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A European Point of View on the ALI Principles - Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes

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A EUROPEAN POINT OF VIEW ON THE ALI PRINCIPLES—INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW, AND JUDGMENTS IN TRANSNATIONAL DISPUTES

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I. INTRODUCTION

This Article relates to my personal views on the current status of the American Law Institute (ALI) Principles - Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes (ALI Principles or Principles).[1] The style of an oral presentation has been maintained for this Article. I will try to mirror the latest round of observations which was concluded October 8, 2004. However, a brief historical survey of the work to date will precede the exposé of the jurisdictional and choice of law provisions.

But, even before providing the historical perspective of the work so far completed, a short explanation of the origin and scope of this project must be outlined. Rochelle Dreyfuss, Professor at New York University, Jane Ginsburg, Professor at Columbia University, and I decided to join efforts to obviate the lack of any international instruments relating to jurisdiction, choice of law, and recognition of judgments within the sphere of Intellectual Property (IP) by preparing a set of principles on transborder litigation of intellectual property. Professor Ginsburg and I had previously published a common proposal for the applicable law in 1996,[2] while Professor Dreyfuss presented a draft in 2000 for conflicts of jurisdiction.[3]

The ALI's decision to entertain our project at the end of 2001 illustrated to us the considerable level of interest in this increasingly vital area of law. The ALI has been invaluable in providing us with the means of consulting with a set of distinguished advisers, half of them being from abroad, the other half being interested members of the ALI itself.

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1. AMERICAN LAW INSTITUTE, INTELLECTUAL PROPERTY: PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW, AND JUDGMENTS IN TRANSNATIONAL DISPUTES (Preliminary Draft No. 3, Feb. 28, 2005) (on file with the Brooklyn Journal of International Law) [hereinafter ALI PRINCIPLES]. The Brooklyn Law School Symposium discussion focused on Preliminary Draft No. 3, which was made available to Symposium participants in October 2004.

2. François Dessemontet, *Internet, le droit d'auteur et le droit international prive,* 92 REVUE SUISSE DE JURISPRUDENCE 285, 293–94 (1996).

3. Rochelle Cooper Dreyfuss, *An Alert to the Intellectual Property Bar: The Hague Judgments Convention*, 2001 ILL. L. REV. 421 (2001).

The earliest possible date for approval of the Principles would be Spring 2007, but delays are entirely conceivable.[4] I, therefore, present only a very general outline. The Principles encompass approximately thirty-five articles, some of which are very detailed. Not all are controversial and, for the purposes of this Symposium, I will focus less on controverted issues than on the more consensual ones.[5] I will consider the issues, as I have been asked to do, from a European point of view.

II. HISTORY

As is well known, intellectual property developed in England, France, the United States, Germany, and Russia in the nineteenth century.[6] Those nations were, however, in commerce with each other resulting in numerous bilateral treaties on copyright or trademarks.[7] As the number of nations involved in global commerce and trade increased in the second half of that century, two basic conventions were concluded, the Paris Convention (1883)[8] and the Berne Convention (1886)[9], after which there was no longer the need to have the national status of an author follow his works to another country. Instead, it sufficed that the author's and the recipient's countries acceded to the Berne Convention and, therefore, the minimal protection applied to this author, as well as the guarantee of non-discrimination or "national treatment."[10] The multilateral trea-

4. Undoubtedly, in a process such as developing Principles, delays occur while attempting to reach a wide consensus within and without the ALI.

5. Some of the more controversial issues that the ALI Principles are tackling include the extent of the territoriality principle, the need for choice of law rules, and the scope of the review before recognition and enforcement of foreign judgments.

6. *See* J.A.L. STERLING, WORLD COPYRIGHT LAW 9–13 (2003).

7. *Id*. at 13, 14. These agreements aimed at protection, for example, of the English authors in Russia or of the French authors in Switzerland. *See also* BRAD SHERMAN & LIONEL BENTLY, THE MAKING OF MODERN INTELLECTUAL PROPERTY LAW, THE BRITISH EXPERIENCE, 1760–1911 111 (1999) (discussing the impact and role of bilateral treaties in general); *id.* at 117 (explaining the impact and role of the Anglo-French Treaty of 1851).

