Rome II and Intellectual Property Infringement

Dr. Kyung-Han Sohn*

I. Introduction

In 1968, the European Economic Community has set a Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters (the “Brussels Convention”) to harmonize the rules on jurisdiction, mutual recognition and enforcement of the judgment in civil and commercial matters rendered in one of the Member States.

In 1972, the Commission of the European Communities first proposed the draft convention for the contractual and non-contractual obligations. However, only the Convention on the Law Applicable to Contractual Obligations was adopted in 1980 (“Rome I”) while leaving the law applicable to the non-contractual obligations unresolved. To extend the harmonization of the rules of private international law to the non-contractual obligations, the Commission proposed a draft Convention on the Law Applicable to Non-contractual Obligations (the “Commission Draft”) in July 2003, which has been revised by the European Parliament in November 2004 (“the Parliament Draft”)1.

The author will examine the Parliament Draft of Rome II’s approach to applicable law to non-contractual obligation in general and then applicable law to intellectual property infringement in the age that when the “lex loci protectionis” rule can no longer maintained in intellectual property infringement litigation involving a multiple of countries or global level via Internet.

II. Basic Principles of Rome II

The basic principle of the Commission Draft takes the *lex loci delicti commissi*, i.e. “the law of the country in which the damage arises or is likely to arise” as a general rule. (Art. 3, Commission Draft). On the other hand, the Parliament Draft takes a position that a governing law for non-contractual obligation, is to be called as the “most closely connected”2 rule which means “unless otherwise provided for in this Regulation, the law applicable to a non-contractual obligation arising out of a tort or a delict shall be the law of the country with which the non-contractual obligation is most closely connected (Art. 3(1), Parliament Draft).

However, this general rule will be supplemented by the presumptions as follows in order to determine the applicable law in a particular case: (a) the habitual residence if plaintiff and defen-

---

* Senior Partner, Aram International Law Offices, Seoul Korea, LLB, Osaka University, 2002; Research Fellow, Max Planck Institute, Germany, 1988; LLM and SJD abd, University of Pennsylvania law school (1985, 1986); LLB and LLM, School of Law, Seoul National University (1973, 1983); Email: khsohn@aramlaw.com.
dant have the their habitual residence in the same country when the damage occurs; (b) for personal injuries, the law of the victim’s country of residence will govern; (c) where appropriate, the law of country in which the most significant element or elements of the loss or damage occur or are likely to occur will be applicable; or (d) a manifestly closer connection with another country may be based in particular on a pre-existing relationship between parties (Art. 3(2), Rome II). Further, if the cause of action arises from a defective product, the law to the country or countries in which a product was intended to be marketed or to which it was specifically directed should be taken account into the consideration.

While the Commission Draft takes the position of “adopting a general rule coupled with special rules for specific non-contractual obligations”, the Parliament Draft has “opted for a single principle and a set of presumptions designed to assist the courts in determining the applicable law”.

Another important aspect of the Parliament Draft is the fact that it takes account of the case law of the Court of Justice of the European Communities including judgment in Case C-68/93 Fiona Shevill and Others [1995] ECR I-415 and thereby applying the manifestly closer connection rule to violations of privacy and personality rights owing in particular to the role played by the media in society. Under Article 6 of the Parliament Draft, there is presumption that a manifestly closer connection exists, if a publication or broadcast is principally directed or the language of the publication or broadcast or sales or audience size in a given country as a proportion of total sales or audience size. This presumption is required to apply in respect of Internet publication as well.

It is of the author’s opinion that a flexible approach taken by Rome II, which was a considerable development from the Commission Draft, should apply not only to general non-contractual obligation but also to matters involving general intellectual property infringement.

III. Governing Law of Intellectual Property

1. Traditional Views

In general, there exist three categories of the views with regard to the governing law of the intellectual property: (1) the country of origin rule; (2) lex fori rule; and (3) lex loci protectionis rule. If applying the country of origin rule, it would render the judgment applying the law of the country of origin of the intellectual property with respect to intellectual property rights can be universally enforced. Under the lex fori principle whose view was taken by the most common law countries with intellectual property rights, the court is required to apply the substantive law of the forum. Under the lex loci protectionis principle, a prevailing European view that the Parliament Draft as well as the Commission Draft had embraced, “the law of the country for which protection is sought” is taken for the governing law.

2. Max Panck Institute/Kur’s Proposal

Unlike Rome II, the Max Panack Institute/ Kur’s Proposal ("Kur’s Proposal") on jurisdiction in intellectual property matters deals with governing law and jurisdiction to determine existence, validity, and scope of the intellectual property right as well as infringement. As a general rule, the Kur’s Proposal has employed the “lex loci protectionis” rule, which means with respect to intellectual property infringement occurring several countries specified in the claim, “the law of the country for which protection is sought” is applicable.
However, there exists exception that with respect to infringement occurring in an unspecified number of countries, and thereby an alleged infringement is ubiquitous, the court is required to apply the law of the country having the closest connection with the infringement in its entirety. In determining which country has the closest connection, the court is required to consider “the center of gravity of the infringer’s business undertaking and the extent of the activities and the investment of the right holder.”

