Conflict of Laws for Intellectual Property in Cyberspace

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INTRODUCTION

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The rules of conflict of laws are aimed at resolving conflicts between territorial laws, otherwise known as municipal laws. Although there are no separate national territories in cyberspace,¹ territoriality remains in the

organization of the courts (with a few exceptions, such as the Panels adjudicating domain name disputes under the Internet Corporation for Assigned Names and Numbers ("ICANN") Policy or the World Trade Organization ("WTO") Dispute Resolution Body).\(^2\) Therefore, in most areas of intellectual property, conflict of jurisdiction remains a significant issue. This has prompted efforts towards the creation of a single patent court for all of Europe. However, beyond jurisdictional questions, the harmonization of intellectual property law is not a current endeavor. The Agreement on Trade-Related Aspects of Intellectual Property Rights ("TRIPS Agreement")\(^3\) embodies only a minimum of


\(^3\) The TRIPS Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed on April 15, 1994.
consensus and the World Intellectual Property Organization ("WIPO") Treaties of 1996 only
regulate copyright and neighboring rights. Many national peculiarities remain in trademark and
trade name law, design law, patent law, licensing law, unfair competition law, trade secrets law
and in the area of television and publicity rights, to name only some areas of paramount
importance on the internet.

It is therefore time, in our opinion, for a restatement of the rules of conflicts in
intellectual property law. In Europe, the Convention on the Law Applicable to Extra-
Contractual Obligations ("Rome II") could have spurred on the process of codification, but the
opportunity was missed.\(^5\) It is therefore up to

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\(^4\) The World Intellectual Property Organization (WIPO) Copyright Treaty and
Performances and Phonograms Treaty, December 20, 1996.

\(^5\) It should be noted that the preparatory works for the Convention of Rome
I (1980) included a thorough study by PROF. E. ULMER, INTELLECTUAL PROPERTY
another standing body, such as the Hague Conference on Private International Law, to take up that task.

The harmonization of the rules of conflict of laws is necessary because, as set out in greater detail hereafter, the present network of international conventions does not provide a complete set of tools for resolving such conflicts. The second part of this article is devoted to the private international law of the internet in the field of intellectual property.

I. INTERNATIONAL CONVENTIONS AND TERRITORIALITY

A. Scope of International Conventions on Intellectual Property
1) **Areas Regulated by International Conventions**

The existing treaties regulate nine types of exclusive rights: patents, trademarks and geographic denominations, trade names, designs and models, semi-conductor chips, copyright, neighboring rights, plant variety and trade secrets. In addition, under the Paris Convention for the Protection of Industrial Property, Member States are required to ensure effective protection against unfair competition.

2) **Minimum Rights**

The multilateral Conventions provide a minimum level of protection to intellectual property right holders. This minimum protection may be claimed in all Member States regardless of national legislation.

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6 Art. 39 of the TRIPS Agreement.

3) National Treatment

Nationals of other Member States, as well as expatriates and refugees, must not be subjected to discrimination. Therefore, any intellectual property right holder who is entitled to claim the benefit of the Convention will enjoy, in all Member States, the same protection as a national of those States. This equal protection of nationals and foreigners, combined with the minimum rights, suppresses most conflicts of law. However, when a national law deviates from international standards, issues of private international law arise. Although this deviation is justiciable before the WTO Dispute Resolution Body under the TRIPS Agreement, there are no other international mechanisms that ensure that the legislation of Member States respects the minimum rights set out in the international instruments. The acceleration of technical progress has elicited various responses from
national legislatures. These conflicts of laws are more frequent now, mainly because the major conventions have not been revised in the last three decades.

The question of whether the system of international conventions provides a set of rules for resolving conflicts of law will be examined in light of the Berne Convention. However, the other main intellectual property treaties have the same bearing on international law.

*Article 5 (2) of the Berne Convention*

Article 5 (2) of the Berne Convention provides for the independence of the rights conferred upon

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authors by the legislation of each country.\textsuperscript{9} A first reading of this provision might lead one to believe that the Convention states a rule of conflict. However, closer reading reveals that Article 5(2) only states that foreigners may not be discriminated against on the basis of technicalities of their national law. The "independence" of national copyright laws means that no deprivation of intellectual property rights by domestic legislation will be recognized in other Member States.\textsuperscript{10} It also means that there can be no centralized attack against the validity of copyrights for a given work or subject

\textsuperscript{9} "Consequently, apart from the provision of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed by the laws of the country where protection is claimed."

\textsuperscript{10} See S.M. Stewart, International Copyright and Neighboring Rights 38-39, n° 3.17 (2d ed. 1993). For trade mark law, see, for example, ATF 91 II 117; ATF 82 I 196; ATF 83 II 312 and ATF 312 I 148.
matter. Furthermore, contrary to the 19\textsuperscript{th} century\textsuperscript{12} concept, no reciprocity requirements can be imposed on foreigners seeking the protection of the local courts. However, even the Berne Convention could not eliminate all formal reciprocity requirements in certain disputed areas, such as the duration of a copyright,\textsuperscript{13} the "droit de suite" (right to an interest in resales)\textsuperscript{14} or the protection of applied arts.\textsuperscript{15}

Article 5 (2) of the Berne Convention is a rule on the treatment of foreigners, rather than a rule on conflicts of law. However, the Berne Convention, unlike the Montevideo Convention of 1889, is based on the idea that the protection under the lex originis of a work, whatever the

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\begin{enumerate}
\item[11] This differs from the treatment of "international trademarks" under the Madrid Arrangement of 1891 (but not under the 1989 Protocol).
\item[12] See STEWART, supra note 10, n\textsuperscript{o} 3.15.
\item[13] See art. 7 (8).
\item[14] See art. 14 ter (2).
\item[15] See art. 2 (7).
\end{enumerate}
definition of the country of origin, does not extend outside that country. The main difficulty encountered under the *lex originis* rule seems to be that certain works can originate in more than one country.\(^{16}\)

Between the difficulties arising out of this exceptional situation and those arising out of the necessity for the copyright owner to bring suit under the law of each country for which protection is sought, the parties to the Berne Convention chose the latter because at that time multiple litigation could not be avoided. Thus, Article 5 (2) of the Berne Convention provides that the applicable law is the law of the country for which protection is sought. A century later, the extra-territorial effect of court decisions\(^{17}\)

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\(^{16}\) See STEWART, *supra* note 10 at n° 3.14 for the remaining provisions on material reciprocity.

\(^{17}\) See J.J. Brinkhof, *Could the President of the District Court of The Hague Take Measures Concerning the Infringement of Foreign Patents?*, EIPR 1994.360 et seg. for The Hague District Court's former practice.
was still something of a novelty, especially in the United Kingdom.\textsuperscript{18} However, certain countries accepted this effect\textsuperscript{19} before the Brussels and Lugano Conventions\textsuperscript{20} changed the rules in Europe. As the solution under those Conventions is not really adapted to the needs of an globalized economy, the creation of a single patent court


for Europe is one of the projected amendments of the Munich Convention.  