8. *See* Paris Convention for the Protection of Industrial Property, Mar. 20, 1883, 25 U.S.T. 1583 [hereinafter Paris Convention].

9. *See* Berne Convention for the Protection of Literary and Artistic Works, Sept. 9, 1886, 25 U.S.T. 1341 [hereinafter Berne Convention].

10. *Id.* art. 5. In 1994, the TRIPS enlarged the principle of minimal protection, including most importantly patents for drugs and software, but also

ties were widely considered a great advancement over the bilateral arrangements.

It is only with the Reagan Administration and, more recently, with the George W. Bush Administration that bilateral pressures were again preferred by the United States as a tool to improve the protection of U.S. interests abroad. These Administrations believed that negotiating individually with another country makes that country more amenable to Washington's wishes and demands, as opposed to Washington's more limited ability to impose its will at an international conference composed of 150 to 200 countries. This has led directly to the U.S. State Department's insistence upon the reciprocity requirement in another ALI Draft on international jurisdiction and judgment.[11]

Against this background, intellectual property owners must rightfully inquire whether a country-by-country piecemeal approach will not endanger the efficient protection of their assets throughout the world. Further, as this approach results in different levels of protection from one country to the next, the choice of law applicable to a given litigation will be of paramount importance.

The frequent revisions of the Paris and Berne Conventions throughout the twentieth century had allowed the minimal standards of protection and the exceptions based on public policies (e.g., fair use, educational use, etc.) to be harmonized to some extent. The harmonization movement ceased in 1967 and 1971 for the Paris Convention and Berne Convention, respectively.[12] Furthermore, as TRIPS is truly a minimalist convention, the laws of each integral country, or group of countries (as is the case with the European Union), are now diverging more

procedural measures both in court and at the border. The principle prohibiting discrimination [national treatment] was also restated. *See* Agreement on Trade-Related Aspects of Intellectual Property Rights, Apr. 15, 1994, Marrakesh Agreement Establishing the World Trade Organization, Annex 1C, art. 3, 33 I.L.M. 81 (1994) [hereinafter TRIPS Agreement].

11. AMERICAN LAW INSTITUTE, INTERNATIONAL JURISDICTION AND JUDGMENTS § 7 (Preliminary Draft No. 2, May 2004) (on file with the Brooklyn Journal of International Law).

12. The 1967 amendments to the Paris Convention were completed in Stockholm. Paris Convention, *supra* note 8. And, the final amendments to the Berne Convention were accomplished in Paris. Berne Convention, *supra* note 9.

with each passing year. However, occasionally there is a conscious drive in one country to imitate the laws of another country. For example, Switzerland imitated Germany when it extended copyright duration to seventy years in 1992.[13] The European Union soon followed the Germans and the Swiss, and the United States followed five years later.[14] Mostly, however, the spontaneous adaptation of harmonious legislation by national legislatures is not to be expected for many other issues.

Under these circumstances, it is important to carefully choose the forum for litigation. The court is likely to apply the law with which it, as well as the parties' attorneys, is most familiar, which is its own law. Additionally, even if a claimant gets a positive judgment in one court, the party must still be concerned about whether this decision will be recognized in the other markets in which he claims IP rights and protections. Of course, that original judgment will not necessarily be recognized, forcing the claimant to enforce his rights in dozens of litigations in the courts of those other markets. Multiple ligitation, in turn, can lead directly to conflicting findings.[15]

The need to enforce court decisions rendered abroad has been perceived in areas other than intellectual property. This is precisely the motivation for the Hague Conference on International Private Law (Hague Convention),[16] which endeavours to parallel

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13. *See* Federal Law on Copyright and Neighboring Rights, (1992) (Switz.), *amended by* Act of Dec. 16, 1994, RS 101, RO 1993 1798.

14. For the European Union law see E.C. Term of Protection Directive, Council Directive 93/98/EEC, art. 7(I), 1993 O.J. (L290); while the U.S. law extending the seventy year duration can be found at 17 U.S.C §§ 302–304 (1998). The constitutionality of that law was upheld by the Supreme Court. *See* Eldred v. Ashcroft, 57 U.S. 186 (2003).