Moreover, unlike Rome II, the Kur’s Proposal explicitly deals with trans-border conflicts in connection with an infringement of the intellectual property rights. The MPI / Kur has explicitly proposed that the *lex loci protectionis* rule, the basic rule for choice of law, should be combined with a market impact rule for the trans-border conflicts involving an infringement of the IP rights, thereby stating that “in case that the country for which protection is sought is the country or each country, in which an infringement occurs or where the remedies shall become effective in trans-border conflicts, an alleged infringement shall only be held to occur in a country if it has substantial impact on the domestic market.”

3. American Law Institute Proposal

The American Law Institute Proposal (“ALI Proposal”) takes the territorial rules as a general default position for the general infringement of intellectual property rights, i.e. as a general rule, with respect to rights that arise out of registration, the law applicable to determine the existence, validity and scope of those rights and remedies for their infringement is the law of each country of registration. However, the ALI takes the view that with respect to other intellectual property rights, the rule of territoriality should be narrowed down to the law of “any country where the alleged infringing act has or will significantly impact the market for the work or subject matter at issue.

The ALI is also aware of the necessity of deviation from the rule of territoriality rule, therefore suggests some alternatives, selecting as the governing law in the following exceptional circumstances: (a) if it is more closely connected to the law of another country; (b) if the court finds that its ruling will potentially impact territories outside jurisdiction and it is unduly burdensome to decide on the basis of territory rules; (c) if there is preexisting relationship between the parties; or (d) if the content of the applicable substantive law cannot be ascertained. The most closer connection rule with respect to multi-territorial claims can be meant to be the law of country where one country’s market is particularly important to the right holder, i.e. the country of origin, or the country in which the intellectual property right-holder’s assets are concentrated.

With respect to ownership of initial intellectual property rights, the ALI applies the separate rule from that of infringement. As a default rule, the ALI takes the law of each country of registration to identify an owner who will, initially, be considered the owner of the intellectual property rights world widely. Initial title to rights including copyrights, which do not arise out of registration, is determined by (a) for works of authorship, the country which the work has first been available to the public; (b) for other subject matter, the country of the creator’s residence or principal place of business, and so on. For the transfers of rights, there exist two options. One is that the transferability of rights is determined by the laws of each for which rights are transferred and the other is that (1) with respect to rights arising out of registration, the transferability of rights is determined by the law of each country of registration and (2) with respect to rights that do not arise out of registration,
transferability of right is determined by the law of the country of initial title.

4. Wording of Rome II

The Parliament Draft as well the Commission Draft have reflected the traditional view of the lex loci protectionis in dealing with intellectual property rights. Both Drafts provides that “the law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is sought.” (Art. 8, Commission Draft). In the recital 14 of the Parliament Draft, it clarifies that “regarding infringements of intellectual property rights, the universally acknowledged principle of the lex loci protectionis should be preserved.” (Recital 14, Parliament Draft). In particular, with respect to infringements committed over the Internet or as a result of satellite broadcasts, the law of the country of reception will govern. Id. However, the Author is skeptical about the approach taken by the Rome II, in particular, with respect to the infringements committed over the Internet or as a result of satellite broadcasts. There lie difficulties in that a number of laws of the countries for which the protection is sought will govern the cases where the multiple countries are involved in the transaction via Internet. Further, the lex loci protectionis rule of Article 8 is inconsistent with the judgment in Case C-68/93 Fiona Shevill and Others which covers situations in which a manifestly closer connection may be considered to exist with the country of the principal place of publication or broadcasting. Therefore, the Author hereby urges that the lex loci protectionis rule should not be adopted in Rome II, in particular, with respect to infringements of intellectual property rights committed over the Internet or as result of satellite broadcasts.

IV. Agreement on the Governing Law of IP Infringement

1. Traditional View: Commission Draft

The traditional view on agreement on the governing law for intellectual property infringement was to deny the parties autonomy to enter into as agreement on the governing law of intellectual property infringement. The traditional view on an agreement entered into for the governing law of IP infringement are reflected in the Commission Draft which explicitly excluded a non-contractual obligation arising from an infringement of intellectual property rights, by stating that “the parties may agree, by agreement entered into after their dispute arose, to submit non-contractual obligations other than the obligations to which Article 8 applies to the law of their choice.”


The desirable approach is taken in the Parliament Draft where it allows the parties to enter into an agreement on the governing law before or after their dispute arose. Although there might be some ambiguity whether Article 2(a), which allows the parties to enter into agreement on the governing law, is applicable to the intellectual property matters, it can be interpreted that the legislators intended that Article 2(a) applies to non-contractual obligation including the intellectual property matter as indicated the legislator's purposely deleting the clause, “other than the obligations to which Article 8 applies,” from the Commission Draft.

The view taken by Rome II is a significant step toward the development of the governing law of intellectual property in that the parties must be able to enter into agreement on the governing law
not only after their dispute arose but also before their dispute and thereby the parties intention must be respected.

