commission (1984): [4.4].

²¹⁰ (1993) FSR 567.

²¹¹ Section 44 was repealed by section 70 of the Competition Act 1998.

²¹² Fawcett and Torremans (1998): 601-3.

²¹³ House of Lords (1994-5): 62 (Beatson). This, of course, now happens because of parallel Community rights and domestic rights in both trade marks and designs (although the underlying substantive law is meant to be the same).

²¹⁴ Torremans (2001): 55.

²¹⁵ Johnson (2006).

The United States does not generally provide for mandatory rules *per se*,²¹⁶ but the policy approach used by most states makes mandatory rules unnecessary because the important public policies protected by mandatory rules are already balanced in the selection of the applicable law. In contrast, France and Germany have well defined mandatory rules. The French courts have opined that moral rights form mandatory rules, even without reciprocity: *Turner Entertainment v Huston*.²¹⁷

It is also clear that under German law it is not possible to override the relevant mandatory rules by contract or otherwise.²¹⁸ These mandatory rules include the prohibition on the transfer of the economic and moral rights²¹⁹ and the right of both authors and performers to gain an equitable remuneration.²²⁰ Therefore, whenever a matter relating to German copyright is heard before German courts these rules will apply, but it is possible that some non-German courts would not apply this aspect of German law, even if that law were otherwise applicable.²²¹ Allowing any mandatory rules to be applied would be contrary to the *Fourth Proposition*.²²²

F. Nomination

In relation to registered rights, it would be straightforward for an application for a registered right to include a requirement to nominate an applicable law. In

²¹⁶ This has changed slightly with the 2001 modification of the Uniform Commercial Code: Scoles and Hay (2004): 961-3.

²¹⁷ *Supra*.

²¹⁸ See Fromm and Nordenmann (1998): Vor §§120 rmd 8 (cited in Van Eechoud (2003): 34).

²¹⁹ Article 29 of German Copyright Act.

²²⁰ Article 32 to 32b.

²²¹ Hilty and Peukert (2004): 449.

contrast, in relation to unregistered rights, it is common practice to include a “copyright notice” on any work produced. Thus, the proprietor would have to include such a notice *if* they wish to nominate an applicable law. If they do not include a notice, they do not lose copyright, they simply cannot nominate the law applicable (and the default law applies).²²³ At first blush, there may be a problem with “down-stream” copying, which occurs when someone copies a copy. The first copy may have omitted the nomination and it would be wrong to expect a user to be bound by a law of which they were unaware. In such a case, the proprietor would have a choice; they could sue the first copier, under the nominated law (assuming they could find them) or they could sue the person down-stream under the default law.²²⁴

IV. Minimum rights

To implement the *Tenth Proposition* (non-proprietary users of intellectual property should be granted minimum rights) it would be necessary to expressly protect minimum rights in a convention. International treaties in many fields require its parties to it to grant specific rights to their citizens or citizens of other signatory States. The various intellectual property treaties are no different; each mandates that, within its scope, certain minimum rights must be granted to authors, inventors and producers. However, with very limited exceptions,²²⁵ those Conventions do not grant minimum rights to users.

²²² Similarly, allowing a court to refuse to apply a rule on the grounds of *ordre public* would be contrary to that *Proposition*.

²²³ It would, therefore, be compatible with the requirements of Article 5(2) of the Berne Convention which precludes formalities being required for the enjoyment of copyright.

²²⁴ See page 242 above.

Despite this failure it is unlikely that states would oppose including users' rights. The progressive harmonisation of intellectual property laws has demonstrated that states view certain "user" rights as very important.²²⁶ Therefore, the problem would not be getting states to agree to the principle that users should be given rights, but agreeing what those rights should be. Instead of providing a prescriptive list it is likely that general "fair use" type provisions would be necessary.²²⁷

In addition requiring minimum rights would ensure that the signatory States' most important interests are maintained. Therefore, the rights of free speech, protected by the first amendment to the US Constitution and by Article 10 of the European Convention of Human Rights, would be provided for as a relevant minimum standard. In contrast, where a state does not consider freedom of speech to be important, assuming it were protected as a minimum standard, copyright could not be used as a way of inhibiting speech, but other regulation could be used for that purpose (i.e. censorship).

V. Conflicts and solutions

A. The application of the *lex protectionis*

Any choice of law provision in the intellectual property conventions must, according to the majority, mandate the *lex protectionis*. Similarly, the national laws of the target jurisdictions tend to suggest that the *lex protectionis* is

²²⁵ Paris Article 5*ter* and Berne Article 9(1).

²²⁶ In particular, see the large number of exceptions included in Article 5 of the Information Society Directive (Directive 2001/29/EC).

²²⁷ See Ricketson (1987) on the problems that were faced by delegates at the Stockholm conference when they tried to draw up a prescriptive list of exceptions.

applicable. There are, however, a number of different reasons why the answer may not be that simple. These need only be considered in relation to the conventions, but every argument is equally applicable to the national law. Indeed, each of these points is equally pertinent to a rule based on the *lex originis*.

(i) The acceptance of a single applicable law

If the conventions mandate that the law of the protecting country *must* be applied then where a right was infringed in a hundred countries, it would be an international requirement for the infringement within each country to be judged by its own law. Put bluntly, a single applicable law would be contrary to the conventions. However, there are a number of proposals for selecting such a law. Notable scholars such as Professor Ginsburg and Professor Dreyfus propose methods of selecting such a law as part of the commentary to their convention.²²⁸ This high profile project is not the only one suggesting or proposing a method of selecting a single applicable law as the discussion in Chapter 4 shows.²²⁹ Of course, the fact that others propose solutions that deviate from the *lex protectionis* does not make such deviations compatible with the conventions; but, of course, it shows prevailing opinion and legal thought is moving in favour of ending strict adherence to the *lex protectionis*.

(ii) Arbitration

It is clear that parties to arbitration are free to deviate from the *lex protectionis* if they so wish. Thus, should two parties agree that a dispute should be governed by US patent law it does not matter that no infringement actually occurred in the

²²⁸ See page 191 *et seq* above.

United States. Although courts can refuse to uphold arbitration awards under the New York Convention on the grounds of public policy,²³⁰ it is exceptionally rare that this occurs. However, it is undeniably true that intellectual property disputes are not normally the subject of arbitration,²³¹ but in relation to the *Second Proposition*, should an award be made the court would enforce it; thus, it is not a giant leap for the courts to apply the *Second Proposition* directly.

(iii) Presumptions of foreign law

When a court determines that a foreign law is applicable it must then proceed to determine that law. In some countries the determination of foreign law is a matter for the parties to prove, in others the court will determine it *ex officio*.²³² Where the proof of foreign law falls to the parties (either as a matter of fact or law) there is normally a mechanism whereby the *lex fori* applies if neither party proves that the foreign law is different.²³³

Even in systems (such as Germany) where the court is under a duty to determine the foreign law *ex officio*, it is permissible (where the parties could have agreed the applicable law before the event) for the parties to agree that German law or

²²⁹ The Max Planck Institute is also working on a proposal on choice of law, but at present the text is not public.

²³⁰ Article V(2)(b); also see Russell (2003): [8-023].

²³¹ See Fawcett (2002): 6.

²³² The European Parliament has proposed, in its amendments to the Rome II Regulation, that this rule be adopted across Europe: see proposed Article 11b in Final Report A6-2011/2005, 27th June 2005: 29-30.

²³³ In England, where the foreign law is not proved to the satisfaction of the judge, English law applies (see *MCC Proceeds (Sub. Macmillan Inc) v Bishopsgate Investment Trust (No. 4)* (1999) CLC 478; Dicey and Morris rule 18(2) at [9-001] *et seq*; (approved in *Bumper Development v Commissioner of Police of the Metropolis* (1991) 1 WLR 1362 at 1369). However, this presumption may not be applied in cases of infringement: *IBM v Phoenix International (Computers)* (1994) RPC 251 at 266.) Historically, in the United States a similar rule applied; following the adoption by many States of the Uniform Judicial Notice of Foreign Law Act or the Uniform Interstate and International Procedure Act it has become unclear whether this still applies, but there is authority that it does: see Scoles and Hay (2004): 555-6.

some other law applies to the proceedings.²³⁴ In other civil law countries like France the rule falls somewhere between those two stools;²³⁵ a judgment cannot be challenged on the basis that the court applied the *lex fori* instead of the applicable law, but a challenge is permitted where the parties do not have the free disposition of their rights or where it would be contrary to an international convention, such as the Berne Convention.²³⁶

Thus, even though the applicable law may, in theory, be the *lex protectionis* many courts, by reason of procedural rules for proving foreign law, would apply a single applicable law: the *lex fori*. Once more, this demonstrates that, in practice at least, the application of the *lex protectionis* is not paramount.

(iv) Other rules adopted

If the application of the *lex protectionis* were required by the intellectual property Conventions then courts, in signatory states, would be bound to apply that rule domestically. However, in fact this is not the case. Article 63 of Greek Copyright Law dictates that the law of the country where the work was first made available to the public governs the dispute. Similarly, Article 110(2) of the Swiss Private International Law allows the parties some limited freedom in relation to choice of law and intellectual property infringement.²³⁷ This once more suggests against the Conventions requiring the courts of signatory States to apply the *lex protectionis*.

²³⁴ Dannemann (1994).

²³⁵ Dolinger (1995): 226-232.

²³⁶ Hartley (1996): 278-282.

²³⁷ See Dessemontet (2001): 502-3.

(v) Substantive rules

If the *lex protectionis* is considered to be sacrosanct then there is an artificial interpretation, based on substantive rules, which enables the relevant propositions to be implemented. If states were willing to accept a rule which dictated that all infringement is deemed to occur in a particular country, then all the infringement would have “occurred” in a single country and the law of that country would apply to the entire dispute: facilitating the *lex protectionis*. This sort of approach, although highly artificial, is not without precedent as it was adopted by the Satellite Broadcasting and Cable Retransmission Directive.²³⁸

B. Universality

The *Third Proposition* and the *Ninth Proposition* require that the chosen law has universal effect. The early conventions, in particular the Montevideo convention, demonstrate that universality as a concept is not completely unacceptable.²³⁹ Of course most of the other intellectual property conventions probably do not require states to apply the law of the country of origin, or even the law of the country in which protection is sought. However, the modern approach is not moving towards universality, but towards regional agreements such as within the European Community.²⁴⁰ Notwithstanding, there is a general move towards including more minimum rights in international treaties and so it is clear that there is a move towards harmonisation, which may hint at aspirations of universality.

²³⁸ See page 334 above.

²³⁹ It was proposed that universality should be adopted at both the Paris and Berne Conferences: see page 20 above.

²⁴⁰ Another example would be those who are signatories to the Cartagena Agreement; it is unsurprising that these countries were all parties to the Montevideo Conventions. NAFTA, as yet, has only included a few outline provisions.

C. Nomination

The requirement to nominate a law could be incorporated as a requirement for filing under the Patent Co-operation Treaty, the Madrid Agreement and Protocol and the Hague Agreement on Industrial Designs. Thus, in relation to registered rights it is possible to create a mechanism for nominations. In contrast the nomination of laws in relation to copyright is slightly more problematic; however the “formalities” requirements of the Universal Copyright Convention demonstrate a willingness of states to agree to limited formalities in certain circumstances.

8

Conclusion

This work had four purposes. The first, to demonstrate that there is no consistent theoretical framework for private international law; the second, to show the limitations of the various proposals for resolving the problems associated with private international law, intellectual property and the Internet; third, to propose an alternative wealth maximising solution; and finally, to place this new solution within the present legal frameworks.

In Chapter 1, two central problems were identified: forum shopping and multiplicity of claims. The judicial response to forum shopping itself has been, as Bell suggests:

almost entirely negative... [with] the phrase generally [carrying] pejorative connotations when found in judgments.¹

It was therefore easy to identify forum shopping as a particular problem associated with a medium (the Internet) that has as its greatest strength (and of course, its greatest liability) ubiquity. It was also explained in Chapter 3 how, from an economic point of view, *ex post* forum shopping led to inefficiency,

whereas *ex ante* forum shopping could in fact lead to a more efficient forum being selected.

The second problem identified, multiplicity of claims, was shown to increase the cost of enforcing intellectual property rights to a grossly inefficient degree. This cost was attributable to the potential requirement to litigate the dispute in every jurisdiction in which there was infringement, which may even include every jurisdiction in the world. Once this problem was identified it was clear that the consolidation of claims would increase efficiency, but only where there was a single applicable law would efficiency be optimal.

I. Theoretical framework

It is quite clear that there is no universal agreement in the approach that should be adopted to resolve questions of private international law. The various “traditional theories” examined in Chapter 2 were often mutually exclusive. The fairness theory strongly contradicts the power theory; whereas the power theory, does not fit within the realms of allegiance. This disparity of methodologies demonstrates why private international law is causing problems for disputes involving the Internet.

In choice of law, there are two distinct camps that have evolved: those upholding private interests and those upholding state (policy) interests. Yet even within these camps there are real divergences; six different approaches, each based on the state interests approach, were scrutinised. Every one of these approaches requires a

¹ Bell (2003): 336.

court to determine the underlying policy of a legal rule. Some even go as far as to oblige the court to determine which was the “better” rule. In contrast the internationalist approach, which is in direct conflict with the State policy approach, has been cannibalised and modified so much that it can never achieve its underlying aim: uniformity of result. These varying theoretical approaches were shown to be unsatisfactory and inconsistent, leading only to uncertainty.

This problem of uncertainty was no less prevalent in many of the economic methodologies proposed for the determination of the applicable law. In Chapter 3, the various ways of determining comparative imperative or comparative regulatory advantage are little better, if not worse, than those promoted by the non-economic theorists. In fact, because of the basic assumptions of their proponents (namely that choice of law relates to state policies) complex schemes are suggested to determine what may be a very simple question. In contrast, the economists promoting the private interests of individuals appear to be more in tune with normal economic thinking. Amongst the melee of theorists, it was the work of O’Hara, Ribstein, Whincop and Keyes and their “pragmatic” approach that showed the way.