This sole jurisdiction would apply unified law. With respect to the internet, there are already four main jurisdictions for adjudicating cybersquatting under the ICANN Policy. Online e-arbitration of e-commerce is beginning to develop as well. The fragmented approach of applying the *lex loci protectionis* is therefore bound to recede.

Even now, the legislatures of certain States which are parties to the Berne Convention appear to have acted on the premise that Article 5 (2)

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21 European Patent Convention ("EPC"), Munich, 1973

of the Berne Convention is not a rule of conflicts of law.\textsuperscript{23} The courts of various countries have applied the \textit{lex originis} to issues other than the extent of copyright protection, such as title to copyrights and the characterization of the work.\textsuperscript{24}

\textsuperscript{23} Article 67 of the Copyright Law of Greece (1993) sets out the principle that "copyright in published works shall be governed by the law of the State in which the work has been lawfully made accessible to the public for the first time". It also provides that the law thus applicable determines "the definition of the owner of the right, its subject matter, its content, its term and the restrictions relating to it." See G. Koumantos, \textit{Greece, in International Copyright Law and Practice} (Matthew Bender 1998-1999); A. Lucas, \textit{Private International Law Aspects of The Protection of Works and Objects Related Rights Transmitted Through Digital Networks}, OMPI GCPIC/1 1998, no 46.

Article 104A (2)(b) of the Copyright Act of the United States stipulates:

"Ownership of restored work: A restored work vests initially in the author or initial rightholder of the work as determined by the law of the source country of the work."


As to Swiss law: under article 44 of the earlier Swiss copyright law (1922), the judge could consider events that took place abroad to determine the extent of the injury.

B. Territoriality of Intellectual Property Laws

1) First Sale Doctrine Between Nations

The internet will probably undo national barriers to importation of brand articles, copyrighted works and patented products. On the internet proper, international exhaustion is the rule for e-commerce; everything that is downloaded from a computer is only subject to international exhaustion rules. However, enforcement at the border of territorial intellectual property rights for items ordered on the internet and sent by courier or mail is minimal. In practice, we

English law to determine the originality of a work); Itar-Tass News Agency v. Russian Kurier, Inc., 153 F. 3d 82 (2d Cir. 1998); Bridgeman Art Library, Ltd. v. Corel Corp., 25 F. Supp.2d 421 (S.D.N.Y. 1998); 36 F. Supp.2d 191 (S.D.N.Y. 1999). See also the interesting decision Bodley Head, Ltd v. Flagon, I W.L.R. 680, 688 (1972) applying Swiss law (and not Russian or English law) in a dispute involving Soljenitsyne's book, August 1914. It could be the same in the Netherlands. See A. Lucas, Droit d'auteur et Numérique 328-329 (1998). In Swiss trade-mark law, the Swiss Federal Tribunal applied the principle of universality until the decisions ATF 78 II 164 for trade-mark law and ATF 79 II 305 for trade name law, although Switzerland was a member of the Paris Convention.
are witnessing de facto international exhaustion. Our belief is that national courts will not be able to enforce, in the long run, a national exhaustion system for rights in traditional distribution channels while e-commerce is based on international exhaustion.

Some *avant-garde* countries, such as Japan,\(^25\) Switzerland (except for patents)\(^26\) and the United States (at least for reimportation),\(^27\) already accept international exhaustion. In this context, the territorial approach to conflicts of law is ineffective because the forum has to characterize the first marketing abroad: was it lawfully made and with the consent of the intellectual property right holder? There is therefore, in practice, a


26  *See* in favor of international exhaustion for copyrights ATF 124 III 321 and for trade-marks ATF 122 II 469; *but see* in favor of national exhaustion for patents ATF 126 III 97.

clear extra-territorial effect on the forum's law (lex fori). With the notable exception of certain reimportation cases, the lex fori usually has no contact with the facts of the first marketing. Consequently, the court will often turn to the law of the contract (lex contractus) that enabled the first retailer to put the product on the market, in order to determine whether this first sale was lawful or not and whether or not it was made with the intellectual property right holder’s consent. Interestingly, the law of the country of marketing will be disregarded if it does not afford sufficient protection for the matters in issue, for example, if that law does not provide complete protection of patents on drugs. Outside the States which are parties to the TRIPS Agreement, this solution is still conceivable as it is a matter of paramount importance for national health services.
In both cases (application of the *lex fori* or the *lex contractus*), the "territoriality" of intellectual property rights no longer appears to be the governing principle.

2) *Territoriality and National Policies*

Although the international Conventions do not impose absolute territoriality, the sovereignty of Member States over their public health, economic development and cultural policies may lead national courts to exclusively apply the *lex fori* to intellectual property rights that are deemed to play an important role in those policies. It is interesting to note that patent law is the only area in which the Swiss Federal Tribunal does not accept international exhaustion. The rationale for this is the
economic consideration that an adequate return on investment is not guaranteed for patent holders when international exhaustion prevails because many countries will not allow patent owners to set sufficiently high prices.\textsuperscript{28}
Likewise, in the United States, Professor William Patry has maintained that every work has to live up to the standards of originality of the U.S. Copyright Act because of Article I (8) of the U.S. Constitution.\textsuperscript{29} However, Judge Kaplan of the Southern District of New York has replied that the recognition of works protected under the \textit{lex originis} derives from the Treaty Power of the U.S. Congress. Furthermore, the U.S. Congress has ratified copyright conventions allowing some degree of reference to the country of origin.

\textsuperscript{28} This contention has to be considered in light of the pharmaceutical industry's interests in Switzerland and elsewhere.

\textsuperscript{29} See 36 F. Supp.2d 193-195.
There is a further consideration which has not yet entered the debate in the United States. In accordance with its Treaty Power, the U.S. Congress has also ratified international declarations on human rights, most notably the International Covenant on Economics, Social and Cultural Rights. Article 15 para. 1 of this international treaty provides for the protection of intellectual property.\textsuperscript{30} The United States and other parties to the treaty cannot invoke their municipal laws to derogate from their international obligation to respect this treaty. The French courts have correctly interpreted the Universal Declaration of Human Rights to allow Charlie Chaplin to obtain protection in France.

\textsuperscript{30} Article 15. 1:

"The State Parties to the present Covenant recognize the right of everyone:

(a) to take part in cultural life;

(b) to enjoy the benefits of scientific progress and its applications;"
for his cinematographic works although he was not entitled to the benefit of the Berne Convention.\textsuperscript{31}

The prevalence of international obligations under the human rights doctrine, which is universal in essence, negates a territorialistic approach to intellectual property rights. These rights no longer dominate national economic or cultural policies. Therefore they are no longer subject to whimsical enactments by national legislatures. This also renders obsolete the U.S. approach to resolving conflicts of law by selecting the law of the country whose policy appears to be most important.\textsuperscript{32} Furthermore, this method is not

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\item[(c)] to benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author."
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\textsuperscript{32} See, \textit{e.g.}, art. 3515 (1) of Louisiana’s Civil Code. ("Except as otherwise provided in this Book, an issue in a case having contacts with other States
consistent with the most recent doctrine on conflict of laws, as we shall now see.

