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Jurisdiction in Internet-related intellectual property disputes

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Determining jurisdiction in Internet-related IP disputes has evolved into a major issue. When dealing with jurisdiction, the goal of PIL is not to determine one place to litigate, but different places where the plaintiff, mainly the owner of the IP right, will decide to litigate. Under U.S. and E.U. law, the plaintiff can choose between the place of the defendant and the place of the infringement. At first sight, it seems quite simple. Nevertheless with the Internet, these two connecting factors are much more difficult to determine. One is no more unique, since there are often various infringers on the Internet. The other, the infringement, has exploded, since it can be localized everywhere. The Internet has clearly blurred the lines, creating complexity where it was once quite simple.

When concerning the domicile's infringer, the rule becomes more complicated because infringements committed over the Internet are more often made by various actors. A U.S. website is used by a Chinese company to sell infringing drugs. Delivery is made by a third company based in India. Another classical example can be the following: a French company creates a website localized in Paris offering users to share their files. A user domiciled in the UK uses the website to share infringing contents. In these two cases, the owner of the IP rights has to face multiple infringers. There is no longer just one single infringer, but multiple infringers acting on different levels. The plaintiff has to decide if he will sue all of them or only some of them. The question is whether he has to sue each infringer at his own domicile or if he could sue all of them at the domicile of one of them. The question addresses whether a consolidation at the place of one infringer would be efficient. If this first question is indeed complex, we should focus our study on the second one, the most specific localization of the infringement.

When concerning the infringements, the complexity is easy to understand. First, any infringement committed over the Internet can be seen as a trans-national infringement for which jurisdiction has to be determined. Before the Internet, trans-national infringements were the exception, now it is the rule. Thus, any IP lawyers have to delve into conflict-of-laws issues. Second, conflict-of-laws rules become highly complicated. The reason is simple. The Internet is universal whereas conflict-of-laws rules require localizing situations in one country in order to determine jurisdiction and applicable law. This is particularly true when it comes to infringement. Following an old and classical rule, jurisdiction is determined by the place of the infringement. Consider a French company infringing a movie producer's copyright by selling their unauthorized figurines in the UK. The UK is without any doubt the place of the infringement, justifying

jurisdiction. Let's imagine now that the same company offers to buy this figurine and stream movie trailers related to the figurine from his website. Determining jurisdiction is much harder. Where is the infringement committed? It could be in France, from where the French company offers to sell and stream. But it could be also in the UK, where damages have been suffered. Finally, it could be anywhere, since the website is accessible on a worldwide basis. Lines are clearly blurred. Before the Internet, there was one clear place for one infringement. With the Internet, there are countless places. The question is whether each place should be characterized as a connecting factor or if a specific consistency should be required. Another issue is related to the scope of this connecting factor. Does each connection benefit from a general jurisdiction or are some of them locally limited? In other words, could the scope of jurisdiction be related to the strength of the connecting factor chosen ? Why and how?

Taking these evolutions into account, the goal is to ascertain the determination of the jurisdiction. The owner of IP rights should know with certainty where to file their law-suits against infringers. On the other hand, potential infringers should foresee where an action against them might be filed. In order to determine which jurisdiction best fits, it seems suitable to ascertain procedural and substantial values. To choose from these values would be beneficial in deciding which option is the best. Once these values are known and applied, it will be possible to establish policy guidelines. Nevertheless, before presenting these values, precautions should also be given concerning the place and influence of the principle of territoriality. Following the place of this principle concerning jurisdiction, solutions are not the same. Using the principle of territoriality as a dogma might pollute the reasoning. We do think that a restricted influence of the principle of territoriality is clearly the best option. The choice of the best jurisdiction should not be related to technical reasons but rather to procedural and or substantial values, as we will try to explain. We will start by explaining why the influence of the principle of territoriality has to be limited. Once this is done, we will present the procedural and substantial values used in order to ascertain our policy guidelines.