V. Most Closer Connection Rule for IP Infringement

1. Derogation of *Lex Loci Protectionis* Principle

As mentioned above, the rule of Rome II for intellectual property infringement is the “*lex loci protectionis*” rule. As mentioned above, the Parliament Draft makes it clarified that the law of the country of reception will govern in the case of infringement committed over the Internet or as a result of satellite broadcasts. However, allowing the parties to enter into agreement on the governing law of intellectual property has weakened the *lex loci protectionis* rule. It is the author’s view that allowing the parties to enter into an agreement on the governing law with respect to intellectual property infringement which varies the absolute principle of the “*lex loci protectionis*” rule is a significant development in private international law regarding intellectual property.

2. Application of General Principle to Intellectual Property Infringement

Currently, Rome II does not specify the relationship between the general rules of Article 3, i.e. the “most closer connection rule”, and the rule of Article 8, i.e. “*lex loci protectionis*” rule.” The author believes that the general rule of Article 3 must trump the rule of Article 8 under the Parliament Draft.

3. Application of Special Rule for Personality Rights

Although the Parliament Draft of Rome II does not explicitly encompass the personal rights in connection with the intellectual property right, Article 6 may be applicable to a non-contractual obligation relating to the personality and thereby can be implied that it applies to the intellectual property rights as well. Under Article 6 of the Parliament Draft, “as regards the law applicable to a non-contractual obligation arising out of a violation of privacy or rights relating to the personality,” the most significant elements rule is applicable.

However, as stated in Chapter II above, with respect to a publication or broadcast, the presumption of existence of a manifestly closer connection will be imposed. That is, it is stated under Article 6 that “a manifestly closer connection with a particular country may be deemed to exist having regard to factors such as the country to which a publication or broadcast is principally directed or the language of the publication or broadcast or sales or audience size in a given country as a proportion of total sales or audience size or a combination of these factors.” Indeed, Article 6 can be applicable not only to non-contractual obligation relating to personality, but also to all types of intellectual property alike in consideration of intellectual property infringement occurred in multiple countries or global level.

4. Infringer’s Residence Rule or the Country of Origin Rule

It is the opinion of the Author that the specific rule of the Parliament Draft of Rome II should be revised because applying the *lex loci protectionis* rule to the infringement of intellectual property does not reflect the difficulties faced in the cases of the intellectual property rights involving the goods or services which are globally marketed or directed world-wide. For example, if the goods are transacted via Internet website whose advertisement is in English, it seems that there is some difficulty to figure out where the place in which the most closer connection occurs. Therefore instead of
applying the lex loci protectionis rule to the infringement of the intellectual property rights, the general rule complemented with the infringer’s residence rule should govern for such cases. Here the infringer’s residence rule means that the law of the country is applicable when the infringement such as publisher or broadcaster has habitual residence or place of business governs the intellectual property infringement.

Infringer’s residence rule is consistent with the “most closer connection” rule because the infringer’s residence is one of the most important factors to be considered for the determination whether most significant element rule or manifestly more closely connected rule apply or not. If it is insufficient to cover such cases with the general rule of Rome II or infringer’s residence rule, the country of origin rule, under which the law of the country where the work, invention or other subject of intellectual property has been originated, should be employed.

VI. Conclusion

As seen above, with regard the applicable law of non-contractual obligations, Rome II is taken the desirable approach of the “most closer connection rule.” Further, Rome II accept the parties’ autonomy to enter into an agreement on the governing law with regard to non-contractual obligation even before the dispute arose. However, Rome II does not take such desirable approach with respect to the infringement of intellectual property rights. The author believes the general rule must be applied to determine the issues of intellectual property infringement because the traditional view of the lex loci protectionis does not effectively deal with the situation where the issue involving intellectual property rights are more globalized and involves multi-countries. Although it seems that there may be some limitation in the “most closer connection” rule, it can be modulated with or supplemented by the rules such as “infringer’s residence” or “country of origin” rules, thus covering all the issues that the general law of Rome II may generate for the matters in connection with intellectual property rights.


2 April proposal of Parliament Draft takes the position of the “most significant element” rule, which means a general governing rule under Rome II is “the law of the country in which the most significant element or elements of the damage occur irrespective of the country in which the event giving rise to the damage occurred.” (Art. 3 (1), April proposal of the Parliament Darf.) This rule may be displaced by the “manifestly more closely connected” rule. The factors considered for the determination whether the manifestly more closely connected rule apply are as follows: (a) the habitual residence of person(s) claimed to be liable and the person(s) sustaining damage; (b) the country or countries in which a product or service in respect of which a claim for non-contractual liability arises was intended to be marketed or to which it was specifically directed; (c) the existence of a contract of insurance; or (d) the place where unjust enrichment has taken place (Art. 3 (2), April proposal of the Parliament Draft). However, November proposal have changed its position.


4 Annette Kur, Applicable Law: an Alternative Proposal for International Regulation: the Max-
5  Id.
7  Article 8 provides conflict of laws rule for intellectual property infringement.