15. For example, in the *Epilady* cases, there were inconsistent findings concerning the validity of a patent. Some European courts held the patent to be infringed, while others did not. *See, e.g.,* Improver Corp. v. Remington Consumer Prods. Ltd., [1990] F.S.R. 181 (Eng. Ch., 1989); OLG Düsseldorf, Gerweblicher Rechtsschutz und Urheberrecht Internationaler Teil [GRUR International], 3 (1993), 242 (242–45); BPatG Antwerp, GRUR International, 1 (1992), 53 (53–54); BGH Antwerp, GRUR International, 6 (1992), 382 (382–86).

16. *See* HAGUE CONFERENCE ON PRIVATE INTERNATIONAL LAW, PRELIMINARY CONVENTION ON EXCLUSIVE CHOICE OF COURT AGREEMENTS (Preliminary Draft No. 26, Dec. 2004), *available at* http://www.hcch.net/upload/wop/jdgm_pd 26e.pdf (last visited Apr. 2, 2005) [hereinafter HAGUE PRELIMINARY CONVENTION].

the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards (New York Convention).[17] Arbitral awards regarding, for example, licensing agreements are recognized in all member countries of the New York Convention without review of the substance of the award, save for exceptions.[18] However, no such mechanism exists for court decisions. Obviously, infringing parties are less likely to arbitrate than prospective licensees will be. The Hague project was extremely useful; nevertheless, it has been reduced to a draft on exclusive choice of court agreements in business transactions.[19] Presently, with regard to enforcement of judgments, the ALI Principles, to a large extent, follow the approach taken from the 1999 Draft of the Hague Convention.[20]

Currently, in the sphere of IP rights, there is no international treaty on the recognition of foreign judgments and, based on today's political landscape, there will be none in the years to come. As discussed in the next part of this Article, the ALI Principles do not attempt to remedy this problem; instead, their goals are more limited. They hope to frame the issues, provide common terminology, and guide scholars, practitioners, and legislatures as the law evolves.

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17. Convention on the Recognition and Enforcement of Foreign Arbitral Awards, June 10, 1958, 21 U.S.T. 2517, 330 U.N.T.S. 38, *available at* http://www.uncitral.org/english/texts/arbitration/NY-conv.htm (last visited Apr. 2, 2005). As of November 30, 2004, the New York Convention was binding on 135 countries. *Id*.

18. *See id.* arts. 4, 5. With respect to general recognition of arbitral awards, article four of the New York Convention does not specifically grant courts the power to review their substance; additionally, Article Five lists the exceptions to this enforcement.

19. For a discussion of the history of the Hague Convention see HAGUE PRELIMINARY CONVENTION, *supra* note 16, at 6. In sections four and five of the introduction, the drafters indicate that when the Hague Convention began in 1999 it intended to address enforcement of judgments for all types of jurisdictional grounds, but by 2002 the scope had been narrowed to such core areas as jurisdiction based on choice of court agreements in business-to-business cases, submission, defendant's forum, counterclaims, trusts, physical torts, and other limited grounds. *Id*.

20. *See* ALI PRINCIPLES, *supra* note 1, § 401 (Judgments to be Recognized or Enforced).

III. ESSENTIAL FEATURES OF THE ALI PRINCIPLES

A. Nature of the Principles

First, this project is neither a Restatement nor a binding instrument. It aims at helping counsel and courts frame the issues of conflicts in IP cases, and to give courts in various countries a common terminology and analyses. European scholars are already aware of the considerable impact of UNIDROIT Principles for International Commercial Contracts,[21] INCOTERMS,[22] and other sources of soft law,[23] so they should be quite receptive to accepting the method of drafting Principles rather than an international convention.

Legislatures could use this set of Principles as a guide if ever they wish to grapple with composing law in this arena. The Principles should carry some weight since the ALI is an institution well recognized for promoting uniform laws within both the United States and throughout Europe. But, mainly, the preparation of the Principles is, in itself, an educational opportunity for scholars and practitioners, thus furthering the dialogue between academia and practice. Long-neglected conflict of laws and jurisdiction issues in intellectual property could thus trickle down to teaching and academic journals. Ideally, it will lead younger lawyers to raise new issues of jurisdiction and applicable law before national courts and test cases will ensue.

