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THE TERRITORIALITY OF INTELLECTUAL PROPERTY  
INFRINGEMENT ACTIONS

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*This paper addresses the circumstances in which New Zealand courts may exercise jurisdiction over actions concerning the infringement of foreign intellectual property rights at private international law. The conventional view strictly localises such claims within the foreign territory in which infringement occurs, denying jurisdiction to domestic courts. This exclusionary position superficially contrasts with the intangible and ubiquitous nature of intellectual property rights, and the resulting potency of transnational transactions. The aim of this paper is to provide a critical analysis of the assumed province of jurisdiction, which is influenced by an array of incongruous common law rules. Notions of sovereignty, expense and complexity, and uncertainty of enforcement variously influence the jurisdictional prohibition. The resulting exclusionary rule, in focusing on confined interests, produces anomalies. This paper concludes that the rigid jurisdictional prohibition serves only to obscure core interests, which can be better accommodated within a pragmatic and reflective approach, incorporating general principles of private international law.*

The text of this paper (excluding contents page, footnotes, bibliography and annexures) comprises approximately 15 500 words.



## I INTRODUCTION

Unless they are applied in recognition of the changes brought about by technological and economic progress, jurisdictional concepts which may have been reasonable enough in a simpler economy lose their relation to reality, and injustice rather than justice is promoted.<sup>1</sup>

The ability of domestic courts to hear and determine cases concerning the infringement of foreign intellectual property rights has been regulated by a mixture of common law rules. Intellectual property rights are considered strictly territorial, with the result that claims are localised to the jurisdiction in which infringement occurs. Concerns over the convenience and practicality of foreign intellectual property litigation, and the apparent intrusion upon national sovereignty, have led the judiciary to employ antiquated categorisations to deny jurisdiction over such claims. Intellectual property rights are perceived as a primary emanation of sovereign authority, having "profound effects on a country's economy and social fabric...the rights and obligations are matters of social policy to be determined by the proper legislative and executive processes".<sup>2</sup>

The sole New Zealand authority, the High Court decision in *Atkinson Footwear Ltd v Hodgskin International Services Ltd and Another*,<sup>3</sup> refused to extend the ambit of an injunction restraining the importation of infringing goods into New Zealand by the defendant New Zealand company. Tipping J exercised "considerable caution"<sup>4</sup> in determining that jurisdictional and general principles precluded

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<sup>1</sup> D Wille "Personal Jurisdiction over Aliens in Patent Infringement Actions: A Uniform Approach Toward the Situs of the Tort" (1991) 90 Mich L Rev 658, 658.

<sup>2</sup> R Arnold "Can One Sue in England for Infringement of Foreign Intellectual Property Rights?" [1990] 7 EIPR 254, 258.

<sup>3</sup> (1994) 31 IPR 186.

<sup>4</sup> Above n 3, 191.



granting an injunction concerning the importation by the defendant of identical goods, allegedly infringing Australian copyright, into Australia. Therefore, while, in general, New Zealand courts have jurisdiction in personam over any person validly served and may grant an injunction to compel or restrain an act to be performed overseas,<sup>5</sup> there is no jurisdiction to hear a claim based on the infringement of foreign intellectual property rights.

The intangible nature of intellectual property rights enhances the prospect of transnational claims, especially with regard to expanding dissemination capabilities. Proceedings may be commenced in foreign fora due to the acute desire to pursue defendants' assets in such cases of economic injury, and factors such as cost, convenience and possible remedies.<sup>6</sup> However, notions of sovereignty, expense and complexity, intrusions upon local administrations and uncertainty of enforcement, variously influence the exclusion of jurisdiction.<sup>7</sup>

In circumstances of "multiple acts of infringement occurring in a plurality of states",<sup>8</sup> markets may become fragmented and enforcement inefficient due to the exclusion of foreign claims in domestic courts. The prohibitive expense and replicated employment of resources arising from discrete national actions

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<sup>5</sup> See L Collins (ed) *Dicey and Morris on the Conflict of Laws* (12 ed, Stevens, London, 1993); D North and JJ Fawcett *Cheshire and North's Private International Law* (11 ed, Butterworths, London, 1987); PE Nygh *Conflict of Laws in Australia* (5 ed, Butterworths, Sydney, 1991); EI Sykes and MC Pryles *Australian Private International Law* (3 ed, Law Book Co, Sydney 1991).

<sup>6</sup> See WR Cornish "Intellectual Property Infringement and Private International Law: changing the common law approach" [1996] GRUR Int 285.

<sup>7</sup> See Note "Jurisdiction Over Foreign Patent Claims" (1967) 66 Mich L Rev 358.

<sup>8</sup> AG Kirios "Territoriality and International Copyright Infringement Actions" (1977) 22 Copyright Law Symposium (ASCAP) 53, 54.



potentially creates a "disorderly array of judgments...[leading] to a patchwork of open and closed markets around the world".<sup>9</sup>

This paper attempts an exposition of the current jurisdictional prohibition, and associated concerns, in relation to the infringement of foreign intellectual property rights. The technical and substantive basis for jurisdictional determinants, and the peculiar impediment raised by the tort double actionability rule, are considered. The increasing ascendancy of tortious relations in the conception of intellectual property laws is assessed to the extent that it renders paradigm property characterisations problematic.

## II CONFLICT OF LAWS

The doctrinal category of private international law, or the conflict of laws,<sup>10</sup> consists of the body of national laws which regulate, in the domestic sphere, the determination of proceedings that evince a legally relevant foreign element. A legally relevant foreign element is constituted by material contact with a foreign legal system, whether through, for example, the accrual of an obligation or merely the domicile of a party to the proceedings. Private international law embodies rules which establish the appropriate scope of the jurisdiction of domestic courts over litigation that involves multiple legal systems.<sup>11</sup> Properly delineated, the methodology of the field consists of the procedural rules as to jurisdiction, the referential rules which indicate the substantive law to be applied, and the

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<sup>9</sup> JR Thomas "Litigation Beyond the Technological Frontier: Comparative Approaches to Multinational Patent Enforcement" (1996) 27 *Law & Pol'y Int'l Bus* 277, 291.

<sup>10</sup> While both phrases are interchangeable, this study will adopt the former.

<sup>11</sup> In federal systems inter-state determinations provide another ground for private international law.



recognition and enforcement of foreign judgments.<sup>12</sup> The tripartite structure of analysis manifests the strained juridical separation of the suitability and province of judicial rulings, and discernment of the governing law.

While it "has not been easy for the conflict of laws to adapt itself to the changes in social and commercial life",<sup>13</sup> the breach has been enhanced by the linkage to territoriality. Dissolving "spatial and temporal barriers"<sup>14</sup> have accentuated the scope and consequence of the subject.<sup>15</sup>

While modern facilities of communication accelerate the spread of culture and thus augment the need of uniformity in the laws affecting commerce, they also reveal the significance of local needs, customs, and legal institutions. Indeed, it would seem that multiplication of jurisdictions and progressive diversification of laws in both space and subject matter is an unavoidable concomitant of increasing specialization in the international, interstate, or local economy...Meanwhile, determination of the competent court and the appropriate law in the juridical conflicts arising in the course of commerce is requisite.

The jurisprudential foundations of private international law, while logically embedded within the framework of international relations, remain somewhat obscured by the field's comparatively recent development.<sup>16</sup> The nature of foreign concerns encompassed by private international law lead to the initial elaboration of comity, the reciprocal courtesy between sovereigns, as the basis for interaction between disparate territorial legal units.<sup>17</sup> The doctrinal assumption,

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<sup>12</sup> See above n 5.

<sup>13</sup> L Collins (ed) *Dicey and Morris on the Conflict of Laws* (12 ed, Stevens, London, 1993) 7.

<sup>14</sup> K Aoki "(Intellectual) Property and Sovereignty: Notes Toward a Cultural Geography of Authorship" (1996) 48 *StanLRev* 1293, 1346.

<sup>15</sup> M Hancock *Torts in the Conflict of Laws* (Callaghan and Company, Chicago, 1942) vii.

<sup>16</sup> See above n 5.