Unfortunately, in relation to tort law, of which intellectual property law is a part, these theorists maintained the complexities and uncertainties of the other economic approaches, in particular trying to determine the comparative regulatory advantage. Of course, they did not consider intellectual property infringement specifically and had they done so they may not have retained this imprecise and

uncertain test. However, Whincop and Keyes show an awareness of the problems caused by the Internet when they suggested that:

Theorising the effect of the Internet on normative analyses of private international law resembles a scientific crisis for the established paradigms... It also gives an opportunity for alternative theories to demonstrate their superior analytical power.²

II. The limitations of the present proposals

Once the theoretical frameworks had been scrutinised it was necessary to briefly examine the various proposals to tackle the problems associated with the Internet. The most obvious would be to make the Internet an entirely new jurisdiction, but it was shown that this approach would be, in reality, unworkable; similar problems were identified with creating a uniform *lex informatica*. Once these radical departures had been explored, the solutions proposed within private international law were studied. Unfortunately, even the best of the proposals examined permitted, albeit restricted, *ex post* forum shopping to continue; and none of the proposals devise a scheme which would satisfactorily determined the applicable law. Therefore it was shown there is room for the proposal of an alternative theory.

III. The new proposal

The *Ten Propositions* making up the new proposal were explained in Chapter 5. The basis of this proposal was very straightforward; that exchange is efficient and

maximises wealth. Using this very basic premise two paradigms were devised: the bilateral and the unilateral.

The bilateral paradigm relied on the fact that two parties will only agree something between themselves where it is mutually advantageous to do so. Therefore, the parties should be able to agree which court will hear the matter and which law should apply to any dispute. It was also emphasised how the chosen law should be given effect by prohibiting of the application of mandatory rules, which by their very nature undermine the parties' own wealth maximising solution. It was noted that the bilateral paradigm is actually in accord with many of the traditional theories and economic theories and therefore would not be controversial.

In contrast, the unilateral paradigm was based on the efficiency of unilateral contracts (except in relation to jurisdiction where the defendant's domicile was shown to be the most efficient choice). The unilateral contractual model, put simply, is where an offeror makes an offer which is advantageous to the other party (offeree), that other party can accept it; when it not advantageous the offeree can make a counter-offer. If the second scenario occurs then the bilateral paradigm applies; otherwise, the unilateral paradigm (following a unilateral offer) is efficient. The basic question, therefore, was how to substantiate that original offer; the answer proposed was the proprietor nominates a law to be generally applicable. The requirement that this nomination be *ex ante* inhibited a choice being made which always benefits the proprietor in every case and, more

² Whincop and Keyes (2001): 191.

importantly, it removes the need for the user of intellectual property to have to comply with the law of every jurisdiction in which the intellectual property is protected. It was, however, indicated that to avoid states entering a “race to the top” in the protection of intellectual property, certain minimum rights would need to be protected. The two paradigms, somewhat controversial as they are, were compared to the existing legal norms.

IV. The present legal framework

The final part of this work considered the legal framework regulating the various aspects of intellectual property law. It was shown in Chapter 6 that the two propositions relating to jurisdiction were, more or less, compliant with the present legal framework. The developing international consensus is strongly in favour of allowing parties to select the jurisdiction for the dispute, except where consumers are involved. Therefore, a policy choice would need to be taken: ought a consumer be able to choose the forum where they wish to litigate (provided it is a fully informed decision)? Or should he have to litigate in their home forum? The protectionist nature of most states would probably lead to the latter result. However, the result of this selection would not be that inefficient, indeed, it was demonstrated that requiring the courts of the defendant’s home jurisdiction to hear a dispute is, in efficiency terms, the best of the rest.

The other problem identified related to the problems caused by a court determining the validity of a foreign registered intellectual property right. It was shown how, once more, there is an international consensus moving towards allowing such adjudications. The European Patent Litigation Agreement

specifically enables such rulings and the Max Planck Institute proposes that such a ruling should be valid between the parties, but not otherwise. It therefore appears that proposing that foreign courts should be able to determine the validity of a foreign right, *inter partes*, is no longer as controversial as it once was; although, nobody else has yet proposed that the foreign court's decision on validity should bind other states, in time this may also become acceptable.

However, in the short term pending this being acceptable, to avoid informational asymmetry, it was proposed that the implementation of the *Ten Propositions* should impose an obligation on national intellectual property offices to include details on their registers of any foreign determination of validity of the relevant registered right.

The *Propositions* relating to the selection of the applicable law are more controversial. In Chapter 7 it was explained how the majority view was that the *lex protectionis* is mandated by the intellectual property conventions and how, despite a number of authors cogently arguing against this position, it appears that courts (in particular in Germany) are repeatedly finding this to be the case. It was explained in Chapter 1 that one of the reasons for the adoption of TRIPS was because of the difficulty in obtaining the necessary consensus to amend the various intellectual property conventions; indeed these problems led to the proliferation of new treaties such as the WIPO Copyright Treaty, the Patent Law Treaty and the Trademark Law Treaty.

Therefore, if Berne and Paris *do* mandate the *lex protectionis* as the applicable law then they would appear to prohibit the adoption of the new proposal. However, it was explained at the end of Chapter 7 that a number of countries do not adopt the *lex protectionis*, including Greece and Switzerland. It was also noted that a number of mechanisms routinely adopted in litigation involving foreign law substantially undermine this principle; demonstrating that the *lex protectionis* is not sacrosanct. The proposals by the ALI and others, which provide for a single applicable law, further demonstrate that there is growing willingness amongst the legal community to limit, if not abandon, the *lex protectionis* in certain cases.

Notwithstanding this willingness, it must be accepted that the nomination of the applicable law would be very controversial and is likely to be difficult for many states to accept. But the provision of minimum rights for users to accompany the existing minimum rights for proprietors may sweeten the pill sufficiently to convince states to accept this wealth maximising solution.

V. Final remarks

This work returned to first principles to establish an efficient way to determine the rules of private international law. The subject is, however, centuries old and the discussion in Chapter 2 reflects this, but in contrast, the economics of law and in particular its application to private international law is in its infancy. Using a theory in its infancy, which it is still evolving, means that the application of those provisions might not yet fully “demonstrate... superior analytic power”, but

“every man has a right to utter what he thinks truth, and every other man has a right to knock him down for it”.³ The proposal is, therefore, uttered.

³ Boswell (1998): 1073.

Annex: The Ten Propositions

First Proposition	<i>Parties should be free to select the jurisdiction that will adjudicate any intellectual property dispute</i>
Second Proposition	<i>Parties should be free to select the applicable law that will govern any intellectual property dispute</i>
Third Proposition	<i>Only one law may be selected and that law should have universal effect</i>
Fourth Proposition	<i>No aspect of intellectual property law can be considered to be a mandatory rule for the purposes of private international law</i>
Fifth Proposition	<i>Any proper judgment made on the basis of these propositions shall be enforceable in every State and shall not be subject to challenge on its merits</i>
Sixth Proposition	<i>Where transaction costs are prohibitively high, thereby prohibiting agreement, the courts of the defendant's habitual residence should have jurisdiction</i>
Seventh Proposition	<i>Where transaction costs are prohibitively high, thereby prohibiting agreement, the applicable law should be nominated ex ante by the proprietor of the intellectual property right</i>
Eighth Proposition	<i>Any nomination should be made available in the most conspicuous way possible</i>
Ninth Proposition	<i>Any nomination should have universal effect, except where the second proposition applies</i>
Tenth Proposition	<i>Non-proprietary users of intellectual property should be granted minimum rights</i>

Bibliography

- Akehurst (1973) M. Akehurst "Jurisdiction in International Law" (1973) 46 *British Yearbook of International Law* 145
- Akehurst (2001) M. Akehurst, *Akehurst's Modern Introduction to International Law* (ed P. Malanczuk) (7th Ed, Routledge 2001)
- Albee (1902) E. Albee, *A History of English Utilitarianism* (Swan Sonnenschein 1902)
- Alexander (1928) A. Alexander "Foreign Judgments – Enforcements Of – Under the Comity of Nations" (1928) 17 *Georgetown Law Journal* 221
- Alexander and Grady (1992) J. Alexander and M. Grady "Patent Law and Rent Dissipation" (1992) 78 *Virginia Law Review* 305
- Allen and O'Hara (1999) W. Allen and E. O'Hara "Second Generation Law and Economics of Conflict of Laws: Baxter's Comparative Impairment and Beyond" (1999) 51 *Stanford Law Review* 1011
- Anderson (1991) B. Anderson, *Imagined Communities* (Rsd Ed, Verso 1991)
- Anton (1990) A. Anton, *Private International Law* (2nd Ed, Green 1990)
- Arminjon (1933) P. Arminjon "La Notion des Droits Acquis en Droit International Privé" (1933-II) 44 *Recueil de Cours* 5
- Arnold (1990) R. Arnold "Can One Sue in England for Infringement of Foreign Intellectual Property Right" (1990) *European Intellectual Property Review* 254
- Arnold (1999) R. Arnold "Cross-Border Enforcement: The Latest Chapter" (1999) *Intellectual Property Quarterly* 389
- Arrow (1973) K. Arrow "Some Ordinalist-Utlitarian Notes on Rawl's Theory of Justice" (1973) 70 *Journal of Philosophy* 245
- Arthur D Little Consulting (1999) Arthur D Little Consulting "Public Finance Balance of Smoking in Czech Republic" (1999)
- Austin (1885) J. Austin, *Lectures on Jurisprudence or the Philosophy of Positive Law* (5th Ed, Murray 1885)
- Austin (1997) G. Austin "The Infringement of Foreign Intellectual Property Rights" (1997) 113 *Law Quarterly Review* 321

- Austin (2002) G. Austin "Does the Copyright Clause Mandate Isolationism?" (2002) 26 *Columbia (VLA) Journal of Law and the Arts* 17
- Baird, Gertner and Picker (1994) D. Baird, R. Gertner and R. Picker, *Game Theory and the Law* (Harvard 1994)
- Batiffol and Lagarde (2004) H. Batiffol and P. Lagarde, *Droit International Privé* (8th Ed, Paris 1983), II
- Baxter (1963) W. Baxter "Choice of Law and the Federal System" (1963) 16 *Stanford Law Review* 1
- Baxter and Nuttall (1975) R. Baxter and C. Nuttall "Severe Sentences: No Deterrent to Crime?" (1975) *New Society* 11
- Beale (1922) J. Beale "Jurisdiction of a Sovereign State" (1922) 36 *Harvard Law Review* 241
- Beccaria (1995) C. Beccaria, *An Essay on Crimes and Punishments* (1765) (Cambridge 1995)
- Becker (1983) G. Becker "A Theory of Competition Among Pressure Groups for Political Influence" (1983) 98 *Quarterly Journal of Economics* 371
- Bell (2003) A. Bell, *Forum Shopping and Venue in Transnational Litigation* (Oxford 2003)
- Bentham (1829-30) J. Bentham "Théorie des Peines et des Récompenses" in *Oeuvres de Jérémie Bentham* (Haumann 1829-30) vol 2
- Bentham (1988a) J. Bentham, *Fragment on Government* (1776) (Cambridge 1988)
- Bentham (1988b) J. Bentham, *The Principles of Morals and Legislation* (1781) (Prometheus 1988)
- Bently and Sherman (1999) L. Bently and B. Sherman, *The Making of Modern Intellectual Property Law* (Cambridge 1999)
- Bently and Sherman (2004) L. Bently and B. Sherman, *Intellectual Property Law* (2nd Ed, Oxford 2004)
- Berman and Reid (1996) H. Berman and C. Reid "The Transformation of English Legal Science: From Hale to Blackstone" (1996) 45 *Emory Law Review* 437
- Besen and Raskind (1991) S. Besen and L. Raskind "An Introduction to the Law and Economics of Intellectual Property" (Winter 1991) 5 *Journal of Economic Perspectives* 3

- Bettink (2002) W. Bettink "Domain Name Dispute Resolution under the UDRP: The First Two Years" (2002) *European Intellectual Property Review* 244
- Birn (1970) R. Birn "The Profits of Ideas" (1970) 4 *Eighteenth Century Studies* 131
- Blakeney (1989) M. Blakeney, *Legal Aspects of the Transfer of Technology to Developing Countries* (ESC 1989)
- Blakeney (1996) M. Blakeney, *Trade Related Aspects of Intellectual Property: A Concise Guide to the TRIPS Agreement* (Sweet and Maxwell 1996)
- Blakeney (1998) M. Blakeney "The Role of Intellectual Property Law in Regional Commercial Unions in Europe and Asia" (1998) 16 *Prometheus* 341
- Borchers (1992a) P. Borchers "Comparing Personal Jurisdiction in the United States and the European Community: Lessons for American Reform" (1992) 40 *American Journal of Comparative Law* 121
- Borchers (1992b) P. Borchers "The Choice-of-Law Revolution: An Empirical Study" (1992) 49 *Washington and Lee Law Review* 357
- Born (1996) G. Born, *International Civil Litigation in United States Courts* (3rd Ed, Kluwer 1996)
- Boswell (1998) J. Boswell, *Life of Samuel Johnson* (1791) (Oxford 1998)
- Bowett (1982) D. Bowett "Jurisdiction: Changing Patterns of Authority over Activities and Resources" (1982) 53 *British Yearbook of International Law* 1
- Boytha (1998) G. Boytha "Some Private International Law Aspects of the Protection of Authors' Rights" (1998) 24 *WIPO Copyright* 399
- Breyer (1970) S. Breyer "The Uneasy Case for Copyright: A Study of Copyright in Books, Photocopies and Computer Programs" (1970) 84 *Harvard Law Review* 281
- Bridges and Segal (1963) J. Bridges and N. Segal "The Second Conflicts Restatement of Torts: A Caveat" (1963) 51 *California Law Review* 762
- Briggs (1995) A. Briggs "Choice of Law in Tort and Delict" (1995) *Lloyd's Maritime and Commercial Law Quarterly* 519

