
Rita Matulionytė

Law Applicable to Copyright

A Comparison of the
ALI and CLIP Proposals

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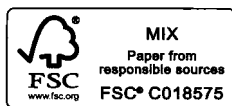
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Abbreviations

AC	Law Reports Appeal Cases (UK)
ALAI	Association littéraire et artistique
All ER	All England Law Reports
Am. J. Comp. L.	American Journal of Comparative Law
art.(s)	article(s)
Aufl.	Auflage (edition)
BASCAP	Business Action to Stop Piracy and Counterfeiting
BGHZ	Entscheidungen des Bundesgerichtshofs in Zivilsachen
BNA	Bureau of National Affairs
Brook. J. Int'l L.	Brooklyn Journal of International Law
BSA	Business Software Alliance
Cardozo L. Rev.	Cardozo Law Review
Ch.	Law Reports Chancery Division since 1980
Chi-Kent L. Rev.	Chicago-Kent Law Review
Cir.	Circuit (USA)
CISAC	International Confederation of Authors and Composers Societies
CLIP	Conflicts of Law and Intellectual Property
CLJ	Cambridge Law Journal
Cornell L. Rev.	Cornell Law Review
C.Ri	Computer und Recht International
ECDR	European Copyright and Design Reports
ECJ	European Court of Justice
ECR	European Court Reports
ed(s).	editor(s)
edn	edition
EIPR	European Intellectual Property Review
EMLR	Entertainment and Media Law Reports
EWCC	England and Wales County Court (UK)
EWHC	England and Wales High Court (UK)
Fed. Comm. LJ	Federal Communications Law Journal

Fordham Intell. Prop. Media & Ent. LJ	Fordham Intellectual Property, Media and Entertainment Law Journal
F. Supp.	Federal Supplement
F.2d	Federal Reporter Second
F.3d	Federal Reporter Third
Gonz. L. Rev.	Gonzaga Law Review
GRUR	Gewerblicher Rechtsschutz und Urheberrecht
GRUR Int.	GRUR Internationaler Teil
GRUR-RR	GRUR Rechtsprechungs Report
IFPI	International Federation of the Phonographic Industry
IIC	International Review of Intellectual Property and Competition Law
Ind. J. Global Legal Stud.	Indiana Journal of Global Legal Studies
Int. J. Law. Info. Tech.	International Journal of Law and Information Technology
Int'l L. Update	International Law Update
Iowa L. Rev.	Iowa Law Review
IPQ	Intellectual Property Quarterly
IPRax	Praxis des Internationalen Privat- und Verfahrensrechts
JBL	Journal of Business Law
J. Copyright Soc'y USA	Journal of Copyright Society of the USA
JCP	Juris-Classeur périodique (La Semaine Juridique)
JDI	Journal de droit international
J. Intell. Prop. L. & Prac.	Journal of Intellectual Property Law and Practice
JurPC	Internet Zeitschrift für Rechtsinformatik
JWIP	Journal of World Intellectual Property
JZ	Juristen Zeitung
LMCLQ	Lloyd's Maritime and Commercial Law Quarterly
LMK	Kommentierte BGH-Rechtsprechung Lindenmaier-Möhring
LQR	Law Quarterly Review
Mich. J. Int'l L.	Michigan Journal of International Law
MMR	MultiMedia und Recht
MN	Minnesota
NCJ Int'l L. & Com. Reg.	North Carolina Journal of International Law and Commercial Regulation

