

**INFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS OVER
THE INTERNET AND PRIVATE INTERNATIONAL LAW**

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Abstract

With the advent of the Internet, some new problems in the field of intellectual property law have appeared. The infringement of intellectual property rights (IP infringement) over the Internet is one of them. The purpose of my study is to try to find the solution to the problem of IP infringement over the Internet in the field of private international law, focusing on jurisdiction rules.

First of all, in Chapter 2, I examine infringements of trademark, copyright and patent over the Internet respectively. After having examined the current situation of Internet IP infringement, I discuss the solutions that technology development and substantive law provide in Chapter 3. But neither of them can solve it. As such infringement often has connections with many countries, the court has to first consider jurisdictional problems. In Chapter 4, we have a general view about how jurisdictional problems have arisen in Internet IP infringement.

From Chapter 5, we go into the details of how private international law can solve the problem of Internet IP infringement. In Chapter 5, we consider how the Brussels regime deals with this problem. We will examine how Article 22(4), Article 2, Article 5(3) and Article 6(1) of the Brussels I Regulation can be applied to Internet IP infringement.

Where the defendant to an Internet IP infringement is not domiciled within a Member State, the English rules will apply. In Chapter 6, we examine how the English rules deal with such infringement. We will focus on how para.3.1 of Practice Direction 6 B applies in Internet IP infringement.

After considering the existing jurisdiction rules, we have seen many difficulties in applying them to IP infringement over the Internet. Thus, the reform is needed. Several reform options will be examined in Chapter 7, and we will choose the best one.

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Chapter 1

Introduction

With the advent of the Internet, some new problems in the field of intellectual property law have appeared. The infringement of intellectual property rights (IP infringement) over the Internet is one of them. As we all know, the intellectual property law is territorial but the Internet has a global nature. Once the infringing material is made available on the Internet, Internet users all over the world can have access to it. This means that, IP rights may be infringed internationally in the Internet context.

The purpose of my study is to try to find the solution to the problem of IP infringement over the Internet in the field of private international law, focusing on jurisdiction rules. The thesis looks at laws in the United Kingdom (UK), the European Union (EU), and some Commonwealth countries such as the United States (US) and Australia.¹ The structure of my thesis is as follows:

Chapter 1: Introduction;

Chapter 2: Infringements of intellectual property rights over the Internet;

Chapter 3: IP infringement over the Internet: how it is affected by technology development and substantive law;

Chapter 4: How do jurisdictional problems arise?

Chapter 5: How does the Brussels regime deal with IP infringement over the Internet?

Chapter 6: How do the English rules deal with IP infringement over the Internet?

Chapter 7: Reform options and our suggested solution

Chapter 8: Conclusion

First of all, in Chapter 2, we will examine infringements of trademark, copyright and patent over the Internet respectively. In the Internet context, while IP material can be transferred more easily,

¹ According to the UK Civil Procedure Rules, the term 'claimant' has replaced 'plaintiff'. I have used the term 'claimant' in the thesis to avoid confusion though other countries may use a different term to designate 'claimant'.

IP rights are more vulnerable to infringement. The new problems concerning Internet trademark infringement are: (i) use of another's trademark as a domain name; (ii) use of another's trademark on a website; (iii) use of another's trademark as a meta-tag; and (iv) sale of the trademark as a keyword. As an international system for transmitting and reproducing copyright material, the Internet presents previously unimaginable possibilities for copyright infringement. The new kinds of Internet copyright cases have been raised, namely: (i) linking and framing; (ii) uploading of copyright material; and (iii) downloading of copyright material. The emerging Internet patent infringements are infringement of business methods patents and infringement of software patents.

After having examined the situation of Internet IP infringement, we will discuss the solutions that technology development and substantive law provide in Chapter 3. Firstly, many technologies have been developed to protect IP rights in digital forms. As Internet IP infringement happens more often and more easily, these technologies are explored to either identify and track the use and source of digital IP works (such as watermarking), or control access of those works (such as encryption). However, these technologies all have their own difficulties.

Secondly, what is the situation of substantive law? In most cases we mentioned in Chapter 2, both parties were from the same country and the courts took jurisdiction without any difficulties. Then these courts applied their substantive law to Internet IP infringement. However, there are potential problems in such infringement. Due to the global nature of Internet IP infringement cases, such cases are likely to involve parties from different countries and infringement occurring in many places. For example, as the disputed domain names can be accessed worldwide, the claimant's trademark rights can be infringed in many countries. In such circumstances, the case will have connections with all these countries, and their courts may first struggle over what court should

exercise jurisdiction. Similarly, in the Internet context, it often happens that the defendant residing in Country A uploads in Country B, the unauthorized copyright material held by the claimant residing in Country C. As this dispute has a connection with three countries, which country's court should have jurisdiction? Moreover, if the claimant owns the copyrights in twenty or thirty different countries, all of his copyrights will be infringed simultaneously. In such a situation, many countries will have connections with the dispute, and their courts may fight over the jurisdiction before addressing copyright issues. Therefore, it is hard for substantive law to solve the problem of IP infringement over the Internet, which is most likely to occur on a global basis. Because for such cases, the first thing that the court usually needs to consider is not the substantive law issue but the private international law issue: what court should take jurisdiction.

We have seen from Chapter 3 that in Internet IP infringement cases, the court has to first consider jurisdictional problems-which court should have jurisdiction. Thus, in Chapter 4, we will have a general view about how jurisdictional problems have arisen in the contexts of Internet trademark infringement, Internet copyright infringement and Internet patent infringement.

From Chapter 5, we will go into the details of how private international law can be relied on to solve the problem of IP infringement over the Internet. In Chapter 5, we will consider how the Brussels regime deals with this problem. As the Brussels I Regulation is the most important instrument in the Brussels regime, our analysis will be based on it. The Regulation does not provide any special provisions dealing solely with Internet IP infringement but some bases of jurisdiction of general application can be relied on. The relevant provisions are Article 22 (4), Article 2, Article 5 (3) and Article 6(1). However, difficulties will arise when applying these provisions to Internet IP infringement. For example, such infringement is likely to involve many

defendants, which will cause difficulties in applying Article 2. There may be a downloading dispute where thousands of infringers have downloaded the same material without authorization. As those infringers usually get access to the Internet through the Internet service providers (ISPs), it is hard to know their identities and domiciles. In such a situation, it is unlikely to apply Article 2, which adopts the place of 'domicile' as the defendant's forum. In the Internet context, it is also difficult to identify the place of the infringing act for the application of Article 5(3). For example, an infringer may operate a patent infringing system called 'one-click' method system, which is used for placing a purchase order over the Internet. Due to the borderless nature of the Internet, the infringer can access and operate such a system in many different countries. In such a situation, the disputed business methods patent will be infringed in all these countries. This means that the infringing act will be regarded as occurring in these countries, and the claimant will be able to forum shop among these countries under Article 5(3).

Where the defendant to an Internet IP infringement is not domiciled within a Member State, the English rules will apply. In Chapter 6, we will examine how the English rules deal with IP infringement over the Internet. Under the English rules, an English court can exercise jurisdiction by serving a claim form either within the jurisdiction or out of the jurisdiction. There are usually no particular problems in applying the normal rules on service of a claim form within the jurisdiction to Internet IP infringement cases. When it comes to serve a claim form out of the jurisdiction, para.3.1 of Practice Direction 6 B (PD 6 B) will be applied. There are some difficulties in applying that rule to Internet IP infringement. For example, the effect of PD 6 B para.3.1 (2) is that the English court can only order the defendant to refrain from infringing the claimant's IP rights within England, which means that the injunction can only prevent the

infringing material from being accessed in England. But as there is a lack of any technological capacity to quarantine Internet users of one country from accessing a certain material on the Internet, such an injunction can only be enforced on a global basis.

Even though the English court has jurisdiction following the service of a claim form, it may decline to exercise that jurisdiction on the basis of *forum non conveniens*. In determining whether another forum is clearly more appropriate than the English one, the court will often consider factors affecting convenience or expense. However, for Internet IP infringement cases, such factors may not be weighty enough to disturb the jurisdiction of the court. In some circumstances, the evidence may be all over the world. For example, the infringing material on the Internet can be accessed from anywhere and the relevant evidence will be worldwide. So it is hard to identify which forum is more appropriate with respect to evidence. In other words, the global nature of the Internet may lead to the conclusion that many courts are appropriate to hear the case.

After considering the existing jurisdiction rules, we have seen many difficulties in applying them to IP infringement over the Internet. Thus, the reform is needed. There are four options for reform and development of jurisdictional rules in Internet IP infringement cases. First, reform the Brussels I Regulation; second, introduce a new jurisdiction for cyberspace cases, where the cyber-court has jurisdiction over all cases arising in cyberspace, including Internet IP infringement cases; third, apply IP specific jurisdictional rules to the Internet cases; fourth, adopt special jurisdictional rules for Internet IP infringement cases: we adopt certain connections (places) that have a significant relationship with Internet IP infringement, and the courts of these places can exercise jurisdiction. We will examine these options and choose the best one in Chapter 7.

Chapter 2

Infringements of intellectual property rights over the Internet

I. Introduction

Intellectual property (IP) that we will discuss includes trademark, copyright and patent. The protection for intellectual property rights is territorial: each country determines what the scope of IP protection is and what constitutes IP infringement.

With the advent of the Internet, works of intellectual property can be digitised and transferred over the Internet. Many trademarks have been placed on the Internet, for advertising and marketing goods and services by companies.² In the field of copyright, a great number of works of literature, film and art, and notably computer programs, have been transferred over the Internet.³ The patent system has also migrated to the Internet. It is now popular for companies to patent their online business methods.⁴

While Internet users can do their business and exchange their ideas more easily over the Internet, intellectual property rights are more vulnerable to infringement. In the Internet environment, the infringer can easily misdirect consumers to its website by using another's trademark as a meta-tag, and it is also easy to copy and distribute others' copyright materials unlawfully.⁵ Moreover, due to the global nature of the Internet, an Internet IP infringement usually happens not within one country but across borders. All of these have raised many difficulties for the territorial intellectual property law.

We will now examine infringements of trademark, copyright and patent over the Internet respectively.

² WIPO, *Intellectual Property on the Internet: A Survey of Issues* (WIPO/INT/02), at Chapter II-The Migration of Intellectual Property to the Internet, para. 28.

³ *ibid.*, at para. 25.

⁴ *ibid.*, at para. 30.

⁵ *ibid.*, at para. 32.

II. Trademark and the Internet

Trademarks have two forms. The registered trademark is protected by the Trade Marks Act 1994 (TMA) in the United Kingdom (UK). And the unregistered trademark is protected by the common law of passing off. The trademark protection under both systems has the two characteristics of territoriality and specificity. Territoriality means that a trademark is only protected within the country in which it is registered or used. Specificity means that trademark owners will only gain protection if there is a likelihood of consumer confusion.⁶ For example, if one company holds the trademark 'Panda' for computers and another company uses the trademark 'Panda' for furniture, consumers will not be confused that these two products are from the same company. Thus, characteristics of territoriality and specificity permit multiple registrations of the same trademark in different countries, and for different products where there is unlikely to be confusion. Similarly, trademark infringement is based on territoriality and specificity in the traditional sense. However, with the advent of the Internet, this situation has changed. The emerging problems concerning Internet trademark infringement will be discussed below, namely: (i) use of another's trademark as a domain name; (ii) use of another's trademark on a website; (iii) use of another's trademark as a meta-tag; and (iv) sale of the trademark as a keyword.⁷

1. Use of another's trademark as a domain name

(1) Trademark and domain name disputes: how do they arise?

The development of the Internet has brought a new set of challenges to the trademark law. Of most

⁶ Murray, A.D., 'Internet Domain Names: The Trade Mark Challenge', (1998) *International Journal of Law and Information Technology (IJLIT)*, Vol. 6 No. 3, 285, at 291-293.

⁷ Linking and framing can also raise new problems concerning Internet trademark infringement. However, cases relating to linking and framing are substantially copyright cases, and we will discuss them in 'III. Copyright and the Internet'.

importance is the interface between trademarks and domain names.

As Rowland, D. and Macdonald, E. define, “a domain name can be likened to an address on the global computer network, which both identifies and gives other information about a specific Internet site.”⁸ The term ‘top level domain’ (TLD) refers to either the generic descriptors ‘.com’, ‘.net’, etc, or an indication of the country in which the domain name has been registered, for example, ‘.uk’ for the UK and ‘.fr’ for France.⁹ The ‘second level domain’ (SLD) usually includes a business name or trademark, for example, ‘panda.com’.

When a website is established for business purposes, Internet users will normally expect the SLD to contain its trading name or company name. Domain names therefore not only function as user-friendly Internet addresses, but also indicate the ownership of websites and the products or services they market.¹⁰ However, each domain name can identify only one site and is globally unique. So although the trademark’s territoriality and specificity make it possible for several companies to use the same trademark ‘Panda’, only one can have the domain name ‘panda.com’.

Thus, there are cases named ‘concurrent use’,¹¹ where both parties feel that they have a legitimate entitlement to the use of the domain name in question because of their own company name or trademark. There is another type of cases named ‘cybersquatting’ or ‘domain name hijacking’,¹² where the infringer has registered a trademark as a domain name with the intent of profiting from it by selling it, usually to the trademark owner.¹³ We will consider these two types of cases below.

(2) Cybersquatting

⁸ Rowland, D. and Macdonald, E., *Information Technology Law*, London: Cavendish, 2nd ed., 2000, at 520.

⁹ *ibid.*

¹⁰ The Chartered Institute of Patent Attorneys & The Institute of Trade Mark Attorneys, *The Trade Marks Handbook*, at http://www.intellectual-property.co.uk/domain_names.htm

¹¹ Lloyd, I.J., *Information Technology Law*, Oxford University Press, 5th ed., 2008, at 434.

¹² Waelde, C., ‘Trade Marks and Domain Names: There’s a Lot in a Name’ in *Law and the Internet-A Framework for Electronic Commerce* (Edwards, L. and Waelde, C., (ed.), Hart Publishing, 2nd ed., 2000), 133, at 135-136.

¹³ This type of cases happens because the domain name registration organizations allocate names purely on a ‘first-come, first-served’ basis, and make no check to see if the applicant or any others are entitled to any rights in the name.

The leading cybersquatting case in the UK is *One in a Million*.¹⁴ The claimants were well-known commercial enterprises possessing valuable goodwill and reputation in their trademarks. The defendants had registered domain names comprising the names or trademarks of the claimants for the purposes of obtaining money for transferring them. The claimants alleged passing off and infringement of their trademarks, and sought injunctions requiring the defendants to assign the disputed domain names to them.¹⁵

Regarding passing off, the High Court held that the mere creation of an ‘instrument of deception’, such as the registration of a deceptive domain name, was not passing off where it was not used for deception nor sold to others for the purpose of deception.¹⁶ However, it was beyond dispute that the defendants’ activities were calculated to infringe the claimants’ rights in the future. The only possible reason why anyone, who was not connected with the claimants, would wish to use a domain name incorporating their trademarks or names would be to pass himself off as part of a claimant’s group or his products off as theirs.¹⁷ Thus, the potential for passing off seemed to be sufficient to allow the injunctions to be granted.

The court also considered trademark infringement. Since the disputed domain names were similar to the claimants’ trademarks, and such use of the marks would be detrimental to the claimants’ exclusivity, trademark infringement could be established under section 10 (3) of the TMA 1994.¹⁸

In this case, as both parties were from the UK and the claimants sued the defendants only in the UK, there were no jurisdictional problems. However, as the disputed domain names can be used on a global basis, the claimants’ trademark rights can be potentially infringed everywhere. So the

¹⁴ *British Telecommunications Plc, Virgin Enterprises Ltd, J. Sainsbury Plc, Marks & Spencer Plc and Ladbroke Group Plc v One in a Million* [1998] F.S.R. 265.

¹⁵ *ibid.*, at 265-270.

¹⁶ *ibid.*, at 271.

¹⁷ *ibid.*

¹⁸ *ibid.*, at 272-273. The judgment was upheld by the Court of Appeal ([1999] F.S.R. 1).

claimants may bring proceedings in many countries on the basis that the trademark infringement occurred there. In such a situation, the courts of these countries may exercise jurisdiction over the same infringement issue, and make diverging judgments according to their respective trademark laws. For example, the threat of passing off was established in this case. However, if the court of a country without a common law background takes jurisdiction, it will not apply the law of passing off.

(3) Concurrent use

Although there is no doubt that cybersquatters have no right to use the disputed domain name in 'cybersquatting' cases, the situation is less clear in 'concurrent use' cases, where both parties may have legitimate interests in the domain name.

If a 'concurrent use' case has no foreign element, the local court will usually uphold the 'first-come, first-served' policy.¹⁹ However, if foreign elements are involved in such a case, the situation will be more complicated.

The *Prince* case²⁰ is a good example. The claimant was a UK company providing IT services under or by reference to the mark PRINCE. The defendant was an American corporation making sports equipment. It was the proprietor of various registrations of the trademark PRINCE throughout the world, including in the United States (US) and the UK. The claimant registered the domain name 'prince.com', and then the defendant sent it a demand letter and threatened the litigation. The claimant thus sought declarations from an English court that the threat of litigation was unjustified under section 21 of the TMA 1994, and its registration and use of 'prince.com' did not infringe the defendant's UK trademark.²¹

¹⁹ *Pitman Training Ltd and Another v Nominet U.K. and Another* [1997] F.S.R. 797.

²⁰ *Prince Plc v Prince Sports Group Inc* [1998] F.S.R. 21.

²¹ *ibid.*, at 21 and 24-26.

According to section 21, the English court ruled that the defendant's threat of proceedings for infringement of its UK trademark was unjustifiable.²² But the court recognized that there were other proceedings in relation to the 'prince.com' domain name in the US and it would be unfair to grant the declaration that the claimant's use of 'prince.com' did not infringe the defendant's UK trademark.²³

While the UK case was pending, Prince Sports Group (the defendant in the UK action) sued Prince Plc in a US court requiring Prince Plc to transfer the domain name to it (Civil Action No. 97-03581). Prince Plc moved for dismissal alleging lack of jurisdiction. Subsequently Prince Sports Group dropped its US lawsuit, and Prince Plc continued to use the 'prince.com' domain name.

Both the English and the US courts got involved in this case. The English court did not discuss whether Prince Plc's use of 'prince.com' infringed Prince Sports Group's UK trademark. And Prince Sports Group finally dropped its US lawsuit.

However, the difficulty may arise if the case does not develop in this way. As this case has a connection with the UK and the US, the courts in both countries can exercise jurisdiction based on their respective jurisdictional rules. Moreover, as the domain name 'prince.com' can be used on a global basis, Prince Sports Group may bring proceedings anywhere on the basis that its trademark rights has been infringed there. In such a situation, many different courts may consider whether they should take jurisdiction over the case.

2. Use of another's trademark on a website

²² *ibid.*, at 27-39.

²³ *ibid.*, at 40-42.

As has been seen earlier, the territorial trademark law makes it possible for different traders in different jurisdictions to use the same trademark for the same goods or services. However, the Internet is global. It knows nothing of territorial boundaries and material placed on a website is available throughout the world.²⁴ Thus, the signs or trademarks placed by a trader on the Internet run the risk of infringing trademarks registered in other jurisdictions.

This issue has been discussed in the case of *1-800 FLOWERS Inc v Phonenames Ltd*.²⁵ 1-800 Flowers Inc applied in the UK to register 800-FLOWERS as a trademark for services relating to floral products. The application was opposed by Phonenames Ltd, which owned the UK telephone number 0800 356 9377 or 0800 FLOWERS in its alphanumeric version.²⁶

The English courts in this case utilized a targeting approach-‘to infringe a trademark, it must be placed on a website by someone who actively pursues a commercial activity in the country concerned’.²⁷ It is a good approach since it fits the factual circumstances of Internet use into the rules of both trademark law and private international law.²⁸

However, the courts in other countries may adopt a different approach. Even though neither both parties nor the trademarks involved have any connection with them, they may assume jurisdiction on the basis that the defendant’s website can be accessed worldwide and thus there has also been a place of infringement there for them to take jurisdiction. The consequence may be that the courts of many countries exercise jurisdiction over the same case and make diverging decisions.

3. Use of another’s trademark as a meta-tag

²⁴ Bainbridge, D., *Intellectual Property*, Pearson: Longman, 6th ed., 2007, at 680.

²⁵ [2000] F.S.R. 697.

²⁶ *ibid.*, at 698-700.

²⁷ *ibid.*, at 705; and [2002] F.S.R. 12 (at 191), at 220-221.

²⁸ For the forum court to exercise jurisdiction, there should be a sufficient connection between the forum and proceedings. Under the targeting approach, use in a particular jurisdiction requires evidence of actual trade or an intention to trade in that jurisdiction, which meets such a requirement.

Another issue raised by the development of the Internet is whether the use in a meta-tag of a word that is the same or similar to another's trademark infringes that trademark.

(1) Nature of meta-tags

A meta-tag is a word that is written on a web page in an electronic language such as HTML. When attached to a web page, the meta-tag is not normally visible to Internet users but its invisible presence is detected by Internet search engines.²⁹ These search engines use meta-tags to identify and rank the relevancy of web pages. As there are clear advantages to be at or near the top of the search results, meta-tags have emerged as an important feature in a web page's marketing strategy.³⁰ Many website owners use the meta-tags that consist of generic terms, such as 'law' or 'lawyer'. As no one has legal rights in such terms, there is no legal dispute about it. However, the dispute will arise when the website owners use their competitors' trademarks as meta-tags.

(2) The case law on meta-tags

As the English courts gave little guidance in cases on meta-tags,³¹ we will consider the case law in the US.³² The leading case on meta-tags in the US is *Brookfield Communications Inc. v West Coast Entertainment Corp.*³³ Brookfield Communications Inc (Brookfield) marketed computer software featuring a searchable database containing entertainment industry-related information under the trademark MovieBuff. Brookfield could not register the domain name 'moviebuff.com' because it had been registered by West Coast Entertainment Corp (West Coast). So Brookfield registered three other domain names, and used its websites to sell its MovieBuff computer

²⁹ Phillips, J., *Trade Mark Law-A Practical Anatomy*, Oxford University Press, 2003, at 593.

³⁰ Tucci, V., 'The Case of the Invisible Infringer: Metatags, Trademark Infringement and False Designation of Origin', *Journal of Technology Law & Policy*, Vol.5, Summer 2000, Issue 2, at paras. 16-17.

³¹ In *Pfizer Ltd v Eurofood Link (UK) Ltd* [2001] F.S.R. 3, although the defendant used the claimant's trademark in its meta-tags, the court did not discuss whether such use constituted trademark infringement.

³² See also *Playboy Enterprises, Inc. v Calvin Designer Label*, 985 F. Supp 1220 (N. D. Cal 1997) and *Playboy Enterprises, Inc. v AsiaFocus International, Inc.*, No Civ A 97-734-A (US DC Va. 1998).

³³ 174 F. 3d 1036 (9th Cir, 1999).

software and to offer an Internet-based searchable database under the MovieBuff trademark. West Coast intended to launch a website at 'moviebuff.com' that would contain a searchable entertainment database similar to MovieBuff.³⁴ Brookfield brought an action against West Coast in the US District Court for the Central District of California, alleging that the planned use of 'moviebuff.com' by West Coast as its domain name or in its meta-tags was likely to cause confusion and would infringe Brookfield's trademark rights. The district court held that Brookfield had not established a likelihood of confusion.³⁵

Brookfield appealed to the Ninth Circuit Court of Appeals.³⁶ The Ninth Circuit concluded that the use of MovieBuff by West Coast as a meta-tag would result in 'initial interest confusion'. It reasoned that search engine users looking for Brookfield's MovieBuff products could be lured away to West Coast's site and that once they arrived, they would stay there and purchase West Coast's similar products instead.³⁷ According to the ruling, "although there is no source confusion in the sense that consumers know they are patronizing West Coast rather than Brookfield, there is nevertheless initial interest confusion in the sense that, by using 'moviebuff.com' or 'MovieBuff' to divert people looking for MovieBuff to its website, West Coast improperly benefits from the goodwill that Brookfield developed in its mark".³⁸ Therefore, applying the 'initial interest confusion' doctrine, the Ninth Circuit ruled that West Coast's use of MovieBuff as a meta-tag constituted trademark infringement.

The defendant in this case did not question the jurisdiction of the US District Court for the Central District of California, and the court took jurisdiction without difficulty. However, if the defendant

³⁴ *ibid.*, at 1041-1043.

³⁵ *ibid.*, at 1043.

³⁶ *ibid.*

³⁷ *ibid.*, at 1062.

³⁸ *ibid.*

questions the jurisdiction, or if the defendant sues the claimant in its own State (Pennsylvania) for a declaration of non-infringement, the jurisdictional problem will arise. Based on the defendant's residence there, the US District Court in Pennsylvania may also exercise jurisdiction over this case.

Which court should have jurisdiction to decide the case?

Moreover, if MovieBuff was used by West Coast as a meta-tag, the claimant's trademark rights could be potentially infringed all over the world. In such a situation, the claimant may sue the defendant in any country with the sole purpose of benefiting from the application of the law favorable to his interests. The defendant may then move to dismiss the action for lack of jurisdiction. The consequence will be that both parties in meta-tag cases first struggle over which court should have jurisdiction.

4. Sale of the trademark as a keyword

A recent trademark development dealing with the Internet is the sale of the trademark as a keyword.³⁹

(1) Nature of keywords

Search engines locate sites in response to a search query by looking for the terms entered in the search criteria. The sites located in response to a search are expected to contain the term or terms that were searched for and often are ranked in order based upon the number of hits in the site.

Some search engines will, for a fee, place a party's site at or near the top of the search results or

³⁹ In the patent area, the online sale of pharmaceuticals has raised a new kind of Internet patent infringement. Online pharmacies may accept pharmaceutical orders from customers abroad over the Internet and mail the pharmaceuticals to those customers abroad. However, the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) requires countries to provide patent protection that confers on the patent owner the exclusive right to prevent third parties from importing patented products without the permission of the patent owner. Section 60 (1) of the Patents Act 1977 (UK) states that the following actions are infringements by an infringer in each case they occur without the permission of the patentee: (a) where the invention is product, he makes, disposes of, offers to dispose of, uses or imports the product or keeps it whether for disposal or otherwise. It means the online sale of pharmaceuticals may constitute patent infringement.

place a banner advertisement alongside the search results whenever an Internet user types in a particular word. These words are known as keywords.

Thus, when a website owner is not satisfied with its placement in search engine results, despite possibly having used generic terms or his competitors' trademarks in meta-tags, he has another option: pay the search engines to feature his website whenever an Internet user inputs the keywords.⁴⁰

When the sale of keywords involves only generic terms, there is no legal dispute as no one has legal rights to these generic terms. However, when the keyword sold is a trademark, infringement claims may be asserted.⁴¹

(2) The case law on sale of trademarks as keywords

As there are few cases on sale of trademarks as keywords in the UK, we will consider the US case law⁴² instead. In *Rescuecom Corp. v Google, Inc.*,⁴³ Rescuecom sued Google, alleging Google's practice of selling and suggesting the Rescuecom trademark/keyword to Rescuecom's competitors, constituted trademark infringement.⁴⁴ But the US District Court for the Northern District of New York held that Rescuecom failed to show that Google's selling trademarks as keywords was a 'trademark use'.⁴⁵ Thus, Google's actions did not constitute trademark infringement.

However, this judgment has not become a uniform rule in the US. As to whether the sale of a

⁴⁰ August, B., 'Plus Ça Change....How a French Court May Have Changed Internet Advertising Forever: Google France Fined for Selling Trademarked "Keywords"', *Northwestern Journal of Technology and Intellectual Property*, Vol.2, No.2, Spring 2004, 310, at 314.

⁴¹ Sableman, M., 'Link Law Revisited: Internet Linking Law at Five Years', *Berkeley Technology Law Journal*, Vol.16, 2001, 1273, at 1309.

⁴² See also *Government Employees Ins. Co. (GEICO) v Google, Inc.* No. 1:04 CV 507, F. Supp. 2d, 2005 WL 1903128 (E. D. Va. August 8, 2005). In this case, the US District Court for the Eastern District of Virginia used a 'likelihood of confusion' analysis and concluded that GEICO failed to establish a likelihood of confusion from Google's use of GEICO's trademark as a keyword.

⁴³ No. 5:04-CV-1055, 456 F. Supp. 2d 393 (N.D.N.Y. September 28, 2006).

⁴⁴ *ibid.*, at 395-397.

⁴⁵ *ibid.*, at 397-403.

trademark as a keyword is a trademark use, US district courts have reached different conclusions.⁴⁶

Thus, if a US interstate keyword case has connections with several States, the courts of these States may make diverging judgments after deciding to exercise jurisdiction over the case. Moreover, due to the global nature of keyword cases, the claimant may bring infringement proceedings in many countries. As there have been international disagreements over the issue of sale of trademarks as keywords,⁴⁷ it seems more likely that the courts in different countries will make different decisions over the same keyword case after they determine to take jurisdiction over it.

III. Copyright and the Internet

The relationship between the Internet and copyright law is complicated. The Internet is an international system for the transmission and reproduction of material, much of which is protected by copyright. It therefore presents previously unimaginable possibilities for copyright infringement, and many challenges for copyright law.⁴⁸ The following features of the Internet pose particular difficulties for copyright law:

- *Information may be easily reproduced and distributed.*

Once information is in a digital form on a computer connected to the Internet, that information usually can be easily uploaded, downloaded and distributed.

- *Internet users expect free access to copyright material*

⁴⁶ *Edina Realty, Inc. v TheMLSONline.com* F. Supp. 2d, 2006 WL 737064 (D. Minn., March 20, 2006); and *Merck & Co., Inc. v Medioplan Health Consulting Inc.* 425 F. Supp. 2d 402 (S.D.N.Y. March 30, 2006).

⁴⁷ For example, sale of the trademark as a keyword has been held to constitute trademark infringement in France (*Soci  des Hotels M  ridien v S.A.R.L. Google France*, T.G.I. Nanterre, Dec. 16, 2004, N RG 04/03772 and *Soci   Google France v Soci    Viaticum et Soci    Luteciel*, CA Versailles, 12e ch., March 10, 2005, N RG 03/00051) but not in Germany (*Nemetschek v Google Deutschland*, Az: 33 O 21461/03 and *Metaspinner Media GmbH v Google Deutschland*, Az: 312 O 887/03; 312 O 324/04).

⁴⁸ Lindsay, D., *Copyright Infringement via the Internet: the Liability of Intermediaries* (Research Paper No. 11, May 2000, Centre for Media, Communications and Information Technology Law-A Specialist Research Centre of the Law School, The University of Melbourne), at 10.

Much copyright material published on the Internet has been made available free of charge. This has created resistance among users to pay for the Internet material.

- *Internet users may act anonymously*

It is difficult to identify an individual Internet user. Users may therefore infringe copyright with little risk of detection, especially if the infringements are relatively small-scale and non-persistent.⁴⁹

Taken together, these features of the Internet have raised new kinds of Internet copyright cases, namely: (i) linking and framing; (ii) uploading of copyright material; and (iii) downloading of copyright material.

1. Linking and framing

One of the most significant technical features that distinguish the Internet from all other communications media is its ability to dynamically connect multiple documents and elements. These dynamic connections often appear in the form of 'links' or 'frames'.⁵⁰ It is important to understand the nature of linking and framing before we consider the case law in this area.⁵¹

(1) Nature of linking and framing

Linking comes in two forms-hypertext linking and inline linking. A hypertext reference link appears onscreen as a highlighted citation or phrase that is differentiated from regular text by a special color or format such as underlining. When an Internet user activates the link by clicking on the highlighted text, the web browser software retrieves the corresponding document from the

⁴⁹ *ibid.*, at 11-12.

⁵⁰ Abel, S.M., 'Trademark Issues in Cyberspace: The Brave New Frontier', (1999) 5 *Mich. Telecomm. Tech. L Rev* 91, at 122.

⁵¹ Linking and framing can pose trademark problems as well. However, cases relating to linking and framing are substantially copyright cases, and so we focus on copyright concerns.

external site and creates a copy, which is then displayed on screen. Any connection with the local site (the linking site) is simultaneously terminated after the browser has established a connection with the external site. This type of linking is called 'linking out'.⁵² If the user checks the Uniform Resource Locator (URL) address on the browser, the address will change from the page where the user started to that of the linked page.

An inline link allows a website designer to inline a graphical image from an external site and incorporate it as part of the local onscreen display. For example, if an external site contains a photograph, it can be inlined into the local website and shown as part of the current display. This type of linking is called 'linking in'. In contrast to a hypertext link where there is an immediate termination with the local site after connecting to the external site, the local site remains current when the inlined image is displayed.⁵³ The URL does not change and the user may not realize that the linked image actually comes from somewhere other than the linked site.

Framing is another type of dynamic connection that is similar to inline linking. It allows a website designer to incorporate or pull in an entire external site, or portions thereof, and surround it with frames of his own creation.⁵⁴ The effect, as with inline linking, is that the external site appears to be part of the local site and the URL remains unchanged.

The risk with each of these types of linking is that Internet users will think that the linked sites are connected. This risk is increased where inline linking and framing are used. Consequently, the users are unable to identify that the content comes from an external site and are misled as to the origin of the information.⁵⁵

⁵² Chan, R., 'Internet Framing: Complement or Hijack?', (1999) 5 *Mich. Telecomm. Tech. L Rev* 143 at 146.

⁵³ *ibid.*

⁵⁴ *ibid.*, at 147.

⁵⁵ Cordell, N. and Bellau, K., 'Combating online trade mark infringement in the UK', DLA Piper's Technology, Media & Communications Group, at www.dlapiper.com.

(2) The case law on hypertext linking

One of the first cases over hypertext linking in the UK is that of *Shetland Times Ltd v Wills*.⁵⁶ The claimant owned and published a newspaper called the Shetland Times (the Times) and made editions of the newspaper available on the Internet. The second defendant provided a news reporting service under the name of the Shetland News (the News). The first defendant was the managing director of the News. The defendants established a website and included among the headlines on their front page a number of headlines appearing in issues of the Times. These headlines were verbatim reproductions of the claimant's headlines. By clicking on one of these headlines the Internet user could gain access to the relative text in the Times, bypassing the front page of the Times.⁵⁷

The Times alleged copyright infringement and sought interim interdict. The practical reason for the action was that the Times hoped to sell advertising space on the front page of its website, and this commercial benefit would be lost if Internet users could read the news directly and bypass the front page.⁵⁸

Considering that a newspaper headline could be a literary work and there was infringement to copy it in an electronic form, the court granted the Times an interim interdict for copyright infringement.⁵⁹

In this case, as both parties were based in the UK, the English court took jurisdiction without any difficulties. However, due to the international nature of hypertext linking, such a case is likely to involve parties from different countries. In such a situation, before the claimant and the defendant

⁵⁶ [1997] F.S.R. 604 (OH).

⁵⁷ *ibid.*, at 605-607.

⁵⁸ *ibid.*, at 606.

⁵⁹ *ibid.*, at 609. The court also held that the incorporation by the defendants in their website of the headlines provided at the claimant's website constituted copyright infringement by the inclusion in a cable programme service of protected cable programmes (*ibid.*, at 607-608). However, the reasoning about 'cable programme' is not our main concern.

fight over hypertext linking, they may first struggle over which court should exercise jurisdiction over the case.

After the forum court decides to take jurisdiction, it will then consider what law should be applied.

The court in this case decided that the headline texts of the Times had copyright, so that the News' copying them for reproduction on its website was an infringement. However, as it is generally accepted that copyright does not subsist in the titles of books or newspapers, the courts in other countries may not follow the same approach. So when a hypertext linking case happens across borders, besides jurisdictional problems, choice of law problems will have to be considered by the court.

(3) The case law on inline linking and framing⁶⁰

The use of inline linking and framing technologies has raised more difficult copyright issues than simple hyperlinks in the US.⁶¹ In *Washington Post Co. v Total News, Inc.*,⁶² Total News operated a website providing links to websites of many news purveyors, including the Washington Post, Time, Cable News Network (CNN), Times Mirror, Dow Jones, and Reuters. By clicking on the links, the websites of these news purveyors were displayed in the frame of Total News. The frame contained the 'Total News' logo, Total News URL, and advertisements managed by Total News.⁶³

The claimants brought an action against the defendant alleging copyright infringement, among other claims. They contended that such framing is 'equivalent of pirating copyrighted material'.⁶⁴

But the case was then settled and the court did not provide a clear guidance about framing.

⁶⁰ As the case law on inline linking and that on framing are similar, we will mainly consider the case law on framing here.

⁶¹ Although there are few cases dealing with inline linking and framing in the UK, the US court has developed the case law in this area.

⁶² No. 97 Civ. 1190 (PKL), (S.D.N.Y., filed February 20, 1997), the claimants' complaint can be found at <http://legal.web.aol.com/decisions/dlip/washcomp.html>.

⁶³ *ibid.*, at para. 30.

⁶⁴ *ibid.*, at para. 10.