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21. *See* Diane Madeline Goderre*, International Negotiations Gone Sour: Precontractual Liability Under the United Nations Sales Convention*, 66 U. CIN. L. REV. 257, 257 (1997) (arguing that when European scholars drafted the UNIDROIT principles they began to achieve a uniform set of law for international contracts); *see also* Paul R. Dubinsky*, Human Rights Law Meets Private Law Harmonization: The Coming Conflict*, 30 YALE J. INT'L L. 211, 218 (2005) (noting that the use of the UNIDROIT principles has increased and concluding that this reflects the desire of private parties to incorporate "soft-law" into their agreements).

22. *See* William Tetley*, Uniformity of International Private Maritime Law—The Pros, Cons, and Alternatives to International Conventions—How to Adopt an International Convention,* 24 TUL. MAR. L.J. 775, 785 (2000) (stressing that the use of INCO-TERMS as a common language promotes "internationality").

23. *See* Sandeep Gopalan, *The Creation of International Commercial Law: Sovereignty Felled?*, 5 SAN DIEGO INT'L L.J. 267, 310 (2004) (describing the growth of "soft-law" through the use of the UNIDROIT principles).

Thus, the very first section of the Principles provides that a court having to adjudicate a transnational dispute of intellectual property shall determine, upon request by a party, whether the case comes within the Principles.[24] If the court so determines, it shall declare the Principles applicable. A court may also declare the Principles applicable *sua sponte*, if that is consistent with its authority under forum law.[25] The ALI envisaged that the Principles will supplement the loopholes and obscurities of existing rules, if any, rather than replace national rules of conflicts applicable in the court. If the national law already provides a clear answer to any specific conflict, there will be no need to resort to the Principles. Such is not the case in most countries of the world, including European countries.

B. Scope of the Principles

The Principles cover the most important fields of intellectual property: copyright, neighbouring rights (broadcasters, phonogram producers and performers), trademarks, patents for inventors, trade secrets, trademarks, domain names, other intellectual property rights, and rights stemming from enforcement of unfair competition claims.[26] Thus, it is readily apparent that copyright is not the only subject matter of the Principles.[27]

No precondition is attached to the use of the Principles, in the sense that they could be applicable only to the relationship between any two, or several countries, or of a given group of countries. Subject to further consideration, the Reporters have now decided to take into consideration the fact that almost 150 countries are members of TRIPS, and more will accede in the future. Thus, the Reporters conceded giving up any linkage

24. ALI PRINCIPLES, *supra* note 1, § 101(2).

25. *Id*.

26. *Id*. § 101(1). Other intellectual property rights include generic protection for databases and the protection of the right of publicity. Moreover, as the contents of "intellectual property" evolve and receive international recognition, the Principles should be sufficiently open-ended to encompass them. *Id*. § 101, cmt. d.

27. The International Association for the Protection of Industrial Property has also stressed the need for uniform solutions in industrial property in its Lucerne 2003 Q174 resolution bearing on jurisdiction and applicable law in the case of cross-border infringement of intellectual property rights. *See Jurisdiction and applicable law in the case of cross-border infringement (infringing acts) of intellectual property rights*, AIPPI YEARBOOK 2003/I, 827–29.

between the Principles and TRIPS. Originally, there were two regards for which a link was foreseen between the Principles and TRIPS. First, consolidation of proceedings could only take place in a country which is a member of the WTO and a party to TRIPS; but that requirement is no longer an element of the Principles. Second, the Principles now state that the factors to take into account in choosing which law or laws to apply in the exceptional case where territoriality gives no answer should not include the desirability of a national regulation as is evidenced by TRIPS. In other words, in deciding choice of law the court need not consider whether the given national law conforms to TRIPS.

From a European perspective, there are strong objections to any linkage between TRIPS and the ALI Principles, as rules on conflicts should be neutral. European scholars generally do not approve of any form of "better-law approach." [28]

C. Jurisdiction and Choice of Forum

Defendant's forum is the natural forum.[29] However, parties may wish to enter into an agreement pertaining to jurisdiction. As to the forum, they can do it in writing, or by any other means of communication, which renders information accessible so as to be usable for subsequent reference. Usage between the parties and trade usage can also make an agreement valid. This is particularly true in European practice, especially in arbitration matters.[30] Additionally, the Principles include a reference to the law of the forum to decide whether the agreement on jurisdiction is valid as to the substance.[31]

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28. In the United States "better-law-approach," the judge tries to establish a tie between a *concrete* situation and the "better law" that *in casu* gives the best solution. *See, e.g.,* LUTHER L. MCDOUGAL ET AL., AMERICAN CONFLICT LAW § 98 (5th ed. 2001).