<sup>17</sup> See above n 5.



however, has been discredited as an explanatory schema due to its apparent susceptibility to fluctuations in foreign relations. A more definite foundation, the expectations of the parties and the interests of justice, incorporates aspects of comity within a more introspective viewpoint: "[a]ll symbols ascribe [the] relationship of the individual to the group from which legal competences flow".<sup>18</sup>

The association of private international law with the promotion of forum policy, through the facilitation and maintenance of legal transactions across national borders, is apparent through its inclusion in national, rather than supranational, bodies of laws. However, "neither idealistic internationalism nor nationalistic positivism is an adequate basis of theory".<sup>19</sup> Although "[t]he main justification for the conflict of laws is that it implements the reasonable and legitimate expectations of the parties to a transaction or an occurrence",<sup>20</sup> an instructive approach incorporates a myriad of such determinants:<sup>21</sup>

In all proceedings involving a foreign element, courts are exercised by varying desires: to procure an efficacious result; to impose no undue burden on a defendant; to avoid interference with the autonomy of another state. Private international rules evolve which seek to balance these very different considerations.

The conceived methodological structure of private international law appears to reflect general jurisprudential trends, and the fixation of legal status within territorial bounds. Attempts to deduce a priori principles, parallel to positivist assertions of systemic order within existing rules, are commonly based on an

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<sup>18</sup> KD Nunes "'We Can Do ... Better': Rights of Singular Peoples and the United Nations Draft Declaration on the 'Rights Of Indigenous Peoples'" (1995) 7 St Thomas LR 521, 541.

<sup>19</sup> Above n 15, xiii.

<sup>20</sup> Above n 13, 5.

<sup>21</sup> Above n 6, 285.



expanded notion of territoriality. The contemporaneous prominence of the sovereign state with the development of such theories suggests the normative primacy of territorial segmentation. However, the rules of private international law do not necessarily "follow from the nature of sovereignty nor from any self-evident theory of territoriality".<sup>22</sup> The "common law has not hidden in its bosom a logical set of rules which can be derived from its notion of territoriality",<sup>23</sup> and there remains a need to explicate the principles of territoriality which pervade current legal structures.

#### A Jurisdiction

Absent specific qualifications, New Zealand courts are generally entitled to exercise jurisdiction in personam, that is, are vested with personal jurisdiction, over defendants who have been validly served or have submitted to their jurisdiction.<sup>24</sup> Service can be validly effected in civil proceedings locally, when the defendant is merely present within New Zealand, and overseas, according to the High Court Rules. Service overseas may be effected either without leave of the court, when the parties or the cause of action have a modest connection with New Zealand,<sup>25</sup> or, under rule 220, with leave of the court if, in its discretion, it considers New Zealand forum conveniens.<sup>26</sup> The doctrine of forum conveniens,

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<sup>22</sup> E Lorenzen "Territoriality, Public Policy and the Conflict of Laws" [1923-24] 33 Yale LJ 736, 744.

<sup>23</sup> Above n 22, 745.

<sup>24</sup> See DA Goddard "Conflict of Laws: The International Element in Commerce and Litigation" (NZLS, Wellington, 1991); J Fawcett (ed) *Declining Jurisdiction in Private International Law: Reports to the XIVth Congress of the International Academy of Comparative Law* (Clarendon Press, Athens, 1994).

<sup>25</sup> Rule 219 HCR; above n 24.

<sup>26</sup> See *Oilseed Products (NZ) Ltd v H E Burton Ltd* (1987) 1 PRNZ 313; *Society of Lloyd's & Oxford Members' Agency Ltd v Hyslop* [1993] 3 NZLR 135; above n 24.



as discussed below, provides that a New Zealand court is competent to adjudicate proceedings where it is an appropriate forum, in the interests of all parties and the ends of justice.<sup>27</sup>

A protest to the jurisdiction of a New Zealand court can be affected by a defendant under rule 131. If the court is satisfied that it possesses no jurisdiction, due to a breach of the above principles, it must dismiss the proceedings.<sup>28</sup> In instances where the proceedings were served outside the jurisdiction, the grounds for protest include an assertion that none of the elements under the respective High Court Rule were satisfied, or that the pleadings disclose "no good arguable case".<sup>29</sup> Additionally, where service was effected overseas under rule 219, the court may exercise its residual discretion to set aside service, such as when the New Zealand is considered *forum non conveniens*.<sup>30</sup>

A New Zealand court vested with jurisdiction may decline to exercise it, and grant a stay of proceedings: "courts have an inherent jurisdiction, preserved by statute, to regulate their own processes in the interests of justice".<sup>31</sup> In assessing the discretionary considerations, such as whether the proceedings are vexatious,

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<sup>27</sup> See *Spiliada Maritime Corp v Cansulex Ltd* [1987] 1 AC 460; *MacConnell Dowell Constructors Ltd v Lloyd's Syndicate* 396 [1988] 2 NZLR 257; *Club Mediterranee NZ v Wendel* [1989] 1 NZLR 216; above n 24.

<sup>28</sup> R131(4)(a) HCR.

<sup>29</sup> J Fawcett (ed) *Declining Jurisdiction in Private International Law: Reports to the XIVth Congress of the International Academy of Comparative Law* (Clarendon Press, Athens, 1994) 346; see *Society of Lloyd's & Oxford Members' Agency Ltd v Hyslop* [1993] 3 NZLR 135.

<sup>30</sup> *Forum non conveniens*, as discussed below, essentially involves the same considerations as *forum conveniens*, but from a contrary perspective. See above n 24; *Kuwait Asia Bank EC v National Mutual Life Nominees Ltd* [1990] 1 AC 187 (PC); *Equiticorp Industries Group Ltd v Hawkins* [1991] 3 NZLR 700; *Longbeach Holdings Ltd v Bhanabhai & Co Ltd* [1994] 2 NZLR 28.

<sup>31</sup> J Fawcett (ed) *Declining Jurisdiction in Private International Law: Reports to the XIVth Congress of the International Academy of Comparative Law* (Clarendon Press, Athens, 1994) 356.



oppressive or otherwise forum non conveniens, the court will have regard to all relevant factors in arriving at a global assessment.

### III TERRITORIALITY

The principle of territoriality [has been] a vital force in the evolution of intellectual property rights. Territoriality is indeed a factor both complex and crucial in linking law to the economic policies which underlie it.<sup>32</sup>

The "historically developed fact"<sup>33</sup> of territoriality, as discussed above, pervades legal institutions and narratives. Territoriality, "so uncertain in outline",<sup>34</sup> acts inconstantly to locate legal manifestations within the "segmentary lineages"<sup>35</sup> of sovereign states. Intellectual property regimes are premised on the "deeply embedded and largely unarticulated"<sup>36</sup> assumptions concerning sovereignty and property, the locus of which is territoriality:<sup>37</sup>

...the principle of territoriality is negated by its total ambiguity. It would be very interesting, but very difficult, to draw up a full list of all the definitions of the concept of territoriality and their variations.

The intangible nature of intellectual property, which "is more than great mobility, it is genuine ubiquity",<sup>38</sup> facilitates international movement, and

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<sup>32</sup> Above n 6, 285.

<sup>33</sup> G Boytha "Some Private International Law Aspects of the Protection of Authors' Rights" [1988] ICC Studies 399, 399.

<sup>34</sup> *Deutsche Grammophon Gesellschaft mbH v Metro-SB-Grossmarkte GmbH & Co KG* [1971] CMLR 631, ECR 487, 507.

<sup>35</sup> PH Brietzke "Self-Determination, or Jurisprudential Confusion: Exacerbating Political Conflict" (1995) 14 WisILJ 69, 91.

<sup>36</sup> Above n 14, 1314.

<sup>37</sup> G Koumantos "Private International Law and the Berne Convention" [1988] ICC Studies 415, 417.

<sup>38</sup> Above n 37, 415.



implicates private international law considerations. The points of attachment, which subscribe the territorial "centre of gravity" of legal rights, are manifold in relation to intellectual property. The "amplification" of private international law dimensions is witnessed by the various connecting factors which may arise in relation to intellectual property, such as links to the creator or place of the work, site of infringement, and law of the contract. Such factors, including the principle of territoriality itself, are susceptible to increasing distortion with the intensifying advances in telecommunications technology. Territoriality does not of itself lead to the invariant formulation of private international law maxims, but works to advance particular socio-political interests:<sup>39</sup>

...considerations of expediency lead to the formulation of more or less arbitrary principles on the basis of which solutions are reached, as if these principles could take the place of rules of positive law. The most characteristic example of the establishment and use of such a principle is the so-called "principle of territoriality".