NJW	Neue juristische Wochenschrift
Pub.	Publisher
RabelsZ	Rabels Zeitschrift für ausländisches und internationales Privatrecht
RCDIP	Revue critique de droit international privé
RDP ind.	Revue de droit de la propriété industrielle
RIDA	Revue internationale du droit d'auteur
RPC	Reports of Patent, Design and Trade Mark Cases
Santa Clara Computer & High Tech. LJ	Santa Clara Computer and High Technology Law Journal
S. Ct.	Supreme Court (USA)
Sing. J. Legal Stud.	Singapore Journal of Legal Studies
SJZ	Schweizerische Juristische Zeitung
SSRN	Social Sciences Research Network
Stan. L. & Pol'y Rev.	Stanford Law and Policy Review
Tex. Int'l LJ	Texas International Law Journal
Tul. J. Int'l & Comp. L.	Tulane Journal of International and Comparative Law
U. Ill. JL Tech. & Pol'y	University of Illinois Journal of Law, Technology & Policy
U. Pa. L. Rev.	University of Pennsylvania Law Review
US	United States Reports
USPQ	United States Patents Quarterly
Va. J. Int'l L.	Virginia Journal of International Law
Vand. L. Rev.	Vanderbilt Law Review
WL	Westlaw
WLR	Weekly Law Reports
WRP	Wettbewerb in Recht und Praxis
Zeup	Zeitschrift für Europäisches Privatrecht
ZUM	Zeitschrift für Urheber- und Medienrecht

Preface and acknowledgements

The work has been written as a doctoral dissertation under the supervision of Prof. Dr Thomas Dreier and with support from Max Planck Institute for Intellectual Property, Competition and Tax Law (Munich). It was submitted to the Law Faculty of the Albert Ludwig University of Freiburg at Breisgau in December 2009 and successfully defended in July 2010. Before being submitted for publication, it was updated in order to cover the most important developments up to December 2010. The final CLIP draft, adopted just before the submission of the manuscript to the publisher, has been integrated into the manuscript, with, however, the exception of a newly proposed rule on secondary infringement in article 3:604; the latter would need an additional extensive analysis.

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1. Introduction

A. BACKGROUND

International private law in relation to copyright is becoming increasingly important. Cross-border technologies enable easier and cheaper dissemination of works worldwide, which leads to growing global copyright markets¹ as well as an increase in illegal uses of works, both offline and online.² In order to ensure more efficient protection and dissemination of copyrighted works worldwide, countries have been pursuing international and European Union (EU)-wide harmonisation of substantive copyright law.³ Recently, however, it has become increasingly difficult to reach an international consensus on a substantive law level.⁴ Therefore, the need to

¹ Recent studies show that the contribution of creative industries to the GDP is e.g., in the USA – 11.2%; Korea – 8.67%; Russia – 6.06%; Netherlands – 5.9%; Romania – 5.5%; Canada – 4.5%; Latvia – 4%; Hungary – 6.67%; for other countries and full studies see http://www.wipo.int/ip-development/en/creative_industry/economic_contribution.html (accessed 16 November 2009).

² According to the OECD, up to USD 200 billion of internationally traded products (excluding online) could have been counterfeited or pirated in 2005, see OECD, 2009; according to the IFPI, worldwide online piracy of musical recordings is around 95%, see IFPI, 2006; however, the estimates of market losses due to counterfeiting, as used by US government, have been lately challenged as unsubstantiated, see US Government Accountability Office Report of 12 April 2010 on Intellectual Property: Observations on Efforts to Quantify the Economic Effects of Counterfeit and Pirated Goods, GAO-10-423, available at: <http://www.gao.gov/products/GAO-10-423> (accessed 7 December 2010).

³ See, e.g., Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS Agreement), adopted 15 April 1994, at Marrakech; World Intellectual Property Organization (WIPO) Copyright Treaty and Performances and Phonograms Treaty, both adopted on 20 December 1996, Geneva; Anti-Counterfeiting Trade Agreement (ACTA), concluded on 3 December 2010. On the EU level, there are currently eight directives regulating different copyright-related aspects, with two draft directives pending, the list is available at: http://ec.europa.eu/internal_market/copyright/documents/documents_en.htm#directives (accessed 16 November 2009).