I° For a limited influence of the principle of territoriality

Definition(s) of the principle of territoriality

The principle of territoriality is seen as a dogma in IP but without any clear understanding of this principle. For some scholars, the principle of territoriality implies the exclusivity of the jurisdiction and of the law of the title. Thus, a litigation concerning a French patent would only be decided in France under French law. Finally, questions related to IP would only be treated locally. We know that such an extreme conception of the principle of territoriality is no longer accepted. At least in Europe, the Brussels convention has shown that the influence of the principle of territoriality is limited. It is nevertheless still difficult to determine how far this influence could be accepted. In order to determine this influence, it is important to first understand the justification of the principle of territoriality. Why should the law of the title and the jurisdiction of the title be only applicable when it comes to an IP right? The most convincing explanation is linked to the condition of registration. The grant of protection being subordinated to a registration made in each country, such an implication of a public service in the grant of the protection might explain the attraction of the law of registration and of the jurisdiction of registration. Accepting this justification is highly important. First, it excludes any influence of the principle of territoriality when it comes to copyright for which no registration is required. Second, it limits the influence of the principle of territoriality to issues related to registration. Given these explanations, we will go back to jurisdiction rules to evaluate the possible impacts of the principle of territoriality and if they appear justified.

Possible impacts of the principle of territoriality

The impact of the principle of territoriality is twofold. One is related to any incidental question concerning the validity of an IP title. The other one is linked to the determination of the infringement's localization in order to determine jurisdiction.

When it comes to IP infringement, the issue is not directly linked to the registration of the title. Thus, the plaintiff benefits from a choice between the jurisdiction of the infringer's domicile and the place of the infringement. The Portuguese owner of a French patent could decide to seize the German jurisdiction, provided that the infringer possesses his domicile there. The legal issue here is not related to registration, no exclusivity of the judge of the title is required. What happens if the infringer raises an incidental issue concerning the validity of the title? The defence raised by the infringer is quite simple : 'I am not an infringer, since there is no valid IP right'. The question is then whether the judge of the domicile still has jurisdiction to decide the validity of the title raised as a defence. We know that the position in the E.U. and the U.S. is the same, favouring a territorial approach. In Europe, the ECJ has interpreted Article 22 of the Brussels Regulation in order to include all proceedings related to validity irrespective of whether the issue is raised by way of an action or a plea in objection (see ECJ, GAT, C-4/03, 2013). This interpretation has been endorsed by the Recast Brussels Regulation. Article 25 has extended the exclusive jurisdiction of the judge of the title to issues

related to validity irrespective of whether the issue is raised as an action or as a defence. On a practical point of the view, such an interpretation favours the infringer against the owner of the title. Let's imagine a trademark infringed on the Internet by a foreign competitor. In order to avoid suing locally, the owner of the trademark decides to sue at the place of the domicile of the infringer, such a court having general jurisdiction. By choosing the place of the domicile, the owner decides to consolidate its action at one place for infringements committed everywhere. Because *GAT* was finally endorsed by the Recast Brussels Regulation, the alleged infringer could decide to break this consolidation by raising the validity as a defence. In the U.S., a same territorial approach is retained in the *Vanity Fair* case (Vanity Fair Mills, Inc v. T. Eaton, LTD 234 F.2d 633 (2d Cir.). The issue was whether a U.S. court had jurisdiction to determine the infringement of a trademark in the U.S. and in Canada. The U.S. Court recognized that the crucial issue was the validity of the defendant's trademark registration under Canadian trade-mark law. Then, US courts should 'not determine the validity of the acts of a foreign sovereign done within its borders', justifying to decline jurisdiction over the claims under Canadian law. The result is then exactly the same as under European law: a fragmentation requiring suing in any jurisdiction where an infringement occurred. On the other hand, when it comes to a copyright infringement, the judge of the domicile possesses an extra-territorial jurisdiction, since there is no registration issue. One could quote *the London Film Productions (London Film Productions Limited* v. *Intercontinental Communications*, *Inc*, 580 F.Supp. 47 (S.D.N.Y. 1994) case for which a US court has jurisdiction for infringements committed abroad. In the E.U., an equivalent decision would be the *LucasFilms (Lucasfilm Limited v Ainsworth 2011 UKSC 39)* case for which a UK judge has jurisdiction for infringement committed in the US. Clearly, the territorial approach endorsed in the E.U. and in the U.S. is linked to the registration.