II. **Private International Law and International Property Rights on the Internet**

A. The Tools of Private International Law

1) *Points of Contact for Each Category of Rights or Contract*

Private international law started with the status doctrine. When merchants started traveling to foreign marketplaces, the question of their status arose. Personal status governed many issues. Later, as is well-known, Friedrich Karl von Savigny developed a system of contacts, according to which, for each important category of rights or contracts, the law of a given country that is the center of gravity of the
legal relationship is declared applicable. Only the United States still refuses to apply this methodology.

Finally, the last step appears to be national or regional codification of private international law, with more than 60 Acts governing conflicts of law in countries outside Europe, and at least 17 Codes on conflicts. The combination of Savigny's methodology and the codification movement leads to a proposal for detailed rules for intellectual property rights on the internet which shall be presented at the end of the present article. These proposals are a concrete application of the idea of the closest connection between a given right or contract and

33 See AUSSEREUROPÄISCHE IPR-GESETZE (Jan Von Kropholler et al. eds., Deutsches Notarinst 1999).

a national law. The closest connection is not meant as a link with a territory but rather a link with a set of rules identified by their origin in a given legislature.

The closest connection leads to various tests. The first and foremost test leads to the rules of law governing the characteristic performance,\(^\text{36}\) the second to the rules of law applicable where any damage is actually felt\(^\text{37}\) and the third to the set of legal rules that usually apply to the respondent's activities.\(^\text{38}\) There is a clear

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35 See infra p. 68.
36 See infra p. 31.
37 See infra p. 59.
38 See infra p. 67.
subsidiarity in those rules, as shall be seen later, but they are all subject to various exceptions.

2) Exceptions to the Points of Contact by Category

The guiding principle of the closest connection and other important policies lead to three exceptions at least:

a) Courts can apply a law other than the one declared applicable by the relevant provision when the facts of the case show that the matter is properly within the ambit of another legislature.39

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39 Article 15 (Exception clause) of the Swiss Federal Law on Private International Law [hereinafter PIL]:

"1. As an exception, any law referred to by this Act is not applicable if, considering all the circumstances, it is apparent that the case has only a very loose connection with such law and that the case has a much closer connection with another law.

2. This provision does not apply where a choice of law has been made."
b) The laws of direct application of a third country may be applied because public or private interests require it. Antitrust laws or other long-arm statutes, for example, may prevail upon the rules otherwise applicable.

c) The renvoi exists in two forms, remission and transmission. There is a remission when the lex fori designates the law of another jurisdiction as the applicable law but the designated law, in turn, declares the lex fori to be applicable. There is a transmission when the lex fori designates another law as the applicable one and that law, in turn, declares the law of a third State to be applicable.

Although the Rome Convention I and (draft) II exclude renvoi, we believe that where those texts or similar ones are not applicable, remission or transmission can be intelligently used in conflicts of law arising out of the
Internet in cases involving the right of publicity, libel and droit moral of authors. 40

Let us consider the case of the misappropriation of the name of a well-known actress (Isabelle Adjani) as a domain name. 41  If the case were litigated in Switzerland, the Swiss rule of conflict would allow the French actress to choose between the law of her place of residence (Switzerland) if the wrongdoer could have foreseen that the injury would be suffered there, and the law of the wrongdoer's usual place of residence or the law of his place of business. If the private international law of the wrongdoer's country had referred the matter to Swiss law, there would be remission. If it had referred the case to the law of the injured actress'

40 But see J.C. Ginsburg, The Private International Law of Copyright in an Era of Technological Change, RCADI 322 (1998) (mentioning that the renvoi could be a violation of the national treatment).

nationality (French law in our example), there would be transmission. If the court had found that both the law of the injured party and the law of the wrongdoer led to the same substantive solution, as the WIPO Panel did in the case of Mrs. Adjani, then there would be no renvoi, because there would be no conflict of laws. The renvoi could lead to a law that is more developed on internet issues than the lex fori if the forum is a country where internet litigation has been scarce. If however the forum's case law is already extensively developed, such as appears to be the case in the United States, then remission offers a simple way to submit the case to known standards rather than to a blank foreign law. Any technique that favors the application of an existing body of law is in itself conducive to harmonization of judicial practice throughout the world.
3) **Bilateral Rules**

A general observation on the techniques of contemporary private international law should underline the bilateralism of the rules of conflicts: the same test is applied to determine whether the law of country A or of country B is applicable, notwithstanding the fact that country A is the forum's country. Bilateralism does not favor the forum's law.

4) **Neutrality of Contacts**

The rules of conflicts must remain neutral. They should not systematically lead to the law affording a higher level of protection for intellectual property rights. In the long run, however, one might expect the existing system, which is based on the law of characteristic performance, to lead to a widespread application of the laws of developed countries, as they are the main producers of protected intangibles, at
least as long as traditional medicine and folklore are not strongly protected. This may or may not be seen as indicating that a high level of intellectual property protection contributes to the creativity of a geographic area. However, is the higher investment rate spurred by the legal regime of intellectual property rights, or by other factors? The internet may help developing countries assert their own creativity on the internet, or, as has been seen with the movie industry, globalization may lead to concentration of power. Macro-economics provide no clear answer. It is therefore important that the rules on conflicts of law remain neutral.

5) Contact on the Internet

Let us take an example. A producer established in country A commissions a poster from an artist who resides in country B. As this poster is part of an advertising campaign that will include 200 other posters, he reserves the right to modify
the poster to adapt it to the others. However, a computer hacker living in country C steals the finished poster from the artist’s computer and posts it in a modified format on his homepage, which is hosted by a server in country D. From there, the poster is downloaded for a fee in 100 countries \((E_1 \text{ to } E_{100})\).

The criminal law of countries B and C applies to the electronic theft, but private international law will govern the conflicts concerning the artist’s droit moral, the interpretation of the commissioning contract, and the producer’s rights vis-à-vis third parties who have downloaded the poster.

This example illustrates how a simple international case can require examination of three types of relationships:

1) contractual;
2) extra-contractual (arising out of the infringement of intellectual property rights); and

3) quasi-contractual (for the accounting of profits, if any).

There is no doubt that contractual relationships are the key element in the application of technical measures to safeguard copyrighted contents on the internet.\footnote{See the European Commission Follow-up to the Green Paper on Copyright and Related Rights in the Information Society, COM (96)568. See particularly the} A network of interrelated contractual agreements allows the smooth collaboration of business activities on the internet, and enables other businesses or consumers to fully benefit from the e-facilities. Liability for tortious conduct and the ensuing accounting for profits are nonetheless necessary. These three aspects shall now be considered from a conflicts of law perspective.
B. Contractual Relationships

1) General Rule

According to Article 4, para. 2 of the Rome Convention of 1980, the law applicable to a contract entered into on the internet or for the use of an intellectual property right on the internet is the law of the country where the provider of the characteristic performance has his domicile or establishment.

This rule applies to all licensing or transfer of intellectual property rights. The practice tends to mention "transfer of rights" where the word "licensing" would be more technically correct.