- Briggs and Rees (2003) A. Briggs and P. Rees, *Civil Jurisdiction and Judgments* (3rd Ed, Norton Rose 2003)
- Brilmayer (1979) L. Brilmayer "Interest Analysis and the Myth of Legislative Intent" (1979) 78 *Michigan Law Review* 392
- Brilmayer (1985) L. Brilmayer "Government Interest Analysis: A House Without Foundations" (1985) 46 *Ohio State Law Journal* 459
- Brilmayer (1989) L. Brilmayer "Rights, Fairness, and Choice of Law" (1989) 98 *Yale Law Journal* 1277
- Brinkhof (1994) J. Brinkhof "Could the President of the District Court of the Hague Take Measures Concerning the Infringement of Foreign Patents" (1994) *European Intellectual Property Review* 360
- Burkitt (2001) D. Burkitt "Copyright Culture – The History and Cultural Specificity of the Western Model of Copyright" (2001) *Intellectual Property Quarterly* 146
- Burnstein (1996) M. Burnstein "Conflicts on the Net: Choice of Law in Transnational Cyberspace" (1996) 29 *Vanderbilt Journal of Transnational Law* 75
- Calabresi (1961) G. Calabresi "Some Thoughts on Risk Distribution and the Law of Torts" (1961) 70 *Yale Law Journal* 499
- Calabresi (1991) G. Calabresi "The Pointlessness of Pareto: Carrying Coase Further" (1991) 100 *Yale Law Journal* 1211
- Calabresi and Melamed (1972) G. Calabresi and A. Melamed "Property Rules, Liability Rules, and Inalienability: One View of the Cathedral" (1972) 85 *Harvard Law Review* 1089
- Capling (1996) A. Capling "Gimme shelter!" *Arena Magazine*, February/March 1996 p. 21
- Carruthers and Crawford (2004) J. Carruthers and E. Crawford "Conflict of Laws Update" (2004) 4 *Scottish Law Times* 19
- Carswell (1959) R. Carswell "The Doctrine of Vested Rights in Private International Law" (1959) 8 *International and Comparative Law Quarterly* 268
- Cavers (1933) D. Cavers "A Critique of the Choice of Law Problem" (1933) 47 *Harvard Law Review* 173
- Cavers (1943) D. Cavers "Book Review: The Logical and Legal Basis of the Conflict of Laws" (1943) 56 *Harvard Law Review*

1170

- Cavers (1949) D. Cavers "The Two 'Local Law' Theories" (1949) 63 *Harvard Law Review* 822
- Cavers (1965) D. Cavers, *Choice-of-Law-Process* (Michigan 1965)
- Cavers (1970) D. Cavers "Contemporary Conflicts Law in American Perspective" (1970-III) 131 *Recueil de Cours* 75
- Cavers (1971) D. Cavers "The Value of Principled Preferences" (1971) 49 *Texas Law Review* 211
- Cavers (1972) D. Cavers "Habitual Residence: A Useful Concept?" (1972) 21 *American University Law Review* 475
- Cheatham and Reese (1952) E. Cheatham and W. Reese "Choice of the Applicable Law" (1952) 52 *Colorado Law Review* 959
- Cheshire and North (1999) G. Cheshire and P. North, *Cheshire and North's Private International Law* (Eds. P. North, and J. Fawcett) (13th Ed, Butterworths 1999)
- Coase (1960) R. Coase "The Problem of Social Cost" (1960) 3 *Journal of Law and Economics* 1
- Coase (1974) R. Coase "The Lighthouse in Economics" (1974) 17 *Journal of Law and Economics* 357
- Cohen (1989) A. Cohen, *The Symbolic Construction of Community* (Routledge 1989)
- Cohen (1998) S. Cohen "Jurisdiction over Cross Border Internet Infringements" (1998) *European Intellectual Property Review* 294
- Coke (1809) Sir Edward Coke, *Institutes of the Laws of England* (Third Part) (1644) (Clarke 1809)
- Coleman (1980) J. Coleman "Efficiency, Utility and Wealth Maximisation" (1980) 8 *Hofstra Law Review* 509
- Collier (2001) J. Collier, *Conflict of Laws* (3rd Ed, Cambridge 2001)
- Collins (1976) L. Collins "Contractual Obligations – The EEC Preliminary Draft Convention on Private International Law" (1976) 25 *International and Comparative Law Quarterly* 35
- Cook (1924) W. Cook "Logical and Legal Bases of the Conflict of Law" (1924) 33 *Yale Law Journal* 457

- Cook (1952) W. Cook "Logical and Legal Bases of the Conflict of Law" (1952) 5 *Harvard Studies in the Conflict of Laws*
- Coombe (1996) R. Coombe "Left Out on the Information Highway" (1996) 75 *Oregon Law Review* 237
- Cooter and Rubinfeld (1989) R. Cooter and D. Rubinfeld "Economic Analysis of Legal Disputes and Their Resolution" (1989) 27 *Journal of Economic Literature* 1067
- Copinger (2005) W. Copinger, *Copinger and Skone James on Copyright* (ed K. Garnett) (15th Ed, Sweet and Maxwell 2005)
- Cornish (1997) W. Cornish "Genevan Bootstraps" (1997) *European Intellectual Property Review* 336
- Cornish (2002) W. Cornish "The Author as Risk-Sharer" (2002) 26 *Columbia (VLA) Journal of Law and the Arts* 1
- Cornish and Llewelyn (2003) W. Cornish and D. Llewelyn, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (5th Ed, Sweet and Maxwell 2003)
- Crisp (1997) R. Crisp, *Mill on Utilitarianism* (Routledge 1997)
- Currie (1958) B. Currie "Survival of Actions: Adjudication versus Automation in the Conflict of Laws" (1958) 10 *Stanford Law Review* 205
- Currie (1959) B. Currie "Notes on Methods and Objectives in the Conflict of Laws" (1959) *Duke Law Journal* 171
- Currie (1960) B. Currie "Purchase-Money Mortgages and State Lines: A Study in Conflict-of-Law Method" (1960) *Duke Law Journal* 1
- Currie (1961) B. Currie "The Verdict of Quiescent Years: Mr Hill and the Conflict of Law" (1961) 28 *University of Chicago Law Review* 258
- Currie (1963a) B. Currie "Comments on *Babcock v Jackson*" (1963) 63 *Columbia Law Review* 1233
- Currie (1963b) B. Currie "Conflict, Crisis and Confusion in New York" (1963) *Duke Law Journal* 1
- Dalton and Hugot (2002) N. Dalton and J. Hugot "The Universal Jurisdiction of the French Court in Civil and Criminal Cases: The Road to Digital Damascus" (2002) *Entertainment Law Review* 49
- Dam (1994) K. Dam "The Economic Underpinnings of Patent Law"

- (1994) 23 *Journal of Legal Studies* 247
- Dannemann (1993) G. Dannemann, *An Introduction to German Civil and Commercial Law* (BIICL 1993)
- Dannemann (1994) G. Dannemann "Establishing Foreign Law in a German Court" presented at the Joint Workshops on Comparative Litigation Practice held on 30th June 1994
- Davies (2002) G. Davies, *Copyright and the Public Interest* (2nd Ed, Sweet and Maxwell 2002)
- Deazley (2004) R. Deazley, *On the Origin of the Right to Copy* (Hart 2004)
- Delaume (1989) G. Delaume "Comparative Analysis as a Basis of Law in State Contracts: The Myth of the *Lex Mercatoria*" (1989) 63 *Tulane Law Review* 575
- Demsetz (1967) H. Demsetz "Towards a Theory of Property Rights" (1967) 27 *American Economics Review* 347
- Derenberg (1961) W. Derenberg "Territorial Scope and Situs of Trademarks and Goodwill" (1961) 47 *Virginia Law Review* 733
- Dessemontet (2001) F. Dessemontet "Conflict of Laws for Intellectual Property in Cyberspace" (2001) 18 *Journal of International Arbitration* 487
- Dessemontet (2002) F. Dessemontet "Les Conflits de Compétence dans la Propriété Intellectuel" in *Mélanges en l'honneur de Bernard Dutoit*, *Comparativa* No. 73 2002 p. 57
- Diamond (1975) S. Diamond "The Historical Development of Trademarks" (1975) 65 *Trademark Reporter* 265
- Dicey (1896) A. Dicey, *Digest of the Law of England with Reference to the Conflict of Laws* (1st Ed, Sweet and Maxwell 1896)
- Dicey (1949) A. Dicey, *The Conflict of Laws* (ed. J. Morris) (6th Ed, Sweet 1949)
- Dicey and Morris (1967) A. Dicey and J. Morris, *The Conflict of Laws* (8th Ed, Sweet 1967)
- Dicey and Morris (1987) A. Dicey and J. Morris, *The Conflict of Laws* (11th Ed, Stevens 1987)
- Dicey and Morris (1999) A. Dicey and J. Morris, *The Conflict of Laws* (ed. L. Collins) (13th Ed, Sweet and Maxwell 1999)
- Dinwoodie (2000) G. Dinwoodie "A New Copyright Order: Why National

- Courts Should Create Global Norms" (2000) 149
University of Pennsylvania Law Review 469
- Dinwoodie (2002) G. Dinwoodie "The Architecture of the International Intellectual Property System" (2002) 77 *Chicago-Kent Law Review* 993
- Dogauchi and Hartley (2004) M. Dogauchi and T. Hartley "Draft Report on the Preliminary Draft Convention on Exclusive Choice of Court Agreements" (December 2004) Preliminary Document 26
- Dolinger (1995) J. Dolinger "Application, Proof, and Interpretation of Foreign Law: A Comparative Study in Private International Law" (1995) 12 *Arizona Journal of International and Comparative Law* 225
- Donagan (1968) A. Donagan "Is There a Credible Form of Utilitarianism?" in *Contemporary Utilitarianism* (ed. M. Bayles) (Doubleday 1968) p. 187
- Drahos (1996) P. Drahos, *A Philosophy of Intellectual Property* (Dartmouth 1996)
- Drahos (1999) P. Drahos "The Universality of Intellectual Property Rights: Origins and Developments" in *Intellectual Property and Human Rights* (WIPO Publication No. 762(E)) (WIPO 1999)
- Drahozal (2005) C. Drahozal "Competing and Complementary Rule System: Civil Procedure and ADR: Contracting Out of National Law: An Empirical Look at the New Law Merchant" (2005) 80 *Notre Dame Law Review* 523
- Dreier (2004) T. Dreier "Reconciling National Copyright Traditions: Conflict of Laws Rules – the German Example" in *Mélanges Victor Nabhan* (EYB 2004) p. 123
- Drexel (2005) J. Drexel "The Proposed Rome II Regulation: European Choice of Law in the Field of Intellectual Property" (2005) 24 *IIC Studies* 151
- Drexi and Kur (2005) J. Drexel and A. Kur (eds), *Intellectual Property and Private International Law* (2005) 24 *IIC Studies*
- Dreyfuss (2001) R. Dreyfuss "An Alert to the Intellectual Property Bar: The Hague Judgments Convention" (2001) *Illinois Law Review* 421
- Dreyfuss and Ginsburg (2001) R. Dreyfuss and J. Ginsburg "The Role of National Courts: Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters" (2001)

- (WIPO/PIL/01/7)
- Dreyfuss and Ginsburg (2002a) R. Dreyfuss and J. Ginsburg, *Copyright and Internet World*, ALAI Study Days November 2002
- Dreyfuss and Ginsburg (2002b) R. Dreyfuss and J. Ginsburg "The Role of National Courts: Draft Convention on Jurisdiction and Recognition of Judgments in Intellectual Property Matters" (2002) 77 *Chicago-Kent Law Review* 1065
- Dreyfuss and Ginsburg (2003) R. Dreyfuss and J. Ginsburg "Principles Governing Jurisdiction, Choice of Law, and Judgments in Transactional Disputes" (2003) *Computer Law Review International* 33
- Drobnig (1972) U. Drobnig, *American-German Private International Law* (2nd Ed, Oceana 1972)
- DTI (2002) DTI "A Guide for Business to the Electronic Commerce (EC Directive) Regulations 2002 (SI 2002/2013)" (DTI, 31st July 2002)
- Dutfield and Suthersanen (2004) G. Dutfield and U. Suthersanen "Industry Property and Development: What Does History Tell Us?" (2004) *Introductory Paper to ERSC Research Seminar Series*
- Dutson (1998) S. Dutson "The Internet, Intellectual Property and International Litigation: The Implications of the International Scope of the Internet on Intellectual Property Infringements" presented at the 13th Annual BILETA Conference, *The Changing Jurisdiction* (27th and 28th March 1998)
- Dworkin (1986) R. Dworkin, *A Matter of Principle* (Clarendon 1986)
- Dworkin (1996) R. Dworkin "Objectivity and Truth: You'd Better Believe It" (1996) 25 *Philosophy and Public Affairs* 87
- Economides (1988) N. Economides "The Economics of Trademarks" (1988) 78 *Trademark Reporter* 523
- Ehrenzweig (1960) A. Ehrenzweig "The Lex Fori – Basic Rules in the Conflict of Laws" (1960) 58 *Michigan Law Review* 637
- Ehrenzweig (1962) A. Ehrenzweig, *Conflict of Laws* (West 1962)
- Ehrenzweig (1963) A. Ehrenzweig "The Most Significant Relationship in the Conflicts Law of Torts" (1963) 28 *Law and Contemporary Problems* 700
- Ehrenzweig (1966) A. Ehrenzweig "A Counter-Revolution in Conflicts Law? From Beale to Cavers" (1966) 80 *Harvard Law Review*

- Ehrlich and Fisher (1982) I. Ehrlich and L. Fisher "The Derived Demand for Advertising: A Theoretical and Empirical Investigation" (1982) 72 *American Economics Review* 366
- Eisenberg (1996) R. Eisenberg "Public Research and Private Development: Patents and Technology Transfer in Government-Sponsored Research" (1996) 82 *Virginia Law Review* 1663
- Englard (1993) I. Englard, *The Philosophy of Tort Law* (Dartmouth Aldershot 1993)
- Fawcett (1982) J. Fawcett "Is American Governmental Interest Analysis the Solution to English Tort Choice of Law Problems?" (1982) 31 *International and Comparative Law Quarterly* 150
- Fawcett (1995) J. Fawcett "Multi-Party Litigation in Private International Law" (1995) 44 *International and Comparative Law Quarterly* 744
- Fawcett (2002) J. Fawcett "Special Rules of Private International Law for Special Cases: What Should We Do About Intellectual Property?" in *Reform and Development of Private International Law* (Oxford 2002) (ed. J Fawcett) p.1
- Fawcett and Torremans (1998) J. Fawcett and P. Torremans, *Private International Law and Intellectual Property Law* (Oxford 1998)
- Fentiman (2005) R. Fentiman "Choice of Law and Intellectual Property" (2005) 24 *IIC Studies* 129
- Folsom and Teply (1980) R. Folsom and L. Teply "Trademarked Generic Words" (1980) 89 *Yale Law Journal* 1323
- Forde (1980) M. Forde "The 'Ordre Public' Exception and Adjudicative Jurisdiction Conventions" (1980) 29 *International and Comparative Law Quarterly* 259
- Francescakis (1966) P. Francescakis "Quelques Precisions sur les Lois d'application Immediate et Leurs Rapports avec les Règles de Conflits de Lois" (1966) 55 *Revue Critique de Droit International Privé* 1
- Fraser (1951) G. Fraser "Jurisdiction by Necessity – An Analysis of the *Mullane Case*" (1951) 100 *University of Pennsylvania Law Review* 305
- Friedman, Landes D. Friedman, W. Landes and R. Posner "Some Economics of Trade Secret Law" (1991) 5 *Journal of*