Another possible impact of the principle of territoriality could be seen in relation to the localization of a cyber-infringement. There are two different ways to analyse a trans-national infringement such as an offer to stream from France to a global audience. The first one characterizes the infringement as a bundle of local infringements. The offer to sell is one single infringement committed in France. In each country of reception, local infringement is committed. This characterization as a bundle of infringements is coherent with the principle of territoriality. Litigation is fragmented locally. The only way to consolidate the litigation is to sue at the domicile of the infringer. Following this characterization, the domicile of the infringer would be the only court having an extra territorial jurisdiction. It is also possible to consider that there is one infringement divided between the place of departure, the offer to stream, and the place of arrival, where the streaming is effectively received. Following this characterization, it might be possible to benefit from an extra territorial jurisdiction at the place of departure of the infringement and or perhaps also at the place of arrival. We know that the ECJ favoured this understanding of tort claims by distinguishing between the place of the event giving rise to liability and the place where that event results in damage. The place of the event has a general jurisdiction encompassing damages suffered everywhere, whereas the place of the damage has a limited jurisdiction to harm caused in the State of the Court seized. When it came first to cyber infringement, this distinction was generally used by national courts as a general framework. Accordingly, the plaintiff may have a choice of fora where the owner of the website is established and the countries where the infringing content was received. While the courts of establishment of the website may have general jurisdiction encompassing harm cause everywhere, the judge in the

country where the infringing content is received may have a limited jurisdiction. The strongest dispute, at that time, was related to the localization of the damage. Some of the national courts adopted a technical approach, retaining the criterion of forum accessibility of the infringing content. Following this tendency, mere technical accessibility sufficed to locate the damage, without proving actual receipt of the infringing content. The contrary view held that more than mere accessibility was required. The website should have at least targeted the audience of a country. Rendering its first decision concerning a cyber libel tort, the ECJ decided not to apply this general framework (ECJ, *Edate and Martinez*, C-509/09 and 161/01, (2011)). Taking into account the specificity of the Internet and the harm created by the Internet, the Court decided to locate the whole damage at the place in which the centre of his interest was based. Thus, the victim benefited from a *forum actoris* having general jurisdiction. Such a E.U. *forum actoris* was well received, since at the same time, a U.S. case law offered a similar *forum actoris* for cyber copyright infringement (*Penguin Group (USA) Inc. V. America Buddha*, 16 NY3d 295 (NY 2011)). Nevertheless, the ECJ decided not to extend this solution to IP because of the principle of territoriality. In its first decision concerning a cyber trademark infringement, the Court considered that the protection being given locally the plaintiff cannot rely on that protection outside (ECJ, C-523/10 Wintersteiger (2012), n° 25). In other words, the principle of territoriality excludes that a forum based on the localization of the damage has an extra-territorial jurisdiction. This exclusion was recently extended to copyright based on the same reasoning: the principle of territoriality. For the Court, copyright is also subject to the principle of territoriality and excludes any *forum actoris* based on the localization of the damage (ECJ, C-441/13 *Hejduk* (2015)). Such a large understanding of the principle of territorialiy seems largely criticized to us, as we will try to explain.

Why the impact should be limited

A first and well-known criticism is related to the extension of the exclusivity encompassing validity issue raised as a defence. It seems suitable to limit the exclusivity of the judge of the title to validity issues raised by way of action. As we have explained, the principle of territoriality is linked with the operation of a public service. Everyone would agree that it would be incoherent for a German judge to determine the validity of a US patent. Such a solution would clearly infringe the principle of territoriality. When it comes to validity raised as a defence, the foreign judge would decide on the merit of the title for the infringement issue. To make it simple, the decision over the validity of the title would be limited in this specific case. The effect of the solution would be *inter partes* and not *erga omnes*. Such a decision whose effect is *inter partes* would not enter into conflict with the decision of the judge of the title deciding over the merit of the title by way of action. In other words, the jurisdiction of the judge of the domicile would not limit the exclusive jurisdiction of the judge of the title as to the validity. Since one is *inter partes* and the other *erga omnes,* no conflict could exist. Such a limited influence of the principle of territoriality has been endorsed by the ALI Principles and also by the CLIP Principles, showing the soft law's consensus on this issue. From a French perspective, I would quote a decision from the Paris Court of Appeal considering that an arbitrator has jurisdiction to decide over the merit of the title raised as a defence, providing that the award is limited *inter partes*. It seems quite incoherent to accept that a judge may have

less power than a arbitrator. A coherent evolution would be to limit the impact of the principle of territoriality excluding to extend the exclusivity over the validity issues raised as a defence.