43 See art. 122 of the PIL.

Therefore, in determining the applicable law, no distinction should be made between an outright transfer and a sheer license. Furthermore, the so-called "license" authorizing the use of software or another intangible embodied in a CD-Rom or another physical copy is often ancillary to the sale of the copy and should therefore be subject to the law applicable to the sale.

Thus, both the sale and the license of intangibles would be subject to the law of the licensor or that of the seller, in the absence of a different choice of law by the parties. Consumer protection laws are reserved.\(^{45}\) In addition, some other limitations can be mentioned.

2) Transnational Law

\(^{45}\) See article 5 of the Rome Convention and art. 120 of the PIL. See infra note 55.
When the laws possibly applicable in a given case do not diverge on the points at issue, there is no conflict of laws. This is usually the case where a superior authority has provided for some degree of harmonization, as is the case in Europe for example. Harmonization, however, can also result from the non-interference of State law with the practice.

a) Licence Law

This second situation arises on the internet in the absence of applicable State law. Furthermore, as merchants usually resort to arbitration rather than to State courts, it is possible for a transnational law to emerge. The basis of this law is hotly disputed between supporters of the lex mercatoria and sovereignists. Whatever the merits of the lex
mercatoria, licensing practices are identical worldwide and most municipal laws are silent on details. Thus, the ideal conditions are met for a transnational body of law to come into existence. Here are two examples:

1) Although still uncertain two decades ago, the right of an exclusive licensee to sue for infringement is now recognized in most jurisdictions. Canada even allows the beneficiary of a non-exclusive license to sue the infringer, but this appears to be a pioneering move not yet universally followed.

46 See E. Caprioli & R. Sorieul, Le commerce international électronique: vers l'émergence de règles juridiques transnationales, JDI 1997 323 et seq.


2) The privileged position of the truly exclusive licensee correlates with his obligation to use the invention, trademark, design, model or copyrighted work. Consequently, the licensor who promises to refrain from using the invention is certain to receive some remuneration. However, transnational law is less clear in the case of "sole licensees" (who have to accept competition from the licensor but no other licensee) or "semi-exclusive licensees" (who enjoy the status of an exclusive licensee in some countries or for some applications of intellectual property rights, and the status of a sole licensee in other areas). In our view, French, German and Swiss law are now in agreement with the widely accepted doctrine for truly exclusive licensees. However, French law recognizes the obligation to use intellectual property
rights even for licenses devoid of any exclusivity, but this solution cannot be said to be part of the transnational law of licensing. Where solutions are transnational, no conflict of law arises on the internet.

b) Competition Law

The internet is also subject to similar or identical solutions in the field of competition law. When the time came to develop a world-wide system for the assignment of domain names, a common understanding between the U.S. and European authorities on antitrust issues helped persuade the U.S. to surrender its monopoly in this regard (as well as the initiation of proceedings by the E.U. competition authorities, which were later summarily dismissed). The next

revision of the European block exemption regulations could likewise take into account the present state of U.S. law on antitrust and licensing.

3) Consumer Protection

In the United States, Professor Raymond Nimmer's efforts to compile the licensing law in Article 2B of the Uniform Commercial Code finally led to a Model Act to Protect Consumers (Uniform Computer Information Transactions Act, hereafter UCITA). Its adoption is pending before several State legislatures.\textsuperscript{50} As the sole restatement of modern licensing law, the UCITA will be an inspirational model in many countries.\textsuperscript{51}

\textsuperscript{50} Maryland, Virginia, Delaware, District of Columbia, Hawai'i, Illinois, Iowa, New Jersey & Oklahoma. Updates are available at http://www.ucitaonline.com/whathap.html.

\textsuperscript{51} See François Dessemontet, Contracting and Licensing on the Net, in Festschrift Gunnar Karnell 119 (1999).
It is symptomatic that the UCITA rules on conflicts of law are protective of consumers, but with a caveat: the parties may choose the applicable law. However, their choice will not be enforced in consumer contracts if it modifies mandatory provisions of the applicable law under the UCITA.\footnote{See UCITA, Section 109 (a):}

"The parties in their agreement may choose the applicable law. However, the choice is not enforceable in a consumer contract to the extent it would vary a rule that may not be varied by the agreement under the law of the jurisdiction whose law would apply under subsection (b) and (c) in the absence of an agreement."\footnote{Article 5 of the Rome Convention. Certain consumer contracts:}

1. This Article applies to a contract the object of which is the supply of goods or services to a person ('the consumer') for a purpose which can be regarded as being outside his trade or profession, or a contract for the provision of credit for that object.

2. Notwithstanding the provisions of Article 3, a choice of law made by the parties shall not have the result of depriving the consumer of the protection afforded to him by the mandatory rules of the law of the country in which he has his habitual residence:

- if in that country the conclusion of the contract was preceded by a specific invitation addressed to him or by advertising, and he had taken in that
country all the steps necessary on his part for the conclusion of the contract, or
- if the other party or his agent received the consumer's order in that country, or
- if the contract is for the sale of goods and the consumer travelled from that country to another country and there gave his order, provided that the consumer's journey was arranged by the seller for the purpose of inducing the consumer to buy.

3. Notwithstanding the provisions of Article 4, a contract to which this Article applies shall, in the absence of choice in accordance with Article 3, be governed by the law of the country in which the consumer has his habitual residence if it is entered into in the circumstances described in paragraph 2 of this Article.

4. This Article shall not apply to:

(a) a contract of carriage;

(b) a contract for the supply of services where the services are to be supplied to the consumer exclusively in a country other than that in which he has his habitual residence.

5. Notwithstanding the provisions of paragraph 4, this Article shall apply to a contract which, for an inclusive price, provides for a combination of travel and accommodation.”

Article 120 of the Swiss Federal Law on Private International Law. Consumer contracts:

“1. Contracts pertaining to goods or services for ordinary consumption intended for a consumer’s personal or family use, provided such use is not connected with the professional or business activity, are governed by the law of the State of the consumer’s habitual residence:

b. if the supplier received the order in that State;
is rather strange that the law of the country of the consumer is deemed beforehand to be more favorable to him or her than the law of the country of the seller — which logically cannot be true in all cases since sellers and vendors are more or less active in the same developed countries. Nonetheless, the rationale for applying the consumer’s law is to help avoid any surprise to him or her. Therefore, it is expedient to allow the law of the consumer’s country to prevail in order to further the development of e-commerce, especially in those

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c. if the contract was entered into after an offer or advertising in that State and if the consumer performed in that State the acts required to enter into contract; or

d. if the consumer was induced by the supplier to go to a foreign State for the purpose of delivering the order.

2. No choice of law is allowed.

European countries where there is some reluctance to engage in e-commerce on a grand scale.\textsuperscript{55}

Where the order is placed on the internet but the goods are delivered later by courier or mail, the legal situation is not different from ordinary distance selling. However, when intangibles are downloaded, one should distinguish between contents that are not protected by intellectual property rights and those that are. If no intellectual property right is involved, the consumer may be protected by his or her own law.