- and Posner (1991) *Economic Perspectives* 61
- Frolich and Oppenheimer (1984) N. Frolich and J. Oppenheimer "Beyond Economic Man: Altruism, Egalitarianism and Difference Maximising" (1984) 28 *Journal of Conflict Resolution* 3
- Garavaglia (1991) M. Garavaglia "In Search of the Proper Law in Transnational Commercial Disputes" (1991) 12 *New York Law School Journal of International and Comparative Law* 29
- Geist (2001) M. Geist "E-Borders Loom, for Better or Worse" (June 28, 2001) [www.Globetechnology.com]
- Geller (2000) P. Geller "International Intellectual Property, Conflict of Laws and Internet Remedies" (2000) *European Intellectual Property Review* 125
- Geller (2004) P. Geller "Conflict of Laws in Copyright Cases: Infringement and Ownership Issues" (2004) 51 *Journal of the Copyright Society* 315
- Gibson (2004) J. Gibson "Traditional Knowledge and the International Context for Protection" (2004) 1 *SCRIPT-ed* 1
- Gibson (2005) J. Gibson, *Community Resources* (Ashgate 2005)
- Ginsburg (1994) J. Ginsburg "A Tale of Two Copyrights: Literary Property in Revolutionary France and America" in *Of Authors and Origins: Essays in Copyright Law* (eds B. Sherman and A. Strowel) (Clarendon Press 1994) p. 131
- Ginsburg (1995) J. Ginsburg "Global Use/Territorial Rights, Private International Law Questions of The Global Information Infrastructure" (1995) 42 *Journal of the Copyright Society* 318
- Ginsburg (1997) J. Ginsburg "Copyright without Borders? Choice of Forum and Choice of Law for Copyright Infringement in Cyberspace" (1997) 15 *Cardozo Arts and Entertainment Law Review* 153
- Ginsburg (1998a) J. Ginsburg "Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks" (1998) (GCPIC/2)
- Ginsburg (1998b) J. Ginsburg "The Private International Law of Copyright in an Era of Technological Change" (1998) 273 *Recueil de Cours* 239

- Ginsburg (2000) J. Ginsburg "International Copyright: From a 'Bundle' of National Copyright Law to a Supranational Code?" (2000) 47 *Journal of the Copyright Society* 265
- Ginsburg (2001) J. Ginsburg "Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks (2000 Update)" (WIPO/PIL/01/02) (WIPO 2001)
- Ginsburg and Lucas (2004) J. Ginsburg and A. Lucas "Study on Transfer of the Rights of Performers to Producers of Audiovisual Fixations – Conclusions" (AVP/IM/03/4 Add) (WIPO 2004)
- Giuliano and Lagarde (1980) M. Giuliano and P. Lagarde "Report on the Convention on the Law Applicable to Contractual Obligations" *Official Journal* 1980 No.C-282 p. 1.
- Glenn (2004) H. Glenn, *Legal Traditions of the World* (2nd Ed, Oxford 2004)
- Goldman (1979) B. Goldman "La *Lex Mercatoria* dans les Contracts et l'Arbitrage Internationaux Réalités et Perspectives" (1979) 106 *Journal de Droit International* 475
- Goldsmith (1998a) J. Goldsmith "The Internet and the Abiding Significance of Territorial Sovereignty" (1998) 5 *Indiana Journal of Global Legal Studies* 475
- Goldsmith (1998b) J. Goldsmith "Against Cyberanarchy" (1998) 65 *University of Chicago Law Review* 1199
- Goldstein (2000) P. Goldstein, *International Copyright: Principles, Law and Practice* (Oxford 2000)
- Gordon (1982) W. Gordon "Fair Use as Market Failure: A Structural and Economic Analysis of the Betamax Case and its Predecessors" (1982) 82 *Columbia Law Review* 1600
- Gordon (1992) W. Gordon "Asymmetric Market Failure and Prisoner's Dilemma in Intellectual Property" (1992) 17 *Dayton Law Review* 853
- Gordon (2002) W. Gordon "Market failure and Intellectual Property: A Response to Professor Lunney" (2002) 82 *Boston University Law Review* 1031
- Graveson (1962) R. Graveson "Philosophical Aspects of the English Conflict of Laws" (1962) 78 *Law Quarterly Review* 337
- Gribbin (1985) J. Gribbin, *In Search of Schrodinger's Cat* (Corgi 1985)

- Gutteridge (1932) H. Gutteridge "Reciprocity in Regard to Foreign Judgments" (1932) 13 *British Yearbook of International Law* 49
- Guzman (2002) A. Guzman "Choice of Law: New Foundations" (2002) 90 *Georgetown Law Journal* 883
- Hague Conference Permanent Bureau (2001) Hague Conference Permanent Bureau "Report of the Experts Meeting on the Intellectual Property Aspects of the Future Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters" (April 2001) Preliminary Document 13
- Hancock (1961) J. Hancock "Three Approaches to the Choice-of-Law Problem: The Classificatory, the Functional and the Result Selective" in *XXth Comparative and Conflict of Law Essays in Honour of Hessel Yntema* (eds J. Hazard, K. Nadelmann and A. Von Mehven) (Sythoff 1961) p. 365
- Hankin (2002) M. Hankin "Now that we Know 'The Way Forward' Let Us Stay the Course" (2002) 77 *Chicago-Kent Law Review* 1295
- Harrison (1986) J. Harrison "Egoism, Altruism and Market Illusions: The Limits of Law and Economics" (1986) 33 *UCLA Law Review* 1309
- Hartley (1996) T. Hartley "Pleading and Proof of Foreign Law: The Major European Systems Compared" (1996) 45 *International and Comparative Law Quarterly* 271
- Hausmann (2003) R. Hausmann "Infringement of Industrial Property Rights in European International Private Law and Procedural Law" (2003) 5/6 *European Legal Forum* 277
- Hay (1999) P. Hay "From Rule-Oriented to 'Approach' in German Conflicts Law: The Effect of the 1986 and 1999 Codifications" (1999) 47 *American Journal of Comparative Law* 633
- Hegel (1821) G. Hegel, *Philosophy of Right* (1821)
- Hellstadius and Meier-Ewert (2005) A. Hellstadius and W. Meier-Ewert "Jurisdiction and Choice of Law in Intellectual Property Matters – Perspectives for the Future (EU and World-Wide)" (2005) 36 *International Review of Intellectual Property and Competition Law* 313
- Heuzé (1990) V. Heuzé, *La Réglementation Française des Contrats Internationaux, Etude Critique des Methods* (GLN 1990)

- Hicks (1939) J. Hicks "Foundations of Welfare Economics" (1939) 49 *Economic Journal* 696
- Hill (1959) A. Hill "Governmental Interest and the Conflict of Laws – A Reply to Professor Currie" (1959) 27 *University of Chicago Law Review* 463
- Hill (1985) A. Hill "The Judicial Function in Choice of Law" (1985) 85 *Columbia Law Review* 1585
- Hill (2000) A. Hill "For a Third Conflicts Restatement – But Stop Trying to Reinvent the Wheel" (2000) 75 *Indiana Law Journal* 535
- Hilty and Peukert (2004) R. Hilty and A. Peukert "'Equitable Remuneration' in Copyright Law: The Amended German Copyright Act as a Trap for the Entertainment Industry in the US?" (2004) 22 *Cardozo Arts and Entertainment Law Review* 401
- Hobbes (1985) T. Hobbes, *Leviathan* (1651) (Penguin 1985)
- Hobsbawn and Ranger (1983) E. Hobsbawn and T. Ranger (eds), *The Invention of Tradition*, (Cambridge 1983)
- Hogan (1992) G. Hogan "Contracting Out of the Rome Convention" (1992) 108 *Law Quarterly Review* 12
- Hohloch (1994) G. Hohloch "EG-Direktsatellitenrichtlinie versus Bogensch-Theorie – Anmerkungen zum Kollisionsrecht des Senderechts" (1994) *Praxis des internationalen Privat- und Verfahrensrechts (IP Rax)* 387
- Holdsworth (1945) W. Holdsworth, *The History of English Law* (3rd Ed, Sweet and Maxwell 1945) Vol. 5
- Holleaux (1970) D. Holleaux, *Compétence du Juge Étranger et Reconnaissance des Jugements* (Dalloz 1970)
- Holmström (1979) B. Holmström "Moral Hazard and Observability" (1979) 10 *Bell Journal of Economics* 74
- Holyoak and Torremans (2005) J. Holyoak and P. Torremans, *Intellectual Property Law* (4th Ed, Oxford 2005)
- Holzhauer and Towse (2002) R. Holzhauer and R. Towse, *The Economics of Intellectual Property* (Cheltenham 2002)
- Hörnle (2005) J. Hörnle "Country of Origin Regulation in Cross-Border Media: One Step Beyond the Freedom to Provide Services?" (2005) 54 *International and Comparative Law Quarterly* 89

- Hotelling (1938) H. Hotelling "The General Welfare in Relation to Problems of Taxation and of Railway and Utility Rates" (1938) 6 *Econometrica* 242
- House of Lords (1994-5) House of Lords (Special Public Bill Committee) "Private International Law (Miscellaneous Provisions) Bill", 1994-5 Session, HL Paper 36
- Houses of Lords (2003-4) House of Lords (European Union Committee) "The Rome II Regulation", 8th Report, 2003-4 Session, HL Paper 66
- Huber (1919) U. Huber "De Conflictu Legum diversarum in diveris imperiis" 2 Praelectiones Juris Civils (3rd Ed Utrecht 1711); translation by E. Lorenzen "Huber's de Conflictu Legum" (1919) 13 *Illinois Law Review* 375
- Hume (1985) D. Hume, *Treatise of Human Nature* (1739-40) (Penguin 1985)
- Hutcheson (1990) F. Hutcheson, *An Enquiry Ideas of Moral Good and Evil* (1725) (Verlag 1990)
- Jaccard (1997) M. Jaccard "Securing Copyright in Transnational Cyberspace: The Case for Contracting with Potential Infringers" (1997) 35 *Columbia Journal of Transnational Law* 619
- Jacob (2000) Sir Robin Jacob "International Intellectual Property Litigation in the Next Millennium" (2000) 32 *Case Western Reserve Journal of International Law* 507
- Jaffey (1982a) A. Jaffey "Choice of Law in Tort: A Justice-Based Approach" (1982) 2 *Legal Studies* 98
- Jaffey (1982b) A. Jaffey "The Foundation of Rules for the Choice of Law" (1982) 2 *Oxford Journal of Legal Studies* 368
- Jehoram (1994) H. Jehoram "The EC Copyright Directives, Economics and Authors' Rights" (1994) 25 *International Review of Intellectual Property and Competition Law* 821
- Jenard (1979) P. Jenard "Report on the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters" *Official Journal* No 1979 C 59 p. 1
- Johnson (1985) W. Johnson "The Economics of Copying" (1985) 93 *Journal of Political Economy* 158
- Johnson (2003) P. Johnson "All wrapped up? A Review of the Enforceability of 'Shrink-wrap' and 'Click-wrap' Licences in the United Kingdom and the United States"

(2003) *European Intellectual Property Review* 98

- Johnson (2004) P. Johnson "One Small Step or One Giant Leap? How has the WTO Panel Decision on Section 110(5) of the United States Copyright Act Changed our Understanding of the Three-step Test?" (2004) *European Intellectual Property Review* 265
- Johnson (2005) P. Johnson "The Public Interest: Is it Still a Defence to Copyright Infringement?" (2005) *Entertainment Law Review* 1
- Johnson (2006) P. Johnson "Which Law Applies? A Reply to Professor Torremans" (2006) *Journal of Intellectual Property Law and Practice, forthcoming*
- Johnson and Post (1996) D. Johnson and D. Post "Law and Borders – The Rise of Law in Cyberspace" (1996) 48 *Stanford Law Review* 1367
- Jorris (1996) E. Jooris "Infringement of Foreign Copyright and the Jurisdiction of English Courts" (1996) *European Intellectual Property Review* 127
- Judicial Studies Board (2002) Judicial Studies Board, *Guidelines for the Assessment of General Damages in Personal Injury Cases* (6th Ed, Oxford 2002)
- Juenger (1982) F. Juenger "An American Assessment" in *Contract Conflicts: The EEC Convention on the Law Applicable to Contractual Obligations: A Comparative Study* (ed. P. North) (North-Holland 1982) p. 295
- Juenger (1985) F. Juenger "General Course on Private International Law" (1985-IV) 193 *Recueil de Cours* 119 (later republished as *Choice of Law and Multi-state Justice* (Dordrecht 1992))
- Juenger (1989) F. Juenger "Forum Shopping, Domestic and International" (1989) 63 *Tulane Law Review* 553
- Juenger (1995) F. Juenger "Letter from Fredrick K. Juenger to Harry C. Sigman, Esq" (1995) 28 *Vanderbilt Journal of Transnational Law* 445
- Juenger (1998) F. Juenger "Afterword: The Lex Mercatoria and the Conflict of Laws" in *Lex Mercatoria and Arbitration* (ed. T. Carbonneau) (Rvdsd Ed, Kluwer 1998)
- Juenger (2000) F. Juenger "The Lex Mercatoria and Private International Law" (2000) 60 *Louisiana Law Review* 1133