⁴ For examples of negotiations which have not yet led to any consensus see, e.g., WIPO Treaty on the Protection of Broadcasting Organizations, proposed on March 2008; WIPO Basic Proposal for the Substantive Provisions of the Treaty on

harmonise international private law – i.e. rules on jurisdiction, applicable law, recognition and enforcement of judgments – has been realised. In order to ensure more legal certainty in cross-border commerce of copyrighted goods and a better enforcement of rights, both right holders and users should be able to clearly foresee which court would have jurisdiction over the dispute, the law of which country will govern the legal relationship and whether the judgment will be enforceable in other countries.

As far as applicable law to copyright disputes is concerned, historically there was little discussion, legal practice or statutory regulation on this issue. Copyright laws were strictly territorial (binding only in the territory of the state). As a result, courts used to be permitted to adjudicate only infringements of local copyright under local law; therefore, no applicable law rules were needed (i.e. *lex fori* was applied).⁵ This restriction on international jurisdiction over copyright disputes has been in recent decades gradually abandoned,⁶ and several applicable law doctrines were developed.

In most countries, copyright disputes are generally subject to the so called *lex loci protectionis* rule. It subjects the dispute to the law of the country 'for which protection is sought'. *Lex loci protectionis* arguably 'mirrors' the territoriality principle. It is normally derived from the national treatment provision as initially implemented in article 5 of the Berne Convention for the Protection of Literary and Artistic Works (Berne Convention);⁷ the *lex loci protectionis* rule was recently codified in

Intellectual Property in Respect of Databases, proposed on 2–20 December 1996; WIPO Basic Proposal for Administrative and Final Provisions of the International Instrument on the Protection of Audiovisual Performances, proposed on 7–20 December 2000, all available at: <http://www.wipo.int/> (accessed 15 October 2010). As a result, countries have recently demonstrated a preference for non-binding instruments (e.g., Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights in Signs, on the Internet, adopted by the Assembly of the Paris Union for the Protection of Industrial Property and WIPO on 24 September to 3 October 2001 (2001 WIPO Recommendation)); alternatively, additional standards have been negotiated in bilateral or multilateral forums (e.g. bilateral free trade agreements, ACTA).

⁵ See, e.g., Ulmer, 1975, p. 16; for more discussion on international jurisdiction see, e.g., Toraya, 1985.

⁶ In some countries international jurisdiction was recognised already several decades ago (e.g. Germany) whereas other countries are still struggling with this issue (e.g. UK). Cf international jurisdiction over validity of registered rights is still restricted, see, e.g., Heinze/Roffael, 2006.

⁷ Berne Convention for the Protection of Literary and Artistic Works, adopted on 9 September 1886, last amended on 28 September 1979 (Berne Convention); for the national treatment provision with regard to the related rights see art. 2 of International Convention for the Protection of Performers, Producers

the EU Regulation on the law applicable to non-contractual obligations (Rome II).⁸ The result of the *lex loci protectionis* (and territoriality principle) is a so called ‘bundle of rights’ effect – in respect of a single work the right holder has independent copyrights in each country; accordingly, if the work is illegally used in several countries, the infringement should be adjudicated under the law of each country of use independently. An alternative approach – the *lex originis* rule (mirroring a so called ‘universality’ principle) – subjects a work to a single law of the country of origin of the work. Then, the entire cross-border infringement is subject to a single law of the country where the work was first published. Only a few countries subject copyright disputes to the *lex originis* rule (e.g. Greece, Romania). Most controversial is the initial ownership issue: even in countries which generally apply the *lex loci protectionis* rule, initial ownership may be subject either to the *lex loci protectionis* (e.g. Germany, Austria) or to the *lex originis* rule (e.g. France, USA).⁹