However, where copyright, design or model law, or

\textsuperscript{55} The principle of country of origin is a fundamental one for the European Union since the case "Cassis de Dijon", C.-120/78, Rewe-Zentral-AG/Bundesmonopolverwaltung für Branntwein v. Cassis de Dijon, 1979 E.C.R. 649, 662, and the adoption of the directives on corporations. Nevertheless, many think that consumer confidence towards e-commerce can be enhanced only if the consumer's own courts are competent and his or her own law is applicable. See OECD Report on Jurisdiction for Electronic Commerce, available at http://www.oecd.org.

a sui generis right on the extraction of data applies, the law of the licensor should be applicable rather than the consumer's law, since the provisions of the law applicable to licensing agreements are a lex specialis in regard to the consumer's protection rules, and are better adapted to licensing transactions. A more formal argument could also be derived from the text of Article 5 (1) of the Rome Convention; licenses are not contracts for the supply of goods or services.  

Finally, a balancing act is necessary for licensing because the stronger the legal protection is in a country, the more important it becomes to also apply the exceptions that are provided for under that country's law. For example, Anglo-American copyright law has a rather low standard for the originality

56 But see J.J. FAWCETT & P. TORREMANs, INTELLECTUAL PROPERTY AND PRIVATE
requirement but includes a sweeping exemption from protection for the so-called "fair use" (U.S.) or "fair dealing" (U.K.) exception. If the licensor is in the U.S., the fair use exemption might be applied by a European consumer's forum even if his or her national law does not provide for it; and even if the fair use exception is more of a substantive copyright law provision than a provision of contract law.

4) Exceptional Application of the Licensee's Law

The proposition outlined above leads to the licensor's law being applicable, save for consumer protection or competition law considerations. It is necessary to note that other exceptional circumstances could entail the application of the law of the country of the licensee. Three cases are worth mentioning in this regard.

a) Copyright in off-shore locations

The general provision for diverging contacts or the test of the closest connection could lead to the application of the licensee's law whenever the provider of intangibles on the internet is an e-firm without real relationship with the territory of any State. Some companies in Panama or the Dutch Antilles, for example, might be said to fall within that category. Such firms, it is feared, may well illegally exploit the intellectual property of serious right holders and make it available throughout the internet world. Their interest may be outright remuneration by internet users, or compensation.

57 See art. 15 of the PIL.
58 See art. 4 (1) of the Rome Convention.
through advertising revenues or the income which is at times generated by the sheer accumulation of checked e-addresses.

In such a case, the courts will depart from the basic tenet that the characteristic performance of the licensor determines the applicable law. The piracy of intellectual property rights is illegal in the 160 Member States of the Paris Union, the 147 Member States of the Berne Union, and the 134 countries that have ratified the TRIPS Agreement. It may safely be assumed that in these countries, a contract providing for the transfer of such pirated intangibles will be deemed null and void, and in the remaining countries as being contra bonos mores.\textsuperscript{60} Thus, an illicit or immoral obligation cannot be the characteristic one within the meaning of the Rome Convention.
If one could not accept the application of the closest connection test for this first reason, a second reason might appear more in line with legal and economic thinking.

b) Meritless Intellectual Property Right Holders

If the licensor does not acquire the intellectual property right through its own investments, efforts or creativity, of for due consideration or by inheritance or merger, the licensor has done nothing characteristic before the establishment of the licensing relationship. Intellectual property laws seek to protect investments in intangibles. Piracy is not considered to be an investment deserving protection. Besides, an e-firm that thrives on

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60 As are, for example, contracts to transport contraband goods across a border. See 64 SJZ 354, n° 182 (1968).

61 See, e.g., François Dessemontet, Le droit d’auteur n° 18 et seq. (Lausanne 1999)
the illegal exploitation of other people's intangibles does not usually own assets that may be seized to pay its creditors in case of default. However, the correlation between the country of the principal place of business and the country in which bankruptcy proceedings would be initiated or enforcement measures would be taken if the debtor of the characteristic performance does not discharge himself or herself of his or her obligations is the fundamental justification for the doctrine of characteristic performance. 62

The unity between the law applicable to the performance of the contract and the law applicable to the enforcement procedures is the cornerstone of that system. When, however, the e-firm has no real assets in the material world,

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62 See François Dessemontet, Les contrats de licences en droit international privé, in MÉLANGES GUY FLATTET 444 (Lausanne 1985); L’harmonisation du droit
its off-shore environment will be disregarded in favor of the licensee's legal environment.

c) Dishonest Practices

Finally, when the licensee is a victim of the licensor’s dishonest practices, an exception to the licensor's law might be appropriate if there are loopholes in that law. This would be the case if, for example, self-destructible software damaged data stored in the licensee's computers, or if the licensor spied on the licensees' connections through cookies. Further, extra-contractual liability may arise. The law applicable to that liability or the forum's law will characterize the practices.

C. Extra-Contractual Liability

1) Scope of the Extra-Contractual Liability
The cases of intellectual property right violations outside any valid contractual relationship between the parties are frequent. It may happen that the parties appear to have executed an agreement but the resulting contract is not valid, for example, because a form requirement is not met. Then, Article 8 of the Rome Convention declares applicable the law that would have been applied had the contract been valid. Hereafter however, we deal only with infringing acts\(^\text{63}\) and unfair competition.

(Fribourg 1990).

Under Article 10(1)(e) of the Rome Convention, the \textit{lex contractus}, i.e. the law of the debtor of the characteristic performance, determines the consequences of the avoidance or nullity of the contract. Therefore, the same law will determine the restitution resulting from the avoidance or nullity of the contract. This solution is consistent with the Proposal for a European Convention on the Law Applicable to Non-Contractual Obligations, drafted by the European Group for Private International Law, XLV NILR 465 (1998). Article 5 of this draft of the Rome II Convention submits the issue of unjust enrichment to the law of the country in which such an enrichment occurred, unless there is a pre-existing relationship between the parties. For restitutions following the avoidance or nullity of a contract, the contract will constitute this pre-existing relationship. Therefore, the \textit{lex contractus} should also be applicable under Rome II.
A first distinction could be drawn between patent law on the one hand, and copyright or trade name and trademark law on the other. Patent law is considerably more territorial because it is tightly linked to the economic policies of nations. Thus a set of contacts shall be proposed for each of the main intellectual property categories (see (3) below). However, commentators have hitherto more thoroughly discussed copyright and conflicts of law. Therefore, we shall start our analysis with copyright and neighboring rights.

2) **Copyright and Neighboring Rights**

a) Characterization of the country of "origin"

The "country of origin" is a fundamental concept in the Berne Convention. This point of contact determines whether or not a work will be protected in other Member States (alternatively
the nationality of the author). Further it helps distinguish "domestic" works, that is works that are of the same origin as the forum and do not benefit from the Berne minimum standards of protection, and "foreign" works. Finally, it plays an important role for the reciprocity requirement remaining in the Convention, for example, for the duration of protection and for works of applied arts (but not for a "droit de suite").