The "most coherent"<sup>40</sup> interpretation of territoriality in relation to intellectual property restricts the ambit of such laws strictly to the territory from which they derive. Liable to "confused and superficial use",<sup>41</sup> the principle can be reduced to several core implications. The substance and extent of rights are determined by national laws, independent from equivalent rights in different jurisdictions, and protection is limited to the territory of the granting sovereign.<sup>42</sup> In *Deutsche Grammophon Gesellschaft mbH v Metro-Sb-Großmärkte GmbH & Co KG*<sup>43</sup> the European Court of Justice considered it doubtful whether the principle of

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<sup>39</sup> Above n 37, 417.

<sup>40</sup> Above n 37, 417.

<sup>41</sup> F Beier "Territoriality of Trademark Law and International Trade" (1970) 1 IIC 48, 58.

<sup>42</sup> See WR Cornish *Intellectual Property: patents, copyright, trademarks, and allied rights* (3 ed, Sweet and Maxwell, London, 1996); above n 41.

<sup>43</sup> Above n 34.



territoriality, "an ambiguous concept the contours of which cannot be discerned with absolute clarity, and on which there is clearly no unanimity",<sup>44</sup> formed part of the substance and essence of intellectual property rights. The identification of the "building blocks"<sup>45</sup> of international intellectual property rights as territorial reflects the principle's functional dynamic as the basis for constructing international protection, conditional on uniform substantive protection.

In tracing the historical origins of intellectual property, the governance of the principle of territoriality is argued to have arisen as a necessary consequence from the conferment of such rights through the sovereign's administrative grant of an individual privilege or monopoly.<sup>46</sup> While the segmentation of nationally bound intellectual property rights, to the extent that the extraterritorial application of such law is denied, is "really no more than a necessary reflection of the territorial limit to the sovereignty of the State concerned",<sup>47</sup> the principle of territoriality perverts further principles of private international law:<sup>48</sup>

The territorial limits of the recognition of an authors rights are, in ultimate analysis, the necessary consequence of the legal fact that no law vesting exclusive rights in authors has extraterritorial operation. This phenomenon, however, is not a special feature of the law on authors' rights. Thus, it cannot, in itself, justify the historically developed refusal of the protection of foreign authors' rights.

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<sup>44</sup> Above n 34, 506.

<sup>45</sup> P Geller "New Dynamics in International Copyright" (1992) 16 Colum VLA J Law & Arts 461, 462.

<sup>46</sup> See above n 33; above n 37.

<sup>47</sup> WA Copinger, EP Skone James, JF Mummery and JE James *Copinger and Skone James on Copyright* (Sweet & Maxwell, London, 1991).

<sup>48</sup> Above n 33, 400.



### A *International Conventions*

The various and proliferating international conventions concerning intellectual property rights are generally perceived as constructing a global and uniform network of protection. However, such agreements centralise the territoriality of intellectual property rights and its corollary, the national treatment principle,<sup>49</sup> which admits that "the widest extension of the independent power of the State in relation to foreigners could lead to total rightlessness of foreigners".<sup>50</sup>

The national treatment principle, enshrining the *lex loci protectionis*,<sup>51</sup> is a component of formal, rather than material,<sup>52</sup> reciprocity concerning the status of foreigners.<sup>53</sup> The protection of contracting states is extended, concomitant with that afforded to nationals, to persons who are variously connected with foreign contracting parties. This may be on the basis of first publication, nationality, or certain other prescribed relations.<sup>54</sup>

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<sup>49</sup> The national treatment principle is alternatively referred to as the principle of assimilation. See above n 8.

<sup>50</sup> F C Savigny *System des heutigen Römischen Rechts* (vol 8, 1849) 24-45 in above n 33, 401.

<sup>51</sup> The *lex loci protectionis* can be defined as the law of the protecting country.

<sup>52</sup> Formal reciprocity is a characteristic feature of every international treaty, and follows from fact that member states mutually grant each other national treatment and minimum protection. Material reciprocity grants protection only under the condition or within the limits of protection in the country of origin. See "GATT or WIPO? New ways in the international protection of IP" F-K Beier and G Schricker (ed) 11 IIC Studies (Max Planck Institute for Foreign and International Patent, Copyright, and Competition Law, Munich, Cambridge, 1989).

<sup>53</sup> For example, article 5(1) of the Berne Convention states "[a]uthors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective laws do now or may hereafter grant to their nationals, as well as the rights specifically granted by this Convention. Article 5(2) states "...apart from the provisions 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 exclusively by the laws of the country of protection is claimed".

<sup>54</sup> The national treatment principle is subject to certain extensions, the ability to claim certain minimum rights regardless of national legislation, and limitations, in relation to the comparison



Given the "peculiar character of obligations", the ascription of a spatial locus to such "invisible realities" on the basis of the "perceivable appearances of their natural development", favoured the unilateral application of the law of the protecting country.<sup>55</sup> The international recognition of intellectual property rights was, therefore, distanced from notions of comity and the universalist aspirations of the personal statute theory,<sup>56</sup> which was prominent in early bilateral treaties. The theory sought the application of domestic legal "capacity and conditions",<sup>57</sup> determined by either nationality or the country of first publication, in foreign jurisdictions. The "practical impossibility of applying the wishful requirement of universal extraterritorial operation"<sup>58</sup> of the rights granted by the enacting state, thus secured the ascendancy of the national treatment principle.

Therefore, despite contrary interpretation,<sup>59</sup> in private international law terms the "acquisition, scope and termination of [intellectual property] rights are...assessed in accordance with the law of the state for whose territory protection is claimed".<sup>60</sup>

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of terms. See E Ulmer *Intellectual Property Rights and the Conflict of Laws* (Kluwer, The Netherlands, 1978).

<sup>55</sup> Above n 33, 403.

<sup>56</sup> Personal statutes, the laws governing the status, legal capacity and conditions of a person domiciled within the jurisdiction of the enacting sovereign, are argued to remain applicable under the jurisdiction of a foreign sovereign. See above n 33.

<sup>57</sup> Above n 33, 402.

<sup>58</sup> Above n 33, 406.

<sup>59</sup> See above 37.

<sup>60</sup> See E Ulmer *Intellectual Property Rights and the Conflict of Laws* (Kluwer, The Netherlands, 1978) 2. The phrase "law of the country where protection is claimed" is ambiguous as it could refer either to the *lex fori*, the country where legal proceedings are conducted, or the *lex loci protectionis*. The latter interpretation, consistent with the overall interpretation of the conventions, prevails. See above 33.



The national treatment principle does not, however, establish a comprehensive system of private international law.<sup>61</sup> The international conventions manifest an "empiric and fragmentary approach",<sup>62</sup> to the extent that they were "established to secure primordially a comprehensive legal system of lawful uses of works and not in order to regulate enforcement of rights per se".<sup>63</sup> National treatment facilitates the practical acquisition of disparate intellectual property rights under the independent scope of protection afforded by the enacting country. The enforcement of such rights, however, is left to the variable nature of private international law principles:<sup>64</sup>

From the point of view of private international law it certainly seems consistent to expand the rule which may be derived from the conventions into a complete rule of conflict of laws whereby protection of intellectual property rights, irrespective of the country in which the action is brought, is to be governed by the law of the country in whose territory the act of infringement took place. The question is, however, whether for the jurisdiction of the courts the general rules of procedural law are determinative, or whether, in the case of intellectual property rights, a limitation of international jurisdiction must be accepted in the sense that legal protection may be claimed only before national courts on the basis of the national copyright or industrial property right. Such a limitation of international jurisdiction has been accepted in the past, usually with reference to the principle of territoriality. More recent legal developments, however, make this limitation appear outdated.

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<sup>61</sup> See E Ulmer *Intellectual Property Rights and the Conflict of Laws* (Kluwer, The Netherlands, 1978); above n 37.

<sup>62</sup> Above n 37, 419.

<sup>63</sup> Above 33, 410.