In a more recent case of *Leslie A. Kelly v Arriba Soft Corporation (Kelly I)*,⁶⁵ the Ninth Circuit held that the defendant's inline linking and framing the claimant's images within its website infringed the claimant's public display rights.⁶⁶ Moreover, as the defendant's use of the claimant's copyrighted images was not transformative and harmed all of the claimant's markets, the doctrine of fair use did not sanction the defendant's display of those images through inline linking or framing.⁶⁷ However, the Ninth Circuit then withdrew the portion of the *Kelly I* opinion dealing with inline linking and framing. In *Leslie A. Kelly v Arriba Soft Corporation (Kelly II)*,⁶⁸ the court concluded that the district court should not have decided whether the defendant's framing of full-size images was an infringement of the claimant's exclusive right to publicly display his works because neither party moved for summary judgment as to this issue.⁶⁹ Thus, the Ninth Circuit has not settled the question of inline linking and framing.

The parties in the above cases did not have any problems about jurisdiction. However, due to the global nature of the framing cases, they may have a connection with different countries. In such a situation, the courts of these countries may first address the issue of which court should have jurisdiction. Then, after the forum court has decided to exercise jurisdiction, it will determine what law should apply. As different countries have different definition of copyright infringement and different breadth of fair use, choosing different laws of these countries may result in different decisions.

2. Uploading of copyright material

⁶⁵ 280 F. 3d 934 (9th Cir. 2002).

⁶⁶ *ibid.*, at 944-947.

⁶⁷ *ibid.*, at 947-948.

⁶⁸ 336 F. 3d 811 (9th Cir. 2003).

⁶⁹ *ibid.*, at 815 and 817.

As it is easy and common for copyright material to be transmitted over the Internet, many Internet users assume that the fact that a material is available electronically entitles them to upload it to their own websites.⁷⁰ As many uploading cases have occurred in the US,⁷¹ it is important to understand three theories of copyright infringement under US law first.

(1) The theories of copyright infringement under US law

There are three theories of copyright infringement: direct infringement, contributory infringement, and vicarious infringement.

The Copyright Act of 1976 (the 1976 Act) addresses direct infringement. Under the 1976 Act, infringement occurs when a defendant violates any of the exclusive rights of the copyright owner, which include the right to reproduce, distribute, publicly display and perform the copyrighted work, and the right to make derivative works.⁷²

Unlike direct infringement, contributory and vicarious infringements are third party common law concepts that are not codified by the 1976 Act. Contributory infringement can arise if the defendant, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.⁷³ A defendant is liable for vicarious infringement for the actions of a direct infringer where the defendant (1) has the right and ability to control the infringer's act, and (2) receives a direct financial benefit from the infringement.⁷⁴

(2) The case law on uploading of copyright material⁷⁵

In *Sega Enterprises Ltd v MAPHIA*,⁷⁶ Sherman operated a BBS (Bulletin Board Systems) known

⁷⁰ Reed, C., *Internet Law: Text and Materials*, Cambridge University Press, 2nd ed., 2004, at 101.

⁷¹ Many downloading cases have also occurred in the US.

⁷² The 1976 Act, 17 U.S.C. § 106-122 and 501-505.

⁷³ *Gershwin Pub. Corp. v Columbia Artists Management, Inc.*, 443 F. 2d 1159, at 1162 (2nd Cir. 1971). See also *Sony Corp. v Universal City Studios, Inc.*, (1984) 464 U.S. 417, at 434-435 and *Fonovisa, Inc. v Cherry Auction, Inc.*, 76 F. 3d 259, at 264 (9th Cir. 1996).

⁷⁴ *Religious Technology Center v Netcom On-Line Communication Services, Inc.*, 907 F. Supp. 1361, at 1375-1376 (N.D. Cal. 1995). See also *Shapiro, Bernstein & Co. v H.L. Green Co.*, 316 F. 2d 304, at 306-308 (2nd Cir. 1963).

⁷⁵ As there are few cases dealing with uploading of copyright material in the UK, we will consider the US case law in this area.

as 'MAPHIA', which specialized in sharing video games among BBS users. Sega Enterprises Ltd (Sega), a video game manufacturer, held copyrights on many of the video games that were uploaded onto the BBS by MAPHIA users without the authorization of Sega. These games remained on the BBS could be downloaded by other users.⁷⁷ Sega brought an action against Sherman and contended that Sherman was liable for copyright infringement under direct, contributory and vicarious liability theories.

The court first addressed the issue of direct infringement. It held that Sega had not shown that Sherman himself uploaded or downloaded Sega game files, or directly caused such uploading or downloading to occur. Thus, Sherman could not be liable for direct infringement.⁷⁸

On the question of contributory infringement, first, since MAPHIA users uploaded unauthorized copies of Sega games to the BBS or downloaded them from the BBS, their activities had constituted direct copyright infringement. Secondly, as Sherman admitted that users were allowed to upload and download Sega games from his MAPHIA BBS, it had been established that Sherman knew of the infringing conduct by MAPHIA users. Thirdly, by operating the BBS, Sherman provided a site for the unauthorized copying of Sega games, and facilities for copying. Moreover, Sherman 'substantially participated' in the infringing activities by actively soliciting users to upload Sega games and providing a road map on his BBS for easily downloading them. Thus, Sherman's role in the infringing conduct, including providing facilities, directing, knowledge, encouragement, etc., amounted to a *prima facie* case of contributory copyright infringement.⁷⁹

As the court ruled that Sherman was liable for contributory infringement, it did not find it

⁷⁶ 948 F. Supp. 923 (N.D. Cal., 1996).

⁷⁷ *ibid.*, at 926-927.

⁷⁸ *ibid.*, at 931-932.

⁷⁹ *ibid.*, at 932-933.

necessary to consider whether he was vicariously liable.⁸⁰

In his defence, Sherman argued that MAPHIA users' activities fell within the fair use exception for copyright infringement. The court rejected this argument on all four factors:⁸¹

- (1) the infringement was for a commercial purpose;
- (2) the nature of the infringing work was entertainment rather than mere factual matter;
- (3) the entire copyrighted work was copied;
- (4) the infringement adversely affected the potential market for the copyrighted work.

In this case, the software and computer hardware Sherman used to run MAPHIA was owned by him and located at his residence in San Francisco, California. As the defendant resided in San Francisco, and the alleged acts of copyright infringement also occurred in San Francisco, the US District Court for the Northern District of California took jurisdiction over the case based on the 1976 Act, 28 U.S.C. § 1391 (b) and (c).⁸²

In the Internet environment, where data moves in a widely diffused fashion, copyright-protected works can be globally exploited. It is quite possible that an uploading dispute has a connection with several different countries. For example, there may be a dispute that a person, who resides in France, has uploaded a company's English copyright material onto the BBS operated by him based in Germany, without that company's permission. As this dispute has a connection with three

⁸⁰ *ibid.*, at 933.

⁸¹ *ibid.*, at 933-936.

⁸² The Copyright Act of 1976, 28 U.S.C. § 1391 (b): "A civil action wherein jurisdiction is not founded solely on diversity of citizenship may, except as otherwise provided by law, be brought only in (1) a judicial district where any defendant resides, if all defendants reside in the same State, (2) a judicial district in which a substantial part of the events or omissions giving rise to the claim occurred, or a substantial part of property that is the subject of the action is situated, or (3) a judicial district in which any defendant may be found, if there is no district in which the action may otherwise be brought." § 1391 (c): "For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a State which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and, if there is no such district, the corporation shall be deemed to reside in the district within which it has the most significant contacts."

countries, which country's court should have jurisdiction? Moreover, if the company owns the copyrights in twenty or thirty different countries, all of his copyrights will be infringed simultaneously due to the global access of the BBS. In such a situation, many countries will have connections with the dispute. The courts of all these countries may fight over the jurisdiction.

In this case, the US law of contributory infringement and fair use defence was applied. If such a case occurs in another country, will the court there use the same rule? For example, UK law does not have contributory infringement which can be established where the defendant 'with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another'. But the UK has the lower level of involvement for secondary infringement under the Copyright, Designs and Patents Act (CDPA) 1988, which requires merely 'reason to believe' that the BBS (or Internet service provider) 'possesses' or 'distributes' an infringing work.⁸³ So the defendant may also be held to constitute copyright infringement under UK law.

Similar to US fair use, fair dealing is a doctrine which is used in many common law jurisdictions, such as the UK, Canada and Australia. Fair dealing is a set of particular defences against a claim for infringement of an exclusive right of copyright: when the use of the copyrighted work is fair even if the use of the work would be considered infringement. Under the UK CDPA 1988, there are three fair dealing defences:⁸⁴ for the purpose of research or private study; for the purpose of criticism or review; and for the purpose of reporting current events.

Different from fair use, fair dealing can only apply to any act which falls within one of these

⁸³ Section 23 of the CDPA 1988: "The copyright in a work is infringed by a person who, without the licence of the copyright owner (a) possesses in the course of a business, (b) sells or lets for hire, or offers or exposes for sale or hire, (c) in the course of a business exhibits in public or distributes, or (d) distributes otherwise than in the course of a business to such an extent as to affect prejudicially the owner of the copyright, an article which is, and which he knows or has reason to believe is, an infringing copy of the work."

⁸⁴ Sections 29 and 30 of the CDPA 1988.

purposes.⁸⁵ Although fair use is more flexible than fair dealing, both of them can be equally used in many cases. For example, if the UK fair dealing defences are applied in this case, the same conclusion will be made.

However, continental law jurisdictions do not have the fair use or fair dealing doctrine. Instead, their national copyright laws usually provide case-specific exceptions to copyright. So the situation will be more complicated in continental law jurisdictions if such a case happens there. Because different countries may have different exceptions to copyright.

In the above example, as the dispute has a connection with the UK, France and Germany, the forum court will determine what law should apply after deciding to take jurisdiction. If UK law has been chosen, fair dealing will apply and the same decision may be made. But if French law or German law applies, the defendant cannot be protected by fair use or fair dealing. It is not sure if the court will give the same judgement by applying exceptions to copyright provided by French law or German law.

3. Downloading of copyright material

Once the unauthorized copyright material has been uploaded and made available, the next possible thing is that Internet users will download it from the Internet. There is little doubt that users are liable for downloading such material without the authority of the copyright owners. However, the copyright owners are reluctant to bring actions against millions of individual infringers. Much attention has been paid to the possibility of holding liable those parties who provide the equipment or facilities used for infringing activities.⁸⁶

⁸⁵ Griffiths, J., 'Preserving Judicial Freedom of Movement-Interpreting Fair Dealing in Copyright Law', I. P. Q. 2000, 2, 164, at 170-171.

⁸⁶ Lloyd, I.J., *Information Technology Law*, Oxford University Press, 5th ed., 2008, at 401.

In *A & M Records, Inc. v Napster, Inc.*,⁸⁷ Napster facilitated the transmission of MP3 files between and among its users. The company distributed its file sharing software for free via its website. Through a process called ‘peer-to-peer’ (P2P) file sharing, its users could search and share MP3 music files that were catalogued on Napster’s central server. These files could be downloaded directly from users’ hard drives over the Internet.⁸⁸ A & M Records and other record companies brought copyright infringement action against Napster in the US District Court for the Northern District of California.

The court held that Napster users who downloaded files containing copyrighted music directly infringed the claimants’ reproduction rights.⁸⁹

As for contributory infringement, the evidentiary record showed that Napster knew or had reason to know of its users’ infringement of claimants’ copyrights. Furthermore, without the support services Napster provided, its users could not find and download the music they wanted with the ease of which the defendant boasted. This means that Napster provided ‘the site and facilities’ for direct infringement, thus providing the required ‘material contribution’ necessary to establish contributory infringement.⁹⁰

In finding Napster liable for vicarious infringement, the district court noted that Napster financially benefited from the availability of protected works on its system. Because evidence showed that Napster’s future revenue was directly dependent upon ‘increases in user base’. More users would register with the Napster system as the quality and quantity of available music increased. The court also found the necessary ‘right and ability to supervise’ through Napster’s

⁸⁷ 239 F. 3d 1004 (9th Cir. 2001).

⁸⁸ *ibid.*, at 1011-1013.

⁸⁹ *ibid.*, at 1013-1014. And Napster users who uploaded file names to the search index for others to copy directly infringed claimants’ distribution rights.

⁹⁰ *ibid.*, at 1019-1022.

reservation of rights policy, as well as its ability to control access to its system.⁹¹

The Ninth Circuit supported the conclusions of the district court, holding that Napster constituted contributory and vicarious infringements.

The *Napster* judgment accelerated the development of systems, which do not rely on a central server. Grokster is one such system, which facilitates the process of querying a network of users running the P2P software for a particular file, returning query results to the requesting computer, and initiating the direct file transfer from one computer to another. The network is decentralized in the sense that once the P2P software has been downloaded from the distributors' websites the 'query-response-transmission' functions occur without the intervention of the distributors themselves.⁹² In *Metro-Goldwyn-Mayer Studios, Inc. (MGM) v Grokster Ltd*,⁹³ Grokster Ltd and Streamcast Networks Inc, two defendants, distributed such P2P software, which enabled users to download music, film or other digital files. MGM and other copyright owners sued the defendants for copyright infringement, alleging that defendants intentionally distributed the software to enable users to reproduce and distribute copyright works without the authorization of the copyright owners.

Unlike the position in *Napster*, there was no actual knowledge because the lack of a central index meant that the owners of Grokster had no way of knowing whether specific files were exchanged.

As to material contribution, the lack of central indexes or servers meant that the absence of the requisite 'site and facilities'. Thus, the defendants were not liable for contributory infringement.

And, as there was no admissible evidence indicating that defendants could supervise and control the infringing conduct, the defendants were not vicariously liable. On appeal, the Ninth Circuit

⁹¹ *ibid.*, at 1023-1024.

⁹² Ganley, P., 'Surviving Grokster: Innovation and the Future of Peer-to Peer', (2006) 28 (1) E.I.P.R., 15. See also Torremans, P., *Holyoak and Torremans Intellectual Property Law*, Oxford University Press, 4th ed., 2005, at 547.

⁹³ 125 S.Ct. 2764 (2005) (Sup. Ct. U.S.).

upheld the district court decision.

However, on appeal to the Supreme Court, the decision was reversed and it was held that there would be an infringement of copyright law where a software developer or distributor provides individuals with the means to share copyrighted files without authorization. The court based its decision on the inducement doctrine:⁹⁴

‘We hold that one who distributes a device with the object of promoting its use to infringe copyright, as shown by clear expression or other affirmative steps taken to foster infringement, is liable for the resulting acts of infringements by third parties.’

Similar with Grokster, the Kazaa system worked through P2P network. The system permitted users to search for and download files from other users of the network, which included not only Kazaa users but also users of other file-sharing systems that connected with the Kazaa system, such as Grokster.

In *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd*,⁹⁵ thirty Australian and international record companies brought an action against the Australian-based operators of the Kazaa system for authorizing copyright infringement carried out by their users in the Federal Court of Australia.⁹⁶

The defendants distributed free software that allowed Internet users to download the material through the Kazaa system. Although all the defendants knew the predominant use of Kazaa was for the sharing of copyright-infringing material, none of them had an interest to prevent that predominant use. Because the more visitors to the Kazaa website, the greater its advertising value

⁹⁴ *ibid.*, at 2770.

⁹⁵ [2005] FCA 1242.

⁹⁶ *ibid.*, at paras. 3-11 and 31-57.

and the higher the advertising rate could be demanded.⁹⁷

In determining whether the defendants had authorized copyright infringement by Kazaa users, the court considered a number of provisions of the Australian Copyright Act 1968 (the Act), including some amendments made by the Copyright Amendment Act 2000 (the 2000 Act).⁹⁸ According to section 112E of the Act, Sharman was not to be held to have authorized copyright infringement by Kazaa users merely because it provided the facilities they used in order to infringe the claimants' copyrights. Something more was required. In evaluating the 'something more', regard must be paid to the factors listed in section 101(1A) of the Act.⁹⁹

The 2000 Act inserted into section 101 a new subsection (1A), dealing with determination whether authorization has taken place. The matters to be taken into account include:

- (1) the extent of the person's power to prevent infringement;
- (2) the nature of any relationship between the person authorizing and the person performing the infringing act;
- (3) whether the person alleged to be authorizing took reasonable steps to prevent infringement.

Applying these principles, the court found Sharman and other defendants infringed the claimants' copyrights by authorizing Kazaa users to share copyright files (including download them). First, with technical measures, such as keyword filtering¹⁰⁰ and gold file flood filtering,¹⁰¹ Sharman had power to prevent, or at least substantially to reduce, the incidence of copyright file-sharing. But Sharman did nothing to implement these measures.¹⁰² Secondly, as for the nature of the relationship between Sharman and Kazaa users, if Sharman had not provided to users the facilities

⁹⁷ *ibid.*, at paras. 136-194.

⁹⁸ *ibid.*, at paras. 352-362.

⁹⁹ *ibid.*, at paras. 395-399.

¹⁰⁰ *ibid.*, at paras. 254-294.

¹⁰¹ *ibid.*, at paras. 310-330.

¹⁰² *ibid.*, at para. 411.

necessary for file-sharing, there would be no Kazaa file-sharing at all.¹⁰³ Thirdly, despite the warnings appearing on the Kazaa website and in the user license agreement, it was obvious to Sherman that those measures were ineffective to prevent copyright infringement by users.¹⁰⁴ Moreover, far from taking steps to curtail copyright file-sharing, Sherman encouraged it instead.¹⁰⁵ Sharman's website promoted KMD as a file-sharing facility,¹⁰⁶ Sharman exhorted users to share their files,¹⁰⁷ and it promoted the 'Join the Revolution' movement, which was based on file-sharing.¹⁰⁸

In this case, the Australian court found the defendants liable for authorizing the infringing acts of Kazaa users under the Australian Copyright Act 1968. If such a case occurs in another country, what is the opinion of the courts there? In a similar case,¹⁰⁹ the Dutch court (the Court of Appeals in Amsterdam) held that downloading copyright files was performed by Kazaa users not by Kazaa, and providing the means for publication or reproduction of copyrighted works was not an act of publication or reproduction in its own right.¹¹⁰ Moreover, the evidence showed that the Kazaa computer program was not exclusively used for downloading copyrighted works. It was also being used for non-infringing purposes.¹¹¹ On these grounds, the court concluded that Kazaa was not liable for copyright infringement.

In similar cases, Kazaa was held to constitute copyright infringement under Australian law whereas its actions were recognized as lawful under Dutch law. That is the point where the choice

¹⁰³ *ibid.*, at para. 403.

¹⁰⁴ *ibid.*, at para. 407.

¹⁰⁵ *ibid.*, at para. 405.

¹⁰⁶ *ibid.*, at paras. 68, 71, 73, 74, 78 and 79.

¹⁰⁷ *ibid.*, at paras. 69, 77, 80 and 81.

¹⁰⁸ *ibid.*, at paras. 81-84 and 178. Our analysis is based on Sherman and the same reasoning applies to other defendants (*ibid.*, at paras. 421-488).

¹⁰⁹ *BUMA & STEMRA v Kazaa*, (March 28, 2002), Amsterdam Court of Appeal, Cause list number 1370/01 SKG, available at http://w2.eff.org/IP/P2P/BUMA_v_Kazaa/20020328_kazaa_appeal_judgment.html.

¹¹⁰ *ibid.*, at para. 4.9.

¹¹¹ *ibid.*

of law problem arises.

IV. Patent and the Internet

The patent system has played a vital role in promoting the development of the underlying technical infrastructure for the Internet. This infrastructure established through effective patent protection has provided a large market for new ideas, innovations and technological inventions. However, the new technologies pose challenges to the conventional legal scheme for the patent system.¹¹² Two of them are of particular note: business methods patents and software patents.

1. Business methods patents

Patents have recently been granted to certain inventions concerning business methods. In the US case of *State Street Bank & Trust v Signature Financial Group*,¹¹³ the US Court of Appeals for the Federal Circuit held that a business model for managing mutual fund investment structure was patentable. In the *SOHEI* case,¹¹⁴ the Technical Board of Appeal of the European Patent Office (EPO) decided that a computer system for plural types of independent management, including financial and inventory management, and a system operation method, was patentable.

The infringement has occurred in this new area. In *Amazon.com, Inc. v Barnesandnoble.com, Inc.*,¹¹⁵ the Internet bookseller Amazon sued its rival Barnesandnoble, alleging infringement of its one-click ordering patent in the US District Court for the Western District of Washington.

Amazon's patent was directed to a 'one-click' method and system for placing a purchase order

¹¹² WIPO, *Intellectual Property on the Internet: A Survey of Issues* (WIPO/INT/02), at Chapter III-The Impact of the Internet on Intellectual Property Law: (d) Patents, para.242.

¹¹³ 149 F. 3d 1368, C.A. Fed. (Mass.), 1998.

¹¹⁴ *SOHEI/General-purpose management system* [1996] E.P.O.R. 253 (T769/92). However, claims to abstract business methods are not patentable in Europe since they are methods of doing business 'as such'.

¹¹⁵ 73 F. Supp. 2d 1228, W.D. Wash., 1999.

over the Internet. Amazon alleged that Barnesandnoble's one-click checkout system infringed its patent. The district court granted Amazon's motion for preliminary injunction. However, the Court of Appeals for the Federal Circuit vacated the preliminary injunction on the basis that Barnesandnoble had raised a substantial question of validity with respect to the one-click ordering patent.¹¹⁶ The case was then settled between the parties.

Although the case was settled and there were no further proceedings on the validity issue of Amazon's patent, we may see potential problems in such a case. If both parties and all the elements of the Internet patent are within the territory in which the patent is protected, there will be a straightforward claim for infringement. However, due to the borderless nature of the Internet, an Internet patent usually consists of elements that are located in different countries. In such circumstances, the case will have connections with different countries. This means that firstly, the courts of these countries may fight over which court should have jurisdiction over the case. Then, after the forum court has decided to take jurisdiction, it will have to determine what law should be applied.

2. Software patents

In the past, software was often sold as an integral part of the computer system, while software products are now often marketed in the form of computer readable media, for example, diskettes and CD-ROMs or directly over the Internet. Software-related inventions are thus stored in such media, and commercialized separately from the computer hardware.¹¹⁷

¹¹⁶ 239 F. 3d 1343, C.A. Fed. (Wash.), 2001.

¹¹⁷ WIPO, *Intellectual Property on the Internet: A Survey of Issues* (WIPO/INT/02), at Chapter III-The Impact of the Internet on Intellectual Property Law: (d) Patents, para.248.

An example of the software patent case is *Eolas Technologies, Inc. v Microsoft Corp.*¹¹⁸ Eolas sued Microsoft, alleging infringement of its Internet browsing software in the US District Court for the Northern District of Illinois. Eolas holds a patent for the automatic downloading of embedded content. The patent potentially affects content that is referred to by ‘embed’, ‘object’, and ‘applet’ HTML tags. Eolas alleged that Microsoft’s Internet Explorer infringed its patent. After jury trial, the court entered judgment on jury verdict of infringement and granted judgment as a matter of law. The decision of the district court was taken on appeal to the Court of Appeals for the Federal Circuit. The case was then settled.

In this case, the courts had jurisdiction without controversy. However, if both parties are from different countries or if the infringing product is sold over the Internet to individuals in different countries, the case may have a connection with several countries. In such a situation, the patent infringement action will require a consideration of jurisdiction and choice of law issues.

¹¹⁸ 457 F. 3d 1279, C.A. Fed. (Ill.), 2006.

Chapter 3

IP infringement over the Internet: how it is affected by technology development and substantive law

I. Introduction

As we have seen in Chapter 2, Internet IP infringements have raised many difficulties for intellectual property law. Faced with this situation, firstly, technologies have been developed to protect IP rights in digital forms. However, they cannot solve the problem of IP infringement over the Internet successfully. Secondly, what is the situation of substantive law? It is hard for substantive law to solve the problem of IP infringement over the Internet, which is most likely to occur on a global basis. Because for such cases, the first thing that the court usually needs to consider is not the substantive law issue but the private international law issue: what court should take jurisdiction.

II. Technology development

1. Existing technologies for intellectual property protection

(1) SCMS (Serial Copy Management System)

SCMS was introduced by record companies which allows for making original but not second-generation copies of sounds embodied on the digital audio tape (DAT).¹¹⁹ SCMS uses copy control flags, which are embedded in the content and verify whether copying is permissible. For originals which are subject to copyright protection, the copy bit is permanently 'on'. For 'copy free' discs, to which no copyright restrictions apply, the copy bit is continuously 'off'. If a user tries to do a copy from a copy device it will reject it as a master for copying.¹²⁰

However, software and design defects in certain models of consumer Minidisc player allow SCMS to be defeated.¹²¹ There is another way that SCMS can be defeated, which is copying the Table of

¹¹⁹ Bently, L. and Sherman, B., *Intellectual Property Law*, Oxford University Press, 3rd ed., 2008, at 272.

¹²⁰ Akester, P., 'Survey of Technological Measures for Protection of Copyright', Ent. L. R. 2001, 12(1), 36, at 37.

¹²¹ Baddeley, G., 'DAT at the Crossroads', Ent. L. R. 1991, 2(2), 33, at 35.

Contents from a blank disc that allows copying, to a recorded 'copy disallowed disc'.

(2) Encryption

To prohibit unauthorized copying, encryption is aimed to scramble contents so that they are not understandable until they are unscrambled. The technical terms for scrambling and unscrambling are 'encrypting' and 'decrypting'. If content is encrypted effectively, copying the files becomes useless because there is no access to content without the decryption key.¹²²

A widely used encryption system is called public-key system. This system requires two particular keys: a public key and a private key. The two keys are affiliated with the recipient to whom data is to be sent. The public key is distributed publicly while the private key is kept secret by recipient. Data encrypted using a person's public key can only be decrypted by using that person's private key. Applying this technology to intellectual property protection, a copyright owner can encrypt a work using the public key of the intended recipient. After the owner sends the encrypted work, the recipient can use his private key to decrypt it, and other parties cannot read, manipulate or decipher that work.¹²³

The advantage of applying this technology is that it is possible to limit the access to the work to those who have paid for the privilege, thus cutting down the amount of opportunist piracy which on the Internet can be a very quick process and virtually undetectable.¹²⁴

However, if the encryption is not powerful enough, mathematical technology can be used to decrypt the work without any key. Or if the key-distribution protocol is flawed, an unauthorized person may obtain the key via either high technology (e.g., wiretapping), or 'social engineering'

¹²² National Research Council Staff, *Digital Dilemma: Intellectual Property in the Information Age*, Washington, DC, USA: National Academies Press, 2000, at 156.

¹²³ Lehman, B. A., 'Intellectual Property and the National Information Infrastructure-The Report of the Working Group on Intellectual Property Rights', at http://www.ladas.com/NII/NII_Technology.html#enc.

¹²⁴ Kirk, E., 'Encryption and Competition in the Information Society', IPQ 1999, 1, 37, at 39.

(e.g., convincing someone with access to the key to supply it).¹²⁵

(3) Digital signatures

Besides encryption, another application of cryptography is digital signature. Digital signature schemes involve a key pair (a private key and a public key), which must be generated for the sender. The sender keeps the private key but publishes the public key. To sign some data, the sender uses special software to compute a digest of the data being signed containing its essential characteristics, using what is known as a 'hash function'. He encrypts this digest with his private key to form a digital signature. When the recipient receives the data and digital signature, the recipient uses the sender's public key to decrypt the digital signature. He subsequently creates a digest of the data using the same hash function and compares the two. If they are exactly the same, the receiver knows that the data has not been altered after signature and that it was sent using the sender's private key.¹²⁶

However, there are some problems that digital signatures cannot solve. For example, the data may be obtainable from: keys being stolen; booby-trapping of the encryption program (for example, so that it sends a copy of the private key to the hacker each time it is used); or betrayal by a user.¹²⁷

(4) Watermarking

Another technology is digital watermarking. Watermarking allows copyright owners to incorporate into their works invisible identifying information. Digital watermarks are bits embedded into content that can only be read by a detection device so that it knows whether content being played is authentic and where the source of content was originated. Watermarks can contain information such as the author's name and e-mail address, ID number and a URL, information about who owns

¹²⁵ National Research Council Staff, *Digital Dilemma: Intellectual Property in the Information Age*, Washington, DC, USA: National Academies Press, 2000, at 158.

¹²⁶ Taylor, M., 'Uses of Encryption: Digital Signatures', C.T.L.R. 2006, 12(3), 91, at 92.

¹²⁷ Brazell, L., 'Electronic Security: Encryption in the Real World', E.I.P.R. 1999, 21(1), 17, at 19.

a work, how to contact the owner and whether a fee must be paid to use the work. The most common use of watermarks is to attach a copyright claim to a work.¹²⁸

One of the difficulties in watermarking is that it must survive compression methods without becoming visible or audible when uncompressed.¹²⁹

2. Can technology provide a viable solution?

We have seen from the above that while existing technologies can provide some help in intellectual property protection, they all have problems. For example, SCMS can be defeated by software and design defects in some disc player. One problem with encryption is that mathematical technology can be used to decrypt the work without any key. The difficulties in digital signature are: keys being stolen, booby-trapping of the encryption program, and betrayal by a user. Generally the difficulty with these technologies is that they are not perfect and can always be circumvented by users with some skill and some determination.

Another difficulty is how to implement these technologies. It is unlikely that a majority of communicators will adopt such technologies voluntarily. Thus applying them will often require government involvement: positive obligations either in legislation, or in court order. But there are potential difficulties involved where a court or legislature makes such an order.¹³⁰ This can be illustrated by the orders given in *Universal Music Australia Pty Ltd v Sharman License Holdings Ltd*.¹³¹

¹²⁸ Akester, P., 'Authorship and Authenticity in Cyberspace', *Computer Law & Security Report*, Vol. 20, No. 6, 2004, 436, at 439.

¹²⁹ Marks, D. S. and Turnbull, B. H., 'Technical Protection Measures: The Intersection of Technology, Law and Commercial Licences', [2000] EIPR Issue 5, 198, at 212.

¹³⁰ Weatherall, K., 'Can Substantive Law Harmonisation and Technology Provide Genuine Alternatives to Conflicts Rules in Intellectual Property?' (2006) 11 (4) *Media & Arts Law Review* 393.

¹³¹ [2005] F.C.A. 1242. We have discussed this case in 'III. Copyright and the Internet: 3. Downloading of copyright material' of Chapter 2.

In that case, the court made two key orders:¹³²

Order 4: an injunction restraining Sharman from authorising Kazaa users to do any of the infringing acts in Australia;

Order 5: a statement that continuation of the Kazaa file-sharing system should not be regarded as a breach of Order 4 if that system was modified pursuant to a protocol approved by the court, ensuring keyword filtering or gold file flood filtering was imposed on users searching for material owned by the claimants.

These two orders showed the willingness of the court to become involved in technology design and ongoing supervision of the technology redesign. However, two issues emerged. First, the orders were criticized by many technologists for evincing poor understanding of the technology. Obviously, difficulties are likely to arise when lay courts decide to order particular technological fixes. Secondly, the particular technological ‘tweaks’ required by the court needed cooperation between the parties. But it was hard for them to cooperate.¹³³

Thus, problems will arise when a court orders some technologies to be applied. How effective must the technology be? Who should judge the effectiveness of such a technology? How can cooperation be ensured (if necessary), particularly in the longer term?¹³⁴

Moreover, if such a case happens across borders, the situation will be more complicated. As the case has a connection with more than one country, the court has to consider which country’s law should be applied. A technology may be permitted under one country’s law but prohibited under another’s law. The application of that technology may thus depend on what law applies.

Furthermore, even if the technology has been decided to apply in the court’s country, it may not be

¹³² *ibid.*, at para 526.

¹³³ Weatherall, K., ‘Can Substantive Law Harmonisation and Technology Provide Genuine Alternatives to Conflicts Rules in Intellectual Property?’ (2006) 11 (4) *Media & Arts Law Review* 393.

¹³⁴ *ibid.*

applicable in other countries involved.

Therefore, the use of technologies to protect IP rights is not a good answer to the problem of Internet IP infringement. One difficulty is they all have their own problems and can be circumvented by users with some skill and some determination. Another difficulty is these technologies are hard to implement in reality. The involvement of courts raises difficulty questions: how effective must technologies be, who should judge their effectiveness, and can such technologies be applicable in the countries involved (beside the court's country)?

III. Substantive law

As has been seen in Chapter 2, the courts have applied substantive law in Internet IP infringement cases. Here, we will consider in detail if substantive law can work well.

1. Trademark law

(1) Conflict between trademarks and domain names

(i) Cybersquatting-section 10 (3) of the Trade Mark Acts (TMA) 1994

Trademark law in the UK makes no special provision for cybersquatting, leaving it to the courts to apply general principles of trademark law to this new problem.¹³⁵ For example, in *One in a Million*,¹³⁶ the court decided that the defendants' actions constituted trademark infringement under section 10(3) of the TMA 1994.

Section 10 (3) provides that a registered trademark is infringed in the UK if a similar or identical mark is used in relation to goods or services which are not similar to those for which it is

¹³⁵ Phillips, J., *Trade Mark Law-A Practical Anatomy*, Oxford University Press, 2003, at 583.

¹³⁶ *British Telecommunications Plc, Virgin Enterprises Ltd, J. Sainsbury Plc, Marks & Spencer Plc and Ladbroke Group Plc v One in a Million* [1998] F.S.R. 265. For details, see Chapter 2.

registered, where the trademark has a reputation in the UK, and the use of the sign without due cause takes unfair advantage of or is detrimental to the distinctive character or repute of the trademark.

In this case, each of the claimants had established a reputation in their marks in the UK, and under section 10 (3) there was no requirement that the goods be similar. While the disputed domain names were not identical to the claimants' trademarks, they were similar and such use of the marks would be detrimental to the claimants' exclusivity.¹³⁷

The defendants raised the defence that the mark was not being used 'in the course of trade'. But the court held that use 'in the course of trade' meant use in the course of a business, and did not mean use as a trademark. The use of a trademark in the course of the business of a professional dealer for the purpose of making domain names more valuable and extracting money from the trademark owner was a use in the course of trade.¹³⁸

In this case, there was no doubt for English law to apply. However, as the disputed domain names can be accessed worldwide, the claimants' trademark rights will be potentially infringed everywhere. So the claimants may bring proceedings in many countries. Assume that the claimants also sue the defendants in a country other than the UK.¹³⁹ Then the case has connections with two different countries and trademark laws of both countries can be applicable to determine the case. The conflict between legal systems may arise. The first possibility is that different from the UK, that country may permit cybersquatting. In such a circumstance, applying different trademark laws of these two countries will get completely different results. Secondly, even if the laws of both

¹³⁷ *ibid.*, at 272.

¹³⁸ *ibid.*

¹³⁹ Within the EU, the trademark law has been heavily harmonized except for the sale of the trademark as a keyword as the case law in this area has not developed. Here we assume the claimants sue the defendants in a country outside the EU.

countries prohibit cybersquatting, their courts may still make different decisions based on their different interpretive approaches. In *One in a Million*, the English court interpreted ‘use in the course of trade’ in such a way that the defendants were held to infringe claimants’ trademarks. But the courts in other countries may interpret ‘use in the course of trade’ in a different way, so that the defendants’ defence will succeed.

(ii) Concurrent use- section 43 (c) of the Lanham Act

Compared with the situation in cybersquatting cases, the conflict between trademarks and domain names is more irreconcilable where both parties may have legitimate interests in the domain name. For example, in the *Prince* case,¹⁴⁰ both Prince Plc and Prince Sports Group Inc seemed to be entitled to use the ‘prince.com’ domain name, and both wanted to own it. They sued each other in their respective home countries (the UK and the US). But the English court did not discuss whether Prince Plc’s use of ‘prince.com’ infringed Prince Sports Group’s UK trademark. And Prince Sports Group finally dropped its US lawsuit and the case was settled.

Let us assume that Prince Sports Group does not drop its US lawsuit. Then the US court will probably apply section 43 (c) of the Lanham Act in this case.

Section 43 (c) provides that:

“The owner of a famous mark shall be entitled...to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark...”

Based on this provision, the US court is likely to grant Prince Sports Group (the owner of the US famous trademark PRINCE) an injunction against Prince Plc’s commercial use of the ‘prince.com’ domain name. However, US law only applies to the US territory and the US judgment may not be

¹⁴⁰ *Prince Plc v Prince Sports Group Inc* [1998] F.S.R. 21. For details, see Chapter 2.

enforced in the UK. It depends on whether Prince Plc's use of 'prince.com' will be held illegal under English law. Prince Plc had been trading in the UK under the mark PRINCE for more than ten years when Prince Sports Group asserted that Prince Plc's use of 'prince.com' constituted infringement of its UK trademark. Based on this, the English court may conclude that Prince Plc has a valuable reputation in the name PRINCE and its use of 'prince.com' in relation to IT services does not infringe Prince Sports Group's trademark for sporting goods. So the US judgment cannot be enforced in the UK. But as the domain name has a global nature, the judgment on it has to be enforced globally. How can this problem be solved? Trademark law cannot give the answer.

(2) Use of another's trademark on a website

The English High Court of Justice (Chancery Division) and the English Court of Appeal (Civil Division) have considered this issue in *1-800 FLOWERS Inc v Phonenames Ltd.*¹⁴¹ Under English trademark law, in order to infringe an English trademark, the infringing act must take place in the UK.¹⁴² For non-Internet cases, it is straightforward. But the problem arises when a trademark has been placed on a foreign website, which is accessible from the UK. Will this act constitute use within the UK? In this case, the courts developed a targeting approach for trademark use on the Internet: to infringe a trademark, it must be placed on a website by someone who actively pursues a commercial activity in the country concerned.¹⁴³ Obviously, the English court did well in interpreting 'trademark use on the Internet' since it fits the factual circumstances of Internet use into the rules of both trademark law and private international law.¹⁴⁴ However, as it has not become a uniform rule applicable all over the world, it is uncertain whether the courts in other

¹⁴¹ [2000] F.S.R. 697; [2002] F.S.R. 12 (at 191). For details, see Chapter 2.