In our view, the "country of origin" is a concept specific to conventions that cannot be twisted into a new and different concept for the purposes of the Berne Convention. On the other hand, when conflicts of law are issue, the criterion may be freely chosen or construed by States since the Convention does not provide for rules on conflict of law, at least not in this author's view.64

64 See infra p. 9.
Modern codifications of private international law have acknowledged that the ordinary residence or domicile of a person is a more significant contact than his or her nationality. It is natural that the author's residence is the main contact for title to copyright, and also perhaps for determining whether or not there is a protectible subject matter.

b) Place of acting

The infringement of intellectual property rights is subject to the same difficulties in determining a contact for conflicts of law as are the more traditional tortious behaviors. When the infringement and the resulting damage occur within the same territory, the law of that State will apply. However, on the internet, it is likely at times that the infringement will occur in one location but that the damage will be suffered somewhere else. Therefore, some authors
choose as main contact the State in which the last infringing act took place.\textsuperscript{65} To a certain extent, this rule of conflict is generally accepted for tortious conduct. However, the law of the State where the damage is suffered is a choice left open by most European legislation. Here, the Swiss codification on private international law offers a better model. For intellectual property generally, Article 110 (2) of the Swiss Federal Law on Private International Law ("PIL") maintains the principle of territoriality, with the reservation that the parties may ex post facto opt for the lex fori. We have seen, however, that the principle of territoriality is not ineffective on the internet.

Therefore, we may turn to the array of rules on the protection of personality, unfair competition

\textit{See Ginsburg, supra note 23, at 52; A.P. Reindl, Choosing Law in Cyberspace:}
and wrongful conduct generally, especially since transboundary data flows are regulated under Art.

\[66\]  

\textit{Copyright Conflicts on Global, 19 MICH. J. INT’L L. 799 (1998).}

\textit{Swiss Federal Law on Private International Law.}

\textbf{Article 133: Failing a choice of law:}

"1. When the tortfeasor and the injured party have their habitual residence in the same State, claims in tort are governed by the law of such State.

2. When the tortfeasor and the injured party do not have an habitual residence in the same State, these claims are governed by the law of the State in which the tort was committed. However, if the result occurred in another State, the law of such State applies if the tortfeasor should have foreseen that the result would occur there.

2. Notwithstanding the above, when a tort breaches a legal relationship existing between the tortfeasor and the injured party, claims based on such tort are governed by the law applicable to such legal relationship."

\textbf{Article 136: Unfair Competition}

"1. Claims based on a tort of unfair competition are governed by the law of the State in whose market the result occurred.

2. If the tort injures exclusively the business interest of a specific competitor, the applicable law is that of the injured firm’s registered office,

3. The above provisions do not affect Article 133(3)."

\textbf{Article 139: Infringement of personal rights}
139, para. 4 of the PIL. The common feature of those rules is to provide for two or more contacts in successive order. For torts generally, if the parties have their domicile, ordinary residence or business establishment in the same State, its law shall apply. Otherwise, the law of the place where the tortious conduct took place is applicable, or rather the law of the State where the damage was suffered if it was

"1. Claims based on the infringement of personal rights by the media, including press, radio, television or any other public information medium, are governed at the option of the injured party:

c. by the law of the State in which the injured party has its habitual residence, provided the tortfeasor should have expected that the result would occur in that State;

d. by the law of the State in which the tortfeasor has its place of business or habitual residence; or

e. by the law of the State in which the result of the infringement occurs, provided the tortfeasor should have expected that the result would occur in that State.

2. The right of reply to media having a periodical character is exclusively governed by the law of the State in which the publication appeared or the program was broadcasted."
foreseeable that it would be suffered there. The *lex loci delicti commissi* applies only when the parties have a common country or when the damage was foreseeable, which is a rather rare occurrence in most internet cases.

In our view, it should be acknowledged that when the injured party is a body corporate or unincorporate, the damage is suffered at its main establishment. Financial damage is measured by the difference between actual assets after the wrongful conduct has occurred and the assets as they would have been had that conduct not occurred. The only significant geographical contact for financial damage is therefore the place where the accounts are finalised.

Therefore, the true meaning of the alternative points of contact of Article 133 of the PIL is as follows:

1° the common country of the parties;
2° the country of the injured party's main business establishment; and
3° the law of the country where the tort was committed.

c) Law of the country of receipt

Some of the most distinguished commentators favor the law of the country of receipt of an infringing intangible on the internet. It is the test of the place of the last element of the

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tort. This may lead to the application of as many laws as there are countries in the world.

The country of receipt can certainly impose its law in many matters, such as criminal law,\textsuperscript{68} public law,\textsuperscript{69} or cyber-casino\textsuperscript{70} law. All those laws are of direct application. But are intellectual property laws of direct application? Are their policies so essential to the welfare of a nation that the nation wishes to impose its own law at the risk of disrupting the free flow of ideas, information and merchandise over the internet?

Further, the general application of the law of the country of receipt in intellectual property


\textsuperscript{70} See Humphrey v. Granite Gate, 568 N.W.2d 715 (Minn. Ct. App. 1997).
litigation would be financially ruinous. For intellectual property right holders, litigation would have to be carried out in several countries under different laws. For defendants, there would be a high likelihood of contradictory judgments, which would also jeopardize their marketing policies in several States without any foreseeability.

The law of the country of receipt may nonetheless define the procedural means of enforcement: contempt of court or other enforcement measures cannot be prescribed by a foreign law, nor can punitive damages, etc.\(^\text{71}\)

d) Law of the place of harm

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\(^\text{71}\) For Swiss law, see: ATF 122 II 463.
In two recent cases,\textsuperscript{72} the French \textit{Cour de cassation} declined to follow the general tendency of the more recent French commentary, which prefers the place of harm over the place of acting.\textsuperscript{73} In the long run however, a unique contact should be preferred for torts that take place in two or more countries, especially for torts committed on the internet. For the same reasons, it should be recognized that the place where the harm occurs is the victim's domicile or main business establishment. The place of incorporation is less decisive than the true and


\textsuperscript{73} See H. Batiffol & P. Lagarde, \textit{Droit international privé}, T.2, n° 561 (1983); Y. Loussouarn & P. Bourel, \textit{Droit international privé} n° 401 (1999); P. Mayer, \textit{Droit international privé} n° 685 (1998); B. Audit, \textit{Droit international privé} n° 777 (1997); D. Holleaux et al., \textit{Droit international privé} n° 1418 (1986) (with reservations on such a choice).
effective place of management.\textsuperscript{74} The place where the books are held is irrelevant: only the place where the accounts are approved, and possibly published, is a relevant contact to redress the harm inflicted upon a given company.

e) \textit{Negotiorum gestio} and the law of the habitual residence of the injured party

In Germanic countries and in Switzerland, the most accessible form of pecuniary relief for infringement of intellectual property rights is

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\footnotesize
Article 154 of the PIL favors the place of incorporation. However, see Article 4 (2) of the Rome Convention:

"Subject to the provisions of paragraph 5 of this Article, it shall be presumed that the contract is most closely connected with the country where the party who is to effect the performance which is characteristic of the contract has, at the time of conclusion of the contract, his habitual residence, or, in the case of a body corporate or unincorporate, its central administration. However, if the contract is entered into in the course of that party's trade or profession, that country shall be the country in which the principal place of business is situated or, where under the terms of the contract the performance is to be effected through a place of business other than the principal place of business, the country in which that other place of business is situated."
\end{flushleft}
accounting for profits.\textsuperscript{75} This action is quasi-delictual rather than quasi-contractual (a statute of limitations is an example of this).\textsuperscript{76} It is not conditional upon the fault of the defendant. Now, Article 7 (4) of the Expert's Draft of the Rome Convention makes applicable the law of the ordinary residence of the person to whom accounts must be rendered. Therefore, the Expert's Draft and our proposals would allow for a single law to apply to all monetary remedies, whether the result of an accounting for profits or a more traditional compensation theory. Having the same law apply to these two claims for monetary relief is a decisive advantage, because the claimant is not always certain at the outset of litigation to be able to prove the extent of

\textsuperscript{75} For Swiss law, see article 423 CO para. 1; François Dessemontet, \textit{L'enrichissement illégitime dans la propriété intellectuelle}, in \textsc{Recht und Wirtschaft heute, Festgabe für Professor D. Max Kummer} 191-214 (1980).

\textsuperscript{76} See \textit{ATF} 126 III 382.
his or her injury or the defendant’s liability. However, proof of this is not necessary to obtain accounting for profits, at least in some jurisdictions such as Switzerland.

If the draft Convention and our proposals were to be followed for the internet, the law of the infringer's country would not apply to damages. Here, the test of characteristic performance must be carefully distinguished. It was not devised for tort liability. It would therefore be erroneous to believe that the infringer is performing the "characteristic performance" and that his or her law should apply. Nonetheless, it is important to see that the rationale for applying the law of the country in which the debtor of the characteristic performance has his residence or its business establishment is that the debtor organized his activities taking the
existing legal environment into account. The rationale is also usually valid for the e-enterprise, as it is organized according to the e-market of one or several nations. For contracts with consumers, this e-enterprise may be subject to the consumer's law if it is mandatory, or in some other exceptional circumstances.\textsuperscript{78} It may also adopt, for example, for business-to-business dealings, the law of a neutral State or the law of its home market, if the buyers consent to it. If no choice is made, the seller's law shall apply under the test of characteristic performance.

On the other hand, for tort liability (such as that deriving from the infringement of intellectual property rights), no choice of law beforehand is conceivable. The choice of law by

\textsuperscript{77} But see A. LUCAS & H.J. LUCAS, PROPRIÉTÉ LITTÉRAIRE ET ARTISTIQUE n° 976-980 (1994).

\textsuperscript{78} See infra p. 43.
the parties will be effective, under the draft of the Rome II Convention or under Article 133 of the PIL for example, only if expressed afterwards. In the absence of an agreement to that effect, the relevant contacts can be determined by using the method that inspired the characteristic performance test: the intellectual property right holder's law naturally applies to them, as it would to his or her liability for defective goods or services.

In this regard, it will be noted that the countries with the most developed intellectual property systems also have the strictest liability standards for harm caused by defective products (U.S., E.U. and Switzerland for example). It is consistent with the doctrine of characteristic performance to give to bodies corporate and unincorporate that are not based on the internet ("real world companies") the benefit of a single law to regulate rights and liability.
because they are structurally interlinked. The profits made possible by a high level of protection of intellectual property rights will enable the company to guarantee the payment of debts incurred by reason of its liability. On the internet as well, where real world companies actually tend to dominate the market, bodies corporate and unincorporate need their intangible assets, domain name, trademarks, trade secrets for the safety of electronic payment, patents and design to be protected. Since they rely on the intellectual property rights afforded by the law of their main business establishment, it seems logical that this law should regulate the protection of their rights. It is, of course, not the server's location that is relevant, but

79 Unless for some tax reason their intellectual property rights are farmed out to a holding company in a tax haven, which may be disregarded under the doctrine of characteristic performance.
rather the location of the effective management of the e-company.

If we were to follow the territoriality doctrine for e-commerce, we would have to dismantle the assets of the business in as many countries as there are markets, or we would have to try to determine a few important ones to decide the issue of the applicable law. This necessary determination of the markets is difficult at the outset of a litigation for e-counterfeiting.

Further, as e-enterprises must respect the intellectual property rights of other publishers, authors and providers of content of the state where their registered office is located, they can also claim the protection of their own intellectual property rights under that law.

Finally, the main tenet of the doctrine of characteristic performance is the nexus between benefit and liability. What really matters under
principles of justice, equity and good conscience is the close relationship between the **benefits** that are derived from the contracts entered into in the course of business and the **liability** that arises out of these contracts. Benefits and liability can not equitably be subjected to two different legal systems.

Only the lawful activities of authors, publishers and other intellectual property right holders are relevant. Unlike regular businesses, unlawful activities are not seen as risks that a given law circumscribes and apportions, but as wrongs that have to be corrected according to either the law of the place where they are committed, or to the law of the place where third parties suffer a financial damage.

In this regard, the points of contact that we propose for intellectual property rights on the internet lead to one legal system being applicable under three different view points:
(1) **time**: the person or legal entity entitled to use the intellectual property rights profits from their use but at the same time, incurs contractual or legal liability for its products or services (such as the strict liability standards of U.S. laws or the liability for risks of Article 1382 of the French Civil Code).

(2) **geographical**: the place where a complex wrongful behavior causes financial harm is the place where the victim has its financial center of gravity, that is, its main business establishment. This is also where it holds title to its intellectual property rights. The damage cannot be located elsewhere because intellectual property rights, unlike chattels, are not located in various countries.

(3) **civil actions**: under our proposal, a single legal system would apply to actions for damages (the success of which is often uncertain because of the difficulty with proving lost
profits) and to an accounting for profits (which an audit may more easily prove).

3) Other Intellectual Property Rights

As we dealt in detail with the law applicable to copyright and neighboring rights, it may be expedient to now concisely sum up our proposals for the law applicable to other intellectual property rights.

(1) Non registered rights

(A) Non registered semi-conductor chips

(1) Same proposal as for copyrights when chips are not registered

(2) Same proposal as for patents when chips are registered

(B) Non registered geographical denominations

(1) Ownership, originality: law of the country of origin
(2) Homonymy exceptions: law of the country in which protection is sought

(C) **Trade Secrets**

(1) Ownership: owner’s national law or law of the country of the employment relationship

(2) Criminal protection: law of the country in which protection is sought

(3) Civil protection: law of the contract or law of the affected market (if patrimonial harm: law of the owner’s country)

(D) **Unfair competition**

(1) Intellectual property rights (commercial credit, inducement to breach a contract, misappropriation, distinctive signs): law of the owner’s country

(2) Protected consumers (misleading or erroneous comparative advertising, aggressive sales methods): law of the country of the principally affected market
(E) Personality protection, right of publicity, right of privacy

(1) Ownership: law of the country of residence of the owner

(3) Rights, exceptions, remedies: law of the country of the media

(2) Registered rights

(C) Patents

(1) Ownership: law of the country of residence of the inventor or law of the country of the employment contract

