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REMARKS BY GRAEME DINWOODIE*

ROBERTA: I think we're ready to start the second panel on this very interesting conference.

PROFESSOR GRAEME DINWOODIE: Thank you, Roberta. I am going to comment on several developments in this area in common law systems, and then try and relate those comments to the ALI proposal that we have been discussing. It is important, as we assess the ALI proposal, to look at what the alternatives are -- and one obvious alternative is the current system. Whatever criticisms might be made of the ALI proposal, one has to bear in mind is that we should not compare the proposal to some perfect, pristine, model of certainty that presently exists; the current system is far from perfect, and certainty is not one of its hallmarks.

First, I agree with both Rochelle and François that this topic can really only be addressed by looking at all of the different components of what Rochelle called the "jigsaw puzzle" of private international law, namely, jurisdiction, choice of law or applicable law, and recognition of judgments. One of the major advantages that the ALI proposal has over the initial Hague project is that it does address all three of those issues. I understand why the Hague proposal was different; relevant political forces led to the particular structure of a mixed convention without choice of law. And I also understand the political climate in which the Europeans adopted the Brussels Convention, the double convention dealing with jurisdiction and judgments but not choice of law. But the dynamics between choice of law and jurisdiction and enforcement are very, very important in coming to a solution that allows us to deal efficiently with multi-territorial disputes. Including choice of law in this discussion is thus absolutely vital, and I think that having us address that topic is in itself a great contribution that we can attribute to the ALI project.

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Unfortunately, however, intellectual property lawyers have never thought all that consciously, maybe even not all that subconsciously, about the separation of these three different components of private international law. Private international lawyers do so all the time, but in the past intellectual property lawyers didn't. In part, that's because intellectual property lawyers almost never thought about private international law at all until the early 1990s. There wasn't much of a developed body of scholarship that would have assisted in maintaining a clear separation. Indeed, when you look at the leading international intellectual property cases and at some of the relevant doctrines that have developed in recent years, the tests used to determine questions of adjudicative jurisdiction are very similar to some of the tests used to determine applicable law. These questions do converge, but I think it is very important for us to keep them separate.

Notwithstanding the lack of real attention to the private international law implications of intellectual property, there were doctrines in the common law intellectual property systems that operated in a variety of ways to act like private international law doctrines. They all flowed from the principle of territoriality, about which several people have already spoken. Most conflicts scholars would take the question of territoriality to be a principal focus of *their* discipline, even though intellectual property lawyers did not think about it in those terms.

As Sam said, the principle of territoriality goes as far back as the Paris and Berne Conventions in the 1880s, when it was firmly ensconced as a core principle of international intellectual property law. The principle was more recently reiterated by effective incorporation of the Paris and Berne Conventions in the TRIPS Agreement ten years ago. Putting historical explanations aside, however, the principle of territoriality is in fact an underlying principle of a lot of law. Intellectual property law is not unique in having a territorial component. And I think it's important to bear in mind that there's reason to support the principle on grounds of both principle and pragmatism. But we might re-assess our commitment to the historical principle differently when we look separately at those two considerations of principle and pragmatism.

Under the heading of principle, the normatively appropriate prescriptive authority (or reach) of states has tended historically to be defined by territory. Put another way, the prescrip-

tive interest of the state largely stopped at its borders. The Internet, the topic of our conference, arguably has changed that notion of the appropriate prescriptive authority of the state.

But there are a couple of easy traps into which one can fall in trying to define appropriate prescriptive authority in the Internet-era. It's too easy to assume that, because of the ubiquity of the Internet, all interests that were nationally-defined suddenly become global in nature. That's a very easy -- and dangerous -- trap into which to fall. First, we might not, as a normative matter, like the notion of all interests being defined globally. We might think there is some value proactively in creating a culture in which there is a positive value given to difference. And therefore we might want to resist this idea that the reach of a state's interest should now operate on a global level. And obviously that observation reflects a broader debate about the dangers and values of globalization.