29. *See, e.g.,* ALI PRINCIPLES, *supra* note 1, § 201(1) ("A defendant may be sued in the courts of the State where that defendant is habitually resident.").

30. *See, e.g.,* International Chamber of Commerce Rules of Arbitration, Jan. 1, 1998, art. 17(2), 36 I.L.M. 1604 (1997), but a reference to "usages" has also been accepted in the universal Vienna Convention on the International Sales of Goods, Apr. 10, 1980, art. 8(3), 19 I.L.M. 668, 673. This is equally true in U.S. states which have adopted the Uniform Commercial Code. *See* U.C.C. § 2-202(a) (Final Written Expression; Parol or Extrinsic Evidence).

31. ALI PRINCIPLES, *supra* note 1, § 202(3).

Non-negotiated agreements also have safeguards under the ALI Provisions.[32] The overall test is *reasonableness*, and the court will have to take into consideration the interests of the parties as well as the interests of all the States concerned, the availability of online dispute resolution, whether the terms of the agreement were sufficiently legible or accessible and, finally, whether the designated forum has been established by the State to foster expertise in adjudicating disputes. Approximately 800,000 internet-related cases appear to have been adjudicated online, mostly small claims deriving from orders lodged on the internet.[33] But, those consumer cases almost never concern intellectual property. A workable solution for IP litigation between producers, or producers and commerce, is still needed.

The general idea of the ALI Principles is to concentrate IP litigation in a few courts by the agreement of the parties so as to expedite litigation while developing the most competent judges. Of course, in Europe at present, some scholars voice the fear that U.S. courts will often be designated because of their experience and expertise. Some South countries could be upset.[34] However, the ALI Principles do not pursue the concentration of IP litigation in only one State. Rather, they purport to let the marketplace dictate where this concentration should lie in the global village, inasmuch as the parties wish it and provide for it.

32. *Id*. § 202(4). Non-negotiated contracts are also commonly known as "adhesion" contracts. With respect to non-negotiated contracts, the Principles posit that the agreement will be in some form of writing, and will be both consultable and comprehensible by the non-drafting party. Thus, in order for a choice of court agreement to be valid for non-negotiated contracts, the terms of the agreement must be sufficiently apparent with respect to accessibility, typographic readability, and national language so as not to cause surprise. *Id*. § 202(4)(a)(iv).

33. For a discussion of online adjudication and the effect of the internet on alternative dispute resolutions, see Robert J. Howe, *The Impact of the Internet on the Practice of Law: Death Spiral or Never-Ending Work?*, 8 VA. J. L. & TECH. 5, 29–33 (2003).

34. South countries, or developing countries, may become upset because only a few cases should be brought before their courts as their jurisdictions are not very efficient.

D. Consolidation of Several Parallel Lawsuits

Another key component of the Principles focuses on consolidation of territorial claims before one court, even in the absence of an agreement by the parties. Such consolidation will be decided, upon the motion of a party or *sua sponte*, by the court first seized.[35] However, there is an exception for a declaratory action for non-infringement or invalidity of the IP rights because the Principles do not favor *lis pendens* effect when alleged infringers take this preemptive step.

The conditions necessary for consolidating actions are numerous. First, the court must have personal jurisdiction over the litigants.[36] It may obtain personal jurisdiction based upon residence of one or several parties in the forum, by agreement, or based upon a wrong committed in that forum.[37] In addition, the consolidating court shall enjoy subject matter authority. But, failure to attain personal jurisdiction over at least one of the parties denies the court the ability to consider consolidation.[38] Moreover, the law of the forum must also allow for consolidation.[39]

Second, the actions to be consolidated must be related, i.e., the claims are to arise out of the same transaction or series of transactions or occurrences.[40]

Third, if there are only two litigants, the court should consider as its main test whether consolidating would promote efficiency and conserve both judicial resources and the resources of the parties.[41] Although not the only test, efficiency is of great significance. However, this test is not currently mentioned in the case of multiple litigants. Alternatively, if there are multiple litigants over whom there exists personal jurisdiction, one of the tests should be whether inconsistent judgments could result if multiple courts adjudicated the related claims. The other test should be efficiency.