¹⁴² Section 9 (1) of the TMA 1994.

¹⁴³ [2000] F.S.R. 697, at 705; [2002] F.S.R. 12 (at 191), at 220-221.

¹⁴⁴ For the forum court to exercise jurisdiction, there should be a sufficient connection between the forum and proceedings. Under the targeting approach, use in a particular jurisdiction requires evidence of actual trade or an intention to trade in that jurisdiction, which meets such a requirement.

countries will follow the same approach.¹⁴⁵ Moreover, if the defendant, who places the trademark on a website, pursues the commercial activity in several countries or even on a global basis, the case will have connections with these countries and their trademark laws may be applicable to determine the case. To explain how difficulties will arise, we assume that the case has connections with two different countries. Firstly, if one country is like the UK, which has the same approach for trademark use on the Internet, and the other country regards the trademark as being used everywhere when it is placed on a website, applying laws of these two countries will get completely different results. Secondly, even if both countries have the same test for ‘trademark use on the Internet’ as the UK, their courts may still make different judgments based on different standards of determining the existence and degree of commercial activity in their respective trademark laws. So the issue of use of another’s trademark on a website may involve conflict of laws.

(3) Use of another’s trademark as a meta-tag--sections 32 and 43 (a) of the Lanham Act

Many meta-tag cases have occurred in the US. When the US courts deal with these cases, the ‘likelihood of confusion’ plays an important role in determining whether use of another’s trademark as a meta-tag is an infringing use. Section 32 of the Lanham Act prohibits the use in commerce of “any reproduction, counterfeit, copy, or colorable imitation” of a registered trademark or service mark where “such use is likely to cause confusion, or to cause mistake, or to deceive.” Section 43 (a) further forbids the use of “any word, term, name...” which “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association.”

¹⁴⁵ European courts have developed the same test for trademark use on the Internet. Here we refer to the countries outside the EU.

The Lanham Act's protection of trademarks under sections 32 and 43 (a) is not limited to confusion at 'the point of sale'. Infringement can be based upon confusion that captures initial customer attention, even though no actual sale is finally completed as a result of the confusion (the doctrine of 'initial interest confusion').¹⁴⁶

This doctrine was applied in *Brookfield Communications Inc. v West Coast Entertainment Corp*,¹⁴⁷ where the Ninth Circuit concluded that the use of MovieBuff by West Coast as a meta-tag would result in 'initial interest confusion'. The court reasoned that search engine users looking for Brookfield's MovieBuff products could be lured away to West Coast's site and that once they arrived, they would stay there and purchase West Coast's similar products instead.¹⁴⁸

As this case happened in the US, US law applied. Under sections 32 and 43 (a) of the Lanham Act, the US court interpreted trademark protection broadly to protect trademark owners' interests. However, if the case happens in another country, the courts there may not apply the 'initial interest confusion' doctrine in such a broad way. Moreover, many countries do not have this doctrine in their trademark laws. If such a case happens, will the courts in these countries get the same result in the absence of such a doctrine? In a recent case,¹⁴⁹ the English court held that use of another's trademark as a meta-tag was most likely not 'use in the course of trade' and so did not constitute trademark infringement.¹⁵⁰ In Denmark, however, use of another's trademark as a meta-tag has been held to be trademark infringement.¹⁵¹

(4) Sale of the trademark as a keyword

¹⁴⁶ *Dr. Seuss Enterprises, L.P. v Penguin Books USA, Inc.*, 109 F.3d 1394 (9th Cir., 1997), at 1405. See also Tucci, V., 'The Case of the Invisible Infringer: Metatags, Trademark Infringement and False Designation of Origin', *Journal of Technology Law & Policy*, Vol.5, Summer 2000, Issue 2, at paras. 28-31.

¹⁴⁷ 174 F.3d 1036 (9th Cir., 1999). For details, see Chapter 2.

¹⁴⁸ *ibid.*, at 1062.

¹⁴⁹ *Reed Executive Plc v Reed Business Information Ltd* [2004] E.T.M.R. 56 (at 731).

¹⁵⁰ *ibid.*, at 765-766.

¹⁵¹ *Melitta v Coffilter Internationalt*, FS 2433/97 Hillerød fodgeret (November 17, 1997).

The key question in this type of cases is whether the defendant's actions constitute 'trademark use'. For example, in *Rescuecom Corp. v Google, Inc.*,¹⁵² the US District Court for the Northern District of New York held that Rescuecom failed to show that Google's selling trademarks as keywords was a 'trademark use'.¹⁵³ Thus, Google's actions did not constitute trademark infringement.

The court in this case defined sale (or purchase) of the trademark as a keyword in the way that did not constitute trademark use. But such approach is not unanimous and several US district courts have reached different conclusions on this issue. For example, in *Edina Realty, Inc. v TheMLSonline.com*,¹⁵⁴ the district court in Minnesota ruled that the defendant's purchase of the claimant's trademark as a keyword was a 'use in commerce'. Conversely, in *Merck & Co., Inc. v Mediplan Health Consulting Inc.*,¹⁵⁵ the US District Court for the Southern District of New York held that the defendants' purchase of the claimant's trademark as a keyword was an 'internal use' and did not constitute a 'trademark use' because "defendants do not 'place' the claimant's marks on any goods or containers or displays or associated documents, nor do they use them in any way to indicate source or sponsorship."¹⁵⁶ So the US courts cannot reach the agreement as to whether the sale of trademarks for keyword advertising is a trademark use and these courts may make diverging judgments over a US interstate keyword case.

What is the situation in other countries? In similar cases, the German court ruled that Google was not liable for allowing advertisers to use another's trademark as a keyword. The court explained that search engines had no duty to examine the keywords they sold to assess whether they were

¹⁵² No. 5:04-CV-1055, 456 F. Supp. 2d 393 (N.D.N.Y. September 28, 2006).

¹⁵³ *ibid.*, at 397-403.

¹⁵⁴ F. Supp. 2d, 2006 WL 737064 (D. Minn., March 20, 2006).

¹⁵⁵ 425 F. Supp. 2d 402 (S.D.N.Y. March 30, 2006).

¹⁵⁶ *ibid.*, at 415.

trademarks owned by third parties because to do so would be overly burdensome.¹⁵⁷ However, the French court considers the use of a trademark as a keyword to be a ‘trademark use’ under French law. And the search engines’ sale of trademarks as keywords is dealing in the trademark, and thus liable for trademark infringement.¹⁵⁸

There have been international disagreements over the issue of sale of trademarks as keywords. Due to the global nature of keyword cases, it is likely for them to have connections with different countries and trademark laws of these countries can be applicable. As we have seen from the above, the same case can get completely different results by applying different laws (sale of the trademark as a keyword has been held to constitute trademark infringement in France but not in Germany or some states in the US). Although the courts mentioned above seem to settle the cases in their own ways, none of them has actually solved the problem in keyword cases, which is the choice of law problem.

2. Copyright law

(1) Uploading of copyright material-section 17 (6) of the Copyright, Designs and Patents Act (CDPA) 1988

Many uploading cases have happened in the US. For example, in *Religious Technology Center v Netcom On-Line Communication Services, Inc.*,¹⁵⁹ Religious Technology Center (RTC) and Bridge Publications, Inc. (BPI), owners of copyrights in the written works of L. Ron Hubbard, sued against Dennis Erlich, claiming that Erlich infringed their copyrights by uploading excerpts of

¹⁵⁷ *Nemetschek v Google Deutschland*, Az: 33 O 21461/03 and *Metaspinner Media GmbH v Google Deutschland*, Az: 312 O 887/03; 312 O 324/04.

¹⁵⁸ *Sociétés des Hôtels Mériidien v S.A.R.L. Google France*, T.G.I. Nanterre, Dec. 16, 2004, N° RG 04/03772 and *Sociétés Google France v Sociétés Viaticum et Sociétés Luteciel*, CA Versailles, 12e ch., March 10, 2005, N° RG 03/00051.

¹⁵⁹ 907 F. Supp. 1361 (N.D. Cal. 1995).

Hubbard's writings onto an Internet Usenet newsgroup. The material was posted through a BBS operated by Tom Klemesrud, and the BBS obtained access to the Internet through an Internet service provider (ISP) called Netcom On-Line Communication Services (Netcom). The claimants also named Klemesrud and Netcom as defendants because they did not agree to remove the material.¹⁶⁰

The US court held that Erlich was directly liable for infringement by uploading claimants' works to the newsgroup because copies of works were created on Klemesrud's and Netcom's storage devices.¹⁶¹ However, neither Klemesrud nor Netcom were liable for direct infringement because neither took any affirmative action that directly resulted in copying claimants' works.¹⁶²

The US law of direct copyright infringement was applied in this case. If such a case happens in another country, what judgment will the courts there make? For example, UK law does not have 'direct copyright infringement' but it has section 17 (6) of the CDPA 1988 instead. When defining infringement of copyright by copying, section 17 (6) provides that 'copying in relation to any description of work includes the making of copies which are transient or are incidental to some other use of the work'. Based on this provision, the English court may rule that all three defendants' actions have infringed the claimants' copyright. Thus, the same case may get different results under different copyright laws.

More difficulties will arise if uploading of copyright material occurs across borders. For example, there may be a dispute that a person, who resides in France, has uploaded an English company's copyright games onto the BBS operated by him based in Germany, without that English company's permission. As this dispute has connections with three countries, a series of inquiries familiar in

¹⁶⁰ *ibid.*, at 1365-1366.

¹⁶¹ *ibid.*, at 1367-1369.

¹⁶² *ibid.*, at 1368-1373.

private international law will be considered: first, the jurisdictional problem: which country's court should have jurisdiction? And second, the choice of law problem: which country's law should be applied to the case?

(2) Downloading of copyright material-sections 23 and 24 of the CDPA 1988

Finally, let us examine whether substantive law can deal with downloading of copyright material successfully. The US court has considered this issue in *A & M Records, Inc. v Napster, Inc.*¹⁶³ Napster had knowledge or reason to know of its users' direct infringement, which is necessary for contributory infringement. Moreover, Napster provided 'the site and facilities' for its users' direct infringement, thus providing the required 'material contribution' necessary to establish contributory infringement.¹⁶⁴ In *Metro-Goldwyn-Mayer Studios, Inc. (MGM) v Grokster Ltd*,¹⁶⁵ the court (the Supreme Court) decided that there would be an infringement of copyright law where a software developer or distributor provides individuals with the means to share copyrighted files without authorization.¹⁶⁶

The *Napster* and *Grokster* decisions provide important guidance as to how the traditional principles of contributory infringement (US law) can apply to the Internet context. However, if such a case happens in another country, will its courts use the same rule? For many countries in the world, they do not have contributory copyright infringement in their copyright laws. Whether the courts will make the same conclusion depends on their individual laws. For example, UK law does not have 'contributory infringement' but it has 'secondary infringement' under the CDPA 1988. Section 23, which establishes secondary infringement of dealing with infringing copy, or section 24, which establishes secondary infringement of providing means for making infringing copies,

¹⁶³ 239 F. 3d 1004 (9th Cir. 2001). For details, see Chapter 2.

¹⁶⁴ *ibid.*, at 1019-1022.

¹⁶⁵ 125 S.Ct. 2764 (2005) (Sup. Ct. U.S.). For details, see Chapter 2.

¹⁶⁶ *ibid.*, at 2770.

could be used if a similar case happens in the UK. So Napster or Goscarter still can be held to infringe claimants' copyrights under UK law.

We limit our discussion above to cases occurring within one country. However, due to the transnational nature of the Internet, an increasing number of international downloading cases will arise. For example, a Chinese company may operate a website, through which its users have downloaded the copyright music held by an English recording company without its permission. In this example, as there is a connection to two countries, the first relevant question is which court is competent to decide the dispute. Then the forum court has to determine what law should be applied. Although both the US and the English courts can deal with downloading cases under their substantive copyright laws, these laws are only applicable within their territories. When the case occurs across borders, the choice of law problem has to be considered.

3. Patent law

(1) Business methods patents

The courts have not given much guidance in applying substantive law to infringement cases regarding business methods patents. For example, in *Amazon.com, Inc. v Barnesandnoble.com, Inc.*,¹⁶⁷ the US District Court for the Western District of Washington briefly compared Amazon's patent, which was directed to a 'one-click' method and system for placing a purchase order over the Internet, with Barnesandnoble's one-click checkout system, and decided that Amazon's patent rights had been infringed. The district court, however, focused on the analysis of granting preliminary injunction. Moreover, the Court of Appeals for the Federal Circuit vacated the preliminary injunction on the basis that Barnesandnoble had raised a substantial question of

¹⁶⁷ 73 F. Supp. 2d 1228, W.D. Wash., 1999. For details, see Chapter 2.

validity of Amazon's patent.¹⁶⁸ The case was then settled, and there were no further proceedings.

Although the case was settled, we can see potential problems in such a case. Due to the borderless nature of the Internet, an Internet patent usually consists of elements that are located in different countries. This means that firstly, the courts of these countries may fight over which court should have jurisdiction over the case. Then, after the forum court has decided to take jurisdiction, it will have to determine what law should be applied.

(2) Software patents

The courts also gave little guidance in applying substantive law to infringement cases on software patents. For example, in *Eolas Technologies, Inc. v Microsoft Corp.*¹⁶⁹ the US District Court for the Northern District of Illinois did not provide much analysis on infringement regarding Eolas's patent for Internet browsing software. It followed the jury's finding of infringement and granted judgment. When Microsoft appealed, the Court of Appeals focused on the issue of reassignment of cases to new district judge. The case was then settled.

In this case, the courts had jurisdiction without controversy. However, if both parties are from different countries or if the infringing product is sold over the Internet to individuals in different countries, the case will have a connection with several countries. In such a situation, the patent infringement action will require a consideration of jurisdiction and choice of law issues.

4. Summary

It is hard for the territorial substantive law to solve the problem of IP infringement over the Internet, which is most likely to happen on a global basis. Because when an Internet IP

¹⁶⁸ 239 F. 3d 1343, C.A. Fed. (Wash.), 2001.

¹⁶⁹ 457 F. 3d 1279, C.A. Fed. (Ill.), 2006.

infringement case occurs across borders, the first thing that the court needs to consider is not the substantive law issue but the private international law issue: what court should take jurisdiction and what law should apply, which cannot be solved by substantive law.

Chapter 4

How do jurisdictional problems arise?

I. Preliminary remarks

1. What is private international law?

As jurisdictional problems belong to the area of private international law, it is important to understand the concept of private international law first. Private international law, also known as the conflict of laws,¹⁷⁰ deals with cases having a foreign element. “The foreign elements in the case may be events which have taken place in a foreign country or countries,¹⁷¹ or they may be the foreign domicile, residence or place of business of the parties.”¹⁷² For example, the English court may deal with a case in which a German resident knowingly used a well-known trademark owned by an English company on his website. Or there is a case in which a French resident uploaded a copyright poem owned by a Belgian resident during his business trip in Italy. Thus, private international law problems usually arise from such cases with a foreign element.

There are two major private international law problems: first, the jurisdictional problem: does the court have jurisdiction to decide the case? And second, the choice of law problem: what law is applicable to the case?¹⁷³ Sometimes, a third problem may arise, namely, the recognition and enforcement of foreign judgments.¹⁷⁴ We will only discuss the first problem here.

2. Jurisdictional problems

There are two different regimes to determine whether the court has jurisdiction.¹⁷⁵ The first is the

¹⁷⁰ The term ‘private international law’ is used in most civil law countries while the term ‘the conflict of laws’ is generally used in the United States (US). See Cheshire, North & Fawcett, *Private International Law*, Oxford University Press, 14th ed., 2008, at 16-18.

¹⁷¹ In the context of private international law, a ‘country’ is any territorial unit having its own separate system of law. Thus, England and Wales, Scotland, and Northern Ireland are three countries in the sense of private international law. Similarly, each state in the US is a separate country. See Clarkson, C.M.V. and Hill, J., *The Conflict of Laws*, Oxford University Press, 3rd ed., 2006, at 3-4.

¹⁷² Clarkson, C.M.V. and Hill, J., *The Conflict of Laws*, Oxford University Press, 3rd ed., 2006, at 1.

¹⁷³ The choice of law problem is outside the scope of our discussion.

¹⁷⁴ The third problem only arises when there is a foreign judgment.

¹⁷⁵ We will explain ‘jurisdictional problems’ based on English law.

Brussels regime, consisting of the Brussels I Regulation,¹⁷⁶ the Brussels Convention¹⁷⁷ and the Lugano Convention.¹⁷⁸ Following on from the Brussels regime, there is the English approach to the Brussels regime-the Civil Jurisdiction and Judgments Order 2001,¹⁷⁹ which allocates jurisdiction within the United Kingdom (UK). The second regime is the English rules on jurisdiction.

(1) The Brussels regime

The Brussels regime includes the Brussels I Regulation (the Regulation), the Brussels Convention and the Lugano Convention. As the basic provisions of these three instruments are virtually the same, our analysis will be based on the most important one- the Regulation. Some of its key features need to be pointed out. First, the scope of the Regulation is limited to “civil and commercial matters”.¹⁸⁰ And second, the primary jurisdiction rule is provided by Article 2, “persons domiciled in a Member State, shall, whatever their nationality, be sued in the courts of that Member State”.¹⁸¹

(2) The Civil Jurisdiction and Judgments Order 2001

As England and Wales, Scotland, and Northern Ireland have different legal systems and are regarded as three countries in the context of private international law, the Civil Jurisdiction and Judgments Order 2001 is needed to allocate jurisdiction among different parts of the UK.¹⁸²

(3) The English rules

¹⁷⁶ Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters [2001] OJ L12/1.

¹⁷⁷ The Brussels Convention of 27 September 1968 on jurisdiction and the enforcement of judgments in civil and commercial matters (OJ 1978 L 304).

¹⁷⁸ The Lugano Convention of 16 September 1988 on jurisdiction and the enforcement of judgments in civil and commercial matters (OJ 1988 L 319). The detailed analysis of these three instruments will be given in Chapter 5.

¹⁷⁹ SI 2001/3929, Schedule 2, Part II, para.4. It substitutes Schedule 4 to the Civil Jurisdiction and Judgments Act 1982.

¹⁸⁰ Article 1 of the Regulation.

¹⁸¹ Article 2 of the Regulation.

¹⁸² The Civil Jurisdiction and Judgments Order 2001 is not our main concern here.

In the situation where the rules of the Brussels regime do not apply, recourse must be had to the English rules. The key feature of the English rules is that the court's jurisdiction is based on service of process upon a defendant.¹⁸³ There are three circumstances for the English court to exercise jurisdiction under the English rules. First, the defendant is present in England and thus he can be served with process in England.¹⁸⁴ Secondly, the defendant submits to the jurisdiction of the English court.¹⁸⁵ Thirdly, when neither of the first two conditions is satisfied, the court can still have jurisdiction by allowing service of a claim form out of the jurisdiction using para.3.1 of Practice Direction 6 B (PD 6 B).¹⁸⁶

II. Connections

The connections or connecting factors are points of contact that connect a person or an event to a certain jurisdiction, which will determine the issue, or connect them to a system of the law, which will be applied to decide the issue.¹⁸⁷ As the Internet has a global nature, cases of IP infringement over the Internet usually occur across borders and thus have more than one connection. That is, there may be a range of connections in an Internet IP infringement case.

1. Personal connections

(1) Natural persons

(i) *More permanent connections*¹⁸⁸

¹⁸³ Dicey, Morris and Collins, *The Conflict of Laws*, London: Sweet & Maxwell, 14th ed., 2006, at 306. The detailed analysis of the English rules will be given in Chapter 6.

¹⁸⁴ *ibid.*, at 343-355.

¹⁸⁵ *ibid.*, at 356-360.

¹⁸⁶ *ibid.*, at 362-398. This Practice Direction supplements Section IV of Civil Procedure Rules (CPR) Part 6.

¹⁸⁷ Briggs, A., *The Conflict of Laws*, Oxford University Press, 2nd ed., 2008, at 20.

¹⁸⁸ Compared with the mere physical presence, domicile, habitual residence and nationality are more permanent connections in the context of private international law. Actually these 'more permanent connections' can still change.

More permanent connections for natural persons include domicile, habitual residence and nationality.

The Brussels regime adopts the term of ‘domicile’ and provides that “in order to determine whether a party (a natural person) is domiciled in the Member State whose courts are seised of a matter, the court shall apply its internal law.”¹⁸⁹ For the purposes of the Brussels I Regulation, the domicile of an individual in the UK is determined by the Civil Jurisdiction and Judgments Order 2001 (the 2001 Order), which provides that “an individual is domiciled in the UK if he is resident in the UK and the nature and circumstances of his residence indicate that he has a substantial connection with the UK, which shall be presumed to be fulfilled (unless the contrary is proved) if he has been resident in the UK for the last three months or more.”¹⁹⁰ But “if a party (a natural person) is not domiciled in the Member State whose courts are seised of the matter, then, in order to determine whether the party is domiciled in another Member State, the court shall apply the law of that Member State.”¹⁹¹ So the English court shall apply German law in determining whether a natural person is domiciled in Germany if this person is not domiciled in England under the English definition.

At common law, habitual residence “refers to a man’s (a natural person’s) abode in a particular place or country which he has adopted voluntarily and for settled purposes as part of the regular order of his life for the time being, whether of short or of long duration.”¹⁹² “Whether a person is (or is not) habitually resident in a specified country is a question of fact to be decided by reference to all the circumstances of any particular case.”¹⁹³

¹⁸⁹ Article 59 (1) of the Regulation.

¹⁹⁰ The Civil Jurisdiction and Judgments Order 2001, SI 2001/3929, Sch. 1, paras. 9 (2) and (6). Similar rules are provided by paras. 9 (3), (5) and (6) to determine whether an individual is domiciled in a particular part of the UK.

¹⁹¹ Article 59 (2) of the Regulation.

¹⁹² *Shah v Barnet London Borough Council* [1983] 2 A.C. 309, at 343.

¹⁹³ *Re J (A Minor) (Abduction: Custody Rights)* [1990] 2 A.C. 562, at 578. See also *Re M (Minors) (Residence*

The concept of ‘habitual residence’ was developed by the Hague Conference on Private International Law and has been utilized in many Hague Conventions.¹⁹⁴

Nationality is the basic personal connection in most civil law countries. In these countries, the personal law is usually the law of the country of which the person is a citizen.¹⁹⁵

It is necessary to examine how the connection works in cases of IP infringement over the Internet.

When the dispute is between a claimant residing in one country and a defendant residing in another country, whose website infringes the claimant’s trademark, both countries will have connections with this case based on the two parties’ residence. Similarly, if the defendant X domiciled in Country A infringes the copyright of the claimant Y domiciled in Country B through linking Y’s copyright material on X’s website,¹⁹⁶ both countries will have connections with this case based on the two parties’ domicile. For some countries with civil law systems, the nationality is another important connection. In the above example, if the defendant X’s nationality is Country C and the claimant Y’s nationality is Country D, Country C and Country D will also have connections with the case based on the both parties’ nationality.

(ii) Temporary connections¹⁹⁷

In the above example again, if the defendant X links the claimant Y’s copyright material on his website using his laptop during his business trip in Country E, Country E can be another connection in such a circumstance.

(2) Legal persons

(i) Corporations

Order: Jurisdiction) [1993] 1 F.L.R. 495.

¹⁹⁴ But none of these Hague Conventions gives the definition of ‘habitual residence’. See Dicey, Morris and Collins, *The Conflict of Laws*, London: Sweet & Maxwell, 14th ed., 2006, at 168.

¹⁹⁵ Clarkson, C.M.V. and Hill, J., *The Conflict of Laws*, Oxford University Press, 3rd ed., 2006, at 19.

¹⁹⁶ For the definition and explanation of ‘linking’, see Chapter 2.

¹⁹⁷ ‘Temporary connections’ here means the mere physical presence in a country.

The corporation is a typical legal person. So what we will analyze below is based on corporations.

At common law, a corporation is domiciled at the place where it is incorporated.¹⁹⁸ So a company has an English domicile if it is incorporated in England. In the context of the Brussels regime, a corporation is domiciled at the place where it has its statutory seat, or its central administration, or its principal place of business.¹⁹⁹ For the purposes of the UK, ‘statutory seat’ means “the registered office or, where there is no such office anywhere, the place of incorporation or, where there is no such place anywhere, the place under the law of which the formation took place.”²⁰⁰

At common law, it is rare to ascertain the ‘habitual residence’ of a corporation though the ‘residence’ of a corporation is important for taxation purposes. When the question of ‘habitual residence’ (ordinary residence)²⁰¹ arises, it is customary to look for where the corporation’s central control and management actually abides.²⁰²

‘Domicile’ and ‘habitual residence’ are important personal connections both for natural persons and for legal persons. And the examples we assumed above for natural persons can be equally used for corporations.

(ii) A branch, agency or other establishment

If a corporation domiciled in one country infringes the intellectual property rights of the claimant, who is domiciled in another country, through its branch or agency or other establishment domiciled in a third country, this third country will have a connection with this case and its courts can have jurisdiction.²⁰³ For example, where the Belgian branch of an English company uploads

¹⁹⁸ *Gasque v Inland Revenue Commissioners* [1940] 2 K.B. 80.

¹⁹⁹ Article 60 (1) of the Regulation.

²⁰⁰ Article 60 (2) of the Regulation.

²⁰¹ The term of ‘ordinary residence’ is used in the case. According to the case of *Shah v Barnet London Borough Council* ([1983] 2 A.C. 309, at 341-342), ‘habitual residence’ and ‘ordinary residence’ are synonymous expressions.

²⁰² *Re Little Olympian Each Ways Ltd (No.2)* [1995] 1 W.L.R. 560, at 566.

²⁰³ Article 5 (5) of the Regulation.

the unauthorized copyright material to its company's website, both England and Belgium will have connections with this Internet copyright infringement case.

(3) Employment

The last possible situation is that an employee residing in Country A, whose employer is a natural or legal person located in Country B, carries out his employer's instructions and infringes the claimant's intellectual property rights over the Internet. In this situation, Country B also has a connection with the case based on employment.

2. Connections relating to the location of computing and communications equipment

(1) Location of computers

In some cases, computers may not be located in the same country as that where the natural or legal persons are domiciled.²⁰⁴ For example, a defendant domiciled in Country A may use a computer in a hotel room of Country B to download the unauthorized copyright material from the Internet during his business trip there. So Country B may have a connection with this Internet copyright infringement case based on the location of the computer. If the unauthorized copyright material is downloaded through a laptop computer, it may be difficult to determine the exact place where the downloading happened.

(2) Location of servers

All the information that can be accessed from the Internet is stored in servers. When the defendant infringes the claimant's copyright by downloading the claimant's copyright information, such

²⁰⁴ Fawcett, J., Harris, J. M., and Bridge, M., *International Sale of Goods in the Conflict of Laws*, Oxford University Press, 2005, at 498.

information needs to pass through a server before being downloaded. Actually, all the activities on the Internet, whether sending and receiving the IP information or uploading and downloading it, need to go through a server. The location of servers may not be the same as the place where persons or computers are located. For example, there is a dispute between a claimant residing in Country A and a defendant residing in Country B, who uses a computer in Country C to upload the unauthorized copyright material, through the service provided by an Internet service provider (ISP) in Country D and via a server located in Country E. In this example, Country E, like the other four countries, will have a connection with the dispute based on the location of the server.

We will see, from a real case, that parties, computers and servers may be located in different places.

In the Australian case of *Dow Jones & Company Inc v Gutnick*,²⁰⁵ Dow Jones & Co Inc (Dow Jones-the defendant and appellant), a US corporation, published *Barron's* magazine, which was available both in print and on the Internet.²⁰⁶ The website providing *Barron's Online* had more than 500,000 subscribers, approximately 1,700 of whom were in Australia.²⁰⁷ Dow Jones had its editorial offices in New York where the material for publication was reviewed and then transferred to a computer there. From there the material was transmitted either directly to computers at Dow Jones's premises at South Brunswick, New Jersey, or via an intermediate site operated by Dow Jones at Harborside, New Jersey. It was then loaded onto six servers at South Brunswick, New Jersey.²⁰⁸ An October 2000 edition of *Barron's* magazine contained an article making several references to Joseph Gutnick (Gutnick-the claimant and respondent), who was a resident of Victoria and had his business headquarters there. Gutnick sued Dow Jones in the Supreme Court of

²⁰⁵ (2002) 210 C.L.R. 575.

²⁰⁶ *ibid.*, at 594, para. 1.

²⁰⁷ *ibid.*, at 575.

²⁰⁸ *ibid.*, at 598, para.17.

Victoria claiming damages for being defamed in Victoria.²⁰⁹ In this case, the claimant was a resident of Victoria, the defendant carried on its business in New York, and a complicated system of computers and servers was involved. The material for publication was first transferred to a computer in New York. From there it was transmitted either directly to computers at South Brunswick, New Jersey, or via an intermediate site at Harborside, New Jersey. The material was then loaded onto six servers at South Brunswick, New Jersey. Several computers and servers located in three different places were involved. New Jersey had a connection with the case based on the location of servers.

For the purposes of IP infringement over the Internet, we will now consider an intellectual property case. The claimant is a famous news organization domiciled in Country A and the defendant is a news service company domiciled in Country B. The defendant places some links to the claimant's website, on its own website on a server in Country C. By choosing one of these links, the claimant's website is displayed in the frame of the defendant. The frame contains the defendant's logo and advertising. The claimant then sues the defendant for copyright infringement and trademark infringement.²¹⁰ Country C has a connection with this case based on the location of the server.

(3) Location of websites

The location in which the operator of the website that contains the infringing materials has its domicile or residence can be another connection in Internet IP infringement cases.²¹¹ For example, where the sign or trademark placed by the defendant residing in Country A, on the website

²⁰⁹ *ibid.*, at 594, para.2.

²¹⁰ This hypothetical case is based on the facts of *Washington Post Co. v Total News Inc.*, No. 97 Civ. 1190 (PKL), (S.D.N.Y., filed February 20, 1997). For the definition and explanation of 'linking' and 'framing', see Chapter 2.

²¹¹ Torremans, P., 'Private International Law Aspects of IP-Internet Disputes' in *Law and the Internet-A Framework for Electronic Commerce* (Edwards, L. and Waelde, C., (ed.), Hart Publishing, 2nd ed., 2000), 225, at 245.

maintained in Country B (the operator of the website is a resident of Country B) infringes the trademark rights of the claimant residing in Country C, all of these three countries may have connections with this Internet trademark infringement case. Country B has the connection due to the location of the website.

3. Connections relating to activities of IP infringement over the Internet

(1) Location of sending, receiving or asking for sending

The location of sending, receiving or asking someone to send the infringing IP information may be different from the place where persons or communications equipment are situated. And the places of these three activities may also be different from each other. For example, an Internet user X domiciled in Country A sends (by e-mail, for instance) the unauthorized copyright information in Country B through the service provided by an ISP in Country C, to the user Y domiciled in Country D via a server located in Country E. (Actually, before X sends the information, Y asks X to send such infringing copyright information to him abroad in Country F.) Then Y receives the infringing information abroad in Country G. In this example, all of the seven countries may have connections with this case. The connections with Countries B, F and G are based on the locations of sending, asking for sending and receiving the infringing IP information.

(2) Location of uploading or downloading

The uploading and downloading of the infringing IP information are two important activities in a whole sequence of activities involved in the IP infringement over the Internet.²¹² According to the *Gutnick* case, the uploading is the process of making the information available on the Internet by

²¹² Fawcett, J., Harris, J. M., and Bridge, M., *International Sale of Goods in the Conflict of Laws*, Oxford University Press, 2005, at 552.

placing it in a storage area managed by a server.²¹³ The downloading is the process of the server delivering the information onto the Internet user's computer in response to the user's request.²¹⁴ The place of uploading or downloading may also not be the same as the place where persons or communications equipment are located. For example, an Internet user X residing in Country A uploads in Country B, the unauthorized copyright information held by the claimant Z residing in Country C, through the service provided by an ISP in Country D and via a server located in Country E. Later, another Internet user Y residing in Country F downloads the information abroad in Country G. In this example, all of the seven countries may have connections with this copyright infringement over the Internet. The connections with Countries B and G are based on the locations of uploading and downloading.

4. No connections in cyberspace?

In 1984 William Gibson coined the term 'cyberspace': "Cyberspace. A consensual hallucination experienced daily by billions of legitimate operators, in every nation ... A graphic representation of data abstracted from the banks of every computer in the human system. Unthinkable complexity. Lines of light ranged in the nonspace of the mind, clusters and constellations of data."²¹⁵ In cyberspace, there are no territorially based boundaries. Messages can be transmitted from one physical location to any other location without any physical barriers. Transactions can take place between people who do not know each other's physical location. In summary, any transaction happening in cyberspace is indifferent to the physical location.²¹⁶ Based on cyberspace's

²¹³ *Dow Jones & Company Inc v Gutnick* (2002) 210 C.L.R. 575, at 598, para.16.

²¹⁴ *ibid.*

²¹⁵ Gibson, W., *Neuromancer*, Phantasia Press, 1984, at 51.

²¹⁶ Johnson, D. R. and Post, D., 'Law and Borders-The Rise of Law in Cyberspace', (1996) 48 Stan. L. Rev. 1367, at 1370.

difference from the real world, some scholars have regarded cyberspace as a place. John Perry Barlow, in his 'A Declaration of the Independence of Cyberspace', pronounced: "Governments of the Industrial World, you weary giants of flesh and steel, I come from Cyberspace, the new home of Mind. On behalf of the future, I ask you of the past to leave us alone. You are not welcome among us. You have no sovereignty where we gather."²¹⁷

According to David Johnson and David Post, cyberspace is a 'space' consisting of the screens and passwords that separates it from the 'real world'.²¹⁸ They argue that we should conceive of cyberspace "as a distinct 'place' for purposes of legal analysis by recognizing a legally significant border between cyberspace and the 'real world'".²¹⁹ They further argue that this distinct cyberspace should have "its own law and legal institutions."²²⁰

Johnson and Post were not the only scholars who supported this cyberspace self-governance movement. Trotter Hardy has suggested that "a 'law cyberspace' co-existing with existing laws would be an eminently practical and efficient way of handling commerce in the networked world."²²¹ Henry Perritt has suggested setting up a "United States District Court for the District of Cyberspace."²²²

The cyberspace-as-place idea was also adopted by Jerry Kang: "We should see cyberspace (instead) as a new universe, which we build potentially without the constraints that bind real space."²²³

Raymond Ku has also argued that "cyberspace is more than e-mail, the World Wide Web or the world between the wires; it encompasses the ever-present mingling of technology in our everyday

²¹⁷ John Perry Barlow, A Declaration of the Independence of Cyberspace, February 8, 1996, available at <http://homes.eff.org/~barlow/Declaration-Final.html>.

²¹⁸ Johnson, D. R. and Post, D., n.197 above, at 1378.

²¹⁹ *ibid.*

²²⁰ *ibid.*, at 1367.

²²¹ Hardy, I.T., 'The Proper Legal Regime for "Cyberspace"', 55 U. Pitt. L. Rev. 993, at 1021 (1994).

²²² Perritt, Jr. H. H., 'Jurisdiction in Cyberspace', 41 Vill. L. Rev. 1, at 100 (1996).

²²³ Kang, J., 'Cyber-Race', 113 Harv. L. Rev. 1130, at 1208 (2000).

lives as well, an ever growing real world mediated by microprocessors-a cyberworld.”²²⁴ This cyberworld “presents us with an opportunity to break the bonds of existing law and customs, to create new institutions, and (yes,) to create new experiences.”²²⁵

Darrel Menthe also views the Internet as a separate space. According to his opinion, cyberspace should be treated as another ‘international space’, similar to Antarctica, outer space, and the high seas.²²⁶

Generally, for cyberlibertarian scholars, Internet activities do not take place in the physical world where persons or communications equipment are situated, but only in cyberspace.²²⁷ There is no doubt that IP infringement over the Internet also belongs to this separate space. In their cyberlibertarian theory, the Internet is a separate jurisdiction in which there are no territorial connections, and cyberspace should have its own rules (cyberlaw) that are different from the ones in the real world.²²⁸

However, some strong dissenting voices quickly emerged. Jack Goldsmith claims that Johnson and Post have made three basic errors: “First, they overstate the differences between cyberspace transactions and other transnational transactions. Second, they do not attend to the distinction between default laws and mandatory laws. Third, they underestimate the potential of traditional legal tools and technology to resolve the multijurisdictional regulatory problems implicated by cyberspace.”²²⁹ Goldsmith further argues that “cyberspace transactions are no different from ‘real-space’ transnational transactions. They involve people in real space in one jurisdiction communicating with people in real space in other jurisdictions in a way that often does good but

²²⁴ Ku, R., ‘Foreword: A Brave New Cyberworld’, 22 T. Jefferson L. Rev. 125, at 126-127 (2000).

²²⁵ *ibid.*, at 127.

²²⁶ Menthe, D.C., ‘Jurisdiction in Cyberspace: A Theory of International Spaces’, 4 Mich. Telecomm. & Tech. L. Rev. 69 (1997-1998).

²²⁷ Reed, C., *Internet Law: Text and Materials*, Cambridge University Press, 2nd ed., 2004, at 218.