Second, although the Internet has clearly altered the scope of states' legitimate interests, and now gives states legitimate prescriptive interest in areas where they previously would not have had them, that enlarged prescriptive authority is no longer exclusive. It's more often shared. States may previously have thought that the territoriality principle gave them exclusive authority to act in a particular sphere without having to take account of other states' interests. This is not so true now. States surely can now act legitimately in a larger number of less territorially-confined areas, but they also have to take greater account of the interests of competing states. We should bear in mind these kinds of considerations of principle -- that is to say, the actual prescriptive authority that we might want to accord to states -- as we construct any system.

Earlier, I said that, in addition to considerations of principle, territoriality reflected pragmatism or practicality. Private international law is really all about practicality, about enforcing rights, as I think Graeme Austin commented at the WIPO Forum a couple of years ago. Issues of enforcement, effective enforcement, and certainty for actors in the commercial sphere, are all relevant..

Obviously the Internet is changing this consideration as well, because an online actor is less certain than his offline colleagues about the legal regimes to which his conduct is going to be subjected. Practical certainty is an important consideration, and you see some of that reflected in the ALI project. So, for

example, when Rochelle was talking about the considerations that the current draft lists as relevant to when we might want to consolidate cases in a single court, these were very practicality-oriented considerations. The ALI project appropriately takes practical considerations into account.

But we must also think about the first consideration that I mentioned, namely, questions of principle. So how *should* we reconfigure territoriality in the climate of the Internet?

The proposition with which Sam started, and which both Rochelle and François endorsed, and that no one since has disputed, is that intellectual property law is territorial. But that proposition masks a variety of different sub-propositions. There are different parts of intellectual property law that have a territorial dimension, and it's worth separating them in order to work out where we are focusing in today's discussion.

First, you can say that the scope of intellectual property rights is territorial. In use-based trademark law systems, for example, the scope of a trademark owner's rights only goes so far as the goodwill that attaches to its mark. Similarly, the British copyright statute says that the copyright owner has the exclusive right to do and to authorize the defined acts with respect to its work *in the United Kingdom*. Rights are territorial.

Territoriality also affects the legal norms or the rules that are applicable in intellectual property disputes. We have national intellectual property laws; we have territorial laws.

We also have national systems (or territorial systems) of enforcement. Courts generally have adjudicative authority defined, among other things, by territory. Indeed, historically, common law courts have restricted their adjudication of intellectual property matters to activities occurring within their territory and to activities respecting rights conferred with respect to that territory.

Finally, you have territoriality of acquisition mechanisms. When we're dealing with rights that require registration or application to secure protection – so we are talking mostly about industrial property regimes – acquisition procedures operate on a territorial basis. There are mechanisms, such as the Madrid Protocol or Hague design agreement, designed to facilitate the acquisition of territorial (national) rights on a multinational basis. And the Community Trademark has made the proposition less absolute. But even these examples are essentially grounded in the territorial model.

Our discussion today has focused on the national enforcement model. But what changes we make with respect to the national enforcement model will affect those other issues. And what we do by way of consolidation will affect, I'll suggest in a minute, what we might do in choice of law. Similarly, one of the things that could be done to ameliorate some of the problems of multi-territorial enforcement would be to have systems for acquiring rights that made it easier to secure rights on a broader geographic scale. As I mentioned, we have some mechanisms in the industrial property area that allow us to do that, and therefore ameliorate to some extent problems of enforcement that are greater in the copyright area. I'm going to talk now about the territorial *enforcement* model because I think another great contribution of the ALI project is to start a discussion about consolidation in intellectual property cases. But I stress that changes in the enforcement context are going to operate dynamically with these other aspects of the territoriality model.

First, I'll sketch some of the common law doctrines that courts have begun to develop in order to deal with some of the problems we have been discussing. This will be valuable, I hope, because, as I said at the beginning, we have to measure the ALI proposals against real-life alternatives to fairly assess the contribution that those proposals might make.