Furthermore, with the increasing cross-border dissemination of works, additional theories have been developed – so called ‘emission’, ‘Bogsch’, ‘market effect’ and ‘root-copy’ doctrines. In short, the emission theory suggests that the infringement takes place only in the country where the (broadcasting) signal is emitted and, thus, the law of the country of emission exclusively regulates all cross-border conduct. The Bogsch theory suggests that the infringement could be found in the country where the (broadcasting or Internet) signal was emitted or in the country where the signal was received. For instance, when a work is made available online, the infringement potentially takes place both in the country where the work was uploaded and in all countries where the work can be accessed. Market effect (or targeting) doctrine allows a finding of infringement only in the country whose market has been affected (or targeted). For instance, the website targets a German audience (the work is made available online in German language, the prices are indicated in euros, and the goods could be shipped only to Germany). Then, the right holder can claim infringement only under German law (and not under the laws of any country where the work may merely be accessed). Finally, the US ‘root-copy’ approach allows the courts to award damages in respect of copies made abroad when the initial illegal copy was made in the USA. Although

of Phonograms and Broadcasting Organizations, adopted on 26 October 1961, Rome (Rome Convention).

⁸ Regulation (EC) 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations [2007] OJ L199/40–49 (31 July 2007) (Rome II Regulation); for more, see Ch. 2, B.I. (2) below.

⁹ For more see Ch. 2, B.II. (3) below.

all these doctrines do not belong to the field of the applicable law *sensu stricto*, they play a determinative role when choosing the applicable law.¹⁰

B. PROBLEMS

The main problem in the field of the law applicable to copyright disputes is the applicability of multiple laws in cross-border copyright disputes. When a work is simultaneously reproduced, distributed or broadcasted in several countries, as a result of the *lex loci protectionis* rule (and territoriality principle), the infringement should be prosecuted under the law of each country independently. The situation gets even worse in regard to the infringements occurring online – here, online conduct is potentially subject to the laws of each country worldwide. As a full international or EU-wide harmonisation of copyright laws has not been reached, the identical conduct may be legal in some countries but illegal in others. This makes it complicated for the right-holders to enforce cross-border infringement cases as well as causing legal insecurity for the users acting on a cross-border level.

Furthermore, each of the abovementioned principles, rules and doctrines raises various problems. Although the territoriality principle is said to be the underlying principle of copyright law, it has neither an explicit source nor a unitary concept. All laws are generally territorial; however, copyright laws seem to be subject to a particularly strict territorial approach. The scope of the territoriality principle has been changing and remains undefined. This makes it difficult to determine which practices are compatible with territoriality and to what extent exceptions to it may be allowed. Also, the justification for the application of a strict territoriality principle in copyright cases is floundering, in particular in ever more globalised commerce. The *lex loci protectionis* rule, similar to the territoriality principle, does not have a clear legal source. It is applied to a different extent in different countries and it is not always sufficiently distinguished from other applicable law rules such as *lex fori* or *lex loci delicti (commissi)*. Furthermore, the above mentioned emission, Bogsch, effect, and root-copy doctrines also have no clear legal source; their legal nature is not clear (applicable or substantive law?). Their application is not harmonised worldwide (e.g. root-copy is applied only in the USA; emission theory – only in the EU). Each of them has its own problems in practice, which will be later discussed in more detail.

There have been an increasing number of discussions on these and other

¹⁰ For more about each doctrine see Ch. 2, C below.

related problems in the field of law applicable to copyright in various countries.¹¹ However, no optimal solution has yet been found. Some commentators proposed to solve these problems on a substantive law level, e.g. by creating a single international copyright law.¹² However, this is unlikely to be reached in the near future. Others have suggested eliminating the territorial approach and subjecting multi-state copyright disputes to a single applicable law instead (i.e. applying the universality approach). Here, the main alternatives are the so called *lex originis* rule and the emission/establishment theory. The former suggests applying a single law of the country of origin of the work (most often – the place of first publication) to the whole cross-border dispute,¹³ whereas the latter refers to the single law of the country where the infringing conduct originates (i.e. where the signal is emitted or where the infringer is established).¹⁴ Although the single-law approach solves the multiple-applicable law problem, as will be discussed later, it faces numerous other problems broadly discussed in the doctrine.