- Kahn-Freud (1974) O. Kahn-Freud "General Problems of Private International Law" (1974-III) 143 *Recueil de Cours* 139
- Kaldor (1939) N. Kaldor "Welfare Propositions in Economics" (1939) 49 *Economic Journal* 549
- Kant (1994) I. Kant "The Injustice of Counterfeiting Books" (1785) in *Four Neglected Essays by Immanuel Kant* (trans. by J. Richardson (1798-99) (ed) S. Palmquist) (Philosophy Press 1994)
- Kaplan (2000) B. Kaplan "Determining Ownership of Foreign Copyright: A Three-Tier Proposal" (2000) 21 *Cardozo Law Review* 2045
- Kaplow and Shavell (2001) L. Kaplow and S. Shavell "Fairness versus Welfare" (2001) 114 *Harvard Law Review* 961 (later republished (Harvard 2002))
- Kavanagh (2005) A. Kavanagh "*Pepper v Hart* and Matters of Constitutional Principle" (2005) 121 *Law Quarterly Review* 98
- Kegel (1963) G. Kegel "The Crisis in Conflict of Laws" (1963-II) 112 *Recueil de Cours* 95
- Kegel (1979) G. Kegel "Paternal Home and Dream Home: Traditional Conflict of Laws and the American Reformers" (1979) 27 *American Journal of Comparative Law* 615
- Kelsen (1934-5) H. Kelsen "Pure Theory of Law" (1934) 50 *Law Quarterly Review* 474; (1935) 51 *Law Quarterly Review* 517
- Kelsen (1941) H. Kelsen "The Pure Theory of Law and Analytical Jurisprudence" (1941) 55 *Harvard Law Review* 44
- Kennedy (1981) D. Kennedy "Cost-Benefit Analysis of Entitlement Problems: A Critique" (1981) 33 *Stanford Law Review* 387
- Keohane (1986) R. Keohane "Reciprocity in International Relations" (1986) 40 *International Organization* 1
- Kerever (1993) A. Kerever "The Rule of 'National Treatment' or the Principle of Assimilation" (1993) 158 *Revue Internationale du Droit d'Auteur* 74
- Kerly (1894) D. Kerly, *Treatise on the Law of Trademarks* (1st Ed, Sweet and Maxwell 1894)

- Kerly (1972) D. Kerly, *Kerly's Law of Trade Marks and Trade Names* (eds T. Blanco White and R. Jacob) (10th Ed, Sweet and Maxwell 1972)
- Kerly (1983) D. Kerly, *Kerly's Law of Trade Marks and Trade Names* (eds T. Blanco White and R. Jacob) (11th Ed, Sweet and Maxwell 1983)
- Kincaid (1996) P. Kincaid "Justice in Tort Choice of Law" (1996) 18 *Adelaide Law Review* 191
- Kitch (1977) E. Kitch "The Nature and Function of the Patent System" (1977) 20 *Journal of Law and Economics* 265
- Knetsch and Sinden (1984) J. Knetsch and J. Sinden "Willingness to Pay and Compensated Demand: Experimental Evidence of an Unexpected Disparity in Measures of Value" (1984) 99 *Quarterly Journal of Economics* 507
- Knowles (2002) D. Knowles, *Hegel and the Philosophy of Right* (Routledge 2002)
- Kohl (2002) U. Kohl "Eggs, Jurisdiction, and the Internet" (2002) 51 *International and Comparative Law Quarterly* 555
- Kohlberg (1981) L. Kohlberg, *The Philosophy of Moral Development* (Harper & Row 1981)
- Kohlberg (1984) L. Kohlberg, *The Psychology of Moral Development* (Harper & Row 1984)
- Koumantos (1988) G. Koumantos "Private International Law and the Berne Convention" (1988) 24 *WIPO Copyright* 415
- Kozyris (1994) P. Kozyris "Comparative Law for the Twenty-First Century: New Horizons and New Technologies" (1994) 69 *Tulane Law Review* 165
- Kramer (1990) L. Kramer "Rethinking Choice of Law" (1990) 90 *Colorado Law Review* 277
- Kronman and Posner (1979) A. Kronman and R. Posner, *The Economics of Contract Law* (Little Brown Books 1979)
- Kumagal (1999) K. Kumagal, *History of Japanese Industrial Property System* (JPO 1999)
- Kur (2005) A. Kur "Jurisdiction and Enforcement of Foreign Judgments – The General Structure of the MPI Proposal" (2005) 24 *IIC Studies* 21

- Ladas (1938) S. Ladas, *The International Protection of Literary and Artistic Property* (Macmillan 1938)
- Ladas (1975) S. Ladas, *Patents, Trademarks, and Related Rights: National and International Protection* (Harvard 1975)
- Laddie (2001) Sir Hugh Laddie "IP: The Way Forward" (2001) Submission to the Hague Conference 9th March 2001
- Laddie, Prescott and Vitoria (1995) Sir Hugh Laddie, P. Prescott and M. Vitoria, *The Modern Law of Copyright and Designs* (2nd Ed, Butterworths 1995)
- Laddie, Prescott and Vitoria (2000) Sir Hugh Laddie, P. Prescott and M. Vitoria, *The Modern Law of Copyright and Designs* (3rd Ed, Butterworths 2000)
- LaFave (2000) W. LaFave, *Criminal Law* (3rd Ed, West 2000)
- Lamberton, Mandeville and Bishop (1982) D. Lamberton, T. Mandeville and J. Bishop, *Economic Effects of the Australian Patent System* (AGPS, Canberra 1982)
- Landes (2000) W. Landes "Copyright, Borrowed Images, and Appropriation Art: An Economic Approach" (2000) 9 *George Mason Law Review* 1
- Landes and Posner (1978) W. Landes and R. Posner "Altruism in Law and Economics" (1978) 68 *American Economics Review Papers and Proceedings* 417
- Landes and Posner (1987) W. Landes and R. Posner "Trademark Law: An Economic Perspective" (1987) 30 *Journal of Law and Economics* 265; (1988) 78 *Trademark Reporter* 267
- Landes and Posner (1989) W. Landes and R. Posner "An Economic Analysis of Copyright Law" (1989) 18 *Journal of Legal Studies* 325
- Landes and Posner (2003a) W. Landes and R. Posner "Indefinitely Renewable Copyright" (2003) 70 *University of Chicago Law Review* 471
- Landes and Posner (2003b) W. Landes and R. Posner, *The Economic Structure of Intellectual Property Law* (Harvard 2003)
- Landes and Posner (2004) W. Landes and R. Posner "An Empirical Analysis of the Patent Court" (2004) 71 *University of Chicago Law Review* 111
- Law Commission (1984) Law Commission, *Private International Law: Choice of Law in Tort and Delict*, Working Paper No. 87 (1984)

- Lawrence (1925) T. Lawrence, *The Principles of International Law* (7th Ed, Macmillan 1925)
- Leflar (1966a) R. Leflar "Choice-Influencing Considerations in Conflicts Law" (1966) 41 *New York University Law Review* 267
- Leflar (1966b) R. Leflar "Conflicts Law: More Choice Influencing Considerations" (1966) 54 *California Law Review* 1584
- Lessig (1996) L. Lessig "The Zones of Cyberspace" (1996) 48 *Stanford Law Review* 1403
- Lipstein (1972) K. Lipstein "General Principles of Private International Law" (1972-I) 135 *Recueil de Cours* 97
- Llewellyn (1938) K. Llewellyn "On Our Case-Law of Contract: Offer and Acceptance" (1938) 48 *Yale Law Journal* 1 (Part I) and 779 (Part II)
- Lloyd (1834) W. Lloyd, *A Lecture on the Notion of Value* (London 1834)
- Lloyd (1861) E. Lloyd "On the Law of Trade Marks: No VIII" (27th July 1861) 5 *Solicitors' Journal* 665
- Locke (1998) J. Locke, *Two Treatises of Government* (1698) (Cambridge 1998)
- Lorenzen (1923) E. Lorenzen "Territoriality, Public Policy and the Conflict of Laws" (1923) 33 *Yale Law Journal* 736
- Loussouarn (1973) Y. Loussouarn "Cours Général de Droit International Privé" (1973-II) 139 *Recueil de Cours* 269
- Loussouarn and Bourel (2004) Y. Loussouarn and P. Bourel, *Droit International Privé* (8th Ed, Dalloz 2004)
- Lowenfeld (1982) A. Lowenfeld "Renvoi Among the Law Professors: An American's View of the European View of American Conflict of Laws" (1982) 30 *American Journal of Comparative Law* 99
- Lucas (1998) A. Lucas "Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks" (1998) (GCPIC/1)
- Luce and Raiffa (1957) R. Luce and H. Raiffa, *Games and Decisions: Introduction and Critical Survey* (Wiley 1957)
- Machlup (1958) F. Machlup "An Economic Review of the Patent System" (Comm Print 1958) Study No. 15, Senate Sub-Committee

- on Patents, Trademarks and Copyrights, 85th Congress (2nd Session)
- Machlup and Penrose (1950) F. Machlup and E. Penrose "The Patent Controversy in the Nineteenth Century" (1950) 10 *Journal of Political Economic History* 1
- Macmillan (2003) F. Macmillan "Copyright's Commodification of Creativity" (2003) *ICFAI Journal of Intellectual Property Rights* 53
- Mandich (1948) G. Mandich "Venetian Patents (1450-1550)" (1948) 30 *Journal of the Patent Office Society* 166 (trans F. Prager)
- Maniatis (2002) S. Maniatis "Trade Mark Rights – A Justification Based on Property" (2002) *Intellectual Property Quarterly* 123
- Mann (1964) F. Mann "The Doctrine of Jurisdiction in International Law" (1964-I) 111 *Recueil de Cours* 1
- Mann (1984) F. Mann "The Doctrine of Jurisdiction in International Law Revisited After Twenty Years" (1984-III) 186 *Recueil de Cours* 9
- Mann (1991) F. Mann "The Proper Law of the Contract – An Obituary" (1991) 107 *Law Quarterly Review* 353
- Markovits (1980) R. Markovits "Legal Analysis and the Economic Analysis of Allocative Efficiency" (1980) 8 *Hofstra Law Review* 811
- Markovits (1983) R. Markovits "Response to Professor Posner's Reply" (1983) 11 *Hofstra Law Review* 667
- Martin (2002) M. Martin "Keep in Online: The Hague Convention and the Need for Online Alternative Dispute Resolution in International Business-to-Consumer E-Commerce" (2002) 20 *Boston University International Law Journal* 125
- Mason and Roebuck (2003) S. Mason and W. Roebuck "Scrap Rome II?" (2003) 9 *Computer and Telecommunications Law Review* 1
- Matthews (2002) D. Mathews, *Globalising Intellectual Property Rights* (Routledge 2002)
- Mayer and Heuzé (2004) P. Mayer and V. Heuzé, *Droit International Privé* (8th Ed, Montchrestien 2004)
- McDougal (1999) L. McDougal "Leflar's Choice-Influencing Considerations: Revisited, Refined and Reaffirmed"

- (1999) 52 *Arkansas Law Review* 105
- McGarrigle (1998) P. McGarrigle "The Role of Foreign Judgments in Patent Litigation: A Perspective and Strategic Overview" (1998) 39 *IDEA* 107
- McNair (1957) Lord McNair "The General Principles of Law Recognised by Civilised Nations" (1957) 33 *British Yearbook of International Law* 1
- Mefford (1997) A. Mefford "*Lex Informatica: Foundations of Law on the Internet*" (1997) 5 *Indiana Journal of Global Legal Studies* 211
- Michelman (1980) F. Michelman "Constitutions, Statutes, and the Theory of Efficient Adjudication" (1980) 9 *Journal of Legal Studies* 431
- Mill (1909) J.S. Mill, *Principles of Political Economy* (7th Ed, Ashley 1909)
- Mill (1925) J.S. Mill, *A System of Logic* (8th Ed, Longman 1925)
- Mill (1985) J.S. Mill, *Utilitarianism* (1871) (Broadview 1985)
- Minehan (1996) K. Minehan "The Public Policy Exception to the Enforcement of Foreign Judgments: Necessary or Nemesis?" (1996) 18 *Loyola of Los Angeles International and Comparative Law Review* 795
- Mins (1984) P. Mins "Promotional Goods and the Functionality Doctrine: An Economic Model of Trademarks" (1984) 63 *Texas Law Review* 639
- Mody (2001) S. Mody "National Cyberspace Regulation: Unbundling the Concept of Jurisdiction" (2001) 37 *Stanford Journal of International Law* 365
- Moerel (2001) L. Moerel "The Country-of-Origin Principle in the E-Commerce Directive: The Expected 'One Stop-Shop'" (2001) 7 *Computer and Telecommunications Law Review* 184
- Moore (2001) K. Moore "Forum Shopping in Patent Cases: Does Geographic Choice Affect Innovation" (2001) 79 *North Carolina Law Review* 889
- Moore and Parisi (2002) K. Moore and F. Parisi "Rethinking Forum Shopping In Cyberspace" (2002) 77 *Chicago-Kent Law Review* 1325
- Morris (1951) J. Morris "The Proper Law of Tort" (1951) 64 *Harvard*

Law Review 881

- Morris (1971) J. Morris, *Conflict of Laws* (1st Ed, Stevens 1971)
- Morris (1980) J. Morris, *Conflict of Laws* (2nd Ed, Stevens 1980)
- Morris (2000) J. Morris, *Conflict of Laws* (ed. D. McClean) (5th Ed, Sweet and Maxwell 2000)
- Morse (1984) C. Morse "Choice of Law in Tort: A Comparative Survey" (1984) 32 *American Journal of Comparative Law* 51
- Mustill (1999) Lord Mustill "What are Judges For?", 23rd F.A. Mann Lecture, 1999 (unpublished)
- Nadelmann (1964) K. Nadelmann "Wächter's Essay on the Collision of Private Laws of Different States" (1964) 13 *American Journal of Comparative Law* 414
- Nash (1996) N. Nash "Holding CompuServe Responsible" *NY Times* 15th Jan 1996
- Nimmer and Nimmer (1964-2004) M. Nimmer and D. Nimmer, *Nimmer on Copyright* (Matthew Bender 1964-2004)
- North (1993) P. North, *Essays in Private International Law* (Oxford 1993)
- Novier (1996) M. Novier, *La Propriété Intellectuelle en Droit International Privé Suisse* (Chabloz 1996)
- Novos and Waldman (1984) I. Novos and M. Waldman "The Effects of Increased Copyright Protection: An Analytic Approach" (1984) 92 *Journal of Political Economy* 236
- Nygh (1995) P. Nygh "The Reasonable Expectations of the Parties as a Guide to Choice of Law in Contract and Tort" (1995) 251 *Recueil de Cours* 268
- Nygh and Polar (2000) P. Nygh and F. Polar "Report on the Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters" (August 2000) Preliminary Document 11
- O'Hara and Ribstein (1997) E. O'Hara and L. Ribstein "Interest Groups, Contracts and Interest Analysis (1997) 48 *Mercer Law Review* 765
- O'Hara and Ribstein (2000) E. O'Hara and L. Ribstein "From Politics to Efficiency in Choice of Law" (2000) 67 *University of Chicago Law Review* 1151