The doctrines that different common law countries use to implement a territorial approach to enforcement sometimes have different names, but they operate in largely the same way. In copyright law, there remains a pretty strong commitment to the principle that laws do not operate extraterritorially. Certainly in the United States it is a mantra that copyright courts repeat with some regularity. However, the US courts have developed theories or devices by which they have been able to apply American law to activity that occurs either wholly or partly abroad. For example, US courts have said that if an infringing act in the United States enables further infringements abroad, a plaintiff can sue in the United States and obtain relief (obtain damages, or in the Ninth Circuit now, just profits) for the activity both in the US and abroad. This doctrine has a variety of names. Some people call it the root copy theory. Other people call it the predicate act theory. But it's a theory that's been accepted both by the Second Circuit (for 60 years) and the Ninth Circuit for a couple of years. I would say that it is now a majority theory throughout the US, and also serves as a way of apply-

ing a single law, American law – we shall get back to that point later – to essentially what is a transnational problem.

Moreover, once courts started thinking about copyright choice of law rules in the 1990s, those rules became quite flexible -- and flexible is the polite term for manipulable. This flexibility allows courts to localize what are essentially transnational acts within the United States. But an important point here is that choice of law rules sometimes don't come bearing that label. You do of course get choice of law rules that are announced as such. The leading case in the United States is *Itar-Tass* in the Second Circuit from 1998. There, the Second Circuit said that, in determining the ownership of a copyright to be enforced in the United States courts, we will apply the law of the most significant relationship to the parties and the transaction. That is in essence the test from the second restatement of conflicts. The court looked especially to the factors of the authors' nationality (in that case, Russia) and place of first publication (which was also Russian). It thus applied Russian ownership rules to determine who owned the copyright that would then be enforced in the United States with respect to US infringing acts. On whether the acts occurring in the United States were infringing, the court essentially applied the *lex loci delicti*. Although the court nominally defined its approach as interest analysis, it came very close to applying *lex loci delicti*. The place of publication was New York and so they applied US law to the question of infringement.

This approach is perhaps unduly flexible. The most significant relationship test can allow you very easily to localize acts that are essentially transnational disputes within one country, and there will often be several localization options. And the same is true regardless whether the law applicable to infringement is determined by a general interest-based, or policy-based, approach rather than the traditional *lex loci delicti* approach. There are simply too many potential *loci delicti* online.

I said earlier that there are rules that operate as choice of law rules but are not labeled as such. What I'm thinking of here are instances in which the US courts have defined key concepts that are relevant to an essential element of the intellectual property cause of action. So, for example, to establish a violation of the public performance right of the copyright owner, the plaintiff must show that the work has been performed. How you define performance will affect whether or not you can localize

and establish a cause of action under one set of laws as opposed to another. So, in a Ninth Circuit case where there was a satellite transmission from the United States to Canada, the Court held that a performance occurred only where the signal was received. That was in Canada, so we didn't have a performance, and we didn't have a cause of action under US copyright law. The Second Circuit, in contrast, in *National Football League versus Primetime 24*, disagreed and held that every single step in the process from the uplink of a signal to the reception can be a performance within the meaning of the statutory term. Technically, the solution to this question was not cast as a choice of law rule. The courts were seeking to define the substantive right of the copyright owner. But that interpretation of "performance" essentially allowed the Second Circuit to localize almost any satellite transmission it wants in the US -- either it goes from the United States or comes into the United States. So there is a manipulable choice of law rule embedded in this substantive concept. The WIPO Standing Committee in Trademark has adopted a Recommendation about the concept of Use on the Internet that likewise effectively operates as a choice of law rule, even though it is also cast as a set of substantive rules of trademark law. I think Annette Kur may talk about the Recommendation this afternoon.