(2) Validity, rights, exceptions, remedies: law of the country in which protection is sought

(B) Trademarks

(1) Ownership in case of prior conflicts in the common country of the parties: law of the country of origin
(2) Ownership in case of conflicts in the country in which protection is sought: law of the country in which protection is sought

(3) Validity, rights, exceptions, remedies: law of the country in which protection is sought

(C) **Commercial Names**

(1) Ownership and validity: law of the country of origin

(2) Protection of third parties without any prior relationships: law of the country in which protection is sought

(3) Unfair competition, "common law trade mark": law of the country of origin or law of the country in which protection is sought (as for registered trade marks)

(D) **Models and designs**

(1) Ownership: law of the country of origin

(2) Validity, rights, exceptions, remedies: law of the country in which protection is sought
(E) **Plant Variety**

(1) Denominations: law of the country of origin

(2) Validity: harmonised law (UPOV)

(3) Rights, exceptions, remedies: law of the country in which protection is sought

4) **Competition Law**

Both competition law and unfair practice law (such as measures against dumping) call for the applicable law to be the law of the affected market. However, some aspects of unfair competition law proper are more akin to intellectual property rights. Therefore it has been proposed above to apply a different test to matters related to intellectual property rights and to other areas of unfair competition.

Thus, under the Swiss codification of private international law, two tests are mentioned by Article 136 of the PIL:
(1) the law of the country where the plaintiff is located; and
(2) the law of the affected market, unless a specific competitor is the only injured party.

One of the drafts of the Rome II Convention also proposed the market test. However, it was not included in the Commission’s draft.

In unfair competition cases on the internet, the injured business will suffer the financial loss in the country where its corporate headquarters

80 Article 4(2)(b) of the Proposal for a European Convention on the Law Applicable to Non-contractual Obligations (European Group for Private International Law):

“in case of unfair competition or restrictive trade practices, with the country in which the damage or injury occured or is likely to occur.”

81 In ATF 95 III 83, 90, the Federal Tribunal rightly held that the place of the result was where the injured party’s assets decreased as a result of the tort. See also, along those lines, Trib. sup. Zurich, April 10, 1996, BIZR 1997, No 99 (the damage suffered by a bank for nonpayment of a wrongly-paid check was incurred at its principal place of administration in Germany rather than the place of administration of the subsidiary of the Italian bank in Lugano which made the payment, or at the principal place of administration of the Italian company). This decision was approved by K. Siehr in Le point sur le droit international privé suisse, 94 SJZ 86 (1998). Apparently along the same lines, see the unpublished decision of the Federal Tribunal of April 20,
are located. Let us take the example of an advertising slogan used as the distinctive line under the name of an internet insurance company ("your insurance in a few clicks"). If this advertisement is pirated by another business, the

1982, quoted in Trib. sup. Bâle, June 16, 1987, RSPI 273, 278 (1987), which held that the place of the result was located in Switzerland where the plaintiff had his professional activity. See also Dessemontet, supra note 59; Proposal by J.C. Ginsburg and myself with regards to the applicable law, id. at 294, art. 3. However, on the issue of the competent jurisdiction, the E.C.J. holds that under the Brussels Convention the main place of jurisdiction is the plaintiff’s place of business. The jurisdiction of the courts of the place of publication is limited to the local injury. See Fiona Shevill c. Presse Alliance SA, C.-68/93, March 7, 1995, 1995 E.C.R. I-415 et seq.; Antonio Marinari c. Lloyd's Bank plc et Zubaidi Trading Co., C.-364/93, September 19, 1995, 1995 E.C.R. I-2719 et seq. See also François Dessemontet, Internet, les droits de la personnalité et le droit international privé, Medialex 2/1997 77 et seq. See along the same lines, ATF 76 II 112 (circular sent in Switzerland, the habitual residence of the injured party: Swiss law applicable). Contrary to our proposal, the Federal Tribunal held in Physikerzeitschriften, November 1 (1997), p. 600, that in unfair competition, the place of the result is not the place of the potential patrimonial consequences, for example in Zurich where the holding society has its bank accounts. It is the place where the market is affected (in casu United States). [This decision is consistent with ATF 95 III 83, because a contrario the place of the result in Switzerland should have justified Swiss jurisdiction, although neither the torts, nor the parties were related to Switzerland.] See also ATF 125 III 103 commented by B. Dutoit, in Compétence législative et compétence judiciaire en cas d'actes illicites commis sur Internet en droit international privé suisse, in MELANGES RUSCONI 148, (2000).
harm is suffered at the company's headquarters. The law of that country shall determine whether the sentence is distinctive enough to be protected and whether there is some passing off. It will also fix the amount of damages and determine the possibility of an accounting for profits. A centralized adjudication of these claims is preferable to piecemeal, country-by-country litigation.

CONCLUSION

Outlining proposals for the law applicable to internet infringements of intellectual property rights is only the beginning. One simple test cannot lead to correct results in all instances. The closest connection is often to be found through the use of two or more tests, applied in succession.
The reader may refer to former publications developing reasons for our set of tests. These tests, which have been approved by some authors, are not primarily based on the application of the law of the country of receipt. The policy is to favor under private law a workable offer for goods and services and a use of intellectual property rights that can be overseen.

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82 See François Dessemontet, Internet, la propriété intellectuelle et le droit international privé, Internet - Which Court Decides? Which Law Applies? 47-64 (1998), proposing the law of the habitual residence of the injured party as the main point of contact for the patrimonial rights. For moral rights, the point of contact is theoretically the same. However, in practice, it is the place where the author is known. Therefore, an American author living in Switzerland but unknown there will have his patrimonial rights determined by Swiss law. His moral rights, on the other hand, will be determined by American law. See also the proposal made by Jane C. Ginsburg and myself in favor of the law of the habitual residence of the injured party. However, if the application of this law is unpredictable for the tortfeasor the law of uploading should apply. Finally, if neither the law of uploading, nor the law of habitual residence of the injured party is applicable, the law of the habitual residence of the tortfeasor should then apply. See also Dessemontet, supra note 59.
The subsidiary application of the law of the country of receipt is not excluded altogether. It may be applied when a different contact designates the same law, for example because it is a country common to both parties, or because the damage is clearly felt there and only there.

The law of the country of uploading may also offer a very subsidiary test, at least when there is no worldwide dissemination through a “Napster”-type relay, or an uploading over a mobile phone or other mobile devices in a different country.

Finally, in very exceptional circumstances, the defendant’s law should apply as the law of last recourse.

See A. Strowel & J.P. Triaille, Le droit d’auteur, du logiciel au multimédia 386 (Brussels 1997); Lucas, supra note 23 at n° 96-97; Dutoit, supra note at 151-152.
Public policies of the forum shall be preserved under any test, as may be some overreaching foreign policies, in antitrust areas for example. Freedom of information, freedom of research and the freedom of expression, but also the droit moral and the protection of intangible business assets, will give rise to enough conflicts in the years to come for the rules on conflicts of law to thrive; the lex americana will not stifle their development.