- O'Sullivan (1996) G. O'Sullivan "Cross-Border Jurisdiction in Patent Infringement Proceedings in Europe" (1996) *European Intellectual Property Review* 654
- Oddi (1987) S. Oddi "The International Patent System and Third World Development: Reality or Myth" (1987) *Duke Law Journal* 831
- Oddi (1995) A. Oddi "Un-Unified Economic Theories of Patents-The Not-Quite-Holy Grail" (1995) 71 *Notre Dame Law Review* 267
- Oppenheim (1992) L. Oppenheim, *Oppenheim's International Law* (eds R. Jennings and A. Watts) (9th Ed, Longman 1992)
- Pareto (1971) V. Pareto, *Manual of Political Economy* (1906) (trans. F. Schwier) (Macmillan 1971)
- Pataille and Huguet (1855) J. Pataille and A. Huguet, *Code International de la Propriété Industrielle Artistique et Littéraire* (Paris 1855)
- Paulsom (1965) R. Paulsom, *Hogarth's Graphic Works* (New Haven, Yale 1965)
- Peltzman (1975) S. Peltzman "The Effects of Auto Safety Regulation" (1975) 83 *Journal of Political Economy* 677
- Perritt (1996) H. Perritt "Jurisdiction in Cyberspace" (1996) 41 *Villanova Law Review* 1
- Petkova (2004) S. Petkova "The Potential Impact of the Draft Hague Convention on International Jurisdiction and Foreign Judgments in Civil and Commercial Matters on Internet-Related Disputes with Particular Reference to Copyright" (2004) *Intellectual Property Quarterly* 173
- Peukert (2005) A. Peukert "Contractual Jurisdictional Clauses and Intellectual Property" (2005) 24 *IIC Studies* 55
- Phillips (2003) J. Phillips, *Intellectual Property Handbook* (6th Ed, Butterworths 2003)
- Pillet (1923-4) A. Pillet, *Traité Pratique de Droit International Privé* (Paris 1923-4)
- Plant (1934a) A. Plant "The Economic Theory Concerning Patents for Inventions" (1934) 1 *Economica* 30
- Plant (1934b) A. Plant "The Economic Aspects of Copyright in Books" (1934) 1 *Economica* 167

- Pocar (1985) F. Pocar "Le Lieu du Fait Illicite dans les Conflits de Lois et de Jurisdictions" (1985-6) *Travaux du Comité Français de Droit International Privé* 71
- Polinsky (1972) A. Polinsky "Probabilistic Compensation Criteria" (1972) 86 *Quarterly Journal of Economics* 407
- Polinsky (1980) A. Polinsky "Resolving Nuisance Disputes: The Simple Economics of Injunctive and Damages Remedies" (1980) 32 *Stanford Law Review* 1075
- Polinsky (2003) A. Polinsky, *An Introduction to Law and Economics* (3rd Ed, Aspen 2003)
- Posner (1975) R. Posner "Economic Approach to Law" (1975) 53 *Texas Law Review* 757
- Posner (1979a) R. Posner "Some Uses and Abuses of Economics in Law" (1979) 46 *University of Chicago Law Review* 281
- Posner (1979b) R. Posner "The Ethical and Political Basis of the Efficiency Norm in Common Law Adjudication" (1979) 8 *Hofstra Law Review* 487
- Posner (1984) R. Posner, *The Economics of Justice* (2nd Ed, Harvard 1984).
- Posner (1985a) R. Posner, *The Federal Courts: Crisis and Reform* (1st Ed, Harvard 1985)
- Posner (1985b) R. Posner "Wealth Maximisation Revisited" (1985) 2 *Notre Dame Journal of Law, Ethics and Public Policy* 85
- Posner (2003) R. Posner, *The Economic Analysis of Law* (6th Ed, Aspen 2003)
- Priest (1977) G. Priest "The Common Law Process and the Selection of Efficient Rules" (1977) 6 *Journal of Legal Studies* 65
- Priestly (1768) J. Priestly, *Essay on Government* (1768)
- Pryles (1972) M. Pryles "The Basis of Adjudicatory Competences in Private International Law" (1972) 21 *International and Comparative Law Quarterly* 61
- Puetne (1943) J. Puetne "Treaties on Private International Law" (1943) 37 *American Journal of International Law* 95
- Putnam (1896) G. Putnam, *Authors and their Public in Ancient Times* (3rd Ed, New York 1896)

- Rabel (1950) E. Rabel, *The Conflict of Laws: A Comparative Study* (2nd Ed, Chicago 1950)
- Rawls (1955) J. Rawls "Two Concepts of Rules" (1955) 64 *Philosophical Review* 3
- Rawls (1999) J. Rawls, *A Theory of Justice* (Rev Ed, Oxford 1999)
- Raynard (1990) J. Raynard, *Droit D'Auteur et Conflits de Lois* (Litec 1990)
- Reed (2004) C. Reed, *Internet Law: Text and Materials* (2nd Ed, Cambridge 2004)
- Reese (1960) W. Reese "Power of Parties to Choose Law Governing Their Contract" (1960) 54 *American Society of International Law Proceedings* 49
- Reese (1980) W. Reese "American Trends in Private International Law: Academic and Judicial Manipulation of Choice of Law Rules in Tort Cases" (1980) 33 *Vanderbilt Law Review* 717
- Reindl (1998) A. Reindl "Choosing Law in Cyberspace: Copyright Conflicts on Global Networks" (1998) 19 *Michigan Journal of International Law* 799
- Ricketson (1987) S. Ricketson, *The Berne Convention for the Protection of Literary and Artistic Works: 1886-1986* (Kluwer 1987)
- Ringer (1968) B. Ringer "The Role of the United States in International Copyright – Past, Present, and Future" (1968) 56 *Georgetown Law Journal* 1050
- Robbins (1984) L. Robbins, *An Essay on The Nature and Significance of Economic Science* (3rd Ed, New York 1984)
- Roebuck (2002) W. Roebuck "Jurisdiction and E-Commerce" (2002) 8 *Computer and Telecommunications Law Review* 29
- Rogers (1949) E. Rogers "The Lanham Act and the Social Function of Trade Marks" (1949) 14 *Law and Contemporary Problems* 173
- Ross (1992) T. Ross "Copyright and the Invention of Tradition" (1992) 26 *Eighteenth Century Studies* 1
- Rubin (1977) P. Rubin "Why is the Common Law Efficient?" (1977) 6 *Journal of Legal Studies* 51
- Rubin (1982) P. Rubin "Common Law and Statute Law" (1982) 11

Journal of Legal Studies 205

- Russell (1957) B. Russell, *My Philosophical Development* (Unwin 1957)
- Russell (2003) F. Russell, *Russell on Arbitration* (eds J. Gill and D. Sutton) (22nd Ed, Sweet and Maxwell 2003)
- Samuelson (1954) P. Samuelson "The Pure Theory of Public Expenditure" (1954) 36 *Review of Economics and Statistics* 387
- Samuelson et al (1994) P. Samuelson *et al* "A Manifesto Concerning the Legal Protection of Computer Programs" (1994) 94 *Columbia Law Review* 2308
- Sauveplanne (1982) J. Sauveplanne "New Trends in Private International Law" (1982-II) 175 *Recueil de Cours* 9
- Schechter (1926) F. Schechter "The Rational Basis of Trademark Protection" (1926) 40 *Harvard Law Review* 813
- Schechter (2002) F. Schechter, *The Historical Foundations of the Law Relating to Trade-Mark Law* (2nd Ed, Lawbook Exchange 2002)
- Schlatter (1951) R. Schlatter, *Private Property: The History of an Idea* (New Brunswick 1951)
- Schlosser (1979) P. Schlosser "Report on the Convention on the Association of the Kingdom of Denmark, Ireland and the United Kingdom of Great Britain and Northern Ireland to the Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters and to the Protocol on its Interpretation by the Court of Justice" *Official Journal* 1979 No. C 59 p. 71
- Scitovsky (1941) T. Scitovsky "A Note on Welfare Propositions in Economics" (1941) 9 *Review of Economic Studies* 77
- Scoles and Hay (2004) E. Scoles, P. Hay *et al*, *Conflict of Laws* (4th Ed, West 2004)
- Sender (2002) M. Perteás Sender, *Cross-Border Enforcement of Patent Rights* (Oxford 2002)
- Sherman (1994) B. Sherman "From the Non-original to the Ab-original: A History", in *Of Authors and Origins: Essays in Copyright Law* (eds B. Sherman and A. Strowel) (Clarendon Press 1994) p. 111
- Sidgwick (1981) H. Sidgwick, *Methods of Ethics* (7th Ed, Hackett 1981)
- Sime (2004) S. Sime, *A Practical Approach to Civil Procedure* (7th Ed,

- Blackstone 2004)
- Singer (1989) J. Singer "Real Conflicts" (1989) 69 *Boston University Law Review* 1
- Smit (1961) H. Smit "The Terms Jurisdiction and Competence in Comparative Law" (1961) 10 *American Journal of Comparative Law* 164
- Smith (1999) A. Smith, *The Wealth of Nations* (1776) (Penguin 1999)
- Smith (2004) S. Smith, *Contract Theory* (Clarendon 2004)
- Solimine (1990) M. Solimine "An Economic and Empirical Analysis of Choice of Law" (1990) 24 *Georgia Law Review* 49
- Solimine (2002) M. Solimine "The Law and Economics of Conflict of Law" (2002) 4 *American Law and Economics Review* 208
- Soubeyrand (2000) N. Soubeyrand "Super Mandatory Rules History, Concept and Prospect" (2000)
- Spiller (1986) P. Spiller "Triple Damages and Optimal Suing Time" (1986) 9 *Research in Law and Economics* 45
- Stauder (1998) D. Stauder "Grenzüberschreitende Verletzungsverbote im gewerblichen Rechtsschutz und das EuGVÜ" (1998) *Praxis des internationalen Privat- und Verfahrensrechts (IP Rax)* 317
- Stauffer (1999) T. Stauffer "Subsidiarity as Legitimacy" (1999) World Bank Institute, Intergovernmental Fiscal Relations and Local Financial Program Topic 3 (26th July – 6th August 1999)
- Sterling (2000) J. Sterling "Philosophical and Legal Challenges in the Context of Copyright and Digital Technology" (2000) 31 *International Review of Intellectual Property and Competition Law* 508
- Sterling (2001) J. Sterling "The International Copyright Code and E-Justice: Basic Proposals for Global Solutions to Global Problems" (2001) *European Intellectual Property Review* 528
- Sterling (2002a) J. Sterling "Draft International Copyright Protection Agreement and Associated Protocols" in *Copyright and Internet World*, ALAI Study Days November 2002 p. 143
- Sterling (2002b) J. Sterling "International Codification of Copyright Law: Possibilities and Imperatives" (2002) 33 *International Review of Intellectual Property and Competition Law* 270

- (Part I) and 464 (Part II)
- Sterling (2003) J. Sterling, *World Copyright Law* (2nd Ed, Sweet and Maxwell 2003)
- Stewart (1989) S. Stewart, *International Copyright and Neighbouring Rights* (2nd Ed, Butterworth 1989)
- Stewart (2001) C. Stewart, *German Commercial Code and Code of Civil Procedure in English* (Oceana 2001)
- Stigler (1950) G. Stigler "The Development of the Utility Theory" (1950) 58 *Journal of Political Economy* 307 (Part I) and 373 (Part II)
- Stigler (1961) G. Stigler "The Economics of Information" (1961) 69 *Journal of Political Economy* 213
- Story (1857) J. Story, *The Conflict of Laws* (2nd Ed, Little Brown Books 1857)
- Streibich (1975-6) H. Streibich "The Moral Right of Ownership to Intellectual Property" 6 *Memphis State Law Review* 1 (Part I); (1976) 7 *Memphis State Law Review* 45 (Part II)
- Suthersanen (1998) U. Suthersanen "A Brief Tour of the 'Utility Model' Law" (1998) *European Intellectual Property Review* 44
- Symeonides (1998) S. Symeonides "Choice of Law in the American Courts in 1997" (1998) 47 *American Journal of Comparative Law* 233
- Symeonides (2000) S. Symeonides "Choice of Law in the American Courts in 2000: As the Century Turns" (2000) 49 *American Journal of Comparative Law* 1
- Taelman (2004) P. Taelman (ed.), *International Encyclopaedia of Laws: Civil Procedure* (Aspen 2004)
- Tiersma (1992) P. Tiersma "Reassessing Unilateral Contracts: The Role of Offer, Acceptance and Promise" (1992) 26 *University of California Davis Law Review* 1
- Times (2005) The Times "Internet Music Pirates Made to Pay Up" 5th March 2005
- Torremans (1999) P. Torremans "Jurisdiction and Choice of Law Issues in the United States Intellectual Property Cases: From Dodging the Bullet to Biting It" (1999) *Intellectual Property Quarterly* 372
- Torremans (2001) P. Torremans "The Law Applicable to Copyright: Which