<sup>64</sup> See E Ulmer *Intellectual Property Rights and the Conflict of Laws* (Kluwer, The Netherlands, 1978) 10.



#### IV ENFORCEMENT OF FOREIGN INTELLECTUAL PROPERTY RIGHTS

The prevalent opinion, which has subsequently been variously eroded in certain jurisdictions,<sup>65</sup> was that proceedings for infringement of intellectual property rights were confined to the jurisdiction in which the infringing actions occurred. This particular emanation of the "persistent territoriality of [intellectual property] rights"<sup>66</sup> has consistently impeded the international enforcement of such rights. Rights which are considered so fundamental to the economic and social fabric of nations that their enforcement is abandoned to sporadic and isolated measures.

##### A *Nature and Situs of Property*

The incorporeal nature of intellectual property rights, not spatially determinative, suggests it to be "impossible to use the criterion of situation in a given place"<sup>67</sup> to locate such property for the purposes of applying connecting factors prescribed by private international law:<sup>68</sup>

...as distinct from the operation of the *lex rei sitae*, which is determining for the law relating to tangible property, intellectual property is not situated in a given country, but in all places where an act of exploitation is undertaken or is in question. In the individual case, however, the place of the act of exploitation appears at the same time to be the place in which the right is situated.

<sup>65</sup> The courts of the Netherlands and Germany have assumed limited jurisdiction over intellectual property infringement actions. See JJ Brinkhof "Could the President of the District Court of The Hague Take Measures Concerning the Infringement of Foreign Patents?" (1994) 8 EIPR 360.

<sup>66</sup> Above n 33, 400.

<sup>67</sup> Above n 64, 7.

<sup>68</sup> Above n 64, 8-9.



Generally, questions concerning proprietary rights in private international law are divided between the classifications of moveable and immoveable property. The characterisation, unknown at domestic common law, is undertaken to relate rights in property to a specific legal system and determine the governing substantive law. The incorporeal nature of intellectual property rights, constituting choses in action, may arguably, consistent with corporeal property, be characterised in conformity with the object of such rights:<sup>69</sup>

In reality, the distinction between movables and immovables is not appropriate to these intangible things, since a thing which cannot be touched obviously cannot be moved. Logically, therefore, things should be classified as being (1) tangible things, which may be either (a) movable or (b) immovable, and (2) intangible things.

The "linguistic solecism"<sup>70</sup> employed to define intangibles reflects a "false analogy",<sup>71</sup> made to engage a convenient rule which subscribes the application of the competent law. However, the observable attributes of the objects of property rights remain distinct from the core "bundle of rights" which regulate legal relations and constitute the legal classification of property. Therefore, the characterisation of property logically extends to the complex matrix of relationships which underlie such rights:<sup>72</sup>

To say of a tangible thing that it is movable or immovable may mean solely that it can or cannot be moved from one place to another. This natural, extra-judicial distinction is everywhere the starting-point for the legal distinction. But only the starting-point. Legal technique applied to the economic relationship of things may in some cases make it necessary to treat as immovables things which are in actual fact movable.

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<sup>69</sup> Above n 13, 902-903.

<sup>70</sup> D North and JJ Fawcett *Cheshire and North's Private International Law* (11 ed, Butterworths, London, 1987) 782-783.

<sup>71</sup> Above n 70, 783.

<sup>72</sup> M Woolf *Private International Law* (2 ed, Clarendon Press, Oxford, 1950) 502.



Intellectual property rights have generally been classified as immovable property on the basis that ascription of the situs<sup>73</sup> necessarily circumscribes jurisdictional venue. The categorisation serves to bring intellectual property rights within a fundamental tenet of private international law, namely, that domestic courts have no jurisdiction to hear claims concerning torts affecting, or possession or title to, foreign immovables.<sup>74</sup> The classification, while venerable, has been logically questioned, and even denied.<sup>75</sup> The characterisation, however, is not made on the grounds of perceivable qualities, but is engaged to confine proceedings for the infringement of intellectual property rights to strictly local actions.

### B *Immovable Property*

The orthodox jurisdictional consequences of the classification of property as immovable are commonly, but somewhat imprecisely,<sup>76</sup> termed the *Moçambique* rule, after the House of Lords decision which elucidated the basis of the characterisation. Dicey and Morris conveniently state the private international jurisdictional prohibition, derived from an antiquated and variant line of authority, in the following terms:<sup>77</sup>

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<sup>73</sup> The *lex situs* can be defined as the law of the country in which the property is situated.

<sup>74</sup> See for example above n 13.

<sup>75</sup> See above n 13.

<sup>76</sup> The *Moçambique* case concerned a claim for the recovery of damages for trespass, the second limb of the rule. Although the dicta of the case is broad enough to encompass the first limb, the authority for this can be traced to *Doulson v Mathews* (1792) 4 TR 503. See above n 31.

<sup>77</sup> L Collins (ed) *Dicey and Morris on the Conflict of Laws* (9 ed, Sweet and Maxwell, London, 1973) 516.



...the court has no jurisdiction to entertain an action for (1) the determination of the title to, or the right to the possession of, any immovable situate out of England (foreign land); or (2) the recovery of damages for trespass to such immovable.

In *British South Africa Co v Companhia de Moçambique*<sup>78</sup> the claim, originally formulated as an action for the recovery of the plaintiff's mine in South Africa, was abridged in the House of Lords to the recovery of damages for the trespass. Lord Herschell LC distinguished between transitory and local actions, the above claims concerning immovables constituting the latter, as those in which the "facts relied on as the foundation of the plaintiff's case have no necessary connection with a particular locality and those in which there is such a connection".<sup>79</sup> The historically elaborated justification for confining local actions to the jurisdiction in which they arose, that only juries from the local county were cognisant of local circumstances, was held not to rest "merely on [a] technical difficulty".<sup>80</sup> The archaic procedural aspect of rule was contrasted with the substantive grounds on which the "nature of the matters involved"<sup>81</sup> were characterised as local. The "substantial and not technical"<sup>82</sup> grounds for the rule were not, however, definitively articulated by their Lordships, whose reasoning paralleled the entrenched position adopted in earlier authorities:<sup>83</sup>

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<sup>78</sup> [1893] AC 602.

<sup>79</sup> Above n 78, 618.

<sup>80</sup> Above n 78, 621. The distinction between local and transitory actions has been argued to be inapplicable on the basis that it was developed to determine venue within the territory, not to ascertain whether a court had cognisance over matters, see AK Kuhn "Local and Transitory Actions in Private International Law" (1918) 66 U Pa L Rev 301, 303.

<sup>81</sup> Above n 78, 619.

<sup>82</sup> Above n 78, 629.

<sup>83</sup> *Doulson v Mathews* (1792) 4 TR 503. The explanation of the rule given by Marshall CJ was similar: "I have not yet discerned a reason, other than a technical one, which can satisfy my judgment. If, however, this technical distinction be firmly established, if all other judges respect it, I cannot venture to disregard it", *Livingston v Jefferson* 15 Fed Cas 660.



It is now too late for us to inquire whether it were wise or politic to make a distinction between transitory and local actions: it is sufficient for the Courts that the law has settled the distinction...

The rationale for the rule, beyond the fact that it "undoubtedly existed for centuries without any evidence of serious mischief or any intervention of the legislature",<sup>84</sup> implicates international law, through adjudication on the prerogative grant of the sovereign, and considerations of enforceability.<sup>85</sup> Lord Herschell LC declined to proceed in personam,<sup>86</sup> through an award of damages, citing the unconstrained potential for a defendant to seek additional recompense in the jurisdiction where the immovable is situated. However, the reasoning assumes that the judgement would fail to be recognised in the foreign jurisdiction, such as in an "unsettled country, with no laws or regular system of government",<sup>87</sup> and may arguably be limited to actions in which re-possession is sought.

The uncertain ambit of the rule is reflected in the array of exceptions, which appear wider in scope than the initial rule, that have subsequently been established.<sup>88</sup> Controversy over the extent of the dictum, stated in the "broadest

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<sup>84</sup> Above n 78, 620.

<sup>85</sup> This is stated to be consistent with the general private international law principle, that a court will not act where it cannot grant an effective remedy. See above n 13.