²²⁸ Johnson, D. R. and Post, D., ‘Law and Borders-The Rise of Law in Cyberspace’, (1996) 48 Stan. L. Rev. 1367.

²²⁹ Goldsmith, J. L., ‘Against Cyberanarchy’, 65 U. Chi. L. Rev. 1199, at 1200-1201 (1998).

sometimes causes harm. There is no general normative argument that supports the immunization of cyberspace activities from territorial regulation. And there is every reason to believe that nations can exercise territorial authority to achieve significant regulatory control over cyberspace transactions.”²³⁰ In his opinion, private international law can be applied to deal with Internet activities.²³¹

Following Goldsmith, Andrew Shapiro and Timothy Wu attacked the conception of cyberspace as a place.²³² Shapiro claims that cyberspace is not elsewhere but a locus of control²³³ and “we are not well served by the idea that cyberspace is an autonomous ‘place’.”²³⁴ Similarly, Wu has suggested that “the general sense of Cyberspace as one place is missing.”²³⁵

Nowadays, years after the debate about whether cyberspace is a place and whether cyberlaw is needed, the cyberlibertarian theory has been abandoned as unrealistic. The opponents of the cyberlibertarian theory are correct in stating that “Internet is no different from other forms of transnational communication”²³⁶ and “regulation of cyberspace is feasible and legitimate from the perspective of jurisdiction and choice of law”.²³⁷ As we all know, the constituent elements of cyberspace, namely, persons, computers and servers, all exist in the physical world and belong to certain national jurisdictions. For example, the Internet users have physical locations from which

²³⁰ *ibid.*, at 1250.

²³¹ *ibid.*, at 1201. Many legal scholars support Goldsmith’s opinion. See Yagura, R., ‘Does Cyberspace Expand the Boundaries of Personal Jurisdiction?’, (1998) 38 IDEA (The Journal of Law and Technology) 301, at 302; Petkova, S., ‘The Potential Impact of the Draft Hague Convention on International Jurisdiction and Foreign Judgments in Civil and Commercial Matters on Internet-related Disputes with Particular Reference to Copyright’, (2004) I.P.Q. 173, at 177; Deveci, H. A., ‘Personal Jurisdiction: Where Cyberspace Meets the Real World-Part I’, *Computer Law & Security Report* (2005) 21, 464, at 467; and Svantesson, D.J.B., ‘Borders on, or Border around-The Future of the Internet’, [2006] 16 ALB. L.J. SCI. & TECH. 343.

²³² Hunter, D., ‘Cyberspace as Place and the Tragedy of the Digital Anticommons’, 91 Cal. L. Rev. 439, at 451 (2003).

²³³ Shapiro, A.L., ‘The Disappearance of Cyberspace and the Rise of Code’, 8 Seton Hall Const. L. J. 703, at 710 (1998).

²³⁴ *ibid.*, at 704.

²³⁵ Wu, T., ‘When Law & the Internet First Met’, 3 Green Bag 2d 171 (2000).

²³⁶ Goldsmith, J. L., ‘Against Cyberanarchy’, 65 U. Chi. L. Rev. 1199, at 1240 (1998).

²³⁷ *ibid.*, at 1201.

they connect to the Internet.²³⁸ And all the information that can be accessed from the Internet is not stored in cyberspace but in servers, which have physical connections with certain locations.²³⁹ Thus these corporeal elements of cyberspace show connections with the real world and can justify national jurisdictions over the Internet cases,²⁴⁰ including Internet IP infringement cases.

III. How do jurisdictional problems arise?

1. How do jurisdictional problems arise in the context of Internet trademark infringement?

As we mentioned in Chapter 2, trademark protection has the two characteristics of territoriality and specificity. In terms of territoriality, it is possible for different trademark owners to have the same or confusingly similar trademarks in two different countries.²⁴¹ In terms of specificity, it is possible for two different trademark owners to use the same or confusingly similar trademarks on unrelated goods or services when no consumer confusion is caused by such use. For example, there is no problem for one company to hold the trademark 'Panda' for computers and another company to use the trademark 'Panda' for furniture because consumers will not think that these two products are from the same company. However, with the advent of the Internet, this situation has changed. It is now hard for territorial and specific trademark rights to fit in well with the global Internet environment. A typical context might be when a local trademark owner under the law of the forum country, sues a foreign defendant, who rightly uses the same or similar mark as the claimant's on his website or as his domain name under the law of his country. Before the

²³⁸ Yagura, R., 'Does Cyberspace Expand the Boundaries of Personal Jurisdiction?', (1998) 38 IDEA (The Journal of Law and Technology) 301, at 302.

²³⁹ Zekos, G.I., 'State Cyberspace Jurisdiction and Personal Cyberspace Jurisdiction', (2007) I.J.L.& I.T.1, at 6.

²⁴⁰ Reed, C., *Internet Law: Text and Materials*, Cambridge University Press, 2nd ed., 2004, at 218.

²⁴¹ See WIPO Standing Committee on the Law of Trademarks, Industrial Designs and Geographical Indications, *Use of Trademarks on the Internet: Issues Paper* (SCT/3/4), at Page 7.

claimant and the defendant fight over the right to use a certain trademark on a website or use a certain domain name, they usually first struggle over which court should have jurisdiction over the case. We will examine in detail below, how jurisdictional problems have been raised in some Internet trademark infringement cases.

(1) Cases concerning use of another's trademark on a website

***(i) Euromarket Designs Inc v Peters and Crate & Barrel Ltd*²⁴²**

The claimant was a US company, which ran a chain of shops called 'Crate & Barrel' selling household goods and furniture, and had a UK trademark on that name. The defendants had a shop in Dublin named 'Crate & Barrel', also selling household goods and furniture. The second defendant was an Irish company owned and run by the first defendant, Ms Peters who was an Irish citizen. The claimant brought the proceedings for infringement of its UK trademark 'Crate & Barrel' in an English court. One of two acts of infringement was the defendants' use of 'Crate & Barrel' on their website.²⁴³

Before the English court considered whether the defendants' website constituted 'use' of the mark in the UK-the key point in this Internet trademark infringement case, first of all, the court had to determine whether it had jurisdiction over the case.

(2) Cases concerning use of another's trademark as a domain name

Let us consider a hypothetical case. The claimant X is a Belgian corporation, which develops and markets computer software. It has a trademark on its name 'X'. The defendant Y, an Italian corporation, provides computer technology and support. When X tries to register the domain name 'X.COM', it realizes that Y has already obtained the same domain name to advertise its goods and

²⁴² [2001] FSR 288.

²⁴³ *ibid.*, at 288-292.

services. X then sues Y for trademark infringement through its domain name usage in Belgium.

The Italian defendant moves to dismiss the action for lack of jurisdiction. Thus, the first problem for the Belgian court to resolve is the jurisdictional problem.²⁴⁴

2. How do jurisdictional problems arise in the context of Internet copyright infringement?

Due to the lack of boundaries, the Internet poses a great number of problems in the field of copyright law. For example, a Frenchman uploads a Belgian company's copyright-protected game onto the BBS (Bulletin Board Systems), which is operated by him and based in France, without that Belgian company's permission. The Belgian company then sues the Frenchman in Belgium. In this situation, before addressing the copyright issues, the first question for the Belgian court to consider is whether it can have jurisdiction over the defendant. Or a German company operates a website, from which its users have downloaded, without authorization, music whose copyright is held by an English recording company. In this example, as there are connections with two different countries, the first relevant question is which country's court is competent to determine the case. The above are common contexts that could occur frequently with the Internet. We will use the following example to examine in detail how jurisdictional problems arise for copyright cases with the advent of the Internet.

Assume that A, a resident of Spain, manages to get her essay published in an international journal. B, a resident of Germany, finds this journal on his business trip in the UK and buys a copy. When he goes back to his hotel room in London, he scans A's essay and uploads the file to his website on

²⁴⁴ The facts of this case are based on the case of *Inset Systems, Inc. v. Instruction Set, Inc.* 937 F. Supp. 161 (D. Conn. 1996).

a server located in France, without A's authorization. If A wants to protect her copyright, must she go to Germany or could she sue B in Spain? As B's website is accessible to everyone over the Internet, if C in Italy downloads A's essay from B's website, where does the copyright infringement occur: the UK, where the infringing material has been uploaded, or Italy, where it has been downloaded? Which court (Spanish, English, Italian or German) should have jurisdiction over this case if A decides to sue both B and C? Could the French court also have jurisdiction because the server is located there?

This is a typical Internet copyright infringement example. In such cases, before considering the copyright issues, the court first has to determine whether it could exercise jurisdiction.

3. How do jurisdictional problems arise in the context of Internet patent infringement?

The global nature of the Internet also causes problems for patent law. For example, an English company develops a 'one-click ordering' technique and receives the patent for it. Later, a rival French company starts to use a similar 'one-click' checkout system.²⁴⁵ The English company then sues the French company for patent infringement in England. As this case involves parties from two different countries, the English court has to determine whether it could have jurisdiction first. Therefore, when IP infringement occurs over the Internet, it usually involves parties from different countries and infringement acts, which have occurred in different countries. In such circumstances, the first question that arises is which court should have jurisdiction. The answer to this question is provided by private international law.

²⁴⁵ See *Amazon.com, Inc. v Barnesandnoble.com, Inc. and Barnesandnoble.com, LLC*, 239 F. 3d 1343; 2001 U.S. App. LEXIS 2163; 57 USPQ 2D (BNA) 1747, February 14, 2001, Decided. In this case, there was no jurisdictional problem. To show how jurisdictional problems arise with the Internet, the author assumes the parties are from different countries.

Chapter 5

How does the Brussels regime deal with IP infringement over the Internet?

I. Introduction

In Europe, the Brussels I Regulation, the Brussels Convention and the Lugano Convention constitute ‘the Brussels regime’. The Brussels I Regulation has replaced the Brussels Convention and applies to all Member States of the European Union (EU), except Denmark. The Lugano Convention is parallel to the Brussels Convention and extends its application to the Member States of the European Free Trade Association (EFTA). As the basic provisions of these three instruments are virtually the same, our analysis will be based on the most important one- the Brussels I Regulation (the Regulation).

The scope of jurisdiction rules in the Regulation is limited to “civil and commercial matters”.²⁴⁶ IP infringement comes clearly within this scope. The Regulation does not provide any special provisions dealing solely with IP infringement or Internet IP infringement but some bases of jurisdiction of general application can be relied on in IP infringement cases.

The general jurisdiction rule²⁴⁷ of the Regulation is that a defendant domiciled in a Member State shall be sued in the courts of that State. Obviously this rule can apply in IP infringement cases.

The general rule is subject to a few exceptions. One exception, which allocates exclusive jurisdiction in matters concerning the validity of registered IP rights to the courts of the country of registration, is found in Article 22(4). IP infringement is not within this exclusive jurisdiction provision. However, defendants in IP infringement proceedings frequently raise the validity issue as a defence, which makes Article 22(4) relevant in these proceedings.

Another exception is contained in Article 5(3), which states that “A person domiciled in a Member State may, in another Member State, be sued: ...in matters relating to tort, *delict* or *quasi-delict*, in

²⁴⁶ Article 1 of the Regulation.

²⁴⁷ Article 2 of the Regulation.

the courts for the place where the harmful event occurred or may occur.” As IP infringements are generally regarded as torts, Article 5(3) can apply.

In an IP infringement case, the IP right owner may be faced with multiple infringers domiciled in different States. In such a circumstance, the owner can rely on Article 6(1) and sue all the infringers in one court if there is a sufficient connection between the infringements raised against each of the infringers and a need to avoid the risk of irreconcilable judgments.

If these rules, which have applied in IP infringements, are used in the Internet context, will it make any difference? Will there be any special difficulty?

II. Jurisdiction and application of the rules under the Brussels I Regulation to IP infringement over the Internet

(1) Article 22(4)-the rule of exclusive jurisdiction

1. Application of Article 22(4) of the Regulation to IP infringement over the Internet

As an exception to the general rule of the Regulation, Article 22(4) allocates exclusive jurisdiction in matters concerning the validity of registered IP rights to the courts of the country of registration.

IP infringement is not within such exclusive jurisdiction. However, as it is impossible to infringe an invalid IP right, defendants in infringement proceedings often raise invalidity, which makes Article 22(4) relevant.

Article 22(4) provides that “the following courts shall have exclusive jurisdiction, regardless of domicile: (4) in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Member

State in which the deposit or registration has been applied for, has taken place or is under the terms of a Community instrument or an international convention deemed to have taken place.”

In this connection, Article 25 provides that “where a court of a Member State is seised of a claim which is principally concerned with a matter over which the courts of another Member State have exclusive jurisdiction by virtue of Article 22, it shall declare of its own motion that it has no jurisdiction.”

Thus, Article 22(4) only applies to registered IP rights and does not apply to copyrights. Where a proceeding concerns the validity of a trademark or patent,²⁴⁸ which is registered in a Member State, Article 22(4) allocates exclusive jurisdiction to the courts of that State. We will examine below how Article 22(4) can be applied in the Internet context.

(1) Application of Article 22(4) to the pure validity case

To get an idea of how Article 22(4) can apply to the pure validity case in the Internet context, we can consider the following hypothetical case.

The defendant Y, an English company, has a German process patent for a method to process and transfer certain data on the Internet. Due to the borderless nature of the Internet, distinct elements in the claimed process can be performed in many different countries.²⁴⁹ The claimant X, a rival German company, challenges the patent’s validity in an English court.

Different from an ordinary patent, which often contains all the elements within the country where the patent is protected, the patent in question consists of elements located in different countries, thereby having connections with all these countries. Will the courts of these countries thus have

²⁴⁸ As we focus on infringements of trademark, copyright and patent over the Internet, here we will only consider the situation of trademark and patent under Articles 22(4) and 25.

²⁴⁹ WIPO, *Intellectual Property on the Internet: A Survey of Issues* (WIPO/INT/02), at Chapter IV-The Role of Private International Law and Alternative Dispute Resolution, para. 308.

jurisdiction over this case? The English court²⁵⁰ gives a negative answer. It has held that as X's claim is concerned with the validity of a German patent, the case falls within the exclusive jurisdiction of the German court under Article 22(4). The fact that the case has a connection with many other countries does not make any difference.

Therefore, in the pure validity case, no matter whether it concerns an ordinary patent or an Internet patent, only the courts of the country of registration have exclusive jurisdiction under Article 22(4).

(2) Application of Article 22(4) to the mixed validity and infringement cases²⁵¹

As defendants accused of IP infringements usually challenge the validity of registered IP rights at issue, Article 22(4) frequently becomes relevant in infringement proceedings. In such a situation, can the court, which is initially seized to decide the infringement issue, also determine the validity issue? Or should it stay infringement proceedings until the validity issue of IP rights has been resolved by the courts of the State where they are registered? Or must the court give up both issues to be decided before the courts having exclusive jurisdiction over the validity issue? Different courts in different Member States adopted diverging approaches.

(i) The approach of the English courts

The English approach is to tie infringement and validity to be determined together by the courts with validity jurisdiction under Article 22(4).²⁵² We will consider how this approach can apply to Internet related cases.

²⁵⁰ The decision of this case is based on the case of *Fort Dodge Animal Health Limited and Others v Akzo Nobel N.V. and Another* [1998] F.S.R. 222, at 242.

²⁵¹ We assume that the Member State where IP rights are registered is different from the State in which infringement proceedings are brought, and which has a basis of jurisdiction in relation to infringement.

²⁵² *Coin Controls Limited v Suzo International (U.K.) Limited and Others* [1997] F.S.R. 660; *Fort Dodge Animal Health Limited and Others v Akzo Nobel N.V. and Another* [1998] F.S.R. 222.

(a) The situation concerning a single registered IP right

Where the mixed validity and infringement case concerns a single registered IP right in the Internet context, the position is straightforward. Let us have a look at a hypothetical case. The claimant X, the City Council of Z in Spain, has a Spanish trademark for the name 'Z'. The defendant Y, who is domiciled in the UK, registers the domain name 'Z.com' and then tries to sell it to X. X sues Y in an English court for trademark infringement. Y argues that 'Z' is an invalid trademark as a purely descriptive geographical term.²⁵³

Since Y attacks the validity of 'Z' as a defence, the English court²⁵⁴ first examines the relationship between the issues of validity and infringement. It has held that validity and infringement are closely interrelated and they should be treated for jurisdiction purposes as one issue or claim.²⁵⁵

Under Article 22(4), "once the defendant raises validity the court must hand the proceedings over to the courts having exclusive jurisdiction over that issue."²⁵⁶ Furthermore, since Article 25 obliges the court to decline jurisdiction in relation to claims, which are principally concerned with Article 22 issues (the validity issue here), it seems to follow that jurisdiction over the entire claim, including the infringement part, which is not within Article 22, must be declined.²⁵⁷ The English court therefore declines jurisdiction and hands the entire claim (both infringement and validity issues) over to the Spanish court with validity jurisdiction.

In this case, there is only one defendant who is sued in the court of his domicile under Article 2.²⁵⁸

²⁵³ The facts of this case are based on the case of *Barcelona.com, Inc. v. Excelentísimo Ayuntamiento de Barcelona* 189 F. Supp. 2d 367 (E.D. Va. 2002); 330 F. 3d. 617 (4th Cir. 2003).

²⁵⁴ We cannot find the case law on Internet IP infringement involving Articles 22(4) and 25 so far. However, as has been seen earlier, Internet IP infringement has a cross-border nature. Thus, these two provisions, which have been applied to other cross-border IP infringements, can be equally applied to Internet IP infringements. The decision of this case is based on the case of *Coin Controls Limited v Suzo International (U.K.) Limited and Others* [1997] F.S.R. 660.

²⁵⁵ *ibid.*, at 677.

²⁵⁶ *ibid.*

²⁵⁷ *ibid.*

²⁵⁸ The application of Article 2 to IP infringement over the Internet will be discussed later.

However, in many Internet IP infringement cases, a number of defendants may get involved. For example, in cases of infringing another's software patent, there are usually thousands of infringers worldwide, who have downloaded and used the same infringing software product. The right owner may sue any infringer in the court of his domicile under Article 2. Moreover, Internet IP infringements seem to occur everywhere. In the above case, as the domain name 'Z.com' can be used on a global basis, the claimant's trademark rights can be potentially infringed everywhere. The claimant may bring an action anywhere the infringement occurred under Article 5(3).²⁵⁹

In such a situation, the same Internet IP infringement issue may be determined in many different courts with the risk of conflicting decisions. However, it is very likely that the defendant will raise invalidity in infringement proceedings and the English approach ensures such an infringement issue (together with the validity issue) to be determined only in the courts²⁶⁰ of a certain country²⁶¹ of registration.

(b) The situation concerning parallel registered IP rights

Where the case concerns parallel registered IP rights in the Internet context, the position is more complicated. In the above case, assume that X owns two parallel trademarks: Spanish and German trademarks. X sues Y for infringing both trademarks and Y challenges their validity. The English court then hands the proceedings (both infringement and validity issues) over to the Spanish and German courts (the courts of countries of registration) respectively.

Compared with non-Internet cases, Internet cases are more likely to involve parallel IP rights being infringed simultaneously. In this case, if Y uses the domain name 'Z.com', which can be accessed from anywhere, X's two parallel trademarks will be infringed simultaneously. Since X sues Y in

²⁵⁹ The application of Article 5(3) to IP infringement over the Internet will be discussed later.

²⁶⁰ As Internet IP infringement may be regarded as occurring everywhere, the validity court will always have jurisdiction over the infringement issue under Article 5(3).

²⁶¹ In cases concerning a single registered IP right, there is only one country where the IP right is registered.

the court of Y's domicile under Article 2, it can claim damages resulting from the whole infringement of its parallel IP rights.²⁶² Even if the case involves multiple defendants and each of them infringes two trademarks, the claimant may still sue them for the entire infringement in one court under Article 6(1).²⁶³ However, when the validity issue arises, applying the English approach, actions for infringement and validity of two parallel trademarks will have to be split between the courts²⁶⁴ of two States.

Therefore, in the above circumstance, the English approach does not work well. Because it prevents the owner of parallel IP rights registered in different States from consolidating claims against the infringer(s) of these rights in one court. The owner will not be able to claim damages resulting from the infringement as a whole. Moreover, it is possible that diverging judgments will be issued regarding essentially the same infringement²⁶⁵ in the courts of these States.

Another circumstance is that as Internet IP infringement potentially occurs everywhere, the claimant may sue the defendant for infringing one or all of his parallel registered IP rights anywhere under Article 5(3). Compared with the big number of potential infringement courts, the number of courts having exclusive jurisdiction over the validity issue of these rights is small.²⁶⁶ Applying the English approach, once the invalidity of these rights is claimed in any of the infringement courts, both issues should be passed over to the courts of certain countries of registration respectively.

In conclusion, in the Internet context, although IP infringement proceedings may be brought

²⁶² The important role that Article 2 plays in consolidating claims in one State has been acknowledged by *Shevill and Others v Presse Alliance S.A.* [1995] 2 A.C. 18, at 62. We will discuss this case later.

²⁶³ The application of Article 6(1) to IP infringement over the Internet will be discussed later.

²⁶⁴ As Internet IP infringements may be regarded as occurring everywhere, the validity courts of parallel registered IP rights will always have jurisdiction over the infringement issue under Article 5(3).

²⁶⁵ As parallel registered IP rights are essentially identical, the infringement of each of them is essentially the same.

²⁶⁶ The common context is that a claimant owns several parallel registered IP rights.

anywhere, the number of countries where the IP rights are registered is certain.²⁶⁷ Under the English approach, the position in Internet IP infringements is the same as in ordinary IP infringements.²⁶⁸ when the defendant raises the validity issue of the IP right(s) in infringement proceedings, only the courts of the certain country (countries) of registration can decide both issues.

(ii) The approach of the Dutch courts

The courts in other Member States have not followed the English approach, for example, the Dutch courts. To get an idea of how the Dutch approach can be applied to Internet cases, we can consider a hypothetical case. The claimant X is an English company, which owns a Belgian trademark of its name 'X'. The defendant Y, a rival Dutch company, uses 'X' as a meta-tag on its website. By doing so, Y's site often appears as the first or second site in response to a search for the word 'X'. X sues Y for trademark infringement in a Dutch court.²⁶⁹

Y challenges the validity of 'X' and alleges that the Belgian court should take jurisdiction under Article 22(4). The Dutch court²⁷⁰ disagrees and concludes that the alleged invalidity of the trademark does not deprive the court of jurisdiction on infringement claims although it may not be able to reach a final decision before the invalidity court decides the validity issue.²⁷¹

Thus, the Dutch approach is that if the defendant claimed invalidity of a registered IP right as a defence, the issue was generally regarded as incidental matter, which did not affect the court's

²⁶⁷ For a single registered IP right, there is only one country where the right is registered. For parallel registered IP rights, there are usually several countries where the rights are registered.

²⁶⁸ It has been argued that the validity court may not have infringement jurisdiction for ordinary IP infringement cases. But for Internet IP infringement cases, the validity court always has infringement jurisdiction under Article 5(3).

²⁶⁹ The facts of this case are based on the case of *Playboy Enterprises, Inc. v Calvin Designer Label*, 985 F. Supp 1220 (N. D. Cal 1997).

²⁷⁰ The decision of this case is based on two cases of *Julio Cesar Palmaz and Others v Boston Scientific B.V. and Others* [1998] F.S.R. 199 and *Expandable Grafts Partnership and Others v Boston Scientific B.V. and Others* [1998] F.S.R. 199.

²⁷¹ *ibid.*, at 214.

competence.²⁷² This means that either the infringement court will also determine the validity issue, or infringement and validity claims will be separated: the infringement court stays infringement proceedings until the validity court has decided the validity issue.

These two situations will have similar consequences:²⁷³ for ordinary IP infringements, the validity issue (as a defence) will not have any effect on the claimant's forum shopping among several places of infringement under Article 5(3).²⁷⁴ Or when several defendants are involved in a case, the claimant still has a choice to sue one of them in the place of his domicile under Article 2. For Internet IP infringements, which seem to occur everywhere, the consequence of applying the Dutch approach is very undesirable. Because even though invalidity is raised as a defence, the claimant can still do worldwide forum shopping under Article 5(3). Or when a number of defendants get involved, which happens frequently in Internet cases, the claimant can still sue any of them in the court of his domicile under Article 2.

Where the case concerns parallel registered IP rights, the situation is similar. Whereas the claimant can do limited forum shopping in ordinary IP infringements, he can forum shop everywhere in Internet IP infringements. The only advantage of this approach is that it is possible to sue the infringer of parallel IP rights in one court of his domicile under Article 2 even if he raises invalidity as a defence. This is especially helpful in the Internet context where infringements of parallel IP rights often occur.

In conclusion, different from ordinary IP infringements, Internet IP infringements will meet special

²⁷² *ibid.*, at 212-214. See Torremans, P.L.C., 'Exclusive Jurisdiction and Cross-Border IP (Patent) Infringement: Suggestions for Amendment of the Brussels I Regulation', E.I.P.R. 2007, 29(5), 195, at 196.

²⁷³ Their difference is on the validity part. In the former situation where the IP right is likely to be valid, the validity issue will be decided by the infringement court. In the latter situation, the validity issue will be decided by the validity court. But in both situations, the validity issue (as a defence) will not affect the infringement court's jurisdiction. And when the IP right at issue is valid, their consequences are the same.

²⁷⁴ There are often several places of infringement in an ordinary IP infringement case.

difficulties under the Dutch approach. As Internet IP infringements seem to occur everywhere, the courts of many countries may exercise jurisdiction over the same infringement issue and make inconsistent judgments.²⁷⁵ To preserve the legal certainty, it is better to limit infringement proceedings to certain countries. However, according to the Dutch approach, even though the validity issue arises, all the infringement courts are still competent to take infringement proceedings.

(iii) Clarification from the European Court of Justice (the ECJ)

In the *GAT*²⁷⁶ case, the ECJ held that where the validity issue of a registered IP right is raised either in a proceeding to invalidate the IP right or as a defence to an infringement proceeding,²⁷⁷ the courts of the country where the IP right has been registered have exclusive jurisdiction. In practice, the validity issue may be raised not only by way of defence to infringement but also by way of bringing a counterclaim for revocation in infringement proceedings or bringing separate revocation proceedings in a State other than the one where infringement proceedings were brought. In the latter two contexts, the exclusive jurisdiction provided for by Article 22(4) will be equally applied.

GAT did not expressly indicate which court (validity or infringement) should decide the infringement issue in the mixed validity and infringement cases. The Advocate General suggested three possible ways for the infringement court in those cases: (1) transfer the case in its entirety (although the Advocate General did not indicate to whom the case is to be transferred, we may

²⁷⁵ Although *lis pendens* can provide some help in preventing many courts from taking jurisdiction over the same issue, there are still difficulties in applying *lis pendens* to Internet IP infringements. We will discuss this issue in detail later.

²⁷⁶ *Gesellschaft für Antriebstechnik mbH & Co KG (GAT) v Lamellen und Kupplungsbau Beteiligungs KG (LuK)* [2006] F.S.R. 45 (at 967), at 971-974.

²⁷⁷ The *GAT* decision also applies to the situation where the validity issue is raised in a declaratory action seeking to establish that there has been no infringement (a declaration of non-infringement).

infer that it means to transfer both validity and infringement issues to the validity court); (2) stay the proceedings until the validity court has adjudicated on the validity issue; (3) adjudicate in the matter if the defendant acts in bad faith. However, we can infer that the Advocate General in that case contemplated the infringement court still having jurisdiction over the infringement issue.²⁷⁸

2. The difficulty involved in the application of Article 22(4)

(1) The situation before the ECJ's clarification

Before the *GAT* decision, it was unclear whether Article 22(4) should apply only when an action aims at challenging the validity of a registered IP right, or whether it should apply whenever the validity issue is raised or could be raised. Such a situation could result in conflicting decisions by the courts of different States for the same dispute. For example, in the meta-tag case above, X may also sue Y in an English court and Y attacks the Belgian trademark's validity as a defence. The English court then hands the proceedings over to the Belgian court under Article 22(4) and the Belgian court may determine that the trademark is invalid. However, the Dutch court may regard the validity issue as incidental matter and decide on its own that the Belgian trademark is valid. Since this trademark is used as a meta-tag worldwide, which judgment should be enforced?

(2) The situation after the ECJ's clarification

As has been seen earlier, *GAT* seems to support the solution that the infringement court should stay the proceedings until the validity court has adjudicated on the validity issue in the mixed

²⁷⁸ *Gesellschaft für Antriebstechnik mbH & Co KG (GAT) v Lamellen und Kupplungsbau Beteiligungs KG (LuK)* [2007] I.L.Pr. 34 (at 438), at 442-449.

validity and infringement cases.

Since Internet IP infringements potentially occur everywhere, the claimant may bring proceedings anywhere the infringement occurred under Article 5(3). Or when a number of defendants get involved, which happens frequently in Internet cases, the claimant may sue any of them in the court of his domicile under Article 2. According to *GAT*, even though the validity issue is raised, all the infringement courts are still competent to take infringement proceedings. The consequence will be that the courts of many countries may exercise jurisdiction over the same infringement issue and make inconsistent judgments.

Although *lis pendens* can provide some help in preventing many courts from taking jurisdiction over the same issue, there are still difficulties in applying *lis pendens* to Internet IP infringements. Article 27 (*lis pendens*) of the Regulation provides that “(1) where proceedings involving the same cause of action and between the same parties are brought in the courts of different Member States, any court other than the court first seised shall of its own motion stay its proceedings until such time as the jurisdiction of the court first seised is established. (2) Where the jurisdiction of the court first seised is established, any court other than the court first seised shall decline jurisdiction in favour of that court.”

The first difficulty is that for Article 27 to apply, those proceedings must involve ‘the same cause of action’. However, it has been held²⁷⁹ that where parallel IP rights have been infringed, the cause of action is different in each action. This means that if parallel registered IP rights are infringed over the Internet, *lis pendens* cannot apply and many courts may still determine essentially the same Internet IP infringement issue with the risk of conflicting judgments.

²⁷⁹ *LA Gear Inc v Gerald Whelan & Sons Ltd* [1991] F.S.R. 670. In *Roche Nederland BV v Primus, Goldenberg* [2007] F.S.R. 5, the ECJ did not regard infringement claims of such rights as even being related.

Secondly, those proceedings must be ‘between the same parties’. However, in many Internet IP infringement cases, the claimant may sue different defendants in different States. For example, in cases of infringing another’s software patent, there are usually thousands of infringers worldwide, who have downloaded and used the same infringing software product. The claimant may bring separate infringement proceedings in many infringers’ respective domiciles under Article 2. As each proceeding concerns a different defendant, *lis pendens* cannot be applied.

3. Theoretical solutions and our choice

Faced with the current difficulty in the application of Article 22(4) to Internet cases, can we find some ways to solve it? In the *GAT* case, before the ECJ made the final decision, three different positions had been argued, from which we may find a good solution for Internet IP infringement cases.

The first argument is that Article 22(4) only applies to an action relating to the validity of a registered IP right if it is the main claim in the proceedings.²⁸⁰

Its only advantage is that it allows the owner of parallel IP rights to sue the infringer of these rights before the same court (the court of the infringer’s domicile under Article 2) and to claim damages resulting from the infringement as a whole, even if the infringer raises invalidity as a defence. It is helpful in the Internet context where infringements of parallel IP rights often occur.

However, as Internet IP infringement potentially occurs everywhere and often involves defendants worldwide, the courts of many countries may take jurisdiction over the same

²⁸⁰ *Gesellschaft für Antriebstechnik mbH & Co KG (GAT) v Lamellen und Kupplungsbau Beteiligungs KG (LuK)* [2007] I.L.Pr. 34 (at 438), at 443.

infringement under Article 5(3) or Article 2. In this argument, even though invalidity arises (defendants in infringement proceedings frequently raise it as a defence), it will not affect the court's competence. This means that the same infringement issue will still be decided by the courts of multiple jurisdictions, thereby undermining the legal predictability and legal certainty. (For ordinary IP infringement litigation with parallel IP rights, there will be potentially different decisions in a limited number of countries. However, for litigation regarding Internet IP infringement, which seems to occur everywhere, there will be potentially different decisions in many countries.) Moreover, these different courts may make conflicting decisions for the same infringement. Which one of these decisions should be enforced?

The second argument is that questions concerning validity and infringement of registered IP rights cannot be dissociated in practice and Article 22(4) also applies to infringement proceedings.²⁸¹ It enables both validity and infringement issues to be decided only in the court of the country of registration.

The first advantage of this argument is that as infringement and validity are closely related, it would be desirable for both issues to be decided by the same court. Secondly, in Internet IP infringement cases, the claimant can do worldwide forum shopping on the basis that infringement may occur everywhere or defendants may be domiciled anywhere. But if this argument is to be followed, the claimant cannot forum shop any more and the risk of diverging judgments issued for the same infringement can be avoided. The legal predictability and legal certainty will thus be preserved.

However, the disadvantage is that Article 22(4) makes a distinction between proceedings for

²⁸¹ *ibid.*,

validity of registered IP rights and proceedings for infringement of these rights.²⁸² To apply this argument will be incompatible with the objective and scope of Article 22(4). Besides, in cases concerning parallel IP rights, proceedings for infringement and validity of these rights will still be split between the courts of several countries of registration.

According to the third argument,²⁸³ only the courts of the country of registration have exclusive jurisdiction over the validity issue of registered IP rights under Article 22(4). Other questions relating to these rights are outside the scope of application of Article 22(4). The ECJ supports this argument.

Although *GAT* did not expressly indicate which court (validity or infringement) should decide the infringement issue in the mixed validity and infringement cases, we can infer that the Advocate General contemplated the infringement court still having jurisdiction over the infringement issue.

It shares similar disadvantages with the first argument. As has been seen earlier, Internet IP infringements make it possible for the courts of many countries to have jurisdiction over the same infringement under Article 5(3) or Article 2. In this argument, even though the validity issue is raised, all the infringement courts are still competent to take infringement proceedings. The consequence will be that these courts may make inconsistent judgments over the same infringement issue.

Therefore, if we apply the first or third argument to Internet cases, the disadvantages will exceed the advantages. The second argument,²⁸⁴ which can avoid many problems caused by the Internet, is our

²⁸² *ibid.*, at 447.

²⁸³ *ibid.*, at 443-444.

²⁸⁴ A number of the delegations in the negotiation of the draft Hague Convention have favored that the courts of the country of registration should have exclusive jurisdiction also over infringement cases. (WIPO, *Intellectual Property on the Internet: A Survey of Issues* (WIPO/INT/02), at Chapter IV-The Role of Private International Law and Alternative Dispute Resolution, para.295.)

choice though it may be incompatible with the objective and scope of Article 22(4).

(II) Article 2-the general rule of jurisdiction

1. Application of Article 2 of the Regulation to IP infringement over the Internet

Article 2 sets forth the general jurisdiction rule of the Regulation that “persons domiciled in a Member State shall, whatever their nationality, be sued in the courts of that Member State”.

Clearly Article 2 can apply in IP infringement cases. According to Article 2, infringers domiciled in a Member State shall be sued in the courts of that State even though they have infringed a foreign IP right or IP infringement occurred in another Member State or even in a non-Member State. For example, a French software patent owner can sue an infringer domiciled in Germany for selling the infringing software product in the US market in a German court. We will examine below how this rule can be applied in the Internet context.

(1) In the situation of Internet trademark infringement

To get an idea of how Article 2 can apply to Internet trademark infringement, we can consider a hypothetical case. The English claimant X owns a hotel named ‘A’ and has an English trademark on that name. The Italian defendant Y owns a small hotel, which is also called ‘A’. To promote its hotel, Y sets up a website ‘A.com’, which is accessible from anywhere including the UK, and the website includes the information about its hotel in English. Based on Article 2, X sues Y in an Italian court for trademark infringement arising from Y’s use of ‘A’ in advertising on its website. The Italian court has jurisdiction over the dispute regardless of whether it concerns the infringement of an Italian trademark or an English trademark and regardless of whether Y’s

website can be accessed from Italy or from anywhere in the world.

In the Internet context, parallel IP rights are most likely to be infringed simultaneously. So let us have a look at a hypothetical case concerning parallel IP rights. The claimant X is a Belgian company, which owns three parallel trademarks (Belgian, French and German) of its name 'X'. The defendant Y, who is domiciled in the Netherlands, registers the domain name 'X.com' and then tries to obtain money from X for releasing the domain name. As the domain name can be used worldwide, X sues Y for infringing its three trademarks in a Dutch court under Article 2. The advantage of applying Article 2 to cases concerning parallel IP rights is that it can consolidate claims of the entire infringement of these rights before one court of the defendant's domicile.

(2) In the situation of Internet copyright or patent infringement

In the Internet context, there may be a copyright dispute between a claimant X domiciled in Spain and a defendant Y domiciled in France. During his business trip in Germany, Y uploads X's copyright material to his website on a server located in the UK, without X's authorization. According to Article 2, the French courts can have jurisdiction over the dispute on the basis that Y is domiciled in France. The place of infringement (Germany) and the location of the server (the UK) are irrelevant for jurisdiction over Y in the French courts.

Article 2 works well in the above kinds of cases, in which usually only one defendant gets involved. Can Article 2 also work well in cases involving many defendants?²⁸⁵ For example, in cases of downloading another's copyright material, once a copyright material is available on the Internet, many Internet users (infringers) may download it without authorization. Or in cases concerning a process patent, which is used to process certain data over the Internet,²⁸⁶ there may

²⁸⁵ If the case involves multiple related defendants, Article 6(1) can apply. We will discuss this provision later.