- Rights are Created and Who Owns Them?" (2001) 188 *Revue Internationale du Droit d'Auteur* 37
- Torremans (2004) P. Torremans, *Copyright and Human Rights* (Kluwer 2004)
- Torremans (2005) P. Torremans "Authorship, Ownership of Right and Works Created by Employees: Which Law Applies?" (2005) *European Intellectual Property Review* 220
- Torremans (2006) P. Torremans "Which Law Applies? A Reply from Professor Torremans to Phillip Johnson's Reply to His Earlier Work" (2006) *Journal of Intellectual Property Law and Practice*, forthcoming
- Trautman and Von Mehren (1966) D. Trautman and A. Von Mehren "Jurisdiction to Adjudicate: A Suggested Analysis" (1966) 79 *Harvard Law Review* 1121
- Trautman and Von Mehren (1967) D. Trautman and A. Von Mehren "Recognition of Foreign Adjudications: A Survey and a Suggested Approach" (1967) 81 *Harvard Law Review* 1601
- Tritton and Tritton (1987) C. Tritton and G. Tritton "The Brussels Convention and Intellectual Property" (1987) *European Intellectual Property Review* 349
- Tuttle (1901) C. Tuttle "The Fundamental Economic Principle" (1901) 15 *Quarterly Journal of Economics* 218
- Tydniouk (2004) A. Tydniouk "From Itar-Tass to Films By Jove: The Conflict of Laws Revolution in International Copyright" (2004) 29 *Brooklyn Law Journal of International Law* 897
- Tyerman (1971) B. Tyerman "The Economic Rationale for Copyright Protection for Published Books: A Reply to Professor Breyer" (1971) 18 *UCLA Law Review* 1101
- Ulmer (1978) E. Ulmer, *Intellectual Property Rights and the Conflict of Laws* (Kluwer 1978)
- Vahrenwald (1998) A. Vahrenwald "Copyright and International Contracts Concerning Audiovisual Works: Freedom of Contract v State of Protection" (1998) *Entertainment Law Review* 259
- Valladão (1961) H. Valladão "Private International Law, Uniform Law and Comparative Law" in *XXth Comparative and Conflict of Law Essays in Honour of Hessel Yntema* (eds K. J. Hazard, Nadelmann and A. Von Mehren) (Sythoff 1961)

p. 98

- Van Alistine (2002a) M. Van Alistine "The Costs of Legal Change" (2002) 49 *UCLA Law Review* 789
- Van Alistine (2002b) M. Van Alistine "Treaty Law and Legal Transition Costs" (2002) 77 *Chicago-Kent Law Review* 1303
- Van Boom and Van Erp (1996) W. Van Boom and J. Van Erp "Electronic Highways: On the Road to Liability, in Emerging Electronic Highways" in *New Challenges for Politics and Law* (ed. V. Bekkers *et al*) (Kluwer 1996)
- Van Caenegem (2003) W. Van Caenegem "Intellectual Property Law and the Idea of Progress" (2003) *Intellectual Property Quarterly* 237
- Van den Bergh (1998) R. Van den Bergh "The Role and Social Justification of Copyright: A 'Law and Economics' Approach" (1998) *Intellectual Property Quarterly* 17
- Van Eechoud (2003) M. Van Eechoud, *Choice of Law in Copyright and Related Rights: Alternatives to the Lex Protectionis* (Kluwer 2003)
- Van Eechoud (2005) M. Van Eechoud "Alternatives to the *Lex Protectionis* as the Choice-of-Law Rule for Initial Ownership of Copyright" (2005) 24 *IIC Studies* 289
- Vitta (1979) E. Vitta "Cours Général de Droit International Privé" (1979-I) 162 *Recueil de Cours* 9
- Von Böhm-Bawerk (1890) E. Von Böhm-Bawerk "The Austrian Economists" (1890) 1 *Annals of the American Academy of Political and Social Science* 379
- Von Mehren (1974) A. Von Mehren "Special Substantive Rules for Multistate Problems: Their Role and Significance in Contemporary Choice of Law Methodology" (1974) 88 *Harvard Law Review* 347
- Von Mehren (1980) A. Von Mehren "Recognition and Enforcement of Foreign Judgments-General Theory and the Role of Jurisdictional Requirements" (1980-II) 167 *Recueil de Cours* 9
- Von Mehren (1981) A. Von Mehren "Recognition and Enforcement of Sister-State Judgments: Reflections on General Theory and Current Practice in the EEC and the US" (1981) 81 *Columbia Law Review* 1044

- Von Mehren (1983) A. Von Mehren "Adjudicatory Jurisdictions: General Theories Compared and Evaluated" (1983) 63 *Boston University Law Review* 279
- Von Mehren (2002) A. Von Mehren "Theory and Practice of Adjudicatory Authority in Private International Law: A Comparative Study of the Doctrine and Practices of Common and Civil-Law Systems" (2002) 295 *Recueil de Cours* 9
- Von Savigny (1869) F. Von Savigny, *A Treatise on the Conflict of Laws and their Operation in Respect of Time and Place* (trans W. Guthrie) (2nd Ed, Stevens and Son 1869)
- Wadlow (1985) C. Wadlow "Intellectual Property and the Judgments Conventions" (1985) 10 *European Law Review* 305
- Wadlow (1998) C. Wadlow, *Enforcement of Intellectual Property in European and International Law* (Sweet and Maxwell 1998)
- Wallace and Williamson (1900) R. Wallace and J. Williamson, *The Law and Practice Relating to Letters Patent for Invention* (William M. Clowes 1900)
- Ward (1907-21) W. Ward *et al* (eds), *The Cambridge History of English and American Literature: An Encyclopaedia in Eighteen Volumes* (Oxford 1907-21)
- Wegner (1993) H. Wegner, *Patent Harmonisation* (Sweet and Maxwell 1993)
- Weinberger (1976) A. Weinberger "Party Autonomy and Choice-of-Law: The Restatement (Second), Interest Analysis and the Search for Methodological Synthesis" (1976) 4 *Hofstra Law Review* 605
- Weintrub (1995) R. Weintrub "A Map out of the Personal Jurisdiction Labyrinth" (1995) 28 *University of California Davis Law Review* 531
- Weissman (1996) R. Weissman "A Long, Strange TRIPs: The Pharmaceutical Industry Drive to Harmonize Global Intellectual Property Rules, and the Remaining WTO Legal Alternatives to Third World Countries" (1996) 17 *University of Pennsylvania Journal of International Economic Law* 1069
- Westkamp (1996) G. Westkamp "Research Agreements and Joint Ownership of Intellectual Property in Private International Law" (2006) 37 *International Review of Intellectual Property and Competition Law*, forthcoming

- Whincop (1999) M. Whincop "The Recognition Scene: Game Theoretic Issues in the Recognition of Foreign Judgments" (1999) 23 *Melbourne University Law Review* 416
- Whincop and Keyes (2001) M. Whincop and M. Keyes, *Policy and Pragmatism in Conflict of Laws* (Ashgate 2001)
- Whish (2003) R. Whish, *Competition Law* (5th Ed, LexisNexis 2003)
- WIPO (1978) WIPO, *WIPO Guide to the Berne Convention* (WIPO 1978).
- WIPO (2001) WIPO, *WIPO Joint Recommendation Concerning the Protection of Marks, and Other Industrial Property Rights in Signs on the Internet* (WIPO Publication 845) (2001)
- Wittes (1995) B. Wittes "A (Nearly) Lawless Frontier: The Rapid Pace of Change in 1994 Left the Law Chasing Technology on the Information Superhighways" *The Recorder* January 3rd 1995 p. 1
- Wolff (1950) M. Wolff, *Private International Law* (2nd Ed, Oxford 1950)
- Wyndham Hulme (1896-1900) E. Wyndham Hulme "The History of the Patent System under the Prerogative and at Common Law" (1896) 12 *Law Quarterly Review* 141 (Part I); (1900) 16 *Law Quarterly Review* 44 (Part II)
- Wyndham Hulme (1902) E. Wyndham Hulme "On the History of Patent Law in The Seventeenth and Eighteenth Centuries" (1902) 18 *Law Quarterly Review* 280
- Yntema (1953) H. Yntema "The Historic Basis of Private International Law" (1953) 2 *American Journal of Comparative Law* 297
- Yntema (1955) H. Yntema "Contract and Conflict of Laws: 'Autonomy in Choice of Law in the United States'" (1955) 1 *New York Law Forum* 46
- Yntema (1957) H. Yntema "The Objectives of Private International Law" (1957) 35 *Canadian Bar Review* 721
- Yntema (1966) H. Yntema "The Comity Doctrine" (1966) 65 *Michigan Law Review* 1
- Zywicki (2003) T. Zywicki "The Rise and Fall of Efficiency in the Common Law: A Supply-Side Analysis" (2003) 97 *Northwestern Law Review* 1551

Cited by other authors

- Blanco (1998) J. Blanco, *El Derecho Aplicable a Law Protección Internacional de las Patentes* (Comares 1998)
- Cornish (1996) W. Cornish "The Significant but Limited Scope of the IP Conventions" Paper at IP and PIL Conference Cambridge on 24th February 1996
- Debois (1966) H. Desbois "Les Droits d'Auteur et le Droit International Privé Francais" in *Festschrift G.S. Marikadis* (Athens 1966) p. 29
- Fromm and Nordenmann (1998) F. Fromm and W. Nordenmann, *Urheberrecht. Kommentar zum Urheberrechtsgesetz und zum Urheberrechtswahrnehmungsgesetz* (Stuttgart 1998)
- Geimer (2001) R. Geimer, *Internationales Zivilprozessrecht* (Köln 2001)
- Helvétius (1758) C. Helvétius, *De l'Esprit* (1758), Discours II
- Kohler (1910) J. Kohler, *Warenzeichenrecht* (2nd Ed, Bensheimer 1910)
- Kropheller (1982) J. Kropheller "Internationale Zuständigkeit" in *Handbuch des Internationalen Zivilverfahrensrecht* (Tübingen 1982)
- Malynes (1622) *Consuetudo, vel, Lex Mercatoria* (the Ancient Law-Merchant) (1622)
- Meili (1906) F. Meili, *Das internationale Civilprozessrecht auf Grunde der Theorie, Gesetzgebung und Praxis* (Verlag 1906)
- Modiano (1979) G. Modiano, *Le Contrat de Licence de Brevet* (Droz 1979)
- Neuhaus (1955) P. Neuhaus "Internationales Zivilprozessrecht und Internationales Privatrecht" (1955) 20 *RabelsZ* 20
- Pfeiffer (1995) T. Pfeiffer, *Internationale Zuständigkeit und Prozessuale Gerechtigkeit* (Klosterman 1995)
- Troller (1983) A. Troller, *Immaterialgüterrecht* (Band I) (Basel 1983)
- Waizenegger (1915) R. Waizenegger, *Der Gerichtsstand des §23 ZPO und Seine Gestzliche Entwicklung* (Göttingen 1915)

Wolff (1979)

H. Wolff, *Das Problem der Konkurrenz von Rechtsordnungen in der Antike* (Heidelberg 1979)

Table of Cases

Austria

Hotel Sacher (1986) GRUR Int 735.

Australia

Norbert Steinhardt and Son v Meth and Another (1960) 105 CLR 440.

Potter v Broken Hill Pty (1905) VLR 612 (FI); (1906) 3 CLR 479 (HC)

Belgium

Röhm Enzyme (2001) 32 IIC 571

England and Wales

Apple Corp v Apple Computer (1991) 3 CMLR 49

Blad v Bamfield (1674) 3 Swan App 604, 36 ER 992

Boston Scientific v Cordis (2000) ENPR 87

Boyse v Colclough (1854) 1 K & J 124, 69 ER 396

Brinkibon v Stahag Stahl (1983) 2 AC 34.

British South Africa v Companhia de Moçambique (1893) AC 602

Bumper Development v Commissioner of Police of the Metropolis (1991) 1 WLR 1362

Buttes Gas and Oil v Hammer (1982) AC 888

Canada Trust v Stolzenberg (No. 2) (2002) 1 AC 1

Castrique v Imrie (1870) LR 4 HL 414

Celltech R&D Ltd v Medimmune (2005) FSR 21.

Chiron Corp v Organon Teknika (No. 10) (1995) FSR 325

Chiron Corp v Organon Teknika (No. 2) (1993) FSR 567

Chiron Corp v Evans Medical Ltd (1996) FSR 863

Citadel Insurance v Atlantic Union Insurance (1982) 2 Lloyd's Rep 543

Coin Control v Suzo International (1997) FSR 660

Cottington's Case (1678)

Crédit Lyonnais v New Hampshire Insurance (1997) 2 Lloyd's Rep 1

- Def Lepp Music v Stuart-Brown* (1986) RPC 273
- Duke of Brunswick v King of Hanover* (1848) 2 HL Case 1, 9 ER 993
- Egbert v Short* (1907) 2 Ch 205
- Elton John v James* (1985) [1991] FSR 397
- Fort Dodge v Akzo Nobel* (1998) FSR 222
- Gascoine v Pyrah* (1994) ILPr 82
- Gienar v Meyer* (1796) 2 Hy. Bl 603, 126 ER 728
- Griggs v Evans and Others* (2004) FSR 48 (HC); (2005) FSR 31 (CA)
- IBM v Phoenix International (Computers)* (1994) RPC 251
- Improver v Remington* (1989) RPC 69
- In re Harrods (Buenos Aires) Ltd* (1992) Ch 72
- Interdesco SA v Nullifire* (1992) 1 Lloyd's Rep 180.
- Kennedy v Earl of Cassillis* (1818) 2 Swan 313, 36 ER 635
- Kleinwort Benson v Glasgow City Council (No. 2)* (1999) 1 AC 153
- LA Gear v Gerald Whelan & Sons* (1991) FSR 671
- Librarie du Liban v Pardoe Blacker* (unreported) 21st December 1983
- Logan v Bank of Scotland (No. 2)* (1906) 1 KB 141
- Lubbe v Cape* (2000) 1 Lloyd's Rep 139
- Manta Line v Sofianites* (1984) 1 Lloyd's Rep 14
- Marc Rich v Societa Italiana (No.2)* (1992) 1 Lloyd's Rep 624
- MBM v William Hill* (2003) RPC 31
- MCC Proceeds (Sub. Macmillan Inc) v Bishopsgate Investment Trust (No. 4)* (1999) CLC 478
- Millar v Taylor* (1769) 4 Burr 2303, 98 ER 201
- Molnlycke v Procter & Gamble (No. 4)* (1992) 1 WLR 1112
- "Morocco Bound" Syndicate v Harris* (1895) 1 Ch 534
- Omychund v Barker* (1744) 1 Atk. 21, 26 ER 15
- Panayiotou v Sony* (1994) EMLR 229
- Pearce v Ove Arup Partnership* (1997) Ch 293 (HC); (2000) Ch 405 (CA)
- Pepper v Hart* (1993) AC 593
- Peruvian Guano Co v Bockwoldt* (1883) 23 Ch D. 225
- Phillips v Eyre* (1870) LR 6 QB 1
- Plastus Kreativ AB v Minnesota Mining & Manufacturing* (1995) RPC 438
- R v International Trustee for the Protection of Bondholders AG* (1937) AC 500
- R v Woollin* (1999) 1 AC 82