Increased flexibility for copyright litigants can also be seen outside the choice of law context. Recently, US courts have indicated a willingness to allowed claims under foreign copyright laws to be tried in the US courts. This time, the courts are respecting the foreign law. They are applying the foreign law, but are still modifying the territorial model of enforcement. The most notable example of this is the *Boosey and Hawkes* case from the Second Circuit in 1998 where the Second Circuit reversed a district court decision saying that as a matter of forum non conveniens doctrine, it was not convenient to have to apply eighteen foreign copyright laws. And the Second Circuit, not being a trial court, said the district court would be just fine applying eighteen foreign copyright laws, and thus shouldn't have dismissed the case under forum non conveniens.

So even in the absence of a treaty and without the ALI project, you can see, particularly in the last six years in New York, that the Second Circuit has endorsed efforts to move beyond the national model of enforcement.

As a caveat to such flexibility, take note of a slightly aberrant Ninth Circuit decision, *Creative Technologies versus Aztec*. There, the Court dismissed on *forum non conveniens* grounds what was in large part an American copyright claim and part of a dispute between two American subsidiaries of Singapore companies. The Court allowed the case to be litigated instead in Singapore on the grounds, in part, that the plaintiff could always sue in Singapore for the American copyright infringement. So, although US courts may be more willing to adjudicate foreign claims in the United States, the *quid pro quo* might be the possibility that foreign courts might likewise adjudicate American copyright claims. This reinforces my earlier observation regarding the phenomenon of shared prescriptive authority.

Trademark law has not undergone quite the same changes as copyright law. In trademark litigation, there is still substantial resistance to adjudicating foreign trademark claims or protecting foreign trademark rights. The most notable example in the last couple of years is the *Barcelona.com* case in the Fourth Circuit. The reasons for that resistance are essentially twofold. First, it is thought that to adjudicate foreign trademark claims would involve passing on the validity of the act of administrative officials of the other state, i.e., the trademark-granting officials, and thus violate principles of comity. Second, it is argued that domestic courts lack judicial competence to apply foreign trademark law. These arguments appear, to me, to be unpersuasive. Although assessment of factual issues such as consumer understanding might come more naturally to domestic courts, the application of trademark *law* is hardly so much harder than the application of copyright law. The challenge in the trademark context is how to minimize the substantial factual differences between claims under different foreign laws rather than worrying about judicial competence.

While there has been this reluctance in US courts to adjudicate foreign trademark claims, there has not been a parallel reluctance to apply American trademark law to almost any dispute that can be adjudicated in the US courts. Some of this assertiveness has been prompted by the *in rem* jurisdiction of the Anti-Cybersquatting Act. This jurisdiction provision allows plaintiffs to litigate a cybersquatting dispute in the Eastern District of Virginia if you're in the dot com or dot org domains, if the court has no *in personam* jurisdiction over the domain name registrant-defendant. But even in *in personam* actions under

the cybersquatting statute, American courts have denied forum non conveniens motions in cases that appear to be largely foreign. And trademark law does apply extraterritorially under the Lanham Act in a range of defined circumstances, unlike copyright law.

It is good to see patent law in the ALI project. The Internet has raised a smaller number of patent law issues, because Internet activity appeared at first to implicate few patent rights. But to the extent that we move towards acceptance of business method patents, we could expect to see some of the same problems arise in patent law.

So that's where things stand at the moment in patent, copyright and trademark law in the common law system. What further developments might we want to see either through the modification of those doctrines or in the ALI project? First, let's consider the extent to which we differentiate the treatment of copyright, on the one hand, from patent and trademark, on the other, in adjudicating foreign claims. As I said, the reasons for more caution with respect to patent and trademark claims are a hesitation before passing on the validity of a foreign right and a belief that our judges simply do not have the competence to apply foreign or trademark or foreign patent laws. I've never been persuaded by the mighty offense that foreign nations would suffer. Given the nature of the act – it takes a small amount of time to determine whether to grant a trademark registration – is it really to be regarded as a fundamental act of the state? In an era where we have to come to some compromise on the exercise of shared authority, can't we compromise on that issue?