²⁸⁶ Distinct elements in the claimed process are usually located in different countries.

be an infringing system containing all of the claimed elements performed by many infringers in several countries. In both examples, there are two main problems in the application of Article 2. First, as these individual infringers usually get access to the Internet through the Internet service providers (ISPs), it is hard to identify where they are domiciled. Secondly, even if the claimant finds out their domiciles with the help of technology, which one should he choose to sue?²⁸⁷

In conclusion, although Internet IP infringements seem to occur everywhere, the infringer exists in the real world and has to be domiciled in a certain country. In many circumstances, the application of Article 2 to Internet IP infringements does not make any difference: if the infringer is domiciled in a Member State, he can be sued in the courts of that State under Article 2. But for those cases involving many Internet infringers, Article 2 cannot work well.

2. The difficulty involved in the application of Article 2

Besides the difficulty in applying Article 2 to cases involving many Internet infringers, another difficulty is that for Article 2 to apply, the defendant must be domiciled in a Member State. This means that a determined infringer can easily relocate to a non-Member State and thus make Article 2 inapplicable. In the Internet context, an infringer's relocation is even easier.²⁸⁸ In the trademark situation, as the website is accessible from anywhere in the world, it makes no difference where the infringer (the creator of the website) is located. Similarly, once an infringer has registered a certain Internet domain name, he can use it everywhere. In the copyright situation, an infringer can easily relocate his operation to a non-Member State, where may be a copyright heaven with lax

²⁸⁷ Obviously, the claimant can sue any infringer in the court of his domicile under Article 2. But it is impossible to sue all the infringers, especially in downloading cases and the claimant has to make a choice. Some analysis about this issue in downloading cases can be found in Chapter 2.

²⁸⁸ Torremans, P., 'Private International Law Aspects of IP-Internet Disputes' in *Law and the Internet-A Framework for Electronic Commerce* (Edwards, L. and Waelde, C., (ed.), Hart Publishing, 2nd ed., 2000), 225, at 228.

copyright laws. Such relocation will not affect the infringer's uploading or downloading unauthorized copyright material over the Internet.

(III) Article 5(3)-the rule of special jurisdiction

1. Application of Article 5(3) of the Regulation to IP infringement over the Internet

Another exception to the general jurisdiction rule is contained in Article 5(3), which states that “A person domiciled in a Member State may, in another Member State, be sued: ...in matters relating to tort, *delict* or *quasi-delict*, in the courts for the place where the harmful event occurred or may occur.” As Internet IP infringements are generally regarded as torts, Article 5(3) can apply. Thus, in Internet IP infringement cases, besides being sued in the courts of the Member State where he is domiciled, the defendant can also be sued in the courts of another State in which the harmful event occurred or may occur. The selection of the competent court remains at the discretion of the claimant.

The insertion of words “may occur” in Article 5(3) of the Regulation concerns a threatened wrong.²⁸⁹ This provision can be used as the basis of jurisdiction in an action to prevent a threatened Internet IP infringement. We will examine the application of Article 5(3) to completed Internet IP infringements and threatened ones separately.

²⁸⁹ Article 5(3) of the Brussels Convention only refers to “the place where the harmful event occurred”. See Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 151.

[1] “The place where the harmful event occurred”

In the *Bier* case,²⁹⁰ the ECJ explained that the expression “the place where the harmful event occurred” covered both the place where the damage occurred and the place of the event giving rise to it.²⁹¹ This means that in Internet IP infringement cases the defendant can be sued either in the place where the infringing act occurred or in the place where the damage occurred under Article 5(3).²⁹²

(1) “The place of the event giving rise to the damage (the place where the infringing act occurred)”

(i) In the situation of Internet trademark infringement

When trademark infringement has occurred through the use of another’s trademark as a domain name or on a website, where did the infringing act occur? The first responses of European courts were everywhere (the mere accessibility approach). However, as this wide approach is problematic, the courts have shifted to a more reasonable approach-the targeting approach.

(a) The mere accessibility approach

This approach is that the mere accessibility of the defendant’s website in the court’s jurisdiction is a sufficient basis for the court to exercise special jurisdiction under Article 5(3).²⁹³

The case of *SG 2 v. Brokat Informations Systeme GmbH*²⁹⁴ illustrates such an approach. This case concerned a German company, which registered the trademark ‘payline’ in Germany for an

²⁹⁰ Case 21/76, *Handelskwekerij G. J. Bier B. and Another v Mines de Potasse d’Alsace S.A.* [1978] Q.B. 708.

²⁹¹ *ibid.*, at 730.

²⁹² *ibid.*, at 708. In the *Bier* case, “the place of the event giving rise to the damage” was construed as referring to the place where the infringing act occurred. This is supported by other cases, for example, *Fort Dodge Animal Health Limited and Others v Akzo Nobel N.V. and Another* [1998] F.S.R. 222.

²⁹³ See EC Project on Judicial Cooperation in IP/IT Matters, ‘Cross-Border Litigation in Intellectual Property Matters in Europe’-Background Paper for the Heidelberg Workshop of 21 October 2006, at Page 32-33.

²⁹⁴ Tribunal de Grande Instance Nanterre (Nanterre Court of Appeals), judged and reported on October 13, 1997, available at <http://www.juriscom.net/txt/jurisfr/ndm/tginanterre19971013.htm>. As I cannot read this case in French, it is an indirect source according to Bettinger, T. and Thum, D., ‘Territorial Trademark Rights in the Global Village-International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet (Part One)’, [2000] Vol.31 IIC, 162, at 166-167.

Internet payment system and then used it on its website. A French company had previously registered the trademark 'payline' in France for identical services. The French claimant sought an injunction against the German defendant for the allegedly infringing use of its French trademark on the defendant's website.

Although the defendant had never sold its products in France, the French court assumed jurisdiction on the basis that the defendant's website could be accessed worldwide and thus there had also been a place of infringement on French territory within the meaning of Article 5(3). Based on this, an injunction was issued, obliging the defendant to cease the use of the trademark 'payline' in France in any form including on the Internet.²⁹⁵

In the *MARITIM*²⁹⁶ case, a German court also took jurisdiction on the basis that the defendant's website was accessible in Germany. It held that "in the case of trademark infringements via the Internet, the place of the tort is any place at which the Internet domain can be called up. Websites used on the Internet and their content are technically not restricted to specific countries, so that they can also generally be called up in Germany. This suffices for the court to be awarded jurisdiction."²⁹⁷

However, this approach is problematic and has been the subject of severe criticism. First, as a fundamental principle of private international law, there must be a significant or substantial connection between the proceedings and the forum so that the court of the forum can exercise jurisdiction. Obviously, the mere accessibility of the defendant's website cannot meet such a requirement.

Secondly, if the place where the infringing act occurred is regarded as anywhere the website can

²⁹⁵ *ibid.*

²⁹⁶ *R. v Re the Maritim Trademark* [2003] I.L.Pr. 17 (at 297).

²⁹⁷ *ibid.*, at 300.

be accessed, the website owner will be exposed to the risk of being sued for trademark infringement in any Member State under Article 5(3). The claimant will be able to bring infringement proceedings in any State with the sole purpose of benefiting from the application of the law favorable to his interests. In such a situation, what matters is substantive trademark law. In other words, the question of where the infringing act occurred is not a private international law question any more but a trademark law question. Moreover, if the claimant brings infringement proceedings in several States simultaneously, the same infringement issue will be decided by different courts of these States with the risk of inconsistent judgments. It will undermine the legal predictability and legal certainty. In addition, as there is a lack of any technological capacity to quarantine Internet users in certain States from accessing a website, a judgment²⁹⁸ has to be enforced on a global basis. Which one of these inconsistent judgments should be enforced?

Thirdly, based on the mere accessibility approach, the court is likely to issue an injunction against the defendant's use of the trademark at issue on the Internet as a whole, i.e., also in countries where such use would be permitted due to the absence of conflicting rights. It is unacceptable especially when the defendant's business activity is restricted to its own country.²⁹⁹ For example, in the *SG2* case, the defendant was obliged to cease using the trademark 'payline' on the Internet as a whole though it only pursued commercial activities within Germany. Such a practice will make many companies unable to use the Internet for commercial purposes.

Therefore, something more than mere accessibility should be required to establish jurisdiction.

European courts³⁰⁰ have now started to use the targeting approach as a criterion to exercise

²⁹⁸ It may be either a judgment that allows the website owner to continue the use of a sign (a trademark) on its website or a judgment that requires the website owner to cease such use.

²⁹⁹ Bettinger, T. and Thum, D., 'Territorial Trademark Rights in the Global Village-International Jurisdiction, Choice of Law and Substantive Law for Trademark Disputes on the Internet (Part Two)', [2000] Vol.31 IIC, 285, at 289-290.

³⁰⁰ Including French and German courts.

jurisdiction under Article 5(3).

(b) A targeting approach

This approach was first developed at the level of substantive law. In the *MARITIM*³⁰¹ case above, the German court took jurisdiction on the mere accessibility basis but dismissed the infringement claim on its merits. It held that the defendant's use of 'HOTEL MARITIME' in advertising on its Danish website had not infringed the claimant's German trademark 'MARITIM' because the website was not targeting the German market. The court pointed out that the website had no factors, such as a German contact address, aimed at the German market and the use of the top level domain '.dk' further confirmed this.³⁰² The German court thus introduced a targeting approach into the appraisal of trademark infringement.

In the UK, the claimant must demonstrate a good arguable case so that the terms of Article 5(3) are satisfied. Under the UK trademark law, in order to infringe, the trademark must be used in the course of trade. This is a prerequisite for all of the grounds of infringement in the Trade Marks Act 1994 (the TMA 1994). In order to infringe a UK trademark, the infringing act must take place in the UK.³⁰³ For non-Internet cases, it is straightforward. But the problem arises when a trademark has been placed on a foreign website, which is accessible from the UK. Will this act constitute use within the UK? The English courts have taken the view that a trademark visible on a foreign website is not used in the UK unless the website is targeted at this country.³⁰⁴ An example of targeting can be seen in *1-800 FLOWERS Inc v Phonenames Ltd*.³⁰⁵

At first instance, regarding the use of 1-800 FLOWERS on the applicant's website, the court held

³⁰¹ [2003] I.L.Pr. 17 (at 297).

³⁰² *ibid.*, at 303.

³⁰³ Section 9 (1) of the TMA 1994.

³⁰⁴ Smith, G, 'Here, There or Everywhere? Cross-Border Liability on the Internet', C.T.L.R. 2007, 13(2), 41, at 44.

³⁰⁵ [2000] F.S.R. 697.

that the mere fact that websites could be accessed anywhere in the world did not mean, for trademark purposes, that the law should regard them as being used everywhere. The circumstances of the case must be considered, particularly the intention of the website owner and what a person accessing the site will understand.³⁰⁶

On appeal, this approach was confirmed:³⁰⁷

“(T)he very idea of ‘use’ within a certain area would seem to require some active step in that area on the part of the user that goes beyond providing facilities that enable others to bring the mark into the area. Of course, if persons in the United Kingdom seek the mark on the Internet in response to direct encouragement or advertisement by the owner of the mark, the position may be different; but in such a case the advertisement or encouragement in itself is likely to suffice to establish the necessary use.”

Thus, merely using a trademark on a website does not constitute use of that trademark anywhere in the world. To infringe a trademark in a particular country, it must be placed on a website by someone who targets this country for commercial purposes.

In conclusion, European courts have utilized a targeting approach to determine the place where the infringing act occurred for trademark infringement under Article 5(3). According to this approach, jurisdiction will exist only when the website use ‘targets’ the forum. This approach fits the factual circumstances of Internet use into the rules of both trademark law and private international law.³⁰⁸

Compared with the mere accessibility approach, it is more desirable.

(ii) In the situation of Internet copyright infringement

³⁰⁶ *ibid.*, at 705.

³⁰⁷ [2002] F.S.R. 12 (at 191), at 220-221.

³⁰⁸ For the forum court to exercise jurisdiction, there should be a sufficient connection between the forum and proceedings. Under the targeting approach, use in a particular jurisdiction requires evidence of actual trade or an intention to trade in that jurisdiction, which meets such a requirement.

As has been seen earlier, digital technology enables the transmission of copyright materials in digital form over the Internet. It is now common to transmit the text, sound, images and computer programs on the Internet once they have been digitized.³⁰⁹ Some website operators even convert broadcast signals of television programs into computerized data and transmit them over the Internet.³¹⁰

However, if the transmission of these materials is unauthorized, copyright infringement occurs. In the context of copyright on the Internet, how can we determine where the infringing act occurred?

(a) The mere accessibility approach

The copyright infringing act occurs when the infringing material is transmitted over the Internet. Such a transmission is not a simple process-it involves a lot of computing and communications equipment, which may all contribute to infringement.

The transmission works by copying. The copying takes place each time one views a website, or accesses a bulletin board, or sends an email. This is because any material that is viewed or sent over the Internet is copied. "What occurs is that the Internet user's computer transmits a request to the server computer to forward a duplicate of some particular material it is storing. This duplicate material is not passed directly to the user's computer. It is broken into packets, each with a delivery address, and sent across the Internet. It is passed from one computer on the Internet to another until all the packets are eventually received at the user's computer. In reality, each of these intermediary computers has made a copy of the packet that it received and forwarded. When the material is finally received by the user's computer it is stored in the computer's memory-another

³⁰⁹ WIPO, *Intellectual Property on the Internet: A Survey of Issues* (WIPO/INT/02), at Chapter III-(a) Copyright and Related Rights, para. 42.

³¹⁰ *Twentieth Century Fox Film Corp. v iCraveTV* 2000 WL 255989 (W.D. Pa. Feb.8, 2000).

copy.”³¹¹

Since the copying occurs wherever the material is viewed or sent, the copyright owner can sue in any State where the infringing material can be accessed. However, for jurisdictional purposes, it is necessary to locate the infringing act in particular States.³¹²

(b) The place of uploading or downloading and the place of sending, receiving or asking for sending

The courts tend to consider that the copyright infringing act occurs either in the places of uploading and downloading the infringing material or in the places of sending, receiving and asking for sending it.

The uploading and downloading are two important acts in a whole sequence of acts involved in Internet copyright infringement. A common context is that an Internet user X may upload in Country A, the unauthorized copyright material onto a website through the service provided by an Internet service provider (ISP) in Country B and via a server located in Country C. Later, another user Y may download the material from that website in Country D. As this infringement has a strong connection with Countries A and D, it would be absurd to allocate jurisdiction to Country B or C on the basis that the infringing act occurred there.³¹³

Another context might be when an Internet user X sends an email, which contains the infringing material, from Country A through the service provided by an ISP in Country B, to the user Y via a server located in Country C. (Actually, before X sends the email, Y asks X to send such infringing material to him in Country D.) Then Y receives this email in Country E. In this context, three

³¹¹ Gringras, C., *The Laws of the Internet*, Butterworths LexisNexis, 2nd ed., 2003, at 248.

³¹² Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 159.

³¹³ *ibid.*, at 159-160.

significant infringing acts are asking for sending, sending and receiving the infringing material. The courts of Countries D, A, and E can thus have jurisdiction over this dispute under Article 5(3). Therefore, in determining where the copyright infringing act occurred, the courts focus on the defendant's act, which is usually in the form of uploading and downloading the infringing material or sending, receiving and asking for sending it. This approach is appropriate because the defendant should face liability for his act in the place where he chooses to act.³¹⁴

(iii) In the situation of Internet patent infringement

Due to the borderless nature of the Internet, an Internet patent usually consists of elements that are located in different countries. For example, in the case of process patents for a method to process and transfer certain data on the Internet, distinct elements in the claimed process could be performed in different countries.³¹⁵ Thus, in the situation of Internet patent infringement, we usually need to determine where the infringing act occurred.

Let us consider how this problem has arisen in *Menashe Business Mercantile Ltd and another v William Hill Organisation Ltd*.³¹⁶ The claimant owned a UK patent for a gaming system. The system consisted of a host computer, terminal computers, a communication means between them, and a program to operate the terminal computers. The defendant provided its UK customers with a computer program, which allowed them to use their own computers as terminals of its host computer, which was located in the Netherlands Antilles, for gaming purposes. The claimant alleged that the defendant's system fell within the patent held for its gaming system and constituted infringement. The defendant denied infringement on the basis that an essential element

³¹⁴ Bigos, O., 'Jurisdiction over Cross-Border Wrongs on the Internet', I.C.L.Q. 2005, 54(3), 585, at 605.

³¹⁵ WIPO, *Intellectual Property on the Internet: A Survey of Issues* (WIPO/INT/02), at Chapter IV-The Role of Private International Law and Alternative Dispute Resolution, para. 308.

³¹⁶ [2002] R.P.C. 47 (at 950).

of its system, the host computer, was located outside the UK.³¹⁷

The Court of Appeal held that a host computer was indispensable for the claimed invention but where it was situated did not matter.³¹⁸ What mattered was who used the claimed gaming system and where they used it. In this case, the defendant's customers used their terminals in the UK and the place of infringement was thus in the UK.³¹⁹ Therefore, the court concluded that the defendant's act had constituted patent infringement though its host computer was outside the UK. Therefore, in identifying the place where the infringing act occurred for Internet patents, if the media or hardware that records the software to operate an infringing system in a country is used for the purposes of operating that system in that country, such use can be deemed to infringe the patent there even though part of the system is used abroad.³²⁰ If an infringer operates an infringing system consisting of the claimed elements in several countries and purposes to operate the system in these countries, the infringing act can be regarded as occurring in all of these countries. In other words, the targeting approach also applies in Internet patent infringement.

(2) “The place where the damage occurred”

(i) Multiple damage

When an IP infringement is committed on the Internet, it seems that damage occurs everywhere.³²¹

For example, the mere accessibility of copyright material on the Internet causes damage to the copyright owner because it may constitute a deterrent to buying the original product.³²² As the

³¹⁷ *ibid.*, at 951-952.

³¹⁸ [2003] 1 W.L.R. 1462, at 1470.

³¹⁹ *ibid.*, at 1471.

³²⁰ Nakayama, M., ‘Problems Surrounding Application of Laws Relating to Intellectual Property on the Internet’, IIP Bulletin 2005, 170, at 175.

³²¹ Reed, C., *Internet Law: Text and Materials*, Cambridge University Press, 2nd ed., 2004, at 229.

³²² Antonelli, A., ‘Applicable Law Aspects of Copyright Infringement on the Internet: What Principles Should Apply?’, 2003 Sing. J. Legal Stud. 147, at 157.

material on the Internet can be accessed from anywhere, damage is suffered everywhere.

However, the courts have localized the place of damage. In the copyright context, it is reasonable to accept that the damage occurs in the places where the infringing material is downloaded or received by an email, as such downloads and receipts represent lost business for the copyright owner.³²³ In the trademark context, where an infringer uses another's trademark as a domain name or on a website, the trademark owner generally suffers the damage to goodwill and reputation in the places where he trades using that trademark.³²⁴ In the patent context, where an infringer operates an infringing system (in most cases, similar to the patent system), the patent owner's damage occurs in the places where the sales of his patent system are lost (as a similar infringing system is available now, some of his customers may divert to this one.).

Although the courts have localized the place of damage, there may still be many such places in an Internet IP infringement case, which may lead to the claimant's forum shopping.

(ii) *The Shevill case*³²⁵

The claimant's forum shopping is discouraged by the limitation in the *Shevill* case. In this case, the ECJ held that for a defamation case, "the place where the damage occurred" covers those places where the publication was distributed and where the victim claims to have suffered injury to his reputation. But the courts of these places only have jurisdiction to rule in respect of the harm caused in the State of the court seized.³²⁶ In contrast, the courts of the defendant's domicile or of the place where the publisher of the defamatory publication is established, have jurisdiction to award damages for all the harm caused by the defamation.³²⁷ Thus, the *Shevill* case has

³²³ WIPO, *Intellectual Property on the Internet: A Survey of Issues* (WIPO/INT/02), at Chapter IV-The Role of Private International Law and Alternative Dispute Resolution, para. 294.

³²⁴ Bigos, O., 'Jurisdiction over Cross-Border Wrongs on the Internet', I.C.L.Q. 2005, 54(3), 585, at 612.

³²⁵ *Shevill and Others v Presse Alliance S.A.* [1995] 2 A.C. 18.

³²⁶ *ibid.*, at 62-63.

³²⁷ *ibid.*, at 62.

established a rule that a court, which has jurisdiction on the basis of the damage occurring in a State, can award the compensation only for the damage suffered in that State.

This rule should be applied to IP infringement (including Internet IP infringement). First, Advocate General Leger pointed out in the *Shevill* case that an action for IP infringement (such as trademark infringement) is essentially the same as one for defamation in that both torts involve non-material or non-pecuniary damage.³²⁸

Secondly, in the Internet context, the circumstances in IP infringement cases are analogous to those in defamation cases for the purposes of determining “the place where the damage occurred”. Damage resulting from defamation is suffered where a third party reads and comprehends the defamatory material (this is the place where the claimant’s reputation is harmed). Similarly, damage arising from IP infringement (for example, copyright infringement) occurs where the infringing material is accessed and downloaded. As any material placed on the Internet can be accessed anywhere, damage resulting from both defamation and IP infringement occurs everywhere.

Thirdly, there is a French case³²⁹ where the *Shevill* approach was applied to Internet trademark infringement. The French Supreme Court held that in matters of infringement, the claimant might bring an action before the courts of the State where the infringing subject-matter was distributed, which might deal only with the damage suffered in that State. In this case, as the defendant’s website was accessible on French territory, the French courts had jurisdiction to prevent and make reparation for damage suffered in France as a result of the operation of that website.³³⁰

Thus, for Internet IP infringement cases, although there is usually multiple damage occurring in

³²⁸ *ibid.*, at 51.

³²⁹ *Castellblanch SA v Champagne Louis Roederer SA* (Supreme Court) [2004] I.L.Pr. 41 (at 697).

³³⁰ *ibid.*, at 697-698. The defendant’s establishment was in Spain.

many States, the claimant cannot forum shop by suing in any one of these States for the whole damage. He may either bring many separate claims before the courts of these States for the damage caused there respectively or bring a claim before the courts of the State of the defendant's domicile for all the damage.

[2] “The place where the harmful event may occur”

The insertion of words “may occur” in Article 5(3) of the Regulation concerns a threatened wrong. This provision can be used to prevent a threatened IP infringement. We will examine how it has been applied in an Internet related case in Scotland.

In *Bonnier Media Ltd v Greg Lloyd Smith and Kestrel Trading Corp*,³³¹ the Scottish claimants, publishers of the ‘business a.m.’ newspaper, had registered a trademark including the words ‘business a.m.’. The defendant registered 22 domain names, which incorporated ‘businessam’ or similar terms. Fearing that the defendant would set up websites passing himself off as the claimants, the claimants sued the defendant in Scotland and sought interdict.³³²

According to Article 5(3),³³³ the Scottish court would have jurisdiction to interdict a threatened wrong that was likely to produce a harmful event within Scotland.³³⁴ As to whether a wrong was threatened within Scotland, the court held that a website should not be regarded as having delictual consequences in a particular country if the impact of the website in that country is insignificant, considering the content of the website and the commercial or other context in which the website

³³¹ [2002] E.T.M.R. 86 (at 1050).

³³² *ibid.*, at 1055-1059.

³³³ Article 5(3) of the Brussels Convention only concerns a completed wrong. However, the court in this case extended Article 5(3) of the Convention to ‘threatened delicts as much as completed delicts’. Article 5(3) of the Regulation applies to both completed and threatened wrongs.

³³⁴ *Bonnier Media Ltd v Greg Lloyd Smith and Kestrel Trading Corp* [2002] E.T.M.R. 86 (at 1050), at 1060-1061.

operates.³³⁵ In this case, the defendant's acts were clearly aimed at the claimants' business based in Scotland and they would have a significant effect in Scotland. Therefore, the defendant could be regarded as threatening a delict in Scotland and the Scottish court should have jurisdiction under Article 5(3).³³⁶

Besides introducing a significance test, the court in this threatened infringement case applied the same targeting approach, which has been used in completed infringement cases.

It is sensible to apply the same approach to both completed Internet IP infringements and threatened ones in determining jurisdiction under Article 5(3).

First, for the same kind of infringement (for example, Internet trademark infringement), the only difference between a completed infringement and a threatened one is whether the infringement has occurred. For a completed infringement, the right owner may seek damages resulting from the infringement. For a threatened one, the owner may try to obtain an injunctive relief to prevent the infringement. But in determining the infringement, the same approach applies.

Secondly, it is frequently not easy to draw a clear distinction between a completed infringement and a threatened one.³³⁷ For example, a company X owns two trademarks X1 and X2. A rival company Y registers the domain names 'X1.com' and 'X2.com'. Y has started to use the domain name 'X1.com' to advertise its goods and services. X then sues Y for trademark infringement and seeks damages caused. At the same time, fearing that Y will use the domain name 'X2.com' in the future, X may seek an injunctive relief against that possibility. In such a situation, it is desirable to apply the same approach to both kinds of infringements.

³³⁵ *ibid.*, at 1064.

³³⁶ *ibid.*, at 1065.

³³⁷ *ibid.*, at 1061.

2. The difficulty involved in the application of Article 5(3)

Due to the global accessibility of the Internet, it is difficult to identify the place of the infringing act and the place of damage for Internet IP infringements under Article 5(3).

(1) Difficult to identify the place of the infringing act

In the trademark context, although European courts have shifted from a wide mere accessibility approach to a reasonable targeting approach, there may still be some difficulty. For example, what criteria shall we apply to determine whether a website is targeted at consumers in a particular State?

As trademark laws in different States may have different criteria to determine the existence and degree of commercial activity, the courts of these States may make different decisions for the same Internet trademark infringement.

In the copyright area, although the infringing act (the copying) occurs wherever the infringing material is accessed from the Internet, the courts usually regard the infringing act as occurring in the places of uploading and downloading the material or in the places of sending, receiving and asking for sending it. However, besides the difficulty that a great number of individual infringers may download the material in many different places, another difficulty is that all of these places can be easily manipulated by the infringer. For example, an infringer may deliberately upload the infringing material in a State with lax copyright laws.

Due to the borderless nature of the Internet, it is likely that an infringer operates an Internet patent infringing system containing the claimed elements in many different countries. In such a situation, the infringing act will be regarded as occurring in all of these countries. This means that the claimant will be able to forum shop among these countries under Article 5(3).

(2) Multiple places of damage

When an IP infringement is committed on the Internet, damage will occur in a number of States if not everywhere. Although the courts have localized the place of damage, there may still be many such places in an Internet IP infringement case.

The jurisdiction of the courts of the place of damage has been further limited by the *Shevill* case. Although it is still possible for the claimant to sue in the courts of the defendant's domicile for all the damage suffered, it is now impossible to sue in the courts of the claimant's home State or another State, based on the fact that some damage was caused there, for the whole damage. This will lead to the fragmentation of claims. It is especially undesirable for Internet IP infringement cases where damage is usually suffered in many States simultaneously. Although the claimant can avoid this problem by suing in the courts of the defendant's domicile, it is easy for a determined infringer to relocate to a copyright heaven,³³⁸ which means that in many cases 'there will be no point in litigating in the one forum that is competent to hear the entire claim'.³³⁹ The claimant in an Internet IP infringement case will thus have to bring his claims in many courts of different States where some damage occurred.

3. A theoretical solution

Faced with the difficulty in applying Article 5(3) to Internet IP infringement cases, can we find some solutions? In the *Shevill* case, which concerned a libel by a newspaper article distributed in several States, the ECJ held that the place of the event giving rise to the damage was that where

³³⁸ In an Internet copyright infringement case.

³³⁹ Ginsburg, J.C., 'Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted through Digital Networks', WIPO paper (GCPIC/2), Nov. 30, 1998, at Page 18.

the publisher of the newspaper in question was established.³⁴⁰ It may provide us a solution that jurisdiction can be allocated to the place where the defendant is established under Article 5(3).

This solution has two advantages. First, it is not very difficult to identify where a defendant is established. Secondly, compared with some places of the infringing act, for example, the place of uploading or downloading, the place of establishment is less likely to be manipulated.³⁴¹

However, there are several disadvantages. First, there is no uniform definition of the place where the defendant is established. The courts in different States may have different definitions on it. Secondly, the place of establishment is not an event and is therefore inappropriate for use in the context of Article 5(3). Thirdly, the place where the defendant is established does not form as strong a connection in Internet cases as the place of infringement or the place of damage, from the point of view of the evidence and of the conduct of the proceedings.³⁴²

Since the disadvantages exceed the advantages, this solution is undesirable. Thus, before we can find a good solution for applying Article 5(3) to Internet IP infringement cases, it is better to stick to the current approaches for the time being.

(IV) Article 6(1)-multiple defendants

1. Application of Article 6(1) of the Regulation to IP infringement over the Internet

In an IP infringement case, the IP right owner may be faced with multiple infringers domiciled in several different Member States. For example, a German copyright is infringed by an English resident, who uploads the copyright material to a BBS (Bulletin Board Systems) without

³⁴⁰ *Shevill and Others v Presse Alliance S.A.* [1995] 2 A.C. 18, at 62.

³⁴¹ Fawcett, J., Harris, J. M., and Bridge, M., *International Sale of Goods in the Conflict of Laws*, Oxford University Press, 2005, at 555.

³⁴² *ibid.*, at 556-558.

authorization, and by a French BBS operator. In such a situation, Article 6(1) can apply if a certain condition is satisfied. It reads as follows:

“A person domiciled in a Member State may also be sued: (1) where he is one of a number of defendants, in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings.”

Thus, Article 6(1) can be invoked against multiple defendants in IP infringement proceedings if there is a sufficient connection between the infringements raised against each of the defendants and a need to avoid the risk of irreconcilable judgments.³⁴³ We will examine below how Article 6(1) can apply to IP infringements that arise on the Internet.³⁴⁴

(1) Infringements of a single IP right over the Internet

Where a single IP right is infringed over the Internet by multiple defendants, claims against all the defendants arise out of the same factual and legal context. In such a situation, infringement claims are sufficiently connected and joinder of multiple defendants is without controversy. Let us have a look at a hypothetical case. The claimant X holds a French trademark in relation to the name ‘A’, which it uses for a chain of shops selling household goods and furniture in France. The first defendant Y runs a shop in Germany named ‘A’, also selling household goods and furniture. The second defendant Z is a Spanish subsidiary of Y, with sales in Spain. Y and Z create a website to promote their sales. X then sues Y and Z in a German court, alleging that the defendants’ use of ‘A’ on their website has infringed its French trademark.³⁴⁵ Z challenges the court’s jurisdiction over it.

³⁴³ Warner, S. and Middlemiss, S., ‘Patent Litigation in Multiple Jurisdictions: An End to Cross Border Relief in Europe’, E.I.P.R. 2006, 28(11), 580, at 581.

³⁴⁴ We cannot find the case law on Internet IP infringement involving Article 6(1) so far. However, Article 6(1), which has applied to cross-border IP infringements, should be equally applied to Internet IP infringements.

³⁴⁵ The facts of this case are based on the case of *Euromarket Designs Inc v Peters and Crate & Barrel Ltd* [2001] FSR 288.

The German court³⁴⁶ has held that as Y and Z are alleged to be jointly liable for infringing X's trademark, the connection requirement for Article 6(1) is clearly met. Thus, the court has jurisdiction over Y under Article 2 and over Z under Article 6(1).

In the Internet context, IP infringement is most likely to involve multiple related defendants. Like the above case, it is common for several connected foreign companies to use the same mark as the local claimant's on their website for advertising. As the website can be accessed from anywhere including the claimant's home State, the claimant may try to sue all of these companies for trademark infringement in one court. In the copyright area, it happens frequently that several related infringers act together in infringing another's copyright over the Internet. For example, one infringer X inputs an infringing file and then sends the completed file to another infringer Y. Later, Y uploads this file to a BBS operated by a third infringer Z. In this example, three infringers all contribute to infringement and it is desirable to sue them before one court. Article 6(1), which allows the IP right owner to sue connected infringers in one court, is useful in these circumstances.

(2) Infringements of parallel IP rights³⁴⁷ over the Internet

Where a set of parallel IP rights (e.g. parallel European patents) are infringed over the Internet by multiple defendants domiciled in different States, are these infringement claims sufficiently connected for the purposes of application of Article 6(1)?

³⁴⁶ The decision of this case is based on the case of *Pearce v Ove Arup Partnership Ltd and Others* [1997] F.S.R. 641.

³⁴⁷ Here, parallel IP rights include parallel patent rights, parallel trademark rights and parallel copyrights. We will focus on parallel patent rights, which are most representative. There is no doubt that any decision relating to parallel patents can be applied to other parallel registered IP rights, such as parallel trademark rights. Can it also apply to parallel copyrights? The answer is positive. Firstly, parallel patent rights and parallel copyrights work in the same way. Both of them are territorial. Each country determines the scope of patent or copyright protection and such protection only applies within that country. This means that both kinds of parallel IP rights originate country by country. Secondly, like parallel patent rights, parallel copyrights may be infringed by several connected companies in their respective countries. It is desirable to apply the approach for parallel patents to parallel copyrights.

(i) Joinder of the claims

Some courts³⁴⁸ in Europe undertook the approach to allow consolidating claims relating to infringements of parallel patents in one court. To get an idea of how this approach can be applied in the Internet context, we can consider the following hypothetical case.

The claimant X owns three identical patents in the UK, France and Germany for the automatic downloading of embedded content. These three patents arise out of a single patent application made to the European Patent Office. Two defendants are from the same Group. The first defendant Y is domiciled in Belgium. Y develops Internet Explorer and sells it on the Internet. The second defendant Z is domiciled in the UK. Z is only in charge of sales in the UK and provides related services and support to the UK customers. X sues Y and Z in an English court, claiming that Y has infringed its UK, French and German patents and Z has infringed its UK patent.³⁴⁹

Z can be sued in the English court for infringement of the UK patent under Article 2 and Y can be sued here as co-defendant under Article 6(1).³⁵⁰ Can Y also be sued here for infringement of French and German patents? The English court³⁵¹ gives a positive answer. It has held that as three patents are identical, infringement claims brought in relation to each of them are related and Article 6(1) would be applicable.³⁵²

With the Internet, another more common context might be when each of the connected defendants infringes several parallel patents. In the above case, let us assume that Y and Z develop Internet

³⁴⁸ For example, *Coin Controls Limited v Suzo International (U.K.) Limited and Others* [1997] F.S.R. 660 and District Court (Landgericht) of Düsseldorf of January 16, 1996 (4 O 5/99) in case *Reinigungsmittel*. As I cannot read this case in German, it is an indirect source according to the author(s) of EC Project on Judicial Cooperation in IP/IT Matters, 'Cross-Border Litigation in Intellectual Property Matters in Europe'-Background Paper for the Heidelberg Workshop of 21 October 2006, at Page 13.

³⁴⁹ The facts of this case are based on the case of *Eolas Techs. Inc. v Microsoft Corp.*, 399 F.3d 1325 (Fed. Cir. 2005).

³⁵⁰ For detailed analysis, see "(1) Infringements of a single IP right over the Internet" above.

³⁵¹ The decision of this case is based on the case of *Coin Controls Limited v Suzo International (U.K.) Limited and Others* [1997] F.S.R. 660.

³⁵² *ibid.*, at 672.

Explorer together and both sell it on the Internet, which means that the allegedly infringing product can be bought from anywhere, including from the UK, France and Germany. X then sues both Y and Z for infringing its three patents in an English court. Clearly, the English court has jurisdiction over Z for infringement of three patents under Article 2. Since Y is jointly liable for infringement of these three patents, the English court may also have jurisdiction over it under Article 6(1).³⁵³

To consolidate claims of infringements of parallel IP rights before one court will reduce the claimant's onerousness to bring separate proceedings in different States with the risk of conflicting decisions for essentially the same infringement. It is particularly useful in the Internet context where parallel IP rights are often infringed by multiple defendants simultaneously. But the disadvantage is that the claimant will be at liberty to bring an action before the courts of a State where one of connected defendants is domiciled with the sole purpose of benefiting from the application of laws there. The claimant's wide choice of forum will also undermine the legal predictability and legal certainty, especially when many related defendants get involved in a case.

This approach was however criticized by several courts,³⁵⁴ which considered that parallel IP rights were separate rights under respective national laws and thus decisions relating to them could not be regarded as irreconcilable.³⁵⁵

(ii) The 'spider in the web' doctrine

Despite the criticism, the joinder approach had been widely applied, which made the claimant's forum shopping go too far. Several courts in Europe started to restrict the excessive use of Article

³⁵³ The reason why the English court can take jurisdiction over Y for infringement of each of three patents can be found in "(1) Infringements of a single IP right over the Internet" above.

³⁵⁴ For example, *Fort Dodge Animal Health Limited and Others v Akzo Nobel N.V. and Another* [1998] F.S.R. 222, at 234.

³⁵⁵ See EC Project on Judicial Cooperation in IP/IT Matters, 'Cross-Border Litigation in Intellectual Property Matters in Europe'-Background Paper for the Heidelberg Workshop of 21 October 2006, at Page 13.