Rank Film Distributors v Lanterna Editrice (1992) ILPr 58
SA Consortium General Textiles v Sun and Sand Agencies (1978) QB 279
Schibsby v Westenholz (1870) LR 6 QB 155
Scott v Pilkington (1862) 2 B & S 11, 121 ER 978
Source Ltd v TUV Rheinland Holding (1998) QB 54
Spiliada Maritime Corp v Consulex (1987) AC 460
The Atlantic Star (1973) 1 QB 364 (CA); (1974) AC 436 (HL)
The Mahkutai (1996) AC 650
Turner v Grovit (2002) 1 WLR 107
Tyburn Productions v Conan Doyle (1991) Ch 75
Yukon Consolidated Gold v Clark (1938) 2 KB 241

European Community

Adidas v Fitnessworld (2004) 1 CMLR 448 (Case C-408/01)
Arsenal v Reed (2003) ETMR 227 (Case C-206/01)
As-Autoteile Service v Malhe (1985) ECR 2267 (Case 73/77)
Bier BV v Mines de Potasse (1976) ECR 1735 (Case 21/76)
Brenner and Noller v Dean Witter (1994) ECR I-4275 (Case C-318/93)
Commission v Ireland (2002) 2 CMLR 10 (Case C-13/00)
Davaern v Otterbeck (1995) ECR I-2053 (Case C-341/93).
Davidoff v Gofkidd (2003) 1 CMLR 1039 (Case C-202/00)
De Cavel v De Cavel (1979) ECR 1055 (Case 143/78)
Denilauler v SNC Couchet Freres (1981) 1 CMLR 62 (Case 125/79)
Duijnstee v Goderbauer (1985) 1 CMLR 220 (Case 288/82)
Effer v Kantner (1982) ECR 825 (Case 38/81)
Elefanten Schuh v Jacqmain (1981) ECR 1671 (Case 150/80)
GAT v Luk (unreported) 16th September 2004 (Case C-4/03) (AG Opinion)
Hendrikman v Magenta Druck & Verlag (1997) QB 426 (Case C-78/95)
Hoffmann v Krieg (1988) ECR 645 (Case 145/86)
Industrie Tessili v Dunlop (1976) ECR 1473 (Case 12/76)
Jakob Handte & Co v Traitements Mecano-Chimiques des Surfaces (1992) ECR I-3967 (Case C-26/91)
Kalfelis v Schroder (1988) ECR 5565 (Case 189/87)
LTU v Eurocontrol (1977) 1 CMLR 88 (Case 29/76)

Owusu v Jackson (unreported) 30th April 2005 (Case C-281/02)
Parfums Christian Dior v Evora (1998) RPC 166 (Case C-337/95)
Paul Denuit (1997) 3 CMLR 943 (Case C-14/96)
Peters v ZNAV (1983) ECR 987 (Case 34/82)
Powell Duffryn v Petereit (1992) ECR I-1745 (Case C-214/89)
Réunion Européene (2000) QB 690 (Case C-51/97)
Roche Netherlands v Primus and Goldberg (Ref C-539/03)
Shevill v Presse Alliance (1995) 2 AC 18 (Case C-68/93)
Tod's SpA v Heyraud (unreported) 30th June 2005 (Case C-28/04)
UGIC v Group Josi (2001) QB 68 (Case C-412/98)
VT4 Case (1997) 3 CMLR 1225 (Case C-56/95)

France

B v B (1981) 70 RCDIP 331
Bachir v Bachir (1968) 57 RCDIP 98
Braillecellen II (1995) EIPR D-73
Gangspill v Aries (1997) ILPr 188.
Huguet v CIRCO (1982) Bulletin Civil II No 7
LICRA & UEJF v Yahoo! Inc & Yahoo France (unreported), 20th November 2000
Marocaine de Boissone v Société vinicole du Languedoc (1964) 53 RCDIP 340
Re Domina.net (2003) EIPR N-129
Re Munzer (1964) 53 RCDIP 344
Scania v Diesel Technic (1998) 177 RIDA 254
Signaux et d'Entreprises Électriques v Soc Sorelec (1986) 75 RCDIP 537
Sisro Case (2003) 34 IIC 701
SISRO v Ampersand Software (1994) ILPr 55
Soc. Fox-Europa v Soc. Le Chante du Monde ("The Iron Curtain Case") (1960) 28 RIDA 120
Soc. Cognacs and Brandies from France v Soc Orloas (1986) 75 RCDIP 712
La Martinisquaise v Companhia Geral Da Agricultura Das Vinhas Do Alto Douro (1991) ILPr 451
Turner Entertainment v Huston (1992) 23 IIC 702
Veuve Glazounov v Soc du Théâtre des Champs Elysée (1969) 58 RCDIP 670
Wegmann v Elsevier Science (1997) ILPr 760; (1999) ILPr 379 (CdC)

Germany

Alf (1993) 24 IIC 539

Car Importing Case (1980) NJW 1224

GAT v Luk (2003) ILPr 5; (2002) ILPr 41

Improver v Sicommerce/Remington (1990) IIC 572

MTD (2004) 35 IIC 325

Open Source Case (2004) (DC Munich)

Re A Wood-Cutting Machine (1995) ILPr 191

Re Jurisdiction in Tort and Contract (1988) ECC 415

Re Muduroglu Ltd (1991) NJW 3092

Re Multi-Media Recht (1998)

Re The Martim Trademark (2003) ILPr 17

Show Format Case (2004) 35 IIC 987

Spielbankaffaire (1999) 30 IIC 227

Thumbnails (2004) 35 IIC 478

International Cases

Denmark v Norway (Legal Status of Eastern Greenland Case) (5th April, 1933) Series A-B 22

France v Turkey (S.S. Lotus Case) (1927) PCIJ, Series A, No. 10, p. 18

Lafuente v Llaguno y Duranona (1938) *Annual Digest 1938-40*, p. 152

Larrasquitu and the Spanish State v Société Cementos Rezola (1937) *Annual Digest 1935-37*, p. 196

Netherlands v Sweden (Application of the Convention of 1902 governing the Guardianship of Infants) (1958) ICJ Reports 55 (“*Boll Case*”)

Ireland

Olympia Productions v Cameron Mackintosh (1992) 12 ILRM 204

Netherlands

Beska & Remington/Improver (1990) IIC 586 (Hague, CA) and (1990) IIC 589 (Hague, DC)

Chiron Corp v Akzo Pharma The Hague District Court, 22nd July 1994, 1994

IER No. 24, 150

Expandable Grafts v Boston Scientific (1999) FSR 352

Scotland

Sim v Robinow (1892) 19 R 665

Watson v Renton (1791) 8 Bells Cas 92

Spain

Rivista di Diritto Internazionale Privato e Processuale (1981), p. 913; D Series I-16.4 – B3

Sweden

Flooter (2001) 32 IIC 231

United States of America

3D Systems Inc v Aarotech Laboratories (Fed Cir, 1998) 160 F. 3d 1373

Ajitabh Bachchan v India Abroad Publications (1992) 585 NYS 2d 661

Alaska Packers Association v Industrial Accident Commission (1935) 294 US 532

Alfred Dunhill of London v Cuba (1976) 425 US 682

ALS Scan v Digital Service (4th Cir, 2002) 292 F. 3d 707 (cert dismissed 537 US 1105)

Asahi Metal Industry v Superior Court of California (1987) 480 US 102

Auten v Auten (1954) 308 NY 155

Banco Minero v Ross (1915) 106 Tex 522

Banco Nacional de Cuba v Sabbatino (1964) 376 US 398

Bensusan Restaurant v King (2nd Cir, 1997) 126 F. 3d 25

Bernhard v Harrah's Club (1976) 546 P.2d 719

Beverly Hills Fan v Royal Sovereign (Fed Cir, 1994) 21 F. 3d 1558 (cert dismissed 512 US 1273)

Blalock v Perfect Subscriptions (SD Ala, 1978) 458 F. Supp 123; affirmed (5th Cir, 1979) 599 F.2d 743

Boosey & Hawkes v Walt Disney (SDNY, 1996) 934 F. Supp 119; (2nd Cir, 1998) 145 F. 3d 481

- Brenner v Manson* (1966) 383 US 519
- Bridgeman v Corel* (SDNY, 1998) 25 F. Supp 2d 421; (SDNY, 1999) 36 F. Supp 2d 191
- Burnham v Superior Court of California* (1990) 495 US 604
- Cable/Home Communications v Network Prods* (11th Cir, 1991) 902 F. 2d 829
- Calder v Jones* (1984) 465 US 783
- Carnival Cruise Lines v Shute* (1991) 499 US 585
- CompuServe v Patterson* (6th Cir, 1996) 89 F. 3d 1257
- Crocker National Bank v Canadian Imperial Bank of Commerce* (1984) 223 USPQ 909
- Cuno v Pall* (ED NY, 1989) 729 F. Supp 234
- Cybersell v Cybersell* (9th Cir, 1997) 130 F. 3d 414
- Eldred v Ashcroft* (2003) 537 US 186
- Erie v Tompkins* (1938) 304 US 64
- Federal Deposits Ins Corp v Peterson* (10th Cir, 1985) 770 F 2d 141
- Fenton v Livingstone* (1859) 3 Macq 497
- Films by Jove v Berov* (EDNY, 2001) 154 F. Supp 2d 432; reheard (EDNY, 2003) 250 F. Supp 2d 156
- Forbo-Giubiasco v Congoleum* (SDNY, 1981) 516 F. Supp 1210.
- Gould v Gould* (1923) 235 NY 14
- Guinness v Miller* (SDNY, 1923) 291 Fed 768
- Gulf Oil v Gilbert* (1947) 330 US 501
- Hatch v Baez* (1876) 7 Hun 596
- Hieston v National City Bank of Chicago* (App DC, 1922) 280 Fed 525
- Hilton v Guyot* (1895) 159 US 113
- Horne v Adolph Coors* (3rd Cir, 1982) 684 F. 2d 255
- In re DES Cases* (EDNY, 1992) 789 F. Supp 552
- International Shoe v Washington* (1945) 326 US 310
- Itar-Tass v Russian Kurier* (2nd Cir, 1998) 153 F. 3d 82
- Johannsen v Brown* (D. Or, 1992) 788 F. Supp 465
- Keeton v Hustler Magazine* (1984) 465 US 770
- Klaxon Co v Sentor Electronic Manf Co* (1941) 313 US 487
- Kulko v Superior Court of California* (1978) 436 US 84
- Lazard Freres & Co v Protective Life Insurance* (2nd Circ, 1997) 108 F. 3d 1531
- Loucks v Standard Oil Co of New York* (1918) 120 NE 198
- Mannington Mills v Congoleum* (3rd Cir, 1979) 595 F.2d 1287

- Matthew v Eldridge* (1976) 424 US 319
- McDonald v Mabee* (1917) 243 US 90
- McGill v Hill* (Was AC, 1982) 644 P 2d 680
- McRae v JD/MD* (Fla. 1987) 511 So.2d 540
- Milliken v Meyer* (1940) 311 US 457
- Mullan v Central Hanover Bank & Trust* (1950) 339 US 306
- National Institute of Agrarian Reform v Terry Kane* (Fla App, 1963) 153 So 2d 40
- National Rental v Szukhent* (1964) 375 US 311
- New England Mutal Life Insurance v Olin* (7th Cir, 1940) 114 F. 2d 131
- New York Life Insurance v Dunlevy* (1916) 241 US 518
- New York Times v Sullivan* (1964) 376 US 254
- Northlake Marketing & Supply v Glaverbel* (ND Ill, 1997) 986 F.Supp 471
- Oetjen v Central Leather* (1918) 246 US 297
- Pagliari v Wallace China* (9th Cir, 1952) 198 F.2d 339
- Pennoyer v Neff* (1878) 95 US 714
- Playboy v Chuckleberry* (SDNY, 1996) 939 F Supp 1032
- Reger v National Association of Bedding Manufactures* (1975) 372 NYS 2d 97
- Romero v International Terminal Operating Co* (1959) 358 US 354
- Sage Int'l v Cadillac Gage* (ED Mich, 1981) 534 F. Supp 896
- Shaffer v Heitner* (1977) 433 US 186
- Slater v Mexican National Railway* (1904) 194 US 120
- Stabilisierungsfonds für Wein v Kaiser Stuhl Wine* (DC Circ, 1981) 647 F. 2d 200
- Superfos Investments Ltd v Firstmiss Fertilizer* (SD Miss, 1992) 809 F. Supp 450
- Swift v Tyson* (1842) 41 US 1
- Telivikoff v Matusevitch* (Md, 1997) 702 A. 2d 230
- The Apollon* (1824) 9 US (Wheat) 362
- The Bremen v Zapata Off-Shore* (1972) 407 US 1
- Toys 'R' Us v Step Two* (3rd Cir, 2003) 318 F. 3d 446
- Trade Mark Cases* (1879) 100 US 82 and 100 US 94
- Underhill v Hernandez* (1897) 168 US 250
- Vornado Air Circulation v Duracraft* (10th Cir, 1995) 58 F.3d 1498
- W.S Kirkpatrick v Environmental Tectonics* (1990) 493 US 400
- Weil Ceramics & Glass v Dash* (3rd Cir, 1989) 878 F.2d 659

World-Wide Volkswagen v Woodson (1980) 444 US 286

Yahoo! v LCRA (9th Cir, 2004) 379 F. 3d 1120

Zippo Manufacturing v Zippo Dot Com (WD Pa, 1997) 952 F. Supp 1119