Recently, two important international initiatives have emerged in the field – the American Law Institute's *Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes in Intellectual Property*¹⁵ (ALI Principles) and the Proposal by the Max Planck Group on Conflict of Laws in Intellectual Property (CLIP Proposal).¹⁶ They address *inter alia* the law applicable to copyright issues, and try to develop solutions balancing these territorial and universal approaches to copyright.

C. GOAL AND SCOPE

The goal of this study is to analyse and compare problems in the applicable law to copyright infringements in the EU and USA, and to investigate

¹¹ For extensive studies see, e.g., Ulmer, 1975; Eechoud, 2003; Fawcett/Torremans, 1998; Intveen, 1999; Bollacher, 2005; Evert, 2005; Birkmann, 2009; Drexler/Kur, 2005; Luckey, 2002; Nerenz, 2000; Peinze, 2002.

¹² See, e.g., Sterling, 2003, pp. 143–75; Dinwoodie, 2000.

¹³ This rule has been advocated to a different extent in, e.g., Drobing, 1976; Klass, 2007; Regelin, 2000; Evert, 2005; Schack, 2007; Dreyfuss, 2004; Ginsburg, Supranational Code, 2000; see Ch. 3, A.II below.

¹⁴ See Ch. 2, C.II below.

¹⁵ See American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute Publishers, St Paul, MN, 2008).

¹⁶ See Group on Conflict of Laws in Intellectual Property (CLIP), *Principles for Conflict of Laws in Intellectual Property, the (final) Draft*, available at: www.cl-ip.eu (accessed 18 May 2011).

whether and how these problems are solved in the current ALI Principles and the Draft CLIP Proposal.¹⁷ Thereby, it is expected to contribute to the merging of these projects into a single international proposal.

The study is limited to the rules of *applicable law* (or ‘conflicts of law’). However, all fields of international private law are intertwined and influence each other,¹⁸ therefore, the developments in other fields, in particular in jurisdiction, will be referred to where relevant. The research will be focused on the law applicable to *copyright*, which is understood here as including related (or neighbouring) rights unless otherwise indicated in the text.¹⁹ However, the relevant developments in other fields of intellectual property law – in particular trademark law – may be taken into account. Furthermore, only the law applicable to *infringement* and not to licensing will be covered, as the latter may require a separate study. Still, the attention may be drawn to certain issues relating to licensing (e.g. closest connection rule, party autonomy) as far as they are relevant for infringement cases. Although the *initial ownership* issue is more important in licensing than in infringement cases,²⁰ it will be covered in this study as it is one of the most problematic issues of applicable law. However, as the initial ownership issue would require a separate study,²¹ only the main problems in regard to the most important issues (single ownership, co-ownership and initial ownership in an employment relationship) will be discussed. The *transferability* issue, however, will be largely left out as it is barely relevant for infringement cases.²² Although most recent studies on applicable law focus on Internet-specific issues, this study will cover infringements in all types of media (‘traditional’, broadcasting as well as Internet).²³ As will be seen, infringements occurring over different types of media lead to both

¹⁷ Hereinafter, the ALI Principles and the CLIP Proposal together will be referred to as ‘Proposals’ or ‘Projects’.

¹⁸ In common law traditions the jurisdiction, applicable law and enforcement of judgments are often not clearly distinguished in practice.

¹⁹ Accordingly, ‘work’ is meant to also include other protected subject matter (e.g. performances, recordings, cinematographic works, and broadcasts) unless otherwise indicated.

²⁰ The determination of the initial owner is most important when licensing the rights. However, initial ownership may also arise as a preliminary question in infringement procedures.

²¹ For a thorough comparative analysis of initial ownership issue in the USA, Germany and France see Birkmann, 2009.

²² Like initial ownership, the transferability issue can be raised as a preliminary question in infringement cases. However, most countries subject the transferability issue to *lex loci protectionis*, therefore, it raises fewer discussions in the doctrine.

²³ For a distinction between the types of media see Ch. 1, D.