6(1).³⁵⁶ The most significant limitation against it was developed in the *Expandable Grafts Partnership and Others v Boston Scientific B.V. and Others*³⁵⁷ case. The court in this case held that if several companies belonging to the same group infringe several corresponding patents, they may only be joined in an action brought where the head office of them is located ('spider in the web').³⁵⁸

Applying this doctrine to the Internet context, if several companies belonging to the same group infringe corresponding IP rights by targeting their respective national markets and selling identical infringing product on the Internet to customers in their respective States, they may only be joined in an action brought where the head office is located. In another scenario where each of these companies infringes several parallel IP rights, under this doctrine, the joinder of claims is only possible when the action is brought in the courts of the head office's domicile.

The 'spider in the web' doctrine only applies to cases where defendants are companies belonging to one group. This approach has the advantage of avoiding jurisdiction being conferred on more than one forum and consequently of reducing the possibility of forum shopping.³⁵⁹ However, there is no uniform definition of the 'spider'.³⁶⁰ The courts in different States may have different opinions on where the head office is.

(iii) The ECJ's clarification

In the *Roche*³⁶¹ case, the ECJ opposed the 'spider in the web' doctrine and clarified that if several companies belonging to the same group infringe corresponding patents in their respective States,

³⁵⁶ *ibid.*, at Page 16.

³⁵⁷ [1999] F.S.R. 352.

³⁵⁸ *ibid.*, at 359.

³⁵⁹ *ibid.*

³⁶⁰ *ibid.*, at 360.

³⁶¹ *Roche Nederland BV v Primus, Goldenberg* [2007] F.S.R. 5 (at 106).

infringement claims against all of these companies do not arise out of the same factual³⁶² or legal³⁶³ context. Therefore, any diverging decisions relating to these national patents cannot be regarded as irreconcilable and Article 6(1) cannot apply.³⁶⁴

The advantage of the *Roche* approach is that it will prevent the claimant's forum shopping and meet the demands of predictability and certainty required by the jurisdiction rules laid down by the Regulation. The disadvantage is that the claimant will have to bring separate infringement proceedings in different States and incur delays and more cost inherent to the fragmentation of such proceedings. The prevention of consolidating infringement claims in one court is especially undesirable in the Internet context, where infringements of parallel IP rights are most likely to occur.³⁶⁵ Obviously, the *Roche* decision will not have any effect on another situation in the Internet context where each of the related companies infringes not just its respective national IP right but several parallel IP rights. The claimant can still forum shop by suing in the courts of the State where any of these companies is domiciled.³⁶⁶

In conclusion, we have seen from the above that since defendants in Internet IP infringements are still domiciled in certain States, application of Article 6(1) to this kind of infringements does not make any difference.

2. The difficulty involved in the application of Article 6(1)

After the *Roche* decision, in the situation where several related companies infringe corresponding

³⁶² *ibid.*, at 114. Defendants are different and patent infringements they are accused of, committed in different States, are not the same.

³⁶³ *ibid.* Patents are creatures of national laws even when they are derived from a single European patent application.

³⁶⁴ *ibid.*, at 113-116.

³⁶⁵ Here, we refer to the situation where several connected companies infringe corresponding IP rights over the Internet.

³⁶⁶ For detailed analysis, see "(i) Joinder of the claims" above.

IP rights over the Internet, for example by selling the infringing product on the Internet to customers in their respective States, the IP right owner will have to bring separate infringement proceedings in different States and cannot claim damages resulting from the entire infringement of these rights in one court. Moreover, it is possible that diverging judgments will be issued regarding essentially the same infringement in the courts of these States.³⁶⁷ For example, according to the *Roche* approach, the claimant X in the patent infringement case above may have to sue two defendants in the UK and in Belgium separately under Article 2. Then the English and Belgian courts may make different decisions: the English court may decide that Z's acts have not constituted patent infringement and its sales of Internet Explorer on the Internet are lawful. Whereas the Belgian court may take an opposite view and demand Y to cease further sales of Internet Explorer because Y has infringed X's patent rights. As the Internet patent is used worldwide, the judgment about it cannot be enforced in certain countries but on a global basis. Which one of the two judgments shall be enforced?

In another situation where each of the related companies infringes several parallel IP rights over the Internet, the claimant can do forum shopping by suing in the courts of the domicile of any one of these companies.

3. Our suggested solution

Having seen the difficulty in applying either the joinder approach or the *Roche* approach to infringements of parallel IP rights over the Internet, can we find some solutions? It seems that the 'spider in the web' doctrine will be a good solution if the ECJ can give a uniform definition of the

³⁶⁷ As the cause of action has been held (*LA Gear Inc v Gerald Whelan & Sons Ltd* [1991] F.S.R. 670. In *Roche*, the ECJ did not regard infringement claims of such rights as even being related.) to be different in each of those proceedings, *lis pendens* cannot help, which requires the proceedings to involve 'the same cause of action'.

‘spider’. On the one hand, it can avoid jurisdiction being conferred on more than one forum and reduce the claimant’s forum shopping. On the other hand, it allows the owner of parallel IP rights to sue all the connected infringers before one court and to claim damages resulting from the infringement as a whole.

III. Conclusion

Although *GAT* did not expressly indicate which court should decide the infringement issue in the mixed validity and infringement cases, we can infer that the Advocate General contemplated the infringement court still having jurisdiction over the infringement issue. Such an approach will cause many difficulties for Internet IP infringement cases.

The suggestion that Article 22(4) should also apply to infringement proceedings may provide us a solution. In Internet IP infringement cases, the claimant can forum shop worldwide on the basis that infringement may occur everywhere or defendants may be domiciled anywhere. This solution can ensure the infringement issue to be determined only in the courts of the country of registration.

In many circumstances, applying Article 2 to Internet IP infringements does not make any difference: if the infringer is domiciled in a Member State, he can be sued in the courts of that State. However, Article 2 cannot work well in cases involving many Internet infringers. Another difficulty is that for Article 2 to apply, the defendant must be domiciled in a Member State. In the Internet context, a determined infringer can easily relocate to a non-Member State and thus make Article 2 inapplicable.

In determining the place where the infringing act occurred for the purposes of application of Article 5(3), European courts have utilized a targeting approach for Internet trademark

infringement. In the situation of Internet copyright infringement, the courts usually regard the infringing act as occurring in the places of uploading and downloading the infringing material or in the places of sending, receiving and asking for sending it. In the situation of Internet patent infringement, if an infringer operates an infringing system containing the claimed elements in several countries and purposes to operate that system in these countries, the infringing act can be deemed to occur in all of these countries.

In Internet IP infringement cases, damage seems to occur everywhere. Although the courts have localized the place of damage, there may still be many such places in a case. The *Shevill* case has been used to further limit the jurisdiction of the courts of the place of damage. But the difficulty is that it will lead to the fragmentation of litigation.

Article 5(3) can also be used to prevent a threatened Internet IP infringement. The approach to determine jurisdiction for completed Internet IP infringements can be equally applied to threatened ones.

As defendants in Internet IP infringements are still domiciled in certain States, application of Article 6(1) to this kind of infringements will not make any difference.

After the *Roche* case, in the situation where several related companies infringe corresponding IP rights over the Internet, the claimant cannot consolidate claims of infringements of these IP rights before one court. In another situation where each of the related companies infringes several parallel IP rights over the Internet, the claimant can consolidate infringement claims but can also forum shop by suing in the courts of any infringing company's domicile.

Our suggested solution is to apply the 'spider in the web' doctrine to Internet IP infringements if the ECJ can give a uniform definition of the 'spider'. Because it can not only avoid jurisdiction

being conferred on more than one forum but can also allow the owner of parallel IP rights to sue all the connected infringers before one court.

Chapter 6

How do the English rules deal with IP infringement over the Internet?

I. Introduction

The English rules, subject to exclusive jurisdiction under the Brussels I Regulation, the Brussels Convention and the Lugano Convention (the Brussels regime),³⁶⁸ apply where a case falls outside the scope of the Brussels regime or where the defendant is not domiciled within a Member State.³⁶⁹ It has already been seen that as a civil and commercial matter, Internet IP infringement comes clearly within the scope of the Brussels regime. So we will only consider the situation where the defendant to an Internet IP infringement is not domiciled within a Member State.

There are two kinds of actions in the English courts: actions *in personam* and actions *in rem*. An action *in personam* is designed to settle the rights of the parties as between themselves.³⁷⁰ Under the English rules, an English court can exercise jurisdiction *in personam* in three circumstances. First, the defendant is present in England and can be served with a claim form. Secondly, the defendant submits to the jurisdiction of the English court. Thirdly, when neither of the first two conditions is satisfied, the court can still have jurisdiction by allowing service of a claim form out of the jurisdiction using para.3.1 of Practice Direction 6 B (PD 6 B).³⁷¹

Even though the English courts have jurisdiction following the service of a claim form, they may decline to exercise that jurisdiction on the basis of *forum non conveniens*.

Finally, the English courts may still not try a case due to a limitation in relation to the subject matter of the dispute. Two limitations relevant to IP infringement are ‘foreign IP rights’ and ‘acts

³⁶⁸ We will focus on exclusive jurisdiction under the Brussels I Regulation (the Regulation) and the relevant provision in the Internet IP infringement context is Article 22(4) of the Regulation. Article 22(4) may be raised even where the English courts take jurisdiction over an Internet IP infringement dispute under the English rules, for example, based on the defendant’s submission to the jurisdiction. If the dispute concerns a German registered IP right and the defendant raises invalidity, apart from the limitation on jurisdiction in relation to foreign IP rights, the German courts will have exclusive jurisdiction over the validity issue of that IP right under Article 22(4).

³⁶⁹ Dicey, Morris and Collins, *The Conflict of Laws*, London: Sweet & Maxwell, 14th ed., 2006, at 343-398.

³⁷⁰ Cheshire, North & Fawcett, *Private International Law*, Oxford University Press, 14th ed., 2008, at 353. An action *in rem* is brought in an Admiralty court against a particular res, namely a ship or some other res, such as cargo, associated with the ship. As actions *in rem* are not relevant to our topic, we will focus on actions *in personam* in this chapter.

³⁷¹ This Practice Direction supplements Section IV of Civil Procedure Rules (CPR) Part 6.

of IP infringement committed abroad'.³⁷² Under the first limitation, actions relating to the validity or infringement of IP rights are regarded as being local actions and the English courts thus cannot hear those actions regarding the infringement of foreign IP rights. According to the second limitation, actions in respect of acts of infringement abroad of UK IP rights are also local actions and the English courts have no jurisdiction over them.

If these English rules are applied in the Internet context, will it make any difference? Will there be any special difficulty?

II. Jurisdiction and application of the English rules to IP infringement over the Internet

(I) Personal jurisdiction

1. Service of a claim form within the jurisdiction

Service of a claim form within the jurisdiction covers two situations: the defendant's presence within the jurisdiction and the defendant's submission to the jurisdiction. We will examine below how the rules can be applied in the Internet context.

(1) Presence within the jurisdiction

(i) Individuals

The English courts are competent to try an action *in personam* where an individual is present in England and can be served with a claim form. For example, process can be served on a New York defendant who has flown to London and intends to leave on the same day, for illegally uploading the copyright material held by an English claimant to his website on a server in New Jersey during

³⁷² Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 279-280.

his business trip in China. Even though the defendant is only temporarily present in England, it is enough for the English courts to take jurisdiction over him. The nationality of both parties, the place of infringement and the location of the server are all irrelevant.

Under this rule, mere transient presence of an individual in England is sufficient for the English courts to exercise jurisdiction, which means that jurisdiction is taken on wide grounds. The claimant may bring an action against the defendant present in England solely in order to incur inconvenience and more expense to the defendant. It is especially undesirable when the dispute has no territorial connection with England at all.

In the Internet context, although IP infringement occurs in a number of places, the individual defendant still exists in the real world. It makes no difference whether he is the defendant in an ordinary IP infringement or in an Internet IP infringement. For the same reason, Internet IP infringement will have the same difficulty in the application of the rule as mentioned above.

(ii) Corporations

The position with regard to foreign corporations is more complicated. First, a limited company which is incorporated outside the United Kingdom and Gibraltar and which has a branch in Great Britain must file with the registrar of companies the names and addresses of all persons resident in Great Britain authorized to accept on the company's behalf service of process in respect of the business of the branch, and accordingly a claim form may be served on any such person in respect of the carrying on of the business of the branch.³⁷³ If the company fails to provide the required information, service of process may also be effected at 'any place of business established by the company in Great Britain'.³⁷⁴

³⁷³ Companies Act 1985, s. 690 A, sch. 21 A, para. 3 and s. 694 A.

³⁷⁴ S. 694 A (3).

Secondly, a company incorporated outside Great Britain, which establishes a place of business in Great Britain, must file with the registrar of companies the names and addresses of some one or more persons resident in Great Britain authorized to accept on the company's behalf service of process, and a claim form is sufficiently served if addressed to the person identified.³⁷⁵ If the company fails to provide the required information, service of process may also be effected at 'any place of business established by the company in Great Britain'.³⁷⁶ In the second situation, there is no requirement of any link between the claim and the place of business whereas the first situation links the service of process to cases 'in respect of the carrying on of the business of the branch'.³⁷⁷ Thirdly, as an alternative to the first two situations, a company may be served at 'any place of business of the company within the jurisdiction'³⁷⁸ by any method permitted under Civil Procedure Rules (CPR) Part 6.³⁷⁹

Applying this rule to the Internet context, there may be a trademark dispute between an English corporate claimant X and a Chinese corporate defendant Y. X owns a UK trademark of its name 'X'. Y registers the domain name 'X.com' and then tries to obtain money from X for releasing the domain name. As Y has a place of business in England, X can sue Y for trademark infringement in an English court.

With the Internet, parallel IP rights are most likely to be infringed simultaneously. In the above example, let us assume that X owns three parallel trademarks (UK, Chinese and Japanese) of its name 'X'. As the domain name can be used worldwide, X may sue Y for infringing its three trademarks in England on the basis that Y has a place of business here.³⁸⁰ The advantage of this

³⁷⁵ S. 691 and s. 695.

³⁷⁶ S. 695(2).

³⁷⁷ Dicey, Morris and Collins, *The Conflict of Laws*, London: Sweet & Maxwell, 14th ed., 2006, at 351.

³⁷⁸ CPR r 6.9(2).

³⁷⁹ CPR r 6.3(2).

³⁸⁰ If the subject matter limitation on jurisdiction in relation to foreign IP rights is abolished.

rule is that it can consolidate claims of the entire infringement of parallel IP rights before one court.

For corporate defendants, another possibility is that a foreign parent company may set up a subsidiary company in England for marketing the infringing product. In such a situation, can the defendant be sued in England on the basis that it has a subsidiary within the jurisdiction? For example, the English claimant X owns a UK software patent. The defendant Y, a New York company, develops an infringing product and sells it on the Internet. As the allegedly infringing product can be bought from anywhere, including the UK, X's patent has been infringed in the UK. If Y establishes an English subsidiary company Z, which is in charge of sales in England, can Y be sued in England for infringing X's UK patent based on the establishment of Z here? Obviously, a subsidiary is not a branch and so the provisions on branches cannot be used. Moreover, as the foreign parent and its subsidiary are separate legal entities under company law principles, the subsidiary carries on its own business and cannot be regarded as a place of business of the parent. Thus, the foreign parent cannot be subjected to jurisdiction by serving a claim form on its English subsidiary.³⁸¹ In this example, Y cannot be sued in England based on the establishment of Z here.³⁸²

We have seen above that although Internet IP infringements may be committed in many places, the corporate defendant still exists in the real world and applying the rule to this kind of infringements will not make any difference.

³⁸¹ Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 243.

³⁸² But Y can be sued in England on the basis that the infringing act was committed within the jurisdiction under PD 6 B para.3.1 (9). The application of PD 6 B para.3.1 (9) to IP infringement over the Internet will be discussed later.

(2) Submission to the jurisdiction

The English courts have jurisdiction to try an action *in personam* where the defendant submits to the jurisdiction of the court. But a defendant who appears merely to contest the jurisdiction of the court does not thereby submit.³⁸³

Like the position in ‘Presence within the jurisdiction’, the rule can be equally applied to Internet IP infringement.

(3) The advantage and disadvantage of service within the jurisdiction

The advantage of service of a claim form within the jurisdiction is that service in such cases is effected as of right whereas service of a claim form out of the jurisdiction needs the court’s exercise of the discretion based on the doctrine of *forum conveniens*.³⁸⁴ It is hard to exercise such discretion in Internet IP infringement cases.³⁸⁵

The disadvantage is that when a foreign defendant is not present in England and does not submit to the jurisdiction of the English court, that defendant cannot be sued here by virtue of service within the jurisdiction even though his acts would clearly lead to IP infringements in England.³⁸⁶ Fortunately, this problem may be solved by service of a claim form out of the jurisdiction.

2. Service of a claim form out of the jurisdiction

If the defendant is not present in England and does not submit to the jurisdiction, the court can still have jurisdiction by allowing service out of the jurisdiction under PD 6 B para.3.1. There are three

³⁸³ *Re Dulles’ Settlement (No. 2)* [1951] Ch. 842.

³⁸⁴ In both situations, after the court takes jurisdiction, it may decline jurisdiction on the basis of *forum non conveniens*.

³⁸⁵ We will analyze this issue in detail later.

³⁸⁶ Torremans, P., ‘Private International Law Aspects of IP-Internet Disputes’ in *Law and the Internet-A Framework for Electronic Commerce* (Edwards, L. and Waelde, C., (ed.), Hart Publishing, 2nd ed., 2000), 225, at 233.

requirements. First, the claimant must show that he has a good arguable case that his claim falls within one of the heads of jurisdiction in PD 6 B para.3.1. Secondly, there is a reasonable prospect of success (a serious issue to be tried on the merits). Thirdly, the court needs to exercise the discretion to allow service of a claim form out of the jurisdiction.

In Internet IP infringement cases where the defendant is often not present in the jurisdiction, this rule may be relied on and three relevant heads are PD 6 B paras.3.1 (9), (3) and (2).³⁸⁷

(1) The heads of PD 6 B para.3.1

(i) PD 6 B para.3.1 (9)- the tort head

PD 6 B para.3.1 (9) provides that a claim form may be served out of the jurisdiction with the permission of the court if a claim is made in tort where (a) damage was sustained within the jurisdiction; or (b) the damage sustained resulted from an act committed within the jurisdiction.

The predecessor of this provision, Order 11, rule 1 (1)(f) of the Rules of the Supreme Court (RSC),³⁸⁸ was designed to bring service out of the jurisdiction in tort cases under the English rules into line with jurisdiction under Article 5(3) of the Brussels Convention.³⁸⁹ Like Article 5(3), PD 6 B para.3.1 (9) can apply to Internet IP infringements because they are generally regarded as torts.

(a) A claim is made in tort

In determining whether the claim is ‘founded on a tort’ (now ‘made in tort’), the court should rely on English law.³⁹⁰

(b) An act committed within the jurisdiction

³⁸⁷ Under the old CPR Part 6, the applicable rules were CPR r 6.20(8), (3) and (2).

³⁸⁸ It required that ‘a claim is founded on a tort’. There is not much difference between the previous version and the current one. Because a claim is made in tort when it is founded on a tort, i.e. based on a tort. See Fawcett, J., Harris, J. M., and Bridge, M., *International Sale of Goods in the Conflict of Laws*, Oxford University Press, 2005, at 309.

³⁸⁹ *ibid.*

³⁹⁰ *Metall und Rohstoff A.G v Donaldson Lufkin & Jenrette Inc. and Another* [1990] 1 Q.B. 391, at 449 (CA), overruled in *Lonrho plc v Fayed* [1992] 1 A.C. 448 on other aspects. When it comes to classification of the claim as being tortious, the court will rely on English law. But whether it is actionable as a tort will depend on the applicable law. The choice of law issue is outside the scope of our discussion.

The damage may have resulted from a series of acts, regarded by English law as tortious, committed partly within and partly outside the jurisdiction. It is not necessary that all the acts should have been committed within the jurisdiction. It is enough that substantial and efficacious acts have been committed in England, whether or not other substantial and efficacious acts have been committed elsewhere.³⁹¹

Due to the global nature of the Internet, an Internet IP infringing act is usually committed in many places simultaneously. For example, there is a situation where several copyrights (UK, Chinese, Japanese, Australian) held by a claimant are all infringed by a Chinese defendant's illegally uploading an infringing material in England. As any material placed on the Internet can be accessed anywhere, the infringing act can be committed in many places. However, there is a subject matter limitation in relation to acts of infringement committed abroad under the English rules. According to this limitation, only acts done in the UK constitute infringement of a UK copyright.³⁹² If the other countries apply the same subject matter limitation, the infringing acts will be regarded as being committed only in the UK, China, Japan and Australia. Obviously, the English court can have jurisdiction over the infringement of the UK copyright under PD 6 B para.3.1 (9).³⁹³ As for other copyrights (Chinese, Japanese, Australian), first, copyright infringement claims are characterized as claims in tort under English law. Next, according to Article 8 of the Rome II Regulation,³⁹⁴ the law applicable to IP infringement shall be the law of the country for which protection is claimed. So if the infringement concerns a Chinese copyright,

³⁹¹ *Metall und Rohstoff A.G. v Donaldson Lufkin & Jenrette Inc. and Another* [1990] 1 Q.B. 391, at 437 (CA).

³⁹² For details, see '(II) Subject matter limitations in relation to jurisdiction' below.

³⁹³ A claim of copyright infringement is clearly a claim in tort under English law. And as the infringing material can be accessed from anywhere including England, there must be infringing acts committed within the jurisdiction.

³⁹⁴ Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) [2007] OJ L199/40.

Chinese law will apply and it is actionable as a tort under Chinese law.³⁹⁵ If the current subject matter limitations on jurisdiction are dropped, and if the Rome II Regulation allows an action in England covering infringements of parallel IP rights, based on actionability according to their respective laws, the claimant will be able to claim the whole infringement of several copyrights in one action.

In the context of Internet copyright infringement, another situation might be when a Chinese defendant X asks another Chinese defendant Y to send an English company's copyright-protected game to him in China. During his business trip in England, Y sends such a game through email from his laptop to X without that English company's permission. Then X receives this email in China. This infringement has a strong connection with China: both defendants are Chinese, and X asks for sending and receives the infringing material in China. But as Y sends the infringing material in England, can the English court take jurisdiction on the basis that the infringing act committed within the jurisdiction under PD 6 B para.3.1 (9)? There is no doubt that asking for sending, sending and receiving the infringing material are three important acts in this infringement. If one of these acts has been committed in England, it should be enough for an English court to exercise jurisdiction under PD 6 B para.3.1 (9).

As has been seen from the above, due to the subject matter limitation on acts of infringement committed abroad, only acts done in England constitute infringement of an English IP right. In the area of Internet copyright infringement, as any infringing material placed on the Internet can be accessed from anywhere including England, there must be infringing acts committed within the jurisdiction. So whenever an English copyright gets involved, the infringing act can usually be

³⁹⁵ The same reasoning applies to the Japanese and Australian copyrights. A claim of copyright infringement is clearly actionable as a tort under the laws of these States.

regarded to be committed in England. In the situation of Internet trademark or patent infringement, in determining the place of the infringing act, many arguments adopted under Article 5(3) of the Regulation can be used here and the targeting approach is equally applicable to these two types of infringement.³⁹⁶ Due to the global nature of Internet business, it is most likely that the infringer targets the customers not within a certain country but worldwide. In such a circumstance, the infringing act seems to be committed anywhere including in England. Similarly, whenever an English trademark or patent has been infringed over the Internet, the infringing act will usually be deemed to be committed in England. England is thus more likely to be the place of infringement in Internet IP infringements than in ordinary IP infringements.

However, there are some differences relating to ‘the infringing act’ between Article 5(3) and PD 6 B para.3.1 (9).³⁹⁷ First of all, as the Mocambique rule does not apply to cases coming under the Brussels regime, the English courts can try Internet IP infringement actions regarding both UK IP rights and foreign IP rights under the Regulation. But the Mocambique rule and the subject matter limitation in relation to ‘foreign IP rights’ remain under the English rules, which means that the English courts can only take jurisdiction over Internet IP infringements regarding UK IP rights.

Secondly, jurisdiction under Article 5(3) is mandatory whereas jurisdiction under PD 6 B para.3.1 (9) is discretionary based on the doctrine of *forum conveniens*. If an infringing act is committed in England, the English courts will have jurisdiction under Article 5(3) but may not have jurisdiction under PD 6 B para.3.1 (9). For example, a defendant uploads in England, the unauthorized

³⁹⁶ See ‘(III) Article 5(3)-the rule of special jurisdiction’ in Chapter 5.

³⁹⁷ As has been seen earlier, for PD 6 B para.3.1 (9) to apply, it is enough that substantial and efficacious acts have been committed in England, whether or not other substantial and efficacious acts have been committed elsewhere. This means that there may be substantial and efficacious acts committed in several different countries. If one set of these acts takes place in England, then there is an act committed within the jurisdiction. Thus, it seems easier to come within this provision than within Article 5(3), which contemplates that there is only one such place. However, it cannot be regarded as a difference in the Internet IP infringement context where an infringing act is usually committed in many places under both rules. See Fawcett, J., Harris, J. M., and Bridge, M., *International Sale of Goods in the Conflict of Laws*, Oxford University Press, 2005, at 311.

copyright material held by a New York claimant, through the service provided by an Internet service provider (ISP) in New York and via a server also located in New York. If the defendant is domiciled in a Member State to the Regulation, the English courts will have jurisdiction over this dispute under Article 5(3). But if the defendant is domiciled in New York, the English courts may not serve out of the jurisdiction under PD 6 B para.3.1 (9). Because the English courts may exercise the discretion and conclude that New York is the *forum conveniens*.

Thirdly, the principles of interpretation adopted by the European Court of Justice (ECJ) are very different from the principles adopted by the English courts when interpreting the English rules. For example, interpretation of Article 5(3) takes into account the sound administration of justice and the desire to avoid the multiplication of courts of competent jurisdiction whereas the only issue under PD 6 B para.3.1 (9) is whether the English courts have jurisdiction.³⁹⁸

Fourthly, under Article 5(3), jurisdiction can be allocated to the place where the defendant is established whereas under PD 6 B para.3.1 (9), an act cannot be defined in terms of such a place.³⁹⁹

(c) Damage was sustained within the jurisdiction

It is not necessary that all the damage should have been sustained within the jurisdiction. It is enough if some significant damage has been sustained in England.⁴⁰⁰

The definition of damage for the purposes of Article 5(3) can be equally applied under PD 6 B para.3.1 (9). Moreover, in identifying the place of damage arising from Internet IP infringement, many arguments employed under Article 5(3) are equally applicable here.⁴⁰¹ However, there are three differences relating to ‘damage’ between the two provisions, which are the same as the first

³⁹⁸ *ibid.*, at 312.

³⁹⁹ *ibid.*, at 560.

⁴⁰⁰ *Metall und Rohstoff A.G v Donaldson Lufkin & Jenrette Inc. and Another* [1990] 1 Q.B. 391, at 437 (CA).

⁴⁰¹ See ‘(III) Article 5(3)-the rule of special jurisdiction’ in Chapter 5.

three differences mentioned above in ‘An act committed within the jurisdiction’.

(d) The difficulty involved in the application of PD 6 B para.3.1 (9)

The same difficulty in localizing the place of the infringing act and the place of damage for Internet IP infringement arises under PD 6 B para.3.1 (9) as under Article 5(3).⁴⁰²

(ii) PD 6 B para.3.1 (3)-the multi-defendant head

In cases of Internet IP infringement, it is very likely that multiple defendants will get involved. For example, a UK copyright is infringed by a Chinese resident, who uploads the infringing material to a BBS (Bulletin Board Systems) without authorization, and by a New York BBS operator. As the operator has a place of business in England, the English court can have jurisdiction over it. Can the court also have jurisdiction over the Chinese resident? PD 6 B para.3.1 (3), which deals specifically with multi-defendant litigation, may apply in such a case. It provides that a claim form may be served out of the jurisdiction with the permission of the court if: a claim is made against a person on whom the claim form has been or will be served and (a) there is between the claimant and that person (the first defendant) a real issue which it is reasonable for the court to try; and (b) the claimant wishes to serve the claim form on another person (the second defendant) who is a necessary or proper party to that claim.

In order that the English court may have jurisdiction under this provision, both requirements must be satisfied. We will now examine how PD 6 B para.3.1 (3) can be applied in the Internet IP infringement context.

(a) The first requirement: there is between the claimant and the person on whom the claim form has been or will be served (the first defendant) a real issue which it is reasonable for the court to try.

⁴⁰² *ibid.*

This requirement protects the first defendant, over whom there is jurisdiction, from spurious claims being brought against him solely in order to obtain jurisdiction over the second defendant who is outside the jurisdiction. It also protects the second defendant. There will not be ‘a real issue which it is reasonable for the court to try’ if the claimant has no real prospect of succeeding on that issue.⁴⁰³ This means that this requirement will not be met if the claim against the first defendant is bound to fail. It will also not be met if the claim against the first defendant is not a bona fide one,⁴⁰⁴ i.e. the first defendant is joined merely to subject the second defendant to the jurisdiction of the English courts.⁴⁰⁵ Let us have a look at a hypothetical case. The English claimant X owns a UK patent. Two defendants are from the same group. The first defendant Y, a Chinese company, has a place of business in England. The second defendant Z, a New York company, sells the infringing product on the Internet but targets the US market only.⁴⁰⁶ Although Y has nothing to do with X’s patent, X sues Y in England for patent infringement in order to found jurisdiction against Z. Since the claim against Y is bound to fail and there is no ‘real issue’ between X and Y, Z cannot be served under this clause. However, if both Y and Z sell the infringing product on the Internet, it is likely that the English court will have jurisdiction over both of them under PD 6 B para.3.1 (3).

(b) The second requirement: another person on whom the claimant wishes to serve the claim form (the second defendant) is a necessary or proper party to the claim against the first defendant.

This requirement protects the second defendant from being improperly joined. The use of the

⁴⁰³ *Owusu v Jackson* [2002] I.L.Pr. 45 (813), at 822.

⁴⁰⁴ *Konamaneni v Rolls-Royce Industrial Power (India) Ltd* [2002] I.L.Pr. 40 (708), at 724.

⁴⁰⁵ Fawcett, J., Harris, J. M., and Bridge, M., *International Sale of Goods in the Conflict of Laws*, Oxford University Press, 2005, at 474.

⁴⁰⁶ Thus, the infringing act can only be regarded as being committed in the US and PD 6 B para.3.1(9) cannot apply. However, with the Internet, a more common context might be when the infringer targets the customers not within a certain country but worldwide. In such a situation, the infringing act seems to be committed anywhere including in England and thus PD 6 B para.3.1 (9) will be applicable.

disjunctive word ‘or’ shows that he may be a ‘proper’ party without being a ‘necessary’ party.⁴⁰⁷

The question, whether a person out of the jurisdiction is a proper party to an action against a person who has been served within the jurisdiction, must depend on this: ‘supposing both parties had been within the jurisdiction would they both have been proper parties to the action? If they would, and only one of them is in this country, then the rule says that the other may be served, just as if he had been within the jurisdiction.’⁴⁰⁸ In the above example,⁴⁰⁹ supposing both Y and Z had been within the jurisdiction, they would both have been proper parties to the patent infringement action. So Y may be sued in the English court on the basis that it has a place of business in England and Z may be sued here as co-defendant under PD 6 B para.3.1 (3).

In the Internet context, IP infringement is most likely to involve multiple related defendants. Besides the above example, it is common for several connected foreign companies⁴¹⁰ to use the same mark as the English claimant’s on their website for advertising. If these foreign companies target the UK market, the claimant may sue them for trademark infringement. If one of them has a place of business in England, others may also be served under PD 6 B para.3.1 (3). In the copyright area, it happens frequently that several infringers act together in infringing a UK copyright over the Internet. For example, an infringer X (Chinese) inputs an infringing file and then sends the completed file to another infringer Y (Japanese). Later, Y uploads this file to a BBS operated by a third infringer Z (Australian). If one of them is present in England, the English court may also have jurisdiction over the other two under PD 6 B para.3.1 (3). As these infringers exist in the real world, applying PD 6 B para.3.1 (3) to Internet IP infringement will not make any difference.

⁴⁰⁷ *Massey v Heynes* (1888) 21 Q.B.D. 330, at 333.

⁴⁰⁸ *ibid.*, at 338.

⁴⁰⁹ Assume that both Y and Z sell the infringing product on the Internet.

⁴¹⁰ Assume that these companies are all in non-Member States of the Brussels regime.

(iii) PD 6 B para.3.1 (2)-the injunction head

PD 6 B para.3.1 (2) provides that a claim form may be served out of the jurisdiction with the permission of the court if a claim is made for an injunction ordering the defendant to do or refrain from doing an act within the jurisdiction.

This provision proved useful in an IP infringement case of *Re Burland's Trade-Mark, Burland v Broxburn Oil Company*,⁴¹¹ where the claimant obtained an injunction to restrain a Scottish defendant from infringing its trademark registered in England by selling infringing articles in England. We will consider how this rule can apply in the Internet context. Assume that a UK copyright is infringed by a Chinese defendant's illegally uploading the infringing material. As any material placed on the Internet can be accessed anywhere, the infringement may be committed in many places, including in England. So the English court may grant an injunction ordering the defendant to remove the infringing material from the Internet. However, there is an enforcement problem in the Internet context. The effect of PD 6 B para.3.1 (2) is that the English court can only order the defendant to refrain from infringing the claimant's copyright within England, which means that the injunction can only prevent the infringing material from being accessed in England. But as there is a lack of any technological capacity to quarantine Internet users of one country from accessing a certain material on the Internet, such an injunction can only be enforced on a global basis.

This provision can be used to prevent a threatened wrong (including a threatened IP infringement).

It was established in *James North & Sons Ltd v North Cape Textiles Ltd and Another*,⁴¹² where the Court of Appeal held that the injunction head was wide enough to cover an action for a permanent

⁴¹¹ [1889] 41 Ch. D. 542.

⁴¹² [1984] 1 W.L.R. 1428, at 1431.

injunction to restrain the defendants from committing future breaches of contract or future torts within the jurisdiction. In applying this rule to the Internet context, the arguments used under the tort head are equally applicable here.⁴¹³

(2) A reasonable prospect of success (a serious issue to be tried on the merits)⁴¹⁴

(i) The standard of proof

According to the House of Lords in *Seaconsar Far East Ltd v Bank Markazi Jomhouri Islami Iran*,⁴¹⁵ the claimant must establish that there is a serious issue to be tried in that there is ‘a substantial question of fact or law or both, arising on the facts disclosed by the affidavits, which the claimant bona fide desires to try’.⁴¹⁶ This is a lower standard of proof than the ‘good arguable case’ standard applicable in considering whether the jurisdiction of the court is established under one of the heads of PD 6 B para.3.1.⁴¹⁷ It is now necessary to ask whether the merits of the case have already been gone into at the stage of establishing the head of PD 6 B para.3.1. If so, the merits need not be gone into again once the head has been established. If not, the examination of the merits will only arise after the terms of the head have been satisfied and the claimant will only have to establish that there is a serious issue to be tried on the merits.⁴¹⁸

(a) The tort head

It has been established⁴¹⁹ that the merits of the case have been gone into when considering

⁴¹³ See ‘(i) PD 6 B para.3.1 (9)- the tort head’ above. For reasons why the same approach should apply to both completed Internet IP infringements under PD 6 B para.3.1 (9) and threatened ones under PD 6 B para.3.1 (2), see ‘(III) Article 5(3)-the rule of special jurisdiction’ in Chapter 5.

⁴¹⁴ CPR r 6.37 (1)(b) now requires the claimant to adduce evidence stating that he believes his claim has ‘a reasonable prospect of success’. This requirement equally applies to the Internet context.

⁴¹⁵ [1994] 1 A.C. 438.

⁴¹⁶ *ibid.*, at 452.

⁴¹⁷ The predecessor of this provision is Order 11, rule 1 (1).

⁴¹⁸ Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 101 and 256.

⁴¹⁹ *Seaconsar Far East Ltd v Bank Markazi Jomhouri Islami Iran* [1994] 1 A.C. 438, at 453-454. See also *Vitkovice Horni A Hutni Tezirstvo v Korner* [1951] A.C. 869.

whether the jurisdiction of the court is established under this head. No separate issue will arise on the merits of the case to which a lower standard of proof might be applied.

(b) The multi-defendant head

At the stage of establishing the head, the claimant only has to show that there is a real issue to be tried on the merits in relation to the first defendant. The claimant has to establish that the second defendant is a necessary or proper party to the standard of ‘good arguable case’.⁴²⁰ The merits will then be gone into as a separate exercise after this head has been established, and the standard is that of a serious issue on the merits.⁴²¹

(c) The injunction head

The wording of this head does not suggest that any enquiry into the merits is necessary in order to come within its terms.⁴²² Moreover, in *Chemische Fabrik Vormals Sandoz v Badische Anilin und Soda Fabriks*,⁴²³ Lord Davey held that it was necessary to go into the merits because of the general requirement that applies for all heads of ‘Order 11, rule 1 (1)’ (now ‘PD 6 B para.3.1’) that the deponent believes that the claimant has a good cause of action. This suggests, by inference, that it is unnecessary to go into the merits to establish that the terms of the head are met.