The competence issue surely suggests some degree of arrogance on the part of intellectual property lawyers. Do we really think that what we do is so tough that no one else in another country could possibly understand it? There are very fine judicial networks now established among intellectual property judges of different countries. On a regular basis, judges meet each other, they lecture to each other, they communicate with each other at conferences. Intellectual property judges may know more about the intellectual property laws of other countries than most of the non-intellectual property judges in those other countries. There's a fair case to be made that a British or German patent judge could apply American patent law as knowledgably as a district court judge in the United States. And I say that with all due respect to district court judges who

don't maybe get as many of those cases as would be necessary to develop expertise. And public law harmonization of trademark laws has probably also made the judicial task a bit easier because the basic issues in trademark law are largely common throughout the world.

Moreover, as I said earlier, we must compare the consolidation provisions in the ALI proposal to existing litigation models. How does the ALI proposal compare to litigants suing serially, country by country? Subject to the Second Circuit's modifications in copyright, this is what will otherwise occur. Clearly, in theory, costs and uncertainties are reduced by litigating in a single court. But that might only be in theory. In the last six years the courts have allowed several foreign copyright claims to proceed. However, almost none of those cases went to trial. There are substantial complexities involved in trying cases under eighteen foreign laws. If costs savings are to be real, there might be a temptation to simplify the proceedings. If a trial judge recognizes that because a work has been published in 140 countries on the Internet, she has the prospect of trying a case under 140 different laws, the application of forum (American) law may be very attractive. If forum law looks similar to the Italian or French or other potentially applicable laws, there may be a temptation to apply a single law in order to realize the efficiencies that we're trying to achieve through consolidation in a single court. That's a temptation that we at least need to be aware of, because there may be times when application of a single law will be inappropriate.

In that context, I was surprised to hear François' defense of territorialism in copyright. On other occasions, I have sensed that, at least in the Internet context, and contrary to the protestations in the ALI commentary, it would be exceptional to adhere to copyright territoriality under the ALI Principles. That's an issue I hope we can get to during discussion.

A second point of comparison between the ALI proposal and the current system of international intellectual property litigation might be the extent to which it would effect the Americanization of international intellectual property law. With respect to trademark law, I would argue that the ALI project might encourage the de-Americanization of trademark law because at present the US courts essentially apply American law, particularly in domain-name-related disputes, to almost any case over which they can obtain adjudicative jurisdiction. A system that

encouraged consolidation in other courts might encourage the development of law from elsewhere. And even if that consolidation occurred primarily in the United States, consolidation and liberal approaches to the adjudication of foreign claims might free U.S. courts to apply laws other than that of the United States.

Roberta, how much time do I have left?

ROBERTA: Oh, five minutes.

PROFESSOR DINWOODIE: All right. Moreover, whether under the current system or the proposed ALI system, there is real need for what might be called “a bit of give and take.” Steve Burbank has a good phrase that captures this: “Jurisdictional Equilibrium.” As *Creative Technology* suggested (though perhaps on the wrong facts), a jurisdictional balance will be achieved by courts deciding occasionally to decline jurisdiction, and occasionally to accept consolidated jurisdiction. No system will work if every court that sees a chance to control consolidated litigation grabs it. There has to be some restraint. With some exceptions, the problems we are discussing are characterized by an excess of prescriptive (and possibly adjudicative) authority. Lack of authority is rarely the problem. Therefore courts have to draw back from taking every single case that they can plausibly hear.

The need for restraint is in fact something that will pervade any system for resolving the type of multiterritorial disputes that we have been discussing. I noticed some of the general sentiment in the Court’s opinion in the recent Canadian Tariff 22 litigation. The Canadian Supreme Court said, first, that the Canadian legislature could enact laws that covered the foreign online conduct but, second, the court stressed that it would separately consider whether the legislature actually exercised that authority. That’s something you don’t see as much of in US opinions.