The same criticism could be raised against the refusal of the *forum actoris* based on the principle of territoriality. The solution chosen by the ECJ retained a hybrid approach. As we have explained, either there is no influence of the principle of territoriality and the solution should be the same as for any other tort claims, or there is an influence and a cyber infringement should be seen as a bundle of local infringements. The approach retained by the Court is hydrid, since the court considered that there is one infringement divided between the place of the departure and the place(s) of arrival. Such an approach excludes any influence of the principle of territoriality. It seems then quite incoherent to plead this same principle of territoriality in order to exclude any *forum actoris*. If IP, subject of the principle of territoriality, excludes that the judge of the damage has an extra-territorial jurisdiction, the solution should be the same for the judge of the event giving rise to liability. Because of the principle of territoriality, jurisdiction should here also only be local. The reasoning is binary. Either the principle of territoriality is invocable and there is only local jurisdiction as to the place of the tort, or the principle of territoriality is not invocable and any jurisdiction might have an extra territorial jurisdiction. Any hybrid approach seems difficult to justify. If the principle of territoriality should be partially excluded, it could be totally excluded from the reasoning. In fact, when it comes to jurisdiction, the plaintiff has a demand : his right has been infringed. This demand has to be localized in order to take into account the place of departure and the place of arrival. At that time, the influence of the principle of territoriality is limited, since registration is not an issue and any law is yet applicable.

CL : Finally, the choice of a *forum actoris* is not related to the principle of territoriality but to policy issues. Nothing technically prohibits for example creating a *forum actoris*. The only issue is whether it is relevant and coherent with the substantial and procedural IP values.

II° Values determining IP jurisdiction

Whereas private international law is often caricatured as a technical and methodological field without any substantial value, we do think that PIL rules have to be fed by substantial values. There is a natural relationship between domestic values and PIL rules. The first one should inspire the second one. PIL rules are mainly based on domestic values. When it comes to jurisdiction, procedural values should also be taken into consideration. We will start by explaining the influences of procedural values in order to envision substantial values after. These values presented, it will be possible to propose our policy guidelines.

Jurisdiction values

When it comes to jurisdiction, some procedural values are commonly accepted in the U.S. and the E.U. The Court seized should have some minimum points of contact with the forum. A particular closely linked factor should exist between the dispute and the court. By implementing these minimum points of contacts, the court would be best in the best position to determine whether the elements establishing the liability of the person sued are present. On the same token, the point of contact satisfies the objective of foreseeability. The court seized is predicable, because of these points of contact. Finally, such foreseeability of the court preserves legal certainty for each party. Applying these values might help in determining which court has jurisdiction. Turning back to the localization of the infringement, it seems that the objective of foreseeability excludes the place of the server. From a technical point of view, one could argue that the place of the server might localize the origin of the infringement. Nevertheless, as it has been said by the ECJ, the uncertain place of the server does not satisfy the objective of foreseeability. That is why the ECJ decided not to use this place as a connecting factor. By contrast, the place of establishment of the owner of the server might satisfy this objective. As the ECJ still said, "it is a definite and identifiable place, both for the applicant and the defendant" (*Wintersteiger*, n° 37). Using this procedural value helps to determine the place of the origin of the infringement. Would it be the same for the place of arrival? It seems to us that the requirement of close connection and the objective of foreseeability should exclude at least the accessibility approach. As we have already explained, the damage is spread over every country where the website is accessible. Thus, the defendant may initiate an action anywhere in the world. Clearly, such an approach is unpredictable for the plaintiff. It seems to us that initiating an action in France for the selling of a website in Japan for a Japan public in Japan currency is not a good option. There are not enough points of contact between the court and the case. The only technical access does not suffice to justify jurisdiction. One could argue that the court's authority to adjudicate the case is limited to the damages suffered in the forum. Nevertheless, as the targeting criterion is accepted for determining the applicable, the forum of the activity without any targeting would be a forum without any damage and finally without any jurisdiction. The accessibility approach clearly does not satisfy the sound administration of justice and the efficacious conduct of proceedings. The targeting approach fits these procedural values much better. What about the domicile of the plaintiff? It could be argued that close links exist between the forum and the case. It seems nevertheless more difficult to justify this connecting factor when the objective of foreseeability and the objective of predictability are taken into account. It could be indeed argued that the domicile of the