<sup>86</sup> This is the rationale behind the equitable exception to the rule, that a court will not decline to order a conveyance of foreign immovable property based on in personam jurisdiction. See PB Carter "Decisions of British Courts During 1978" (1978) 49 BYIL 286.

<sup>87</sup> Above n 78, 622.

<sup>88</sup> The formulation of the exceptions, according to Byrne J, extend beyond the distinction between transitory and local actions. See *Dagi and Ors v The Broken Hill Pty Co Ltd and Anor*; *Shackles and Anor v The Broken Hill Pty Co Ltd and Anor*; *Ambetu and Ors v The Broken Hill Pty Co Ltd and Anor*; *Maun and Ors v The Broken Hill Pty Co Ltd and Anor* [1995] VIC LEXIS 1495.



and most general terms",<sup>89</sup> has concerned the difficulty of the relationship between the question of title or possession to foreign land and the cause of action stated.<sup>90</sup> The delineation of actions founded on title to immovable property, and thus precluded, and actions in which it "may become necessary incidentally to investigate and determine...title"<sup>91</sup> appears arbitrary and precarious. Additionally, the trespass limb of the rule has radiated out to encompass general tortious actions, regardless of whether title to the immovable is in dispute.<sup>92</sup>

The focus on the nature of property as immovable in the above formulation of the distinction between transitory and local actions "merely seeks to express in an accessible form the effect of that unfamiliar distinction".<sup>93</sup> Therefore, arguably the primary consideration is not the determination of the indicia of immovable property, which constitutes an incidental label, but the circumstances in which a cause of action so concerns sovereign autonomy as to be consequently local.

The rule, "difficult to justify except on historical grounds, and neither logical nor satisfactory in the result",<sup>94</sup> was reconsidered, to the extent it related to torts, by the House of Lords in *Hesperides Hotels Ltd and another v Muftizade*.<sup>95</sup> The action concerned a claim for an injunction and damages in respect of an alleged

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<sup>89</sup> *Hesperides Hotels Ltd and another v Muftizade* [1979] AC 508, [1978] 2 All ER 1168, [1978] 3 WLR 378, 142 JP 541.

<sup>90</sup> See above n 86; above n 88.

<sup>91</sup> Above n 78, 621.

<sup>92</sup> See above n 89.

<sup>93</sup> Above n 89, 36.

<sup>94</sup> DA Goddard "Conflict of Laws: The International Element in Commerce and Litigation" (NZLS, Wellington, 1991) 79.

<sup>95</sup> Above n 89.



conspiracy to commit trespass to Greek Cypriot hotels. Lord Fraser stated that neither of the common justifications for the rule, ineffectiveness and comity, were "wholly convincing"<sup>96</sup> in light of the enlarged scope of personal jurisdiction: "[t]he effectiveness of the award has nothing to do with the ground on which it was made".<sup>97</sup> His Lordship expressed a desire, if unconstrained by authority, to allow jurisdiction over trespass actions when title and possession were not an issue. However, their Lordships concluded that such an issue, involving "political questions of some delicacy, does not favour revision...by judicial decision".<sup>98</sup> Such a conclusion is unsurprising given the contemporaneous civil unrest in Northern Cyprus, which best approximates Lord Herschell LC's enforcement concerns in relation to unsettled countries. Further, the uncertain repercussions of such a significant change in the law, including the increased potential for forum-shopping and reliance on forum conveniens, and the ubiquitous observance of the rule, mitigated against its abrogation.

The courts failure to moderate the tort aspect of the rule, which is "illogical and potentially productive of injustice",<sup>99</sup> has been criticised as involving "considerations other than any intrinsic merits of the rule".<sup>100</sup> The assertion that "arguments advanced in support of [the rule]...do not apply in the [New Zealand] context",<sup>101</sup> is predicated on the limited application of the rule by New Zealand courts,<sup>102</sup> which can arguably be distinguished from the venerable position the

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<sup>96</sup> Above n 89, 560.

<sup>97</sup> Above n 89, 553.

<sup>98</sup> Above n 89, 564.

<sup>99</sup> Above n 31, 341.

<sup>100</sup> Above n 86, 290.

<sup>101</sup> Above n 31.

<sup>102</sup> See above n 94.



rule occupies in England, notwithstanding the supposed uniformity of common law. Further, the adoption and evolution of forum non conveniens considerations and the concomitant reliance on personal jurisdiction since *Hesperides Hotels* has arguably contributed toward such a "change in circumstances"<sup>103</sup> as to warrant abandonment of at least the tort aspect of the rule:<sup>104</sup>

The normal rules of jurisdiction and forum conveniens seem perfectly adequate to deal with proceedings relating to foreign land, and it is submitted that it remains open to a New Zealand court to reject the *Moçambique* rule and simply apply the normal rules.

The *Moçambique* rule has been modified, however moderately, in the United Kingdom by section 30 of the Civil Jurisdiction and Judgments Act 1982. The section, which has no New Zealand counterpart, provides that the jurisdiction of an English court to entertain proceedings for trespass to, or any other tort affecting, immovable property extends to cases in which the property is situated outside the United Kingdom; unless the proceedings are principally concerned with the question of the title to, or the right to possession of, that property.

### C Intellectual Property as an Immovable

The perpetuation of the *Moçambique* rule, or at least its exegesis, through its adoption in the supposedly "equally applicable"<sup>105</sup> circumstances of intellectual property right infringement, presents concerns given the controversial nature of the rule.

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<sup>103</sup> Above n 89, 568. Lord Wilberforce stated, as a fourth reason for retaining the rule, that circumstances had not changed such as to favour alteration of the rule. In addition, reliance would be placed on the "not yet fully developed" principle of forum non conveniens.

<sup>104</sup> Above n 94, 79.

<sup>105</sup> *Potter v Broken Hill Proprietary Co Ltd* [1906] 3 CLR 479, 493.



In *Potter v Broken Hill Proprietary Co Ltd*<sup>106</sup> the High Court of Australia "determined on principle"<sup>107</sup> whether the plaintiff, a Victorian domiciliary, could recover damages and an injunction in relation to alleged infringement of a New South Wales patent. The claim was connected with Victoria as the defendant, while conducting mining activities in New South Wales, was registered in Victoria and the plaintiff further alleged infringement of similar patent rights in Victoria by the defendant. The defendant disputed the plaintiff's title to the New South Wales patent, and alleged the grant of the patent was invalid on several grounds.

In the lower court,<sup>108</sup> the majority of the Supreme Court of Victoria held that the tortious claim was of such a character as to be necessarily local, the cause of action being predicated on conduct within prescribed territorial limits. A'Beckett J dissented, contending that the majority's reasoning was redundant in that the claim was spatially bound "only so in the sense in which all rights may be said to be local which depend upon statute, and are therefore necessarily confined to the territory over which the statute is operative".<sup>109</sup> Further, the perishable and divisible quality of the property meant a determination of such rights would not impinge on the competence of other grants. The Victorian Supreme Court primarily considered the superficial nature of a patent infringement claim within the scope of the local and transitory action distinction, and the tort double actionability rule at common law,<sup>110</sup> but did not, apart from an allusion to

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<sup>106</sup> Above n 105.

<sup>107</sup> Above n 105, 493.

<sup>108</sup> *Potter v Broken Hill Pty Co Ltd* [1905] 3 VLR 613.

<sup>109</sup> Above n 108, 636.

<sup>110</sup> See below, Tort Double Actionability Rule.



potential "constitutional questions",<sup>111</sup> traverse the underlying analysis in *Moçambique*.

On appeal, the High Court of Australia sought to demarcate the nature of a patent. The claimed invalidity of the patent rights by the respondent, the defendant in the lower court, focused inquiry upon the operation of the grant of such rights. All three judges quoted Lord Herschell LC's commonly accepted averment on the qualities of patent rights:<sup>112</sup>

It has been spoken of as though a patent right were a chattel, or analogous to a chattel...letters patent do not give the patentee any right to use the invention...What the letters patent confer is the right to exclude others from manufacturing in a particular way, and using a particular invention.