A set of rules on recognition is itself a form of restraint. That is to say, if states agree to recognize judgments of other courts, that decision is essentially an obligation to defer from reaching an independent judgment on a case that domestic courts might otherwise be able to hear. And so rules on recognition are an important part of the philosophy of restraint.

Another context in which the philosophy of restraint will play out will be in devising remedies in multi-territorial disputes. In recent years, in a number of cases, courts have recognized that

limited remedies will be important to consider when dealing with an Internet dispute. When relief affects the interest of other states, courts might have to tailor the remedy to allow legitimate activity in those other states to continue. The SCT WIPO Standing Committee on Trademark Recommendation on the Concept of Use on the Internet endorses this approach. And you can find it implicitly in the opinions of some US courts, such as the *Playboy versus Chuckleberry* decision of the Southern District of New York.

Let me acknowledge one caveat to efforts to offer nationally-configured relief in online disputes. As a normative matter, some commentators do not like the idea of deviating in any way from the (purported) premise of global space that underlies the Internet. Relief built upon technological measures that undermine the notion of global space (and impose technological mandates on defendants that will raise the costs of online activity) will be fought by some Internet advocates because of their vision of the Internet. This is a fair concern, but so too is the respect for different national intellectual property laws.

Just two other comments as I'm running out of time. First, in devising rules in the online environment, we should be careful not to become too Internet 2004-specific. The Internet is not a constant target. The structure of the Internet, how people act on the Internet, how they use domain names, keywords, and URLs as ways of getting around on the Worldwide Web, . . . these change all the time. One of the weaknesses of the Ninth Circuit decision in *Grokster*, I believe, is attaching legal significance to whether an index is centralized, decentralized, or dispersed over super-nodes without articulating the policy significance of those different technological constructions. So I would caution against building into the rules things that appear to be entirely specific to this current technology.

Finally, there is the politics of all of this. Maryellen mentioned that she thought these initiatives were a little bit unrealistic in 1997. There are some people who think it's still unrealistic. I'm definitely not one of them. I think this is a tremendous project that ALI and the reporters have undertaken. However, it is worth trying to explain what can be explained about the politics of these projects and their critics. I believe that many of the unconditional critics of the ALI proposal may disagree with the initiative for two different, though related, reasons. The first is rooted in a debate about how international

versus national we want our contemporary life to be. In these discussions, this is indeed likely to be the more explicit basis for objection. The implicit and sometimes unspoken reason may be that some commentators may see internationalism as a proxy for high or low levels of intellectual property protection.

That is to say, although François described applicable law rules as “neutral concepts,” which may reflect a first Restatement notion of conflicts in the United States, current American conflicts scholarship probably would not characterize applicable law rules in those terms. Likewise, some of the critics of the ALI Proposal would contend that it contains a substantive bias. Although I am receptive to the notion that procedural rules are never fully neutral, I agree with Rochelle and François that the ALI proposal does not a substantive bias in favor of one view of intellectual property law. I think the examples Rochelle used -- Grokster being sued both in Australia and in the United States, Lindows being sued in Europe after Microsoft thought that the result in the US litigation was not free from doubt – showed that a system such as envisaged by the ALI proposal can effect a shift that is pro-defendant as well as pro-plaintiff.

A value we've always had in the international intellectual property system is the autonomy of states to determine what cultural values they want reflected in their intellectual property law. There is value in the diversity of law. But consolidation may be the surest way to protect those values. If consolidation of national claims in a single court is not permitted, plaintiffs will seek extraterritorial rulings, and they will seek to extrude a single law to decide transnational disputes. If states allow consolidation, then courts might, subject to the temptation that I mentioned, respect the national laws of different states with legitimate interests and therefore preserve the national autonomy of member states. And that is a strong argument against critics of the ALI project. Thanks.