IP owner is not always predictable for the plaintiff. If procedural values could not tell us clearly which option to favour, it might be useful to delve into substantial values. Jurisdiction rules would mirror these substantial values.

Substantial values and the use of the article 41 of the TRIPS

Twenty years ago, it would have been easier to determine these substantial values. IP was seen at that time as clear and accepted values with restricted limits. Nowadays, the crisis does not affect PIL but IP. The goal of IP is now challenged by other values, IP being no more an end but a tool to encourage innovation. This means that it could not be said without justification that IP jurisdiction rules should favour IP owners. Nevertheless, it could be interesting to delve into our common rules on that issue : international norms. If the WIPO norms are not especially useful on that point, the TRIPS are clearly more interesting. In particular, article 41 of the TRIPS might help us to select the best court to adjudicate cyber infringement. Following this article, the *"Procedures concerning the enforcement of intellectual property rights shall be fair and equitable. They shall not be unnecessarily complicated or costly, or entail unreasonable time-limits or unwarranted delays."* One could easily argue that the fragmentation created by GAT or Vanity Fair does not fit with the requirements of the article 41 of the TRIPS. Being obliged to litigate in each place where the title is registered is unnecessarily complicated and costly. Given jurisdiction to the court of the defendant domicile to adjudicate, the validity raised as a defence satisfies Article 41's requirement.

What about creating a *forum actoris*? Here again, Article 41 offers a relevant guide. Following this article, procedural rules should include "expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements". Offering the possibility to seize its own local court for the whole damage to the plaintiff would constitute a deterrent to further infringements. PIL offers a rule adapted to the new harm created by cyber infringement. It seems that in taking into account these substantial values, one might favour consolidation at the defendant's domicile without any fragmentation raised by the infringer. It seems also relevant to offer the plaintiff the possibility to seize its own local court. Such a *forum actoris* would mirror the substantial values enacted by our local and international IP law.

One could argue that article 41 should be read entirely and special attention should be given to the last sentence of the first paragraph. Under this paragraph, "*these procedures shall be applied in such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse*". The question is whether the creation of a *forum actoris* could be analysed as a barrier to legitimate trade. First, it must be mentioned that when the infringer is a rogue website, there is no legitimate trade excluding the use of this article in favour of the infringer. The *forum actoris* seems to be clearly justified against website which do not respect IP at all. It becomes more complicated for more institutionalized websites used by infringers. Would it be a barrier to such a company's legitimate trade, if a French copyright owner could sue this US company in France? Clearly, it would be more complicated. On the other hand, for these companies acting globally, it does not seem incoherent to consider that they might litigate globally. Offering such a *forum actoris* would not be necessary in creating barriers to legitimate trade. On the other, it would favour IP values defended locally.

Accepting the *forum actoris* would extend and mirror local values ton international norms. It seems to us a good policy.

To conclude, IP solution should be decided by taking procedural and substantial values into account. When it comes to the tricky question of the cyber infringement, it seems that the place of the establishment of the owner of the website is an accepted solution. On contrary, localizing the arrival of the infringement by the accessibility of the website does not fit these values. The targeting approach fits well these procedural values. Finally, the most difficult issue was the possibility to offer a *forum actoris* to the plaintiff. Being inspired by the values endorsed by the TRIPS and especially the article 41, it seems that such a forum actoris would be an excellent tool offered to IP owner in order to protect internationally local IP values.

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