The perishable and exclusionary character of patent rights, granted and sustained within a sovereign domain, was considered particular, and material to their cognisance by a foreign court. However, private property can be reduced to relationships of exclusion and "merges by imperceptible degrees into government, contract, force, and value".<sup>113</sup> The integral association of patents and other intellectual property rights with the territory in which they arise and are recognised is arguably paralleled by other forms of property.

Griffith CJ was the sole member of the court to expressly categorise patent rights as immovable property. The Chief Justice declined to act in personam to confine the ruling between the parties, as though the abstract validity of the patent was not in dispute: "the fundamental question is whether the tribunal has

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<sup>111</sup> Above n 108, 640.

<sup>112</sup> Above n 105, 502-3.

<sup>113</sup> F Cohen "Dialogue on Private Property" Rutgers LR 357, 378.



jurisdiction to inquire into the fact. The matter of the parties is subsidiary only...".<sup>114</sup> Originally regarded as an emanation of the prerogative, the "exercise of the sovereign power of the State"<sup>115</sup> now exclusively regulated by statute, the Chief Justice desired to ground patent rights to the situs of the territory:<sup>116</sup>

There is no doubt...that this franchise or monopoly has no effective operation beyond the territory of the State under whose laws it is granted and exercised. In this respects it partakes of the nature of an immovable as distinguished from a moveable...there can be no doubt that, as the right is the creation of the State, the title to it must devolve, as in the case of land, according to the laws imposed by the State. In two important particulars, therefore, it is analogous to an immovable. It differs from an immovable in that it is neither itself visible nor appurtenant to any particular thing that is visible and fixed within the State. It may perhaps be regarded as, in a sense, appurtenant to the whole territory.

A necessary distinction between jurisdiction and choice of law considerations at private international law pervades the analysis. The devolution of title to immovable property fundamentally, although not uncontentiously, remains the province of the *lex situs*, according to choice of law rules. Choice of law analysis, though inferentially bound with jurisdictional considerations, must not subvert the limits and design of a courts jurisdiction: "the fact that an intellectual property right may have no operation outside a particular territory provides no sound basis for distinguishing immovables from movables. Almost all property rights are territorially confined".<sup>117</sup> Property rights are generally enforced through corporeal manifestations, such as possession, but remain reliant on the coercive power of the state.

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<sup>114</sup> Above n 105, 498.

<sup>115</sup> Above n 105, 504.

<sup>116</sup> Above 105, 494.

<sup>117</sup> G Austin "The Infringement of Foreign Intellectual Property Rights" (1997) 113 LQR 321, 326.



Barton J, echoing the other judges, considered it a "strange proposition" that rights which have no operation outside their territorial bounds should be "enforceable extra-territorially".<sup>118</sup> A distinction, however, must be maintained between the ambit of relations to which legal consequences attach, and the enforcement of such relations. The very impetus and justification for private international law is the recognition and enforcement of legal relations involving a foreign element. Ascription of the common incidents of property to intellectual property rights does not further the explanation of the related jurisdictional prohibition.

#### *D A Shift in Perspective*

While *Potter* is generally regarded as the seminal judgment on the application of the local action rule to patent rights, the classification of such rights as immovable property has not received widespread judicial adoption or approval:<sup>119</sup>

The categorisation of an intangible right such as a copyright as either moveable or immovable is not straightforward...In any event it is difficult to regard it as immovable property under English conflict of laws rules. In Australia a patent has been held to be analogous to an immovable, so as to fall within the scope of the [*Moçambique*] rule...it does not follow, and that court did not decide, that it is to be classified as an immovable for all conflict of laws purposes.

*In Re Usines De Melle's Patent*<sup>120</sup> concerned the disposition of certain Australian patent rights on the dissolution of a French corporate co-owner. Fullagar J

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<sup>118</sup> Above n 105, 503

<sup>119</sup> *Pearce v Ove Arup Partnership Ltd and others* [1997] 2 WLR 779, 809. See also *Coin Controls Ltd v Suzo International (UK) Ltd and others* [1997] 3 All ER 45.

<sup>120</sup> (1954) 91 CLR 42.



regarded patents as "locally situate" in Australia, and held that the law of the domicile was to govern the succession of such rights, rather than passing bona vacantia under the *lex situs*. Although the case did not comprise a challenge to the grant of the patent, and approaches the vague exception to the *Moçambique* rule concerning the administration of estates, the characterisation of patent rights as movables erodes the sustainability of the classification in *Potter*: "the rights conferred by a grant of letters patent for an invention are, in my opinion, movables, and I cannot regard [*Potter*]...as deciding otherwise".<sup>121</sup>

Resistance to the strained classification of patent rights as immovables received further scrutiny by Fullagar J in *Norbert Steinhardt and Son Ltd v Meth*.<sup>122</sup> In an action alleging threats to institute legal proceedings for the infringement of letters patent, the judge stated that "[i]f the question were an open question for me, I should decide it as it has been decided, though I would not regard a patent as an 'immovable'".<sup>123</sup> The encumbrance of patent rights with such an illogical classification serves to envelop related actions within the jurisdiction prohibition of local actions. However, the judgment illustrates that the deconstruction of the above classification, while an admission "that the orthodox conceptualistic compartments are inadequate",<sup>124</sup> does not necessarily abrogate private international law jurisdictional limitations:<sup>125</sup>

Although these intellectual property cases are complicated by the emphasis placed in them upon the Court's reluctance to interfere with the exercise of sovereign power of a

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<sup>121</sup> Above 120, 48.

<sup>122</sup> (1960-1) 105 CLR 440.

<sup>123</sup> Above n 122, 443.

<sup>124</sup> EI Sykes and MC Pryles *Australian Private International Law* (3 ed, Law Book Co, Sydney 1991) 655.

<sup>125</sup> Above n 88, 38.



foreign state, they show a consistent resistance to restricting the ambit of the *Moçambique* principle. In my opinion, they demonstrate that, at common law, the Court will apply the principle underlying the substantive distinction between claims which are local and those which are transitory to determine justiciability.

The adoption and extension of the above Australian High Court authorities, to copyright and other intellectual property rights, was considered by Vinelott J in *Tyburn Productions Ltd v Conan Doyle*.<sup>126</sup> The plaintiffs applied to the Chancery Division for a declaration and an injunction to restrain the defendant from asserting any rights under the copyright, unfair competition or trade mark laws of the United States in relation to the characters Sherlock Holmes and Dr Watson. The United Kingdom copyright in Sir Arthur Conan Doyle's works had expired, and the plaintiff United Kingdom company sought to prevent the defendant, the registered proprietor of the American copyright in the works, from frustrating the distribution of its television film in the United States based on the above characters.

In determining the justiciability of the issue, Vinelott J had to consider whether intellectual property rights were to be accurately characterised as local in nature, or whether the distinction drawn in *Moçambique* was merely "an historical prologue setting out the basis of the narrower rule that the English courts will not entertain proceedings raising questions as to the title to or for damages for trespass to land".<sup>127</sup> The judgment proceeded, somewhat cursorily, on the basis that no viable distinction between copyright and other intellectual property rights could be effectively maintained. The application of the *Moçambique* rule to intellectual property rights, in light of the statutory modification by section 30 of Civil Jurisdiction and Judgments Act 1982, was held not to create an "intolerable

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<sup>126</sup> [1991] Ch 75; [1990] 1 All ER 909; [1990] 3 WLR 167; [1990] RPC 185.

<sup>127</sup> Above n 126, 191.



anomaly".<sup>128</sup> Vinelott J maintained that social, economic or statutory developments had not sufficiently altered circumstances so as to warrant departure from the Australian authorities. Therefore, notwithstanding the judicial caveat that "[i]t may be dangerous to press too far the analogy between...[an] item of intellectual property, and land",<sup>129</sup> the judge determined that claims concerning the "validity of title to and of infringement"<sup>130</sup> of intellectual property rights were local, bringing them within the ambit of the *Moçambique* rule.

The criticisms directed toward the potential injustices of the *Moçambique* rule would appear, however, to be pertinent to the continued manifestation of the rule in relation to intellectual property. The abdication of conceivably the sole forum for the action and the resultant denial of a remedy should not become obscured by resort to convenient models of reasoning. Adjudication claiming to have permanence for all proprietary purposes is not the exclusive mode of judicial remedy. The reasonable and legitimate expectations of the parties to the litigation should motivate the exploration of alternatives, such as judgments restricted between the parties, or the making of sufficiently cogent and stable orders in rem.