35. ALI PRINCIPLES, *supra* note 1, § 222(1).
36. *See id.*, part II, §§ 201–208 (Jurisdiction).
37. *Id*.
38. *Id*. § 211, cmt. b.
39. *Id*. §§ 221, 323.
40. *Id*. § 222(1)(f).
41. *Id*. § 222(1)(a), (b), (d), (e), (g), (h).

Once the decision to consolidate in principle has been taken, the next question to consider is which court should take the case. The Principles support a multifold test. The following questions must be considered: Where does the center of gravity of the litigation lie? Does the court have jurisdiction over as many parties as other courts? Can the court adjudicate all the territorial rights at issue? What is the difficulty of managing the litigation if consolidated? Should the court consolidating consider novel or complex questions of foreign law? And, do procedural rules allow the consolidating court to decide the factual issues involved in the case?[42] Furthermore, in cases based upon a contractual relationship, a series of further tests apply such as the possible forum selection clause and the residence of the parties.

No consolidation is needed if defendants are jointly and severally liable because one of them can be sued for all the damages wherever it occurred. As to consolidation, the group of companies[43] doctrine is not mandated by the Principles, although it is familiar to French practitioners.

Next, we will turn to the conflict of laws issue. Of course, it is closely related to consolidation. Therefore, the Principles allow, for example, a court to disregard the principle of territoriality, and the ensuing application of many laws, if it is unduly burdensome to decide on the basis of all the laws of the territories involved.[44] This will often occur in consolidation cases.

IV. APPLICABLE LAW

A. Traditional Rules

Generally speaking, the territoriality of intellectual property rights precludes the conflict of law issues to arise at all, if not the conflicts of interests and policies.[45] This rule applies to the existence of the rights and the defenses, as well as injunctive

42. *Id.* § 222(4).

43. *See, e.g.*, P. Reymond, *Les groupes de sociétés dans quelques systèmes nationaux: regard particulier sur le droit à l'information, Aspects de droit comparé et de droit international privé*, ASPECTS DU DROIT INTERNATIONAL PRIVÉ DES SOCIÉTÉS, JOURNÉE SUISSE DE DROIT INTERNATIONAL 8 (1995) (providing a short description of French doctrine about groups of companies).

44. ALI PRINCIPLES, *supra* note 1, § 302(1)(c).

45. *Id.* § 301(1).

relief and other remedies. The ALI Principles have been premised up to now on the *impacted market* test,[46] but this may change in the future. There are, however, two areas where the territoriality principle is of no relevance.

The first area in which the principle of territoriality is not useful involves rights which are not registered because it is too difficult for the right to be ascribed a definite location. Examples of IP rights which often suffer from this problem include: unregistered copyrights, trade secrets, right of publicity, rights or factual situations protected under unfair competition law, and protection of unregistered designs. It might be argued that these areas may still be subject to territoriality, in the sense that claims under those rights will be subject to the law of the country for which protection is sought. From a European viewpoint, although the national traditions may differ in practice, the principle of the country of origin (*Cassis de Dijon* Principle)[47] might be found applicable.[48]

The only question is whether it is truly feasible for these new rights (as opposed to patents, trademarks, registered designs,

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46. *Id*. § 301(2).

47. Case 120/78, Rewe-Zentral AG v. Bundesmonopolverwaltung Fur Branntwein (Cassis de Dijon), [1979] E.C.R. 649. Under the *Cassis de Dijon* principle, any product lawfully produced and marketed in one Member State of the European Union must be admitted to the market of any other Member State. The territoriality principle is the first and foremost rule of conflict in IP matters. However, in matters of unregistered rights, the question of the applicable law to the infringement of an IP right is controverted: for some scholars, the law of the country of origin (e.g., the country where the work was originally published) should govern the content of the IP rights wherever the infringement occurred (universality principle). For further developments on the universality principle see HAIMO SCHACK, URHEBER- UND URHEBERVERTRAGSRECHT 356 (2d ed. 2001). This novel point of view is not taken into consideration in the ALI Project, which may be seen as narrowly conservative in this respect.