(ii) Establishing liability

If liability is based on English law,⁴²⁴ first there has to be an act of infringement according to English law. In determining whether there is infringement, an assertion that the IP right is

⁴²⁰ *Barings Plc and Another v Coopers & Lybrand (A Firm) and Others* [1997] I.L.Pr. 12. The appeal to the Court of Appeal was dismissed: [1997] I.L.Pr. 576. See also *Grupo Torras SA and Torras Hostench London Ltd v Sheikh Fahad Mohammed Al-Sabah and Others* [1995] 1 Lloyd’s Rep. 374, at 380.

⁴²¹ Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 102 and 257.

⁴²² *ibid.*, at 102-103.

⁴²³ (1904) 90 L.T. 733, at 735, approved in the *Seaconsar* case.

⁴²⁴ The applicable law is relevant at the stage of determining whether there is a serious issue on the merits. (*Metall und Rohstoff A.G v Donaldson Lufkin & Jenrette Inc. and Another* [1990] 1 Q.B. 391, overruled in *Lonrho plc v Fayed* [1992] 1 A.C. 448 on other aspects.) However, the choice of law issue is outside the scope of our discussion. Here we assume that English law is the applicable law.

infringed is not enough. There must be sufficient details for an understanding of the facts upon which the claim of infringement is based.⁴²⁵ Secondly, because of the territorial limitation on liability, the act of infringement must have been committed in England.⁴²⁶

(3) The exercise of the discretion based on the doctrine of *forum conveniens*

The final requirement is that the discretion should be exercised to allow service of a claim form out of the jurisdiction. The discretion to serve out is based on assessing whether England is the *forum conveniens*, the appropriate forum for trial. Since the principles in this area are essentially the same as those that apply when the courts exercise the discretion to stay proceedings on the basis of *forum non conveniens*, we will discuss them in detail in the next section.

Different from *forum non conveniens*, the burden of proof under this doctrine is on the claimant to show that England is clearly the appropriate forum. The attitude of the courts towards the exercise of the *forum conveniens* discretion depends to some extent on which head of PD 6 B para.3.1 is being used.⁴²⁷

(i) *The tort head*

The courts have shown a distinct willingness to exercise their discretion to allow service out of the jurisdiction under this head. As has been seen earlier, the claim of Internet IP infringements is most likely to fall within the tort head of PD 6 B para.3.1 whenever an English IP right gets involved. Such a willingness of exercising the discretion to serve out ensures that the English courts will often exercise jurisdiction over such infringements.

In determining whether England is clearly the appropriate forum, regard is to be had to the

⁴²⁵ *Raychem Corp v Theron (UK) Ltd* [1989] R.P.C. 423, at 428.

⁴²⁶ We will discuss this issue in detail in '(II) Subject matter limitations in relation to jurisdiction' below.

⁴²⁷ Fawcett, J., 'Multi-Party Litigation in Private International Law', (1995) 44 I.C.L.Q. 744, at 748.

principle that the jurisdiction in which a tort was committed is, *prima facie*, the natural forum for trial.⁴²⁸ However, the use of this principle, which requires the identification of a single place where the tort was committed, makes less sense now.⁴²⁹ Moreover, it is difficult to determine the place where IP infringement is committed and even more difficult to determine when such infringement is committed over the Internet. Instead, it has been suggested that we should give the applicable law factor strong weight when exercising the *forum conveniens* discretion in tort cases.⁴³⁰

(ii) The multi-defendant head

There is a distinct unwillingness to exercise the discretion to allow service out of the jurisdiction under this head.⁴³¹ This is because the head enables a person out of the jurisdiction to be sued here when the dispute may have no territorial connection with England at all. Although this head is very likely to be applied in Internet IP infringement cases where multiple defendants are often involved, the unwillingness to exercise the discretion to allow service out of the jurisdiction may make the claimant still unable to sue foreign defendants in England.

(iii) The injunction head

In cases where jurisdiction is based on this head, one important point that has been considered by the courts is whether the injunction can be effectively enforced in England.⁴³² This consideration equally applies to Internet IP infringements.

(iv) Actions based on more than one head

⁴²⁸ *Cordoba Shipping Co Ltd v National State Bank, Elizabeth, New Jersey (The Albaforth)* [1984] 2 Lloyd's Rep. 91, at 94 and 96; *Berezovsky v Michaels* [2000] 1 W.L.R. 1004, at 1013-1014.

⁴²⁹ The present tort ground does not seek to identify such a place but looks at both the place of damage and the place where the act from which the damage resulted was committed.

⁴³⁰ We will discuss this issue in detail in the next section. See Fawcett, J., Harris, J. M., and Bridge, M., *International Sale of Goods in the Conflict of Laws*, Oxford University Press, 2005, at 313-314 and 560-562.

⁴³¹ *Multinational Gas and Petrochemical Co v Multinational Gas and Petrochemical Services Ltd* [1983] Ch. 258.

⁴³² *Marshall v Marshall* (1888) 38 Ch. D. 330; *Re Burland's Trade-Mark, Burland v Broxburn Oil Company* [1889] 41 Ch. D. 542.

In Internet IP infringement cases, it is common for the courts to take jurisdiction under several heads of PD 6 B para.3.1. If jurisdiction is based on the tort head and the multi-defendant head (the courts have different attitudes towards the exercise of the *forum conveniens* discretion under these two heads), what is the court's attitude? It has been said that if jurisdiction could be based on the tort head alone, the courts may adopt the favourable attitude towards the exercise of the discretion that applies for that head, even if the claimant has invoked, as an alternative, the multi-defendant head (a less favourable attitude applies for this head).⁴³³

3. *Forum non conveniens*

Even though the English court has jurisdiction following the service of a claim form, it may decline to exercise that jurisdiction by granting a stay of the English proceedings. In IP infringement cases, whether the court stays proceedings is decided with recourse to the doctrine of *forum non conveniens*.

The leading English case on *forum non conveniens*⁴³⁴ is *Spiliada Maritime Corp v Cansulex Ltd*,⁴³⁵ where Lord Goff set out the basic principle that 'a stay will only be granted on the ground of *forum non conveniens* where the court is satisfied that there is some other available forum, having competent jurisdiction, which is the appropriate forum for the trial of the action, i.e. in which the case may be tried more suitably for the interests of all the parties and the ends of justice'.⁴³⁶

This involves a two-stage process: first, determining whether there is a clearly more appropriate

⁴³³ Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 265-266.

⁴³⁴ The principles set out by this case are equally applicable to the doctrine of *forum conveniens* above.

⁴³⁵ [1987] A.C. 460.

⁴³⁶ *ibid.*, at 476.

forum abroad; secondly, considering the requirements of justice.

(1) A clearly more appropriate forum abroad

At the first stage, the burden is on the defendant to show that there is another available forum, which is clearly or distinctly more appropriate than the English forum.⁴³⁷ In considering this question, the court will look at what factors there are which point in the direction of another forum. These will include factors affecting convenience or expense (such as availability of witnesses), and such other factors as the law governing the relevant transaction and the places where the parties reside or carry on business.⁴³⁸

We will examine below how these factors can work in Internet IP infringement cases.

(i) Expense and convenience

In deciding whether another forum is clearly more appropriate than the English one, the court will often look at where evidence and witnesses are. However, for Internet IP infringement cases, such factors may not be weighty enough to disturb the jurisdiction of the court. First of all, in some circumstances, the evidence may be all over the world. For example, the mere accessibility of infringing material on the Internet causes damage to the copyright owner. As such material can be accessed from anywhere, damage can be suffered anywhere and the relevant evidence may be worldwide.⁴³⁹ So it is hard to identify which forum is more appropriate with respect to evidence. Secondly, even though the evidence is within one jurisdiction,⁴⁴⁰ it is usually in a digital format, which means that such evidence can be sent to England over the Internet cheaply and quickly. So the jurisdiction of the English court may be less easily upset.⁴⁴¹

⁴³⁷ *ibid.*, at 477.

⁴³⁸ *ibid.*, at 477–478.

⁴³⁹ If the subject matter limitations on jurisdiction are abolished.

⁴⁴⁰ For example, the defendant may upload in New York, the infringing material onto a website through the service provided by an ISP in New York and via a server also located in New York.

⁴⁴¹ Gringras, C., *The Laws of the Internet*, Butterworths LexisNexis, 2nd ed., 2003, at 156.

As for the relevant witnesses, the claimant will often be the sole human witness to the Internet IP infringement itself.⁴⁴² If he is in England, this will be a factor against staying the English proceedings.

(ii) The applicable law

The law applicable to Internet IP infringement is another important factor.⁴⁴³ According to Article 8 of the Rome II Regulation, the law applicable to IP infringement shall be the law of the country for which protection is claimed or in which the act of infringement was committed (for a unitary Community IP right). So if the infringement concerns a UK IP right or the act of infringement was committed in England, English law will apply, which is in favour of England being clearly the appropriate forum for trial. Applying this factor to the Internet context, there will be some special difficulties in the latter situation because it is hard to determine the place of the infringing act for Internet IP infringement.⁴⁴⁴

(iii) The residence of the defendant(s)

The court will also consider the residence of the defendant. The application of this factor to Internet IP infringement will not make any difference: although such infringement may be committed in many places, the defendant exists in the real world and has to reside in a certain country.

However, it is more likely that there are multiple defendants in Internet IP infringement cases, some of who are English and others foreign. The English defendants may point in the direction of the English forum whereas the foreign defendants may point in the direction of other fora. It is

⁴⁴² *ibid.*

⁴⁴³ In *Voth v Manildra Flour Mills Pty Ltd* ([1992] I.L.Pr. 205, at 228), it was held that the applicable law is a very significant factor in applying *forum non conveniens*.

⁴⁴⁴ There may be many such places for an Internet IP infringement. For details, see '(i) PD 6 B para.3.1 (9)- the tort head' above.

difficult to identify which forum is more appropriate with respect to this factor. More difficulties will arise when the defendants have to be divided into two different groups in applying the doctrine of *forum non conveniens* or *forum conveniens*. For the English group, the burden is on them to establish that a clearly more appropriate forum is abroad (*forum non conveniens*) whereas for the foreign group, the burden is on the claimant to establish that England is clearly appropriate forum (*forum conveniens*). If the English defendants fail to show that the clearly more appropriate forum is abroad, the jurisdiction over them will not be declined. If the claimant is unable to show that England is clearly appropriate forum, there will be no jurisdiction over the foreign defendants. In such circumstances, will the court split different groups of defendants? It has been suggested that the case should be looked at as a whole and jurisdiction will not be declined.⁴⁴⁵

(iv) Consolidation of litigation in multi-defendant cases

In the Internet context, IP infringement often involves multiple defendants. It is convenient to get all the parties together in one action, thereby avoiding additional expense, delay and the risk of conflicting judgments. If England is the only country where these defendants can be joined together in a single action, this factor is in favour of trial taking place in England.⁴⁴⁶

Therefore, in Internet IP infringement cases, it seems difficult to determine which forum is clearly more appropriate because the global nature of the Internet may lead to the conclusion that many courts are appropriate to hear the case. In other words, little is lost by hearing the case in England.⁴⁴⁷

⁴⁴⁵ Fawcett, J., 'Multi-Party Litigation in Private International Law', (1995) 44 I.C.L.Q. 744, at 756-759.

⁴⁴⁶ *ibid.*, at 759.

⁴⁴⁷ Gringras, C., *The Laws of the Internet*, Butterworths LexisNexis, 2nd ed., 2003, at 156.

(2) The requirements of justice⁴⁴⁸

At the second stage, once the court is satisfied that there is a clearly more appropriate forum for trial abroad, the burden of proof will shift to the claimant to show that there are circumstances by reason of which justice requires that a stay should nevertheless not be granted.⁴⁴⁹ The importance of ‘legitimate personal or juridical advantage’, such as higher damages or a more generous limitation period, has been downgraded. A stay of proceedings should not be granted simply because the claimant will be deprived of such an advantage, provided that the court is satisfied that substantial justice will be done in another forum abroad.⁴⁵⁰ But the court may not stay the English proceedings because the claimant will be deprived of a fair trial abroad, especially for political or racial reasons.⁴⁵¹

(II) Subject matter limitations in relation to jurisdiction

As has been seen above, under the English rules, jurisdiction over the defendant depends on the service of a claim form on him either within the jurisdiction or outside the jurisdiction. Then, even though the English courts have jurisdiction following the service of a claim form, they may decline to exercise that jurisdiction on the basis of *forum non conveniens*. Finally, the English courts may still not try a case due to limitations in relation to the subject matter of the dispute-subject matter limitations in relation to jurisdiction. On the one hand, the English rules are subject to exclusive jurisdiction provided for by Article 22(4) of the Brussels I Regulation. On the other hand, the English courts have developed two subject matter limitations relevant to IP infringement: ‘foreign IP rights’ and ‘acts of IP infringement committed abroad’.

⁴⁴⁸ This second stage equally applies to the Internet context.

⁴⁴⁹ *Spiliada Maritime Corp v Cansulex Ltd* [1987] A.C. 460, at 478.

⁴⁵⁰ *ibid.*, at 482.

⁴⁵¹ Dicey, Morris and Collins, *The Conflict of Laws*, London: Sweet & Maxwell, 14th ed., 2006, at 365.

In order to understand how subject matter limitations work, we can first consider actions *in rem* because they work in a similar way. As has been seen earlier, besides an action *in personam*, another kind of action in the English courts is an action *in rem*, which is brought in an Admiralty court against a particular res, namely a ship or some other res, such as cargo, associated with the ship.⁴⁵² If the ship can be served with the claim form in English territorial waters, the English courts will have jurisdiction *in rem*.

There are some similarities between actions *in rem* and subject matter limitations: both are strictly territorial. The English courts are competent to try the action *in rem* as long as the ship lies within the territorial waters of England. Similarly, according to Article 22(4) of the Regulation, the English courts have exclusive jurisdiction over the validity issue of the IP right as long as it is registered in England.

1. Exclusive jurisdiction

The English rules are subject to exclusive jurisdiction provided for by Article 22(4) of the Regulation. As we have seen in Chapter 5, defendants in IP infringement proceedings frequently raise the validity issue,⁴⁵³ which makes Article 22(4) relevant. For example, an English company X sues a Chinese company Y for Y's use of X's French trademark 'X' as a meta-tag on its website in an English court. The court takes infringement jurisdiction on the basis that Y has a place of business in England. Y may challenge the validity of 'X' and allege that only the French court with

⁴⁵² Ship can include a dredger, *The Von Rocks* [1998] 2 Lloyd's Rep. 198, Supreme Court of Ireland. The action also lies against an aircraft, Supreme Court Act 1981, s. 21(3), or hovercraft, Hovercraft Act 1968, s. 2(1). See Cheshire, North & Fawcett, *Private International Law*, Oxford University Press, 14th ed., 2008, at 414. Obviously, this kind of action is not relevant in the Internet IP infringement context.

⁴⁵³ Here, we will focus on the situation where the validity issue is raised by way of defence to infringement. In practice, the validity issue may be raised also by way of bringing a counterclaim for revocation in infringement proceedings or bringing separate revocation proceedings in a country other than the one where infringement proceedings were brought. In the latter two contexts, the exclusive jurisdiction provided for by Article 22(4) will be equally applied.

validity jurisdiction can determine both issues under Article 22(4).⁴⁵⁴ We will examine below how Article 22(4) can be applied to Internet IP infringement under the English rules.

(1) Infringements of UK registered IP rights⁴⁵⁵ over the Internet

Under the English rules, the English courts can only try infringement actions regarding UK IP rights. When invalidity of the UK registered IP rights arises in infringement proceedings, the English courts will have exclusive jurisdiction over the validity issue under Article 22(4).⁴⁵⁶ In the above example, assume that what X owns is a UK trademark. The English court will have jurisdiction over both infringement and validity issues of that UK trademark.

However, with the Internet, a number of defendants may get involved in an IP infringement case. For example, when a UK software patent is infringed over the Internet, there are thousands of individual infringers worldwide, who have downloaded and used the same infringing software product. It is difficult to identify these infringers. Moreover, even if the infringers may be identified with the help of technology, they are usually present in different countries. This means that the claimant may sue any of them in any common law jurisdiction (having the same rules as English rules) based on his presence there. The same infringement issue may thus be determined in different common law courts with the risk of conflicting decisions. Fortunately, as other common law countries than England also have a subject matter limitation on jurisdiction relating to foreign IP rights, their courts will usually refuse to try a case concerning the validity or infringement of a UK IP right.⁴⁵⁷ So, although other common law jurisdictions are not parties to the Regulation and

⁴⁵⁴ There is a subject matter limitation on jurisdiction in relation to foreign IP rights in this example. We will discuss this issue later.

⁴⁵⁵ Article 22(4) only applies to registered IP rights and does not apply to copyrights.

⁴⁵⁶ The ECJ in the *GAT* case clarified that Article 22(4) should apply whenever the validity issue of a registered IP right is raised or could be raised.

⁴⁵⁷ *Potter v The Broken Hill Pty Co Ltd* (1906) 3 C.L.R. 479, *Norbert Steinhardt and Son Ltd v Meth and Another* (1960) 105 C.L.R. 440 and *Atkinson Footwear Ltd v Hodgskin International Services Ltd and Another* (1994) 31 I.P.R. 186.

Article 22(4) is inapplicable, the courts there still will not hear a case regarding infringements of UK registered IP rights over the Internet.

When Article 22(4) is applied to infringements regarding UK registered IP rights over the Internet, are the positions under the English rules and under the rules of the Brussels regime the same? If infringement proceedings are brought in England, the English court will have jurisdiction over issues of validity and infringement under both rules.⁴⁵⁸ If they are brought in another Member State, the court of that State should stay infringement proceedings until the English court has decided the validity issue.⁴⁵⁹

(2) Infringements of foreign registered IP rights over the Internet

If the present subject matter limitation in relation to foreign IP rights is abolished, how will the English courts apply Article 22(4) to infringements of these rights over the Internet?⁴⁶⁰ Let us first consider the situation where the IP right is registered in another Member State to the Regulation. In the meta-tag example above, when Y challenges the validity of 'X', the English court should stay infringement proceedings until the French court has decided the validity issue under Article

⁴⁵⁸ After the English court takes jurisdiction, it may decline jurisdiction based on *forum non conveniens* under the English rules.

⁴⁵⁹ In the *GAT* case, the ECJ ruled that the validity court always has exclusive jurisdiction over the validity issue of a registered IP right whenever invalidity of that IP right is raised or could be raised. It did not expressly indicate which court (validity or infringement) should decide the infringement issue in the mixed validity and infringement cases. The Advocate General suggested three possible ways for the infringement court in those cases: (1) transfer the case in its entirety (although the Advocate General did not indicate to whom the case is to be transferred, we may infer that it means to transfer both validity and infringement issues to the validity court); (2) stay the proceedings until the validity court has adjudicated on the validity issue; (3) adjudicate in the matter if the defendant acts in bad faith. However, we can infer that the Advocate General in that case contemplated the infringement court still having jurisdiction over the infringement issue. *Gesellschaft für Antriebstechnik mbH & Co KG (GAT) v Lamellen und Kupplungsbau Beteiligungs KG (LuK)* [2007] I.L.Pr. 34 (at 438), at 442-449. For details, see Chapter 5.

⁴⁶⁰ Prior to the Brussels Convention, the English courts could not hear actions concerning foreign IP rights because these actions were local and hence barred by the Mocambique rule. The Brussels Convention overrode the Mocambique rule and for cases coming under the Brussels regime, the question whether the English courts can decide the validity of foreign IP rights is now answered by Article 22(4) of the Regulation (Article 16(4) of the Convention). But the Mocambique rule and the subject matter limitation relating to foreign IP rights remain under the English rules. For details, see '2. The English subject matter limitations on jurisdiction' below.

22(4).⁴⁶¹

Due to the global nature of the Internet, an Internet IP infringement seems to be committed in many places. In the above example, as the infringing meta-tag use is worldwide, will the French trademark be infringed in many places? A French trademark is only valid in France as a result of its registration there. If there are no preparatory acts abroad that lead to infringement in France, the French trademark cannot be infringed abroad. So the English courts usually have no jurisdiction over infringements of such a foreign registered IP right. Another issue is that an Internet IP infringement may involve many defendants. For example, a great number of infringers from different countries may have infringed the same German software patent by illegally downloading the infringing product from the Internet. The English courts may have jurisdiction over many of them on the basis of their presences in England. In such a circumstance, if the defendant raises invalidity of the German patent in infringement proceedings, the English courts should stay infringement proceedings until the German court has decided the validity issue under Article 22(4). Thus, the position under the English rules is the same as under the rules of the Regulation: once the validity issue arises in Internet IP infringement proceedings, the English courts should stay infringement proceedings until the courts of the country of registration have decided the validity issue.

The second situation is where the IP right is registered in a non-Member State.⁴⁶² Let us assume that in the meta-tag example above, what X owns is a Chinese trademark. If Y attacks the validity of 'X' as a defence, will the English court have jurisdiction over the validity issue? If the infringement jurisdiction is based on service within the jurisdiction, such as based on the

⁴⁶¹ *GAT* seems to support the solution that the infringement court should stay the proceedings until the validity court has adjudicated on the validity issue in the mixed validity and infringement cases.

⁴⁶² Article 22(4) cannot apply in the second situation.

defendant's presence in England in this example, there is also a basis of jurisdiction for validity litigation.⁴⁶³ If the infringement jurisdiction is based on service out of the jurisdiction, the English courts should still be able to try the validity defence.⁴⁶⁴ As Internet IP infringements usually occur in many places and often involve many defendants, the English courts will be more likely to take jurisdiction over such infringements under the English rules. When the defendant raises the validity issue of foreign registered IP rights in these infringement proceedings, different from the position under the rules of the Regulation, the English courts will have jurisdiction over both issues in the second situation.⁴⁶⁵

2. The English subject matter limitations on jurisdiction

(1) The Mocambique rule

The first English subject matter limitation in respect of foreign IP rights developed on the basis of the Mocambique rule. The rule⁴⁶⁶ stated that the English court had no jurisdiction to entertain an action for trespass to or any other tort to, the right of property in, or the right to possession of, foreign immovable, i.e. foreign land, because this kind of action was local in nature.⁴⁶⁷ This rule has been restricted by Section 30(1) of the Civil Jurisdiction and Judgments Act 1982 and the English court can now entertain proceedings for trespass to, or any other tort affecting immovable property 'unless the proceedings are principally concerned with a question of the title to, or the

⁴⁶³ Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 310.

⁴⁶⁴ *ibid.* It is undesirable to split the infringement and validity issues between the courts of different countries.

⁴⁶⁵ Although the English courts have jurisdiction, they are likely to decline jurisdiction in cases of infringements of foreign IP rights based on *forum non conveniens*.

⁴⁶⁶ This rule derived from the House of Lords' decision in *British South Africa Co v Companhia de Mocambique* [1893] A.C. 602.

⁴⁶⁷ *ibid.*, at 618. The *Mocambique* case distinguishes between transitory and local actions, that is, between those in which the facts relied on as the foundation of the claimant's case have no necessary connection with a particular locality and those in which there is such a connection.

right to possession of, that property'.⁴⁶⁸

The Mocambique rule was subsequently held to apply to actions relating to infringements of IP rights by analogy.⁴⁶⁹

(2) Foreign IP rights⁴⁷⁰

In the Australian case *Potter v The Broken Hill Pty Co Ltd*,⁴⁷¹ the Mocambique rule was extended to foreign patents. The claimant brought an action in the State of Victoria for infringement of a New South Wales patent. The Victorian Court held that an action for patent infringement was a local action and thus it had no jurisdiction over such an action.

The leading English case concerning the limitation of foreign IP rights is *Tyburn Productions Ltd v Conan Doyle*.⁴⁷² In this case, Vinelott J. held that the distinction between transitory and local actions was fundamental to the *Mocambique* case and this distinction should be applied to IP rights so that an action concerning the validity or infringement of IP rights was a local action. He found further support for this view in *Potter, Norbert Steinhardt and Son Ltd v Meth and Another*⁴⁷³ and *Def Lepp Music and Others v Stuart-Brown and Others*.⁴⁷⁴

We will now consider how this limitation can apply to the Internet context. First, in the copyright area, there may be a dispute between a claimant X domiciled in England and a defendant Y

⁴⁶⁸ See Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 280.

⁴⁶⁹ We will discuss these cases below.

⁴⁷⁰ Prior to the Brussels Convention, it had been established that the English courts could not hear actions concerning foreign IP rights because these actions were local and hence barred by the Mocambique rule. But in *Pearce v Ove Arup Partnership Ltd and Others* ([1997] F.S.R. 641; [1999] F.S.R. 525), it was held that the Brussels Convention had overridden the Mocambique rule and the subject matter limitation relating to foreign IP rights did not apply to cases falling within the Brussels regime. This view was confirmed by *Coin Controls Ltd v Suzo International (U.K.) Ltd and Others* ([1997] F.S.R. 660, at 675), *Fort Dodge Animal Health Ltd and Others v Akzo Nobel N.V. and Another* ([1998] F.S.R. 222, at 242) and *Griggs (R) Group Ltd and Others v Evans and Others* ([2005] Ch. 153, at 188). Although the Mocambique rule cannot apply to cases under the Brussels regime, it still applies to cases falling outside the regime, which means that the first limitation remains under the English rules.

⁴⁷¹ [1905] V.L.R. 612. The decision was upheld by the High Court of Australia (1906) 3 C.L.R. 479.

⁴⁷² [1991] Ch. 75.

⁴⁷³ (1960) 105 C.L.R. 440.

⁴⁷⁴ [1986] R.P.C. 273.

domiciled in New York. During his business trip in England, Y uploads X's US copyright material onto a website through the service provided by an ISP in England and via a server also located in England. As the dispute has a strong connection with England, it is convenient for an English court to decide it on the basis of PD 6 B para.3.1 (9). However, the limitation in relation to foreign IP rights will force the claimant to go abroad for trial, thereby incurring inconvenience and more expense.

In many circumstances, the copyright owner has not one but several copyrights in the same works. In the above example, assume that X owns the US, Canadian and Australian copyrights in his works. Once Y uploads the infringing material over the Internet, it can be accessed worldwide, which means that all three copyrights will be infringed. As the cause of action is the same, it is better to consolidate infringement claims of these copyrights in one court. However, the existence of this limitation makes such consolidation impossible and proceedings of essentially the same infringement will have to be split between the courts of three countries with the risk of conflicting decisions. Moreover, if X owns the copyrights in twenty or thirty different countries, all of his copyrights will be infringed simultaneously due to the global nature of Internet IP infringement. If these countries all have the same limitation, X will have to go to twenty or thirty countries to protect his rights, which is unacceptable and unreasonable.

Similarly, in the trademark or patent context, parallel IP rights are most likely to be infringed simultaneously over the Internet. For example, the claimant X owns three identical patents in the UK, France and Germany for the automatic downloading of embedded content. These three patents arise out of a single patent application made to the European Patent Office. The defendant Y, a Chinese company, develops Internet Explorer and sells it on the Internet, which means that the

infringing product can be bought from anywhere, including from the UK, France and Germany. X then sues Y for infringing its three patents in an English court. Due to this limitation, the English court cannot have jurisdiction in relation to the French and German patents. If France and Germany have the same limitation, X will have to bring separate infringing proceedings in three different countries and cannot claim damages resulting from the entire infringement of these rights in one court. Moreover, diverging judgments may be issued regarding essentially the same infringement in the courts of these States. It is possible that the English and French courts will make different decisions: the English court may decide that Y's acts have not constituted patent infringement and its sales of Internet Explorer on the Internet are lawful. Whereas the French court may take an opposite view and demand Y to cease further sales of Internet Explorer because Y has infringed X's patent rights. As the Internet patent is used worldwide, the judgment about it cannot be enforced in certain countries but on a global basis. Which one of the two judgments shall be enforced? So it is in the interests of both parties and the efficient administration of justice that such multiple litigation should be avoided.⁴⁷⁵

(3) Acts of IP infringement committed abroad

The second limitation is not concerned with the Mocambique rule, but about whether an action can be brought in England for the infringement of a UK IP right by acts committed abroad.

In an early case of *'Morocco Bound' Syndicate, Ltd v Harris*,⁴⁷⁶ Kekewich J. held that an English court had no jurisdiction to restrain a threatened infringement of English copyrights by acts done in Germany. But if the claimants have German copyrights in the same work, their German

⁴⁷⁵ Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 291-292.

⁴⁷⁶ [1895] 1 Ch. 534.

copyrights will be infringed by acts done in Germany and they can bring proceedings in Germany to protect their German copyrights from infringement.⁴⁷⁷ The English judge's denial of jurisdiction implies that there is a limitation in relation to acts of infringement committed abroad. In *Def Lepp*,⁴⁷⁸ the Vice-Chancellor pointed out that copyright under the English Act was strictly defined in terms of territory, which means that English copyright was merely a right to do certain acts exclusively in the UK. So only acts done in the UK constituted infringement either direct or indirect of such right.⁴⁷⁹ Based on this, he concluded that a successful action could not be brought in England for alleged infringement of UK copyright by acts done outside the UK,⁴⁸⁰ which suggests that there is such a limitation.

To get an idea of how the second limitation operates in the Internet context, we can consider a hypothetical case. The claimant X has an English trademark for the name 'X'. The defendant Y, who is domiciled in Japan, sets up a website using the trademark 'X' for advertising and supplies products with counterfeit trademarks to many countries. As the website can be accessed worldwide and Y targets customers on a global basis, X's trademark rights can be infringed in many different countries. If the English court has jurisdiction over Y under the English rules, it is desirable for the court to determine the infringement committed both in England and abroad. Moreover, as there are multiple places of Internet IP infringement, it is difficult to fix the infringement in one place.

Compared with non-Internet cases, Internet cases are more likely to involve parallel IP rights being infringed simultaneously. In the above case, if X owns twenty parallel trademarks for the name 'X', all of these trademarks will be infringed. Like the position concerning a single IP right, as there are multiple infringements taking place in many different countries, it is impossible to fix the

⁴⁷⁷ *ibid.*, 536-538.

⁴⁷⁸ [1986] R.P.C. 273.

⁴⁷⁹ *ibid.*, at 275.

⁴⁸⁰ *ibid.*, at 276-277.

infringement in one place, which means that this limitation on jurisdiction based on the place of infringement has become unrealistic.⁴⁸¹

Another consideration is that due to the global nature of Internet IP infringement, whenever an English IP right gets involved, the infringing act will usually be deemed to be committed in England. So it makes no sense to have this limitation in the Internet context.

Therefore, as has been seen above, both subject matter limitations in relation to jurisdiction are undesirable in the Internet context⁴⁸² and should be abolished.⁴⁸³

III. Conclusion

There are usually no particular problems in applying the normal rules on service of a claim form within the jurisdiction to Internet IP infringement cases.

When it comes to serve a claim form out of the jurisdiction, PD 6 B para.3.1 (9) is more likely to apply in Internet IP infringement due to the global nature of the Internet. As defendants still exist in the real world, applying PD 6 B para.3.1 (3) to the Internet context will not make any difference.

According to PD 6 B para.3.1 (2), the English court can only order the defendant to refrain from infringing the claimant's IP rights within England. But as the defendant's infringing acts over the Internet have a worldwide effect, there is an enforcement problem under this provision.

Even though the English court has jurisdiction following the service of a claim form, it may decline to exercise that jurisdiction on the basis of *forum non conveniens*. In Internet IP

⁴⁸¹ Fawcett, J. J. and Torremans, P., *Intellectual Property and Private International Law*, Oxford University Press, 1998, at 304.

⁴⁸² Besides these considerations in the Internet context, there are other policy considerations against the limitations. For example, the limitations have the effect of widening the gap between the English rules on jurisdiction and those rules under the Brussels regime, which contain no such subject matter limitations; and the availability of the doctrine of *forum non conveniens* makes these limitations unnecessary. (ibid., 290-293 and 303-304.)

⁴⁸³ It is said that subject matter limitations have been rejected, *obiter* in *Griggs (R) Group Ltd and Others v Evans and Others* [2005] Ch. 153. (Dicey, Morris and Collins, *The Conflict of Laws*, London: Sweet & Maxwell, 14th ed., 2006, at 1909-1910.) See also *Satyam Computer Services Ltd v Upaid Systems Ltd* [2008] EWHC 31 (Comm).

infringement cases, it seems difficult to determine which forum is clearly more appropriate because the global nature of the Internet may lead to the conclusion that many courts are appropriate to hear the case.

Finally, the English courts may still be incompetent to try a case due to subject matter limitations in relation to jurisdiction. On the one hand, the English rules are subject to exclusive jurisdiction provided for by Article 22(4) of the Regulation. Assuming the English courts have infringement jurisdiction over UK registered IP rights, they would also be able to try the issue of validity. As for foreign registered IP rights, when the rights are registered in another Member State to the Regulation, the English courts should stay infringement proceedings until the courts of that State have decided the validity issue.⁴⁸⁴ When the IP rights are registered in a non-Member State, the English courts will have jurisdiction over both issues. On the other hand, the English courts have developed two subject matter limitations relevant to IP infringement: ‘foreign IP rights’ and ‘acts of IP infringement committed abroad’. But both limitations are undesirable in the Internet context and should be abolished.

⁴⁸⁴ We infer that the Advocate General in *GAT* supported the solution that the infringement court should stay the proceedings until the validity court has adjudicated on the validity issue in the mixed validity and infringement cases. *Gesellschaft für Antriebstechnik mbH & Co KG (GAT) v Lamellen und Kupplungsbau Beteiligungs KG (LuK)* [2007] I.L.Pr. 34 (at 438), at 442-449.

Chapter 7

Reform options and our suggested solution

I. Introduction

There are two opinions about solving the problem of IP infringement over the Internet: first, stick with the existing law; and second, introduce some new rules. As we have seen, the existing law does not work well in the Internet IP infringement context. Thus we will focus on the second opinion in this chapter.

II. Options for reform

There are four options for reform and development of jurisdictional rules in Internet IP infringement cases. First, reform the Brussels I Regulation; second, reform the law by introducing a new jurisdiction for cyberspace cases; third, apply IP specific jurisdictional rules to the Internet cases; fourth, reform the law by adopting special jurisdictional rules for Internet IP infringement cases.

1. Reforming the Brussels I Regulation

In 2005, the European Commission asked Professors Hess, Pfeiffer and Schlosser to undertake a comparative study concerning the evaluation of the application of the Brussels I Regulation (the Regulation) in the Member States of the European Union (EU). The study would prepare a report for the Commission on the application and on the future revision and improvement of the Regulation.⁴⁸⁵

According to this study, there are no special problems with regard to the application of Article 2.

However, the mechanism for a determination of the domicile of natural persons is, in some cases,

⁴⁸⁵ Report on the Application of the Regulation Brussels I in the Member States presented by Burkhard Hess, Thomas Pfeiffer and Peter Schlosser, Study JLS/C4/2005/03, Final Version September 2007.

rather complex. Establishing an autonomous definition of ‘domicile’ may be found acceptable.⁴⁸⁶

As the defendant in Internet IP infringements exists in the real world, this conclusion can equally apply to the Internet context.

However, even though an autonomous concept of domicile is adopted, it cannot solve the difficulties in Internet IP infringement cases. When the case involves many Internet infringers, it is still hard for the claimant to choose which infringer’s domicile he should sue at since all the infringers may contribute, in small amounts, to infringement. Moreover, in the Internet context, a determined infringer may relocate to a non-Member State without having much effect on his infringing acts.

As for Article 5(3), the study concludes that national courts can work well on the principles for an interpretation of Article 5(3) developed in the case law of the ECJ. Especially in Internet cases, the courts seem to be on their way to develop reliable criteria for a localization of torts, e.g. by determining to which country a website is directed.⁴⁸⁷

However, as has been seen, there are still many difficulties. For example, what criteria shall we apply to determine whether a website is directed to a particular country? As trademark laws in different countries may have different criteria to determine the existence and degree of commercial activity, the courts of these countries may make different decisions for the same case.

In the *Roche* case, the ECJ clarified that if several companies belonging to the same group infringe corresponding patents in their respective States, infringement claims against all of these companies do not arise out of the same factual or legal context. Therefore, any diverging decisions relating to these national patents cannot be regarded as irreconcilable and Article 6(1) cannot apply. As has

⁴⁸⁶ *ibid.*, at 85-89 and 352.

⁴⁸⁷ *ibid.*, at 95-101.

been seen earlier, the *Roche* ruling can be applied to all kinds of parallel IP rights. However, this ruling has encountered much criticism because it would be cumbersome and costly to institute proceedings for infringement of parallel IP rights in several jurisdictions.⁴⁸⁸ Applying *Roche* to Internet IP infringements, where a number of related defendants may infringe parallel IP rights over the Internet in the respective countries, the claimant usually will have to sue for essentially the same infringement in many countries. This means that the application of *Roche* to the Internet context will be much more undesirable.

Thus, the study suggests that Article 6(1) should be redrafted and the redrafting should consider the consolidated proceedings for infringement of a multitude of similar IP rights.⁴⁸⁹

The European Max-Planck Group for Conflict of Laws in Intellectual Property (CLIP)⁴⁹⁰ shares the same concern and proposes an amendment to Article 6(1): “A person domiciled in a Member State may also be sued: (a) where he is one of a number of defendants, subject to lit. (b) (ii), in the courts for the place where any one of them is domiciled, provided the claims are so closely connected that it is expedient to hear and determine them together to avoid the risk of irreconcilable judgments resulting from separate proceedings.

(b) For the purposes of this provision, a risk of irreconcilable judgments exists in disputes involving essentially the same legal and factual situation.