The above concerns are generally perceived to be reducible to uncertainties regarding enforcement, and arguably the "most plausible justification for a rule inhibiting adjudication upon a right of...foreign immovable property must be in terms of effectiveness".<sup>131</sup> Questions of enforceability pervade issues of personal

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<sup>128</sup> Above n 126, 194.

<sup>129</sup> *Apple Corps Ltd and Another v Apple Computer Inc and Others* [1992] FSR 431, 520.

<sup>130</sup> Above n 126, 198.

<sup>131</sup> Above n 86, 291.



jurisdiction and justiciability at private international law. These and other uncertainties attendant on the consideration of foreign intellectual property rights were raised in *Tyburn*.<sup>132</sup>

...there is no evidence...the decision of the English courts would be treated as binding...and it would in my judgment be an exercise in futility to allow these claims, which raise complex issues which may require...the assistance of experts...to continue.

In delimiting the distinction between local and transitory actions, Vinelott J relied on the uncertain dicta of the court in *Potter* concerning the confinement of adjudication, distinct from the classification of immovables. O'Connor J in *Potter* stated that the "principles of international law, which systematizes the comity of nations"<sup>133</sup> precluded inquiry into the validity of acts of a foreign sovereign, such as the grant of letters patent. The conception of the determination of foreign property rights as constituting an exception to conventional assumptions of jurisdiction is evidenced by the acceptance of Story's observations in *Potter*: "with regard to acts done outside [a nation's] territory it has no jurisdiction to determine the resulting rights growing out of those acts, unless such jurisdiction has been allowed to it by the comity of nations".<sup>134</sup> References to the inclusion of jurisdictional issues within the ambit of international law reflect the uncertain and strained divide between the situation of private international law as a component of national law, and appeals to wider normative concerns at international law. Properly articulated, the failure to adjudicate once personal jurisdiction is established represents an exception from accepted principles of private international law.<sup>135</sup> Lord Herschell LC's statement arguably misconceives the

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<sup>132</sup> Above n 126, 199.

<sup>133</sup> Above n 105, 104.

<sup>134</sup> Above n 105, 502.

<sup>135</sup> See above n 13.



presumptive nature of the issue. The jurisdictional prohibition should be theoretically established as an exception, rather than a stance which is resorted to in default of persuasive circumstances.

## V ACT OF STATE

The court in *Potter* concentrated on the historical origins of the administrative acts which constituted the grant of letters patent. The origins of such privilege, a product of the sovereign's prerogative and later regulated in England by the Monopolies Act, were traced through to the characterisation of the grant as an executive act. While this narrative has frequently been invoked to account for the doctrine of territoriality,<sup>136</sup> variously construed, the court held that it brought patents within the ill defined act of state doctrine. Although conscious of the distinct nature of conventional act of state decisions, involving explicit and coercive acts of a foreign sovereign, the Chief Justice maintained that the grant of a patent was encompassed by the doctrine:<sup>137</sup>

...I apprehend that any exercise by a de facto repository of any power of sovereignty, which results in the creation of a right of property that can only be created by such an exercise, must be regarded as an act of the State itself.

Griffiths CJ opined that this constituted the "foundation of the doctrine" relied on in *Moçambique* to found an analogy with common law jurisdictional rules. Relying on the rule enunciated by the Supreme Court of the United States in *Underhill v Hernandez*,<sup>138</sup> the Chief Justice restated the jurisdictional exclusion: "it is settled law of all civilised countries that the acts of the Government of a State

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<sup>136</sup> See above n 37.

<sup>137</sup> Above n 105, 496.

<sup>138</sup> 168 US 250 (1897).



done within its own territory are not examinable at all in the Courts of another State".<sup>139</sup>

#### A *The United States Position*

The common refusal of the United States courts to adjudicate claims founded on the infringement of foreign intellectual property rights is generally perceived as an "exercise of discretion relating to a power which they assumed to exist".<sup>140</sup> The substantive analysis concerning the discrimination between local and transitory actions, however, is paralleled in the United States<sup>141</sup> and civil law systems.<sup>142</sup>

In *Vanity Fair Mills v The T Eaton Co Ltd*<sup>143</sup> the plaintiff, a United States textile manufacturer, commenced proceedings against a Canadian retailer alleging infringement of trademark rights and unfair competition, in relation to United States and Canadian trademarks. The Second Circuit Court of Appeals declined to exercise jurisdiction over the Canadian claims, the basis for which included the alternative grounds of the forum non conveniens and act of state doctrines.<sup>144</sup> The aversion of the court, pursuant to the act of state doctrine, to determine the validity of the acts of a foreign sovereign was presumptively bound with the

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<sup>139</sup> Above n 105, 495.

<sup>140</sup> PD Trooboff "Intellectual Property" in C McLachlan and P Nygh *Transnational Tort Litigation* (Clarendon Press, Oxford, 1996) 125, 136.

<sup>141</sup> "I have not yet discerned a reason, other than a technical one, which can satisfy my judgment. If, however, this technical distinction be firmly established, if all other judges respect it, I cannot venture to disregard it", *Livingston v Jefferson* 15 Fed Cas 660.

<sup>142</sup> See above n 140.

<sup>143</sup> 234 F2d 633 (2d Cir 1956).

<sup>144</sup> DR Toraya "Federal Jurisdiction over Foreign Copyright Infringement Actions - An Unsolicited Reply to Professor Nimmer" (1985) 70 Cornell L Rev 1165.



reluctance to "impose liability upon a person who acts pursuant to a privilege conferred by the law of the place where the acts occurred".<sup>145</sup>

The indeterminacy of the distinction between local and transitory actions has led to the adoption of the act of state doctrine as a discernible basis for characterisation. The identification of sufficient and proximate administrative actions can implicate the international considerations conceived as the foundation of the preclusion of jurisdiction, and arguably obviate the theoretical vagary recognised by the Seventh Circuit Court of Appeals.<sup>146</sup>

Theoretically, it is possible for a state to regard almost any sort of extrastate cause of action as local, but the current trend is toward readier enforcement of claims arising under foreign laws.

The act of state rationale was pursued in *London Films Productions Ltd v Intercontinental Communications Inc.*<sup>147</sup> A British film production company alleged the defendant United States licensing corporation had contributed to the infringement of its copyright in Chile and other South American countries. The United States was not yet a signatory to the Berne Convention and the plaintiff's United States copyright had expired. The District Court, expressly applying the reasoning of Professor Nimmer,<sup>148</sup> held that the absence of administrative formalities, engendering reciprocity and forum conveniens factors favoured the assumption of jurisdiction.<sup>149</sup> Nimmer argues, extrapolating from the

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<sup>145</sup> Above n 143, 646.

<sup>146</sup> *Ortman v Stanray Corp* 371 F2d 154 (7th Cir 1967) 159.

<sup>147</sup> 580 F Supp 47 (SDNY 1984).

<sup>148</sup> See MB Nimmer and D Nimmer *Nimmer on Copyright* (Mathew Bender & Co Inc, California, 1996) para 17.03.

<sup>149</sup> Reciprocity has been argued to be self-defeating due to the "fulfilment of various administrative formalities" being a "condition precedent to the perfection of a copyright" in the United States.



exclusionary factors in *Vanity*, that "copyright infringement constitutes a transitory cause of action, and hence, may be adjudicated in the courts of a sovereign other than the one in which the cause of action arose".<sup>150</sup> The absence of governmental action in securing copyright protection, which arose from adherence to the Berne Convention, distinguished the claim from those concerning trademark and patent rights as the claim involved merely the determination of whether the plaintiff "acted in violation of a foreign copyright, not whether such copyright exists, nor whether such copyright is valid".<sup>151</sup>

The viability of the act of state doctrine as a jurisdictional determinant was questioned by the court in *ITSI TV Productions Inc v California Authority of Racing Fairs*.<sup>152</sup> In an action brought by a United States corporation alleging its copyright had been infringed through the receipt of certain broadcasts by the defendant corporation in Mexico, the Chief Judge could "discern no clear authority"<sup>153</sup> for exercising jurisdiction over the foreign claim. The judge commented that even assuming the act of state distinction legitimate, it did not advance the inquiry of whether the particular foreign law encompasses administrative formalities. Further, the "extreme hardship" involved lead to the conclusion that "as a matter of common sense and judicial self-restraint", a court "should be reluctant to enter the bramble bush of ascertaining and applying foreign law without an urgent reason to do so".<sup>154</sup>

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Therefore, the determination of United States copyright claims by foreign courts could involve the consideration of the administrative act of a foreign sovereign. See above n 144.