48. *See* Case C-3/91, Exportur SA v. LOR SA and Confiserie du Tech SA, [1992] E.C.R. I-5529 (The court held that the protection of geographical names extends to names commonly known as indications of provenance, used for products which cannot be shown to derive a particular flavour from the land and to have been produced in accordance with quality requirements and manufacturing standards laid down by an act of public authority. Such names may enjoy, as do designations of origin, a high reputation among consumers and constitute for producers established in the places to which they refer an essential means of attracting customers and are therefore entitled to protection.).

plant varieties and chips [semi-conductor]) to be subject to very diverse laws. For the moment, the ALI Principles direct the IP owners to find protection under each territory's law and precedents precisely because those rights are not always protected under an international convention or have only a minimal protection as exists, for example, for trade secrets under Article 39 TRIPS.[49]

The second arena where territoriality has no relevance involves those IP rights in which ownership is better regulated in a centralized manner. Most recent endeavours to determine who is entitled to claim ownership of a copyright or a patent lead to the application of the law of origin of the work (recent Greek law) or the law of the employee relationship. For example, under the Munich Convention on Patents,[50] in employee-employer cases, the law to apply is the law of the place where the employee is mainly employed, or, if it cannot be determined, the law to be applied shall be that of the State in which the employer has its place of business to which the employee is attached.[51] It is along those lines that IP ownership is regulated in the ALI Principles.[52] However, a much-disputed provision on

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49. TRIPS Agreement, *supra* note 10, art. 39. Article 39 states:

> 1. In the course of ensuring effective protection against unfair competition as provided in Article 10*bis* of the Paris Convention (1967), Members shall protect undisclosed information in accordance with paragraph 2….
>
> 2. Natural and legal persons shall have the possibility of preventing information lawfully within their control from being disclosed to, acquired by, or used by others without their consent in a manner contrary to honest commercial practices so long as such information: (a) is secret in the sense that it is not, as a body or in the precise configuration and assembly of its components, generally known among or readily accessible to persons within the circles that normally deal with the kind of information in question; (b) has commercial value because it is secret; and (c) has been subject to reasonable steps under the circumstances, by the person lawfully in control of the information, to keep it secret.

Id.

50. Munich Convention on the Grant of European Patents, Oct. 5, 1973, 1065 U.N.T.S. 255, 13 I.L.M. 270.

51. *Id*. art. 60(1).

52. ALI PRINCIPLES, *supra* note 1, § 302(1)(b).

transferability of IP rights refers back to territoriality.[53] In Europe, we think it is a setback to fragment the entitlement to a given IP right under several municipal laws, which is the basis for valid assignments or licenses throughout the world.

B. Internet, Global Village, and Territoriality

A new concern has emerged that the internet will change the paradigm of conflict of laws. No localization is meaningful when a given content can be downloaded in hundreds of jurisdictions. The answer is not to consider uplink as determinative because that makes it too easy for infringers to go to a copyright or IP heaven. Instead, the infringement happens where the market is impacted. A *substantial impact* must be the test, not an intentional targeting. There may be several countries where infringement takes place. However, these problems can be alleviated with some preemptive measures such as installation of a filter, or refusal to sell to clients from a given country or countries which would preclude the risk of liability for infringement on the IP rights in these countries. The balance of interests is to be found between e-business and content providers, allowing e-businesses, on the one hand, to target some markets, but making them accountable, on the other hand, for infringement occurring in the markets from which they derive their benefits.

V. CONCLUSION

The first reactions to the ALI project have been surprisingly positive, particularly in the United States. In Europe, some criticism has been raised about the potential concentration of power that would fall to the jurisdiction of the U.S. courts. Criticism has also been voiced about the application of U.S. law on the issue of ownership, specifically work for hire, which would benefit American cultural industry. These concerns are largely unfounded and can be easily alleviated by understanding the objectives of the Principles. One way these fears should be quelled is by understanding that consolidation of all litigation outside the U.S. courts is possible. Additionally, although beyond the scope of this short Article, another way to assuage

53. *Id.* § 314 ("The transferability of rights is determined by the law of each State for which the rights are exercised.").

these concerns is to remind critics that the Principles allow for the refusal of enforcement of U.S. judgments abroad if they are contrary to local public policies.