(i) A finding that disputes involve the same legal situation shall not be excluded by the mere fact that different national laws are applicable to the separate proceedings, provided that the applicable provisions of the relevant national laws are harmonized to a considerable degree by

⁴⁸⁸ *ibid.*, at 338-340.

⁴⁸⁹ *ibid.*, at 348.

⁴⁹⁰ CLIP is a group of scholars in the fields of intellectual property and private international law. The Group’s goal is to draft a collection of principles for conflict of laws in intellectual property and to provide independent advice to European and national lawmakers.

Community legislation or an international convention applicable in each of the proceedings.

(ii) Where the risk of irreconcilable judgments arises out of the fact that the defendants engage in coordinated activities, the defendants may only be sued in the courts for the place where the defendant coordinating the activities is domiciled. Where the activities are coordinated by several defendants, all defendants can be sued in the courts for the place where any one of the defendants coordinating the activities is domiciled.”

If this proposal is to be followed, it can not only allow the owner of parallel IP rights to sue all the connected defendants before one court but also avoid jurisdiction being conferred on more than one forum. It is particularly useful in the Internet context where parallel IP rights are often infringed by multiple defendants simultaneously. However, there is no uniform definition of ‘which defendant(s) is coordinating the activities’. The courts in different countries may have different opinions on it. The consequence will be that different courts may take jurisdiction over essentially the same case on the basis that the defendant coordinating the activities is domiciled there. For Internet IP infringements where parallel IP rights are more likely to be infringed, the consequence will be worse: many courts may exercise jurisdiction over the essentially same Internet IP infringement based on the domicile of the defendant coordinating the activities there.⁴⁹¹

The study considers that Article 22(4) should be amended that in infringement proceedings, a defence based on the alleged invalidity of the registered right vests the court only with the discretionary power to stay the proceedings for a limited period of time, which may be extended.⁴⁹² Such a suggestion cannot give much help to Internet IP infringement. Because for

⁴⁹¹ As the cause of action has been regarded as different in each of those proceedings, *lis pendens* cannot help, which requires the proceedings to involve ‘the same cause of action’. For details, see ‘II. Criticism of the existing law-1. The Brussels regime- (4) Article 6(1)’ above.

⁴⁹² Report on the Application of the Regulation Brussels I in the Member States presented by Burkhard Hess, Thomas Pfeiffer and Peter Schlosser, Study JLS/C4/2005/03, Final Version September 2007, at 348.

Internet IP infringement, which potentially occurs everywhere and often involves defendants worldwide, the courts of many countries may take jurisdiction over it under Article 5(3) or Article 2. Even if the court can only stay the proceedings for a limited period of time, it will not change the situation that the same Internet IP infringement issue may be decided by courts of multiple jurisdictions, with the risk of inconsistent judgments.⁴⁹³

The CLIP's proposal for amendment of Article 22(4) is that:

“The following courts shall have exclusive jurisdiction, regardless of domicile:

(a) in proceedings which have as their object the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered, the courts of the Member State in which the deposit or registration has been applied for, has taken place or is under the terms of a Community instrument or an international convention deemed to have taken place. Without prejudice to the jurisdiction of the European Patent Office under the Convention on the Grant of European Patents, signed at Munich on 5 October 1973, the courts of each Member State shall have exclusive jurisdiction, regardless of domicile, in proceedings which have as their object the registration or validity of any European patent granted for that State.

(b) The provisions under lit. (a) do not apply where validity or registration arises in a context other than by principal claim or counterclaim. The decisions resulting from such proceedings do not affect the validity or registration of those rights as against third parties.”

Such a proposal also cannot solve the problem of Internet IP infringement. Because no matter whether Article 22(4) applies only when validity arises by principal claim (counterclaim), or it applies whenever validity is raised or could be raised, it will not affect the infringement court's

⁴⁹³ Although *lis pendens* can provide some help in preventing many courts from taking jurisdiction over the same issue, there are still difficulties in applying *lis pendens* to Internet IP infringements. For details, see ‘II. Criticism of the existing law-1. The Brussels regime- (1) Article 22(4)’ above.

competence. This means that the same Internet IP infringement issue may still be determined by the courts of many countries, with the risk of conflicting decisions.⁴⁹⁴

As has been seen above, reforming the Regulation is not a good solution.

2. Introducing a new jurisdiction for cyberspace cases

In cyberspace, there are no territorially based boundaries. Messages can be transmitted from one physical location to any other location without any physical barriers. Transactions can take place between people who do not know each other's physical location. In summary, any transaction happening in cyberspace is indifferent to the physical location.⁴⁹⁵ Based on this, some scholars have contended that cyberspace should be its own jurisdictional entity.

David Johnson and David Post were the leading scholars who proposed to introduce a new jurisdiction for cyberspace cases. They argue that cyberspace is a 'space' consisting of the screens and passwords that separates it from the 'real world'.⁴⁹⁶ Thus, cyberspace should be deemed as a distinct 'place' for purposes of legal analysis by recognizing a legally significant border between cyberspace and the 'real world'.⁴⁹⁷ They implicitly claim that cyberspace should create its own legal jurisdiction.

Johnson and Post were not the only supporters for a separate cyberspace jurisdiction. Lawrence Lessig also claims that cyberspace is a jurisdiction-in his words, "the most significant new jurisdiction since the Louisiana Purchase."⁴⁹⁸ In this new jurisdiction where there are no territorial connections, the cyber-court has jurisdiction over all cases arising in cyberspace, including

⁴⁹⁴ Lis pendens cannot give much help in the Internet IP infringement context. For details, see 'II. Criticism of the existing law-1. The Brussels regime- (1) Article 22(4)' above.

⁴⁹⁵ Johnson, D. R. and Post, D., 'Law and Borders-The Rise of Law in Cyberspace', (1996) 48 Stan. L. Rev. 1367, at 1370.

⁴⁹⁶ *ibid.*, at 1378.

⁴⁹⁷ *ibid.*

⁴⁹⁸ Lessig, L., *Code and Other Laws of Cyberspace*, Basic Books, 1999, at 217.

Internet IP infringement cases. An Internet IP infringement case will not be regarded to have any connections with the real world, and the difficult situation that the courts of many countries may struggle over which court should exercise jurisdiction over such a case will not happen. The jurisdictional problems in the Internet IP infringement context seem to be solved.

However, this approach has been abandoned as unrealistic. First, transactions taking place in cyberspace have an effect on persons or property in the real world. Because the constituent elements of cyberspace, namely, persons, computers and servers, all exist in the real world. For example, the Internet users have physical locations from which they connect to the Internet.⁴⁹⁹ And all the information that can be accessed from the Internet is not stored in cyberspace but in servers, which have physical connections with certain locations.⁵⁰⁰ Second, there is an enforcement problem: how can the judgment in cyberspace jurisdiction be enforced? Since the constituent elements of cyberspace all exist in the real world, the judgment from cyberspace jurisdiction has to be effective in the real world. But as a separate jurisdiction, cyberspace has its own law, which is not the same as that applicable to physical territories.⁵⁰¹ So its judgment seems unlikely to be recognized and enforced in the real world.

3. Applying IP specific jurisdictional rules to the Internet cases

Both the American Law Institute (the ALI) and the Hague Conference on Private International Law (the Hague) gave their proposals to apply IP specific jurisdictional rules to the Internet cases. As 'Intellectual Property Principles Governing Jurisdiction, Choice of Law and Judgments in

⁴⁹⁹ Yagura, R., 'Does Cyberspace Expand the Boundaries of Personal Jurisdiction?', (1998) 38 IDEA (The Journal of Law and Technology) 301, at 302.

⁵⁰⁰ Zekos, G.I., 'State Cyberspace Jurisdiction and Personal Cyberspace Jurisdiction', (2007) I.J.L. & I.T.1, at 6.

⁵⁰¹ Johnson, D. R. and Post, D., 'Law and Borders-The Rise of Law in Cyberspace', (1996) 48 Stan. L. Rev. 1367, at 1402.

Transnational Disputes (the Principles)’ by the ALI and ‘the Hague Conference Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters (the 1999 draft Hague Convention)’ by the Hague⁵⁰² provided similar provisions relevant to Internet IP infringement, our analysis will be based on the Principles.

(1) § 201 Defendant’s Forum -the general rule of jurisdiction

§ 201 of the Principles⁵⁰³ provides that “(1) a defendant may be sued in the courts of the State where that defendant is habitually resident. (2) For the purposes of these Principles, an entity or person other than a natural person shall be considered to be habitually resident in the State (a) where it has its statutory seat, (b) under whose law it was incorporated or formed, (c) where it has its central administration, or (d) where it has its principal place of business.”

The defendant’s forum is defined as the place of habitual residence. But no definition of ‘habitual residence’ has been given by the Principles, and the courts in different countries may have different interpretations of it. According to the English law, habitual residence “refers to a man’s abode in a particular place or country which he has adopted voluntarily and for settled purposes as part of the regular order of his life for the time being, whether of short or of long duration.”⁵⁰⁴

If the place of ‘habitual residence’ is adopted as the defendant’s forum, it cannot overcome the difficulties in Internet IP infringement cases involving many infringers. Because it is hard for the claimant to choose which infringer’s habitual residence he should sue at since all the infringers may contribute, in small amounts, to infringement.

(2) § 204 Infringement Actions- the rule of special jurisdiction

⁵⁰² In January 2001, WIPO Forum on Private International Law and Intellectual Property provided ‘the Draft Convention on Jurisdiction and Foreign Judgments in Intellectual Property Matters’ (the Draft Convention, WIPO/PIL/01/7), which is adapted from the 1999 draft Hague Convention.

⁵⁰³ This provision is the same as Article 3 of the 1999 draft Hague Convention and Article 3 of the Draft Convention.

⁵⁰⁴ *Shah v Barnet London Borough Council* [1983] 2 A.C. 309, at 343.

§ 204 of the Principles⁵⁰⁵ provides that “(1) a claimant may bring an infringement action in the courts of (a) any State where defendant substantially acted (including preparatory acts), or threatened to act, in furtherance of the alleged infringement, or (b) any State to which the alleged infringement was directed, including those States for which defendant took no reasonable steps to avoid acting in or directing activity to that State. (2) If an action is brought in the courts of a State only on the basis of the direction of the alleged infringement to that State, then those courts shall have jurisdiction only in respect of the injury arising out of unauthorized use occurring in that State, unless the injured person has his habitual residence or principal place of business in that State.”

This provision is more precise than the corresponding Article 5(3) of the Regulation which merely refers to “the place where the harmful event occurred or may occur”. In the *Bier* case,⁵⁰⁶ the ECJ explained that the expression “the place where the harmful event occurred” covered both the place where the damage occurred and the place of the event giving rise to it.⁵⁰⁷ The wording of the Principles refers to both places. The provision also mirrors the *Shevill* decision of the ECJ, which allowed a court having jurisdiction on the basis of the damage occurring in a State to award the compensation only for the damage suffered in that State.⁵⁰⁸

More importantly, this provision seeks to adapt the traditional criteria to the Internet context. On the one hand, it enlarges the scope of the forum’s competence in the case of multi-territorial infringements. On the other hand, it limits competence when the defendant has endeavored to

⁵⁰⁵ This provision is similar with Article 10 of the 1999 draft Hague Convention and Article 6 of the Draft Convention.

⁵⁰⁶ Case 21/76, *Handelskwekerij G. J. Bier B. and Another v Mines de Potasse d’Alsace S.A.* [1978] Q.B. 708.

⁵⁰⁷ *ibid.*, at 730.

⁵⁰⁸ Blumer, F., ‘Jurisdiction and Recognition in Transatlantic Patent Litigation’, (2001) 9 Tex. Intell. Prop. L. J. 329, at 390.

avoid acting in a particular territory.⁵⁰⁹

Section 204(1)(a), designating the competence of “State where defendant substantially acted (including preparatory acts), or threatened to act, in furtherance of the alleged infringement,” recognizes that an infringement may originate in States other than the one in which the defendant resides or has its principal place of business. For example, the defendant may reside in Country A, but make the alleged infringement through a server located in Country B. When jurisdiction is asserted on this basis, the forum is competent to hear all infringement claims arising out of the communication of the infringement from the forum, whatever the territorial extent of the resulting infringements.⁵¹⁰

Section 204(1)(b) confers jurisdiction wherever “the alleged infringement was directed, including those States for which defendant took no reasonable steps to avoid acting in or directing activity to that State.”

Regarding ‘directing’, the factors such as whether business is conducted via the website and the degree to which the site is interactive should be considered.⁵¹¹ If a defendant clearly does business with customers of a country through its highly interactive website, the courts of that country can have jurisdiction. If a defendant merely posts information on its passive website which is accessible in the country concerned, there are usually no grounds for exercising jurisdiction. In the middle ground where a website is interactive and the customers can exchange information with the website, the exercise of jurisdiction is determined by examining the level of interactivity and the commercial nature of the website.⁵¹² However, in recent years, it is rare to find a passive website

⁵⁰⁹ The ALI, *Intellectual Property Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes*, at Comments for § 204 Infringement Actions.

⁵¹⁰ *ibid.*

⁵¹¹ *ibid.*

⁵¹² *Zippo Manufacturing Co v Zippo Dot Com Inc* 952 F. Supp 1119 (WD Pa 1997).

and most websites are interactive ones, which reveals limits of the above *Zippo* test. Moreover, interactivity is not determinative. In some circumstances, a passive website or a website in the middle ground may target the forum country for commercial purposes. In such a situation, after having decided the level of interactivity of the website, the court will determine the intention of the website owner. However, the difficulty still exists. For example, what criteria we should apply to determine the existence and degree of commercial activity. In the field of Internet trademark infringement, as trademark laws in different countries may have different criteria, the courts of these countries may make different decisions for the same infringement.

Other factors would be considered: the content of the communication, including advertising, language, the currency in which prices are quoted, the sizes in which items are described, and the extent to which the topics discussed on the site are of specific interest to an audience in the country concerned.⁵¹³ However, there are difficulties in applying these factors. For example, if a website accepts credit cards, it means that all currencies handled by major credit cards are possible. Those websites employing the English language that do not require any payment are even more problematic. In the Internet copyright infringement context, a library may operate a website that allows Internet users all over the world to download the infringing material. Will the owner of such a website be subject to jurisdiction everywhere in the world under the directing approach?⁵¹⁴

(3) § 221 Multiple Defendants-the jurisdictional rule for multiple defendants

§ 221 of the Principles⁵¹⁵ provides that “(1) a claimant bringing an action against a defendant in a court of the State in which that defendant is habitually resident may also proceed in that court

⁵¹³ The ALI, *Intellectual Property Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes*, at Comments for § 204 Infringement Actions.

⁵¹⁴ Franklin, J. A. and Morris, R. J., ‘International Jurisdiction and Enforcement of Judgments in the Era of Global Networks: Irrelevance of, Goals for, and Comments on the Current Proposals’, (2002) 77 Chi.-Kent L. Rev. 1213, at 1257-1258.

⁵¹⁵ This provision is similar with Article 14 of the 1999 draft Hague Convention and Article 10 of the Draft Convention.

against other defendants not habitually resident in that State if the claims against the defendant habitually resident in that State and the other defendants are so closely connected that they should be adjudicated together to avoid a risk of inconsistent judgments, and (a) as to each defendant not habitually resident in that State, there is a substantial connection between that State's intellectual property rights at issue and to the dispute involving the habitually resident defendant, or (b) as between the States in which the other defendants are habitually resident, and the forum, the forum is the most closely related to the entire dispute. (2) Paragraph (1) shall not apply to a codefendant invoking an exclusive choice of court clause agreed with the claimant and conforming with § 202.”

This provision is based on the corresponding Article 6(1) of the Regulation. It adds a limitation that could solve due process issues under the US Constitution. Section 221(1)(a), which requires “a substantial connection” between the defendant's activity and the intellectual property of the territory, essentially utilizes an ‘effects test’ to establish personal jurisdiction under the Due Process Clause.⁵¹⁶

Section 221(1)(b) is intended to resolve disputes arising from the ‘spider and web’ situations. It can allow the owner of parallel IP rights to sue all the connected defendants before one court. This is particularly useful in the Internet context where parallel IP rights are often infringed by multiple defendants simultaneously. However, it is hard to determine the forum, which is ‘the most closely related to the entire dispute’. The courts in different countries may have different opinions on it. The consequence will be that multiple courts may regard themselves as being the most closely related to the entire dispute and take jurisdiction over essentially the same dispute. For Internet IP

⁵¹⁶ The ALI, *Intellectual Property Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes*, at Comments for § 221 Multiple Defendants.

infringements where parallel IP rights are more likely to be infringed, the consequence will be worse: many courts may exercise jurisdiction over essentially the same Internet IP infringement on the basis that they are most closely related to the entire dispute.⁵¹⁷

(4) § 223 Declaratory Judgments-the rule of exclusive jurisdiction

§ 223 of the Principles⁵¹⁸ provides that “(1) actions for a declaration of rights may be brought on the same terms as an action seeking substantive relief. (2) In proceedings which have as their sole object the obtaining of a declaration of the invalidity or nullity of registered rights, and if (a) the declaration is sought with respect to the validity of registration in one State, the courts of the State in which deposit or registration has been applied for, has taken place or, under the terms of an international Convention, is deemed to have taken place, have jurisdiction to the exclusion of the courts of third countries; or if (b) the declaration is sought with respect to the validity of registrations in more than one State, the courts of the State in which the defendant has its principal place of business shall have jurisdiction to the exclusion of the courts of third countries. (3) The issue of invalidity of registered rights granted under the laws of another country may be adjudicated in an infringement action brought pursuant to these Principles. (4) However, *lis pendens* under § 224(1) will not apply with respect to an action seeking declarations of non liability.”

Like the corresponding Article 22(4) of the Regulation, this provision only applies to registered IP rights. Section 223(3) permits a court of one country to adjudicate the validity of these rights in another country when the issue arises in the course of an infringement action. This provision

⁵¹⁷ As the cause of action has been regarded as different in each of those proceedings, *lis pendens* cannot help, which requires the proceedings to involve ‘the same cause of action’. For details, see ‘II. Criticism of the existing law-1. The Brussels regime- (4) Article 6(1)’ above.

⁵¹⁸ This provision is similar with Article 12 of the 1999 draft Hague Convention and Article 8 of the Draft Convention.

cannot give any help to Internet IP infringement, which potentially occurs everywhere and often involves defendants worldwide. The courts of many countries may take jurisdiction over the same Internet IP infringement under Section 204 or Section 201.⁵¹⁹ However, according to the provision, the validity issue will not have any effect on all these infringement courts' competence. Conversely, if it provides that the rule of exclusive jurisdiction applies to validity and infringement issues, both issues will be decided only in the court of the country of registration and there will be no conflict of many jurisdictions over the same Internet IP infringement.

Therefore, although the new general jurisdictional rules have made huge improvement based on the Brussels I Regulation, there are still difficulties in applying them to Internet IP infringement cases.

4. Adopting special jurisdictional rules for Internet IP infringement cases

This option is inspired by the Satellite Directive,⁵²⁰ which may lead us to the jurisdiction where the defendant uploads the infringing material or where the server that hosts the infringing material is located.⁵²¹ This is also the approach used by Jane C. Ginsburg, who suggested adopting certain connections that are most significant to Internet IP infringement cases, for example, the place of the residence of the operator of the website on which the infringing information is found, or the place where the server that hosts the infringing information is located.⁵²² Then the courts of such a place can exercise jurisdiction over those Internet IP infringement cases.

⁵¹⁹ Lis pendens cannot give much help in the Internet IP infringement context. For details, see 'II. Criticism of the existing law-1. The Brussels regime- (1) Article 22(4)' above.

⁵²⁰ Council Directive 93/83 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission (1993) OJ L248/15.

⁵²¹ Due to the similarities between the satellite and the Internet, a similar approach could be applied to the Internet context.

⁵²² Ginsburg, J.C., *Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted through Digital Networks*, WIPO papers (GCPIC/2, November 30, 1998, at 45 and WIPO/PIL/01/2-2000 update, December 18, 2000, at 11-12).

Generally, under this option, we adopt certain connections (places) that have a significant relationship with Internet IP infringement. The courts of these places can exercise jurisdiction. There are several choices of such connections: the place of uploading the infringing material, the place of downloading the infringing material, the place where the server that hosts the infringing material is located, and the place of the defendant's or the claimant's habitual residence.⁵²³ In choosing the best connection, we have the following considerations: if it can provide certainty, concentrate the litigation in a single country, and give jurisdiction to the country with which there is a strong connection.

First, let us consider the place of uploading the infringing material. As the defendant's uploading act gives rise to the damage (such an act is the source of Internet IP infringement), it is an important act in the whole sequence of acts involved in an Internet IP infringement. So the place of uploading constitutes a strong connection with such infringement.

As the infringing material is normally input by the defendant in one place, there will be a single place of uploading. This means that the litigation can be concentrated in one country. There is a possibility that the defendant may upload the infringing material in more than one place. Nonetheless, the number of such places is limited and this connection can still simplify the litigation.

However, the forum-shopping problem remains with this connection. The defendant can deliberately upload the infringing material in a country affording little or no copyright protection.

If this connection is adopted, it can be too easily manipulated, which is undesirable.

⁵²³ Some experts on Internet and private international law, at meetings organized by the Hague Conference on Private International Law in the context of the proposed Hague Judgments Convention, favored a personal connection related to the parties for Internet torts. They proposed simply making available a forum at the place of habitual residence of the claimant. (Report of the Geneva Round Table, *Electronic Data Interchange, Internet and Electronic Commerce*-Hague Conference on Private International Law, Prel. Doc. No 7, drawn up by Catherine Kessedjian Deputy Secretary General, April 2000, at 21.)

The second choice is the place of downloading the infringing material. As the downloading constitutes the copying in an Internet copyright infringement, this infringing act is also a significant one. Thus the place of downloading has a strong connection with the infringement.

However, there are some problems with this connection. The first problem is that it can also be easily manipulated. The infringer can download the infringing material in a country with lax copyright laws. Secondly, in an Internet IP infringement case, there may be a great number of individual infringers who have downloaded the infringing material in many countries. If the place of downloading is chosen as the connection, the claimant will be able to bring proceedings in any of these countries, which means that the claimant can do worldwide forum shopping.

The third choice is the place where the server that hosts the infringing material is located. In many circumstances, there is only one server hosting the infringing material in an Internet IP infringement case, which means that this connection can concentrate the litigation in a single country. Even though several servers may get involved in such a case, the number of competent courts is limited and this connection can still simplify the litigation.

It is also a strong connection in respect of the evidence. All the information that can be accessed from the Internet is stored in servers. And all the Internet IP infringement activities, such as uploading and downloading the infringing material, need to go through a server. It will be convenient for the court of the country where the server is located to collect the evidence and conduct the infringement proceedings.

The place of the server cannot be easily manipulated. But it is still possible for the infringer to change his server to a country with lax IP laws. In such a situation, we need a backup connection, which can overcome this disadvantage. We will discuss it below.

Finally, let us examine the place of the defendant's or the claimant's habitual residence. The place of habitual residence of both parties does not form as strong a connection as the above choices in respect of the evidence and the conduct of the proceedings.

The place of the defendant's habitual residence cannot overcome the difficulties in Internet IP infringement cases involving many infringers. Because it is hard for the claimant to choose which infringer's habitual residence he should sue at since all the infringers may contribute, in small amounts, to infringement. Moreover, the forum-shopping problem also remains with this connection. In the Internet context, a determined defendant can easily relocate to a country affording little IP protection.

However, the place of the claimant's habitual residence has the advantages of providing the legal predictability and legal certainty. First, the claimant usually has only one habitual residence. Although there may be many infringing places in an Internet IP infringement, the defendant to such infringement can only be sued in the courts of one certain place-the claimant's habitual residence. This will ensure the infringement litigation to be undertaken in a single country.

More importantly, if the connection of the place of the claimant's habitual residence is adopted, the defendant will not be able to forum shop. Such an advantage is especially important in the Internet context, where a determined infringer can relocate his residence or change the place of infringement more easily, compared with the ordinary context.

III. Our suggested solution

1. What is it?

If the forum country's domestic IP law always imposes certain substantive minima as to protection

of IP rights, it will discourage the defendant's forum shopping. However, lax IP laws still exist in some countries. Our solution should try to avoid this difficulty.

As the only global international organization dealing with the rules of trade between nations, the World Trade Organization (WTO) has 153 members now. The WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) introduced intellectual property rules into the multilateral trading system for the first time. It is also to date the most comprehensive multilateral agreement on intellectual property. Since the TRIPS Agreement is part of the "single undertaking" resulting from the Uruguay Round negotiations, it applies to all WTO members. This means that the TRIPS Agreement makes protection of intellectual property rights an integral part of the multilateral trading system, as embodied in the WTO.⁵²⁴

The TRIPS Agreement was based on two principal treaties for the protection of intellectual property rights: the 1883 Paris Convention for the Protection of Industrial Property⁵²⁵ and the 1886 Berne Convention for the Protection of Literary and Artistic Works.⁵²⁶ It requires WTO members to comply with the substantive obligations of these two conventions. With the exception of the provisions of the Berne Convention on moral rights, all the substantive provisions of these conventions are incorporated by reference. They therefore become obligations for WTO member countries under the TRIPS Agreement. The TRIPS Agreement also introduces additional obligations in areas, which were not addressed in these conventions. The TRIPS Agreement is therefore sometimes described as a "Berne and Paris-plus" Agreement.⁵²⁷

The TRIPS Agreement therefore establishes minimum levels of protection that each government

⁵²⁴ See WTO's website at http://www.wto.org/english/tratop_e/trips_e/trips_e.htm.

⁵²⁵ Paris Convention for the Protection of Industrial Property, as last revised at the Stockholm Revision Conference, July 14, 1967, 21 U.S.T. 1583; 828 U.N.T.S. 303 (hereinafter Paris Convention).

⁵²⁶ Berne Convention for the Protection of Literary and Artistic Works, as revised at Paris on July 24, 1971 and amended on September 28, 1979, 25 U.S.T. 1341, 828 U.N.T.S. 221 (hereinafter Berne Convention).

⁵²⁷ See WTO's website at http://www.wto.org/english/tratop_e/trips_e/trips_e.htm.

has to give to the intellectual property of WTO members. The laws of WTO member countries at least formally conform to these minima.

Based on the above analysis, we suggest the following solution:

- (1) The defendant to Internet IP infringement shall be sued in the courts of the country where the server that hosts the infringing information is located, so long as this country's domestic IP law is consistent with WTO norms;
- (2) If the law of the country identified in (1) does not conform to WTO norms, then the defendant shall be sued in the courts of the country of the claimant's habitual residence, so long as the claimant's forum country is a member of the WTO.

2. Different models

After choosing the solution, we need to consider the best way for it to work. We will now examine different kinds of models both at the global level and at the European level.

(1) The global level

The solution could be introduced by way of an international treaty. If 'the Draft Convention on Jurisdiction and Foreign Judgments in Intellectual Property Matters' (the Draft Convention) by WIPO Forum on Private International Law and Intellectual Property is adopted, it can be included as a provision in the text of the Convention.

Some scholars⁵²⁸ suggest regulating the Internet jurisdiction by assembling jurisdiction into a coherent, codified regime. The United Nations Convention on the International Sale of Goods of 1980 is a good analogy. Under this approach, representatives from all the countries would

⁵²⁸ For example, Rustad, M.L. and Koenig, T.H., 'Harmonizing Cybertort Law for Europe and America', (2005) 5 J. High Tech. L. 13.

participate in the process of drafting in different countries. These regulations would be reviewed and ratified by all the countries and the parties would agree to insert the regulation into their legal code.⁵²⁹

This approach has the following advantages: first, the application of the united code to establish the Internet jurisdiction would not conflict with the domestic law since its application is parallel to the application of the domestic law.⁵³⁰ Second, the courts in one country will not have the discretion to apply their jurisdictional rules in an Internet dispute. Because the courts will apply the united code to establish their jurisdiction over the Internet and the situation that different courts fight for exercising jurisdiction will be avoided.⁵³¹ Third, the application of the united code will enable Internet users to be aware of the laws governing them and, therefore, adjust their behaviors to reduce the Internet disputes.⁵³²

Drafting international laws and regulations can serve as an effective measure. However, it has its shortcomings. For example, as different countries have different attitudes towards the Internet jurisdiction, it is difficult for them to make an agreement. Moreover, it usually takes a long time to create and ratify a treaty or convention.

(2) The European level

Although there are many difficulties when applying Article 5(3), the general jurisdiction rule for torts, under the Brussels I Regulation to Internet IP infringement, the solution could be added as a special rule under Article 5(3) for such infringement:

“A person domiciled in a Member State may, in another Member State, be sued in matters relating

⁵²⁹ Zheng. S. (A Chinese scholar), ‘Private International Law in Cyberspace’, available at <http://www.chinalgaladvice.com/english/law/list.asp?newsid=133>.

⁵³⁰ *ibid.*

⁵³¹ *ibid.*

⁵³² *ibid.*

to tort, *delict* or *quasi-delict*, in the courts for the place where the harmful event occurred or may occur.

For Internet IP infringement, (1) the defendant shall be sued in the courts of the country where the server that hosts the infringing information is located, so long as this country's domestic IP law is consistent with WTO norms; (2) If the law of the country identified in (1) does not conform to WTO norms, then the defendant shall be sued in the courts of the country of the claimant's habitual residence, so long as the claimant's forum country is a member of the WTO."

On the one hand, the general tort rule will still apply to normal torts. On the other hand, the special rule will apply to Internet IP infringement.

If the solution has been adopted both by the Draft Convention at the global level and by the Regulation at the European level, for those European countries that have signed and ratified both instruments, there should be no problems for this rule to apply in Internet IP infringement.

IV. Conclusion

As the existing law cannot work well in the Internet IP infringement cases, reform is needed. There are four options for reform and development of jurisdictional rules in Internet IP infringement cases. But many difficulties exist in reforming the Brussels I Regulation, introducing a new jurisdiction for cyberspace cases, and applying IP specific jurisdictional rules to the Internet cases. Fortunately, the fourth option, adopting special jurisdictional rules for Internet IP infringement cases, seems to be a good solution. If the defendant to Internet IP infringement is sued in the courts of the country where the server that hosts the infringing information is located, or in the courts of the country of the claimant's habitual residence, it can provide the legal predictability and legal

certainty. In the first situation, the connection of the place of the server can concentrate the infringement litigation in a limited number of countries. It is also a strong connection in respect of the evidence. In the second situation, as the claimant usually has only one habitual residence, the litigation will always be undertaken in a single country under the connection of the place of the claimant's habitual residence. Moreover, if this connection is adopted, the defendant will not be able to forum shop. Such an advantage is especially important in the Internet context, where a determined infringer can relocate his residence or change the place of infringement more easily, compared with the ordinary context.

Such a solution could be included, as a special rule for Internet IP infringement, in the text of the Draft Convention at the global level. It could also be added as a special rule under Article 5(3) of the Brussels I Regulation for such infringement at the European level.

Chapter 8

Conclusion

Faced with the new problem of IP infringement over the Internet, neither technology development nor substantive law can solve it. As such infringement often has connections with many countries, the court has to first consider jurisdictional problems-which court should have jurisdiction. That is why we try to find the solution to this problem in the field of private international law. This thesis focuses on how jurisdiction rules can deal with the problem.

When considering jurisdiction rules under the Brussels regime, we have based our analysis on the Brussels I Regulation (the Regulation). The relevant provisions to IP infringement are Article 22 (4), Article 2, Article 5 (3) and Article 6 (1). If they are applied to the Internet context, will special difficulties arise?

The answer is positive. Take Article 2 as an example: compared with ordinary IP infringements where one or several defendants usually get involved, Internet IP infringements are more likely to involve a number of defendants. This will cause difficulties for the provisions of the Regulation to apply, especially Article 2. For example, in cases of downloading another's copyright material, there may be thousands of infringers worldwide, who have downloaded the same material without authorization. It is hard to identify where they are domiciled.

Another example is Article 5(3). In the Internet context, it is difficult to identify the place of the infringing act for the application of Article 5(3). First, in the Internet trademark context, as the defendant's website can be accessed worldwide, the infringing act was regarded as occurring everywhere. It means that the website owner would be exposed to the risk of being sued for trademark infringement in any Member State under Article 5(3).

Having seen the problems of the above mere accessibility approach, the courts have started to use the targeting approach as a criterion to exercise jurisdiction under Article 5(3). According to the

targeting approach, merely using a trademark on a website does not constitute use of that trademark anywhere in the world. To infringe a trademark in a particular country, it must be placed on a website by someone who targets this country for commercial purposes. However, due to the global nature of Internet business, the defendant usually pursues the commercial activity worldwide, which means the infringing act will be regarded as occurring everywhere.

In the Internet copyright context, the infringing act occurs whenever the infringing material is viewed or sent over the Internet. As the material can be accessed on a global basis, the place of the copyright infringing act is everywhere. To locate the infringing act in particular States for jurisdictional purposes, the courts tend to consider that the copyright infringing act occurs in the place of uploading or downloading the infringing material. However, difficulties still exist. Besides the difficulty that a great number of individual infringers may download the material in many different places, another difficulty is that both places can be easily manipulated by the infringer.

In the Internet patent context, an infringer may operate an infringing system called ‘one-click’ method system, which is used for placing a purchase order over the Internet. Due to the borderless nature of the Internet, the infringer can access and operate such a system in many different countries. In such a situation, the disputed business methods patent will be infringed in all these countries. This means that the infringing act will be regarded as occurring in these countries, and the claimant will be able to forum shop among these countries under Article 5(3).

Where the defendant to an IP infringement is not domiciled within a Member State, the English rules will apply. When these rules are applied to the Internet context, difficulties also exist. For example, under para.3.1 of Practice Direction 6 B (PD 6 B), an English court can exercise

jurisdiction by serving a claim form out of the jurisdiction. Due to the global accessibility of the Internet, the same difficulty in localizing the place of the infringing act for Internet IP infringement arises under PD 6 B para.3.1 (9) as under Article 5(3) of the Regulation.

Even though the English court has jurisdiction following the service of a claim form, it may decline to exercise that jurisdiction on the basis of *forum non conveniens*. In deciding whether another forum is clearly more appropriate than the English one, the court will consider factors affecting convenience. For Internet IP infringement cases, such factors may not be weighty enough to disturb the jurisdiction of the court. For example, as the infringing material on the Internet can be accessed anywhere, damage to the copyright owner is everywhere and the relevant evidence may be worldwide. So it is hard to identify which forum is more appropriate with respect to evidence. Moreover, the evidence for such cases is usually in a digital format. It means the evidence can be sent to England over the Internet cheaply and quickly. So the jurisdiction of the English court will be less easily upset.

As the existing jurisdiction rules cannot work well, reform is needed. There are four options for reform of jurisdictional rules in Internet IP infringement cases. First, reform the Brussels I Regulation; second, introduce a new jurisdiction for cyberspace cases; third, apply IP specific jurisdictional rules to the Internet cases; fourth, adopt special jurisdictional rules for Internet IP infringement cases. But many difficulties exist in the first three options. For example, the second approach is unrealistic because the constituent elements of cyberspace all exist in the real world, and the judgment in cyberspace jurisdiction also has to be enforced in the real world.

Fortunately, the fourth option, adopting special jurisdictional rules for Internet IP infringement cases, seems acceptable. Under this option, we adopt certain connections (places) that have a

significant relationship with Internet IP infringement, and the courts of these places can exercise jurisdiction. There are several choices of such connections: the place of uploading the infringing material, the place of downloading the infringing material, the place where the server that hosts the infringing material is located, and the place of the defendant's or the claimant's habitual residence. The place of uploading or downloading the infringing material can be easily manipulated. The defendant can deliberately upload or download the infringing material in a country affording little or no copyright protection, which is undesirable.

The third choice is the place where the server that hosts the infringing material is located. Since only one or several such servers usually get involved in an Internet IP infringement case, this connection can concentrate the litigation in a limited number of countries. Moreover, since all the information on the Internet is stored in servers and all the Internet IP infringement activities, such as unauthorized uploading and downloading, need to go through servers, it is convenient for the court of the country where the server is located to collect the evidence and conduct the infringement proceedings.

The place of the server cannot be easily manipulated. But it is still possible for the infringer to change his server to a country with lax IP laws. In such a situation, we need a backup connection, which can overcome this disadvantage.

The final choice is the place of the defendant's or the claimant's habitual residence. The place of the defendant's habitual residence has the forum-shopping problem. In the Internet context, a determined defendant can easily relocate to a country affording little IP protection.

However, the place of the claimant's habitual residence has the advantages of providing the legal predictability and legal certainty. First, the claimant usually has only one habitual residence.

Although there may be many infringing places in an Internet IP infringement, the defendant to such infringement can only be sued in the courts of one certain place-the claimant's habitual residence. This will ensure the infringement litigation to be undertaken in a single country. More importantly, this connection cannot be manipulated.

Based on the above analysis, we suggest the following solution:

(1) The defendant to Internet IP infringement shall be sued in the courts of the country where the server that hosts the infringing information is located, so long as this country's domestic IP law is consistent with WTO norms;

(2) If the law of the country identified in (1) does not conform to WTO norms, then the defendant shall be sued in the courts of the country of the claimant's habitual residence, so long as the claimant's forum country is a member of the WTO.

Such a solution could be included, as a special rule for Internet IP infringement, in the text of the Draft Convention at the global level. It could also be added as a special rule under Article 5(3) of the Brussels I Regulation for such infringement at the European level.

[59,617 words, including footnotes]

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