<sup>150</sup> Above n 148, para17.03.

<sup>151</sup> Above n 147, 49-50.

<sup>152</sup> 785 F Supp 854 (ED Cal 1992).

<sup>153</sup> Above n 152, 866.

<sup>154</sup> Above n 152, 866.



The courts laconic treatment of the *London* courts analysis indicates that the act of state doctrine does not alter the fundamental concern of the practical consequences involved in adjudicating foreign intellectual property claims.<sup>155</sup> However, in rejecting the mode of reasoning the court failed to articulate the doctrinal grounds upon which foreign intellectual property claims are to be distinguished from other actions. The perceived inconvenience in *ITSI* can be associated with any determination of foreign claims, and is regularly overcome by the desire to do justice between the parties.

The application of the act of state doctrine to characterise jurisdictional issues has been further criticised as replicating an assumed "bright-line distinction", which unduly focuses on administrative acts as the preeminent concern.<sup>156</sup> The reduction of analysis to the ascertainment of administrative formalities presupposes that patents and trademarks are instruments of sovereign interests and policy above copyrights.<sup>157</sup> Additionally, the application of the act of state doctrine to determine justiciability in such cases is paradoxical when contrasted with the increasing manifestation of the doctrine in terms of discretionary considerations.<sup>158</sup>

Courts are hopelessly confused about the meaning and scope of the doctrine, however, and more often than not use the doctrine simply to avoid deciding difficult cases... In its

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<sup>155</sup> See GB Dinwoodie "Affirmation of Territorial Limits of US Copyright Protection: Two Recent Decisions" (1992) 4 EIPR 136.

<sup>156</sup> The *London* decision is generally perceived as an employment of convenient theory to remedy the unique equities of the case. See above n 144.

<sup>157</sup> See above n 144.

<sup>158</sup> M Bazylar "Abolishing the Act of State Doctrine" (1986) 134 U Pa L Rev 325, 397. See also GH Fox "Reexamining The Act of State Doctrine: An Integrated Conflicts Analysis" (1992) 33 Harv Int'l LJ 521.



place, courts can use doctrines that encompass the same concerns as the act of state doctrine, but, unlike that doctrine, have reasoned criteria for their application.

The strained association of the act of state doctrine with intellectual property actions was recognised by the Third Circuit in *Mannington Mills v Congoleum Corp.*<sup>159</sup> The United States plaintiff corporation alleged that the United States defendant had contravened the Sherman Antitrust Act<sup>160</sup> by excluding the plaintiff from foreign markets through the fraudulent procurement of foreign patents. While recognising the doctrine constitutes a "policy of judicial abstention",<sup>161</sup> the court denied the defendant's assertion that it stood as a jurisdictional bar to the claim.<sup>162</sup>

We are unable to accept the proposition that the mere issuance of patents by a foreign power constitutes either an act of state, as that term has developed under case law, or an example of government's compulsion...The case...fails to fall within the more traditional applications of the act of state doctrine. The grant of a patent is quite different from an act of expropriation by a government...In those instances, moreover, the crucial acts occurred as a result of a considered policy determination by a government to give effect to its political and public interests-matters that would have significant impact on American foreign relations...The grant of patents...is not the type of sovereign activity that would be of substantial concern to the executive branch in its conduct of international affairs. Although enforcement of a decree in the present litigation may possibly present problems of international relations,...the granting of patents per se, in substance ministerial activity, is not the kind of governmental action contemplated by the act of state doctrine...We conclude, therefore, that the asserted act of state defense...does not apply to the patents issued in the foreign countries.

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<sup>159</sup> 595 F2d 1287.

<sup>160</sup> 15 USC § 2.

<sup>161</sup> Above n 159, 1293-4.

<sup>162</sup> Above n 159, 1293-4.



### C *The Brussels Convention*

The Brussels Convention<sup>163</sup> represents a partial codification of the act of state doctrine in relation to intellectual property. The Convention endeavours to discern uniform rules concerning the international jurisdiction of the courts of Member States in cases within its application.<sup>164</sup> The Convention, although not applicable to New Zealand, illustrates the operation of variant but related grounds of jurisdiction within a multilateral enforcement regime.

The general principle of jurisdiction, unless a specific exception applies, provides that a defendant must be sued in the courts of the state in which they are domiciled.<sup>165</sup> By virtue of article 24, the courts of a further Member State may make "provisional, including protective, measures", such as to preserve facts and rights, "even if, under [the] Convention, the courts of another state have jurisdiction as to the substance of the matter".<sup>166</sup> Apart from *ex parte* proceedings, a judgment conforming with the Convention must be recognised and enforced in Member States without further proceedings<sup>167</sup>

Article 5(3) of the Convention permits actions relating to tort, delict or quasi-delict to be brought in the courts of the place where the harmful event occurred, or, if distinct, at the place of the event giving rise to it. A real and direct

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<sup>163</sup> Convention on Jurisdiction and the Enforcement of Judgments in Civil and Commercial Matters 1968.

<sup>164</sup> See E Jooris "Infringement of Foreign Copyright and the Jurisdiction of English Courts" (1996) 3 EIPR 127; D Perkins and G Mills "Patent Infringement And Forum Shopping In The European Union" (1996) 20 Fordham Int'l LJ 549; G Tritton *Intellectual Property in Europe* (Sweet & Maxwell, London, 1996); above n 42.

<sup>165</sup> Article 2. See above n 164.

<sup>166</sup> See above n 164.

<sup>167</sup> Above n 42.



connection between the defendant's activities and the damage suffered in a particular state must be established before jurisdiction can be founded, excluding remote adverse effects consequential on initial damage.<sup>168</sup> However, the article does not confer jurisdiction upon a court to adjudicate on intellectual property infringement in another Contracting State.<sup>169</sup>

Article 16 provides for exclusive jurisdiction, regardless of domicile, in the following circumstances:

(1) in proceedings which have as their object rights in rem in, or tenancies of, immovable property, the courts of the Contracting State in which the property is situated;

...

(4) in proceedings concerned with the registration or validity of patents, trade marks, designs, or other similar rights required to be deposited or registered [of] the courts of the Contracting State in which the deposit or registration has been applied, taken place or is...deemed to have taken place.

The exclusionary rules must be afforded an autonomous and narrow construction.<sup>170</sup> In relation to intellectual property, while "the action assumes the appearance of an in rem proceeding",<sup>171</sup> article 16(1) is arguably inapplicable given the impugned nature of the immovable classification, discussed above, and the expanded in personam focus.<sup>172</sup>

<sup>168</sup> See above n 164; *Dumez France v Hessische Landesbank* [1990] ECR 49.

<sup>169</sup> See above n 164.

<sup>170</sup> See above n 164.

<sup>171</sup> Above n 7, 363.

<sup>172</sup> See *Pearce v Ove Arup Partnership Ltd and others* [1997] 2 WLR 779; E Jooris "Infringement of Foreign Copyright and the Jurisdiction of English Courts" (1996) 3 EIPR 127. For a contrary interpretation, see G Tritton *Intellectual Property in Europe* (Sweet & Maxwell, London, 1996).



The limitation specified under article 16(4) is restricted to disputes where registration or validity is principally, and not merely incidentally, at issue, and consequently does not encompass questions of proprietorship or infringement. Article 16(4) therefore replicates act of state determinants through the reservation of matters affecting the validity or existence of actions undertaken by state or quasi-public authorities in reviewing and granting such rights.<sup>173</sup> In *Pearce v Ove Arup Partnership Ltd and others*<sup>174</sup> Lloyd J opined that article 16(4), while narrower than the common law jurisdictional limitation, was derived from the same policy basis.

The explanation of the exclusive jurisdiction proffered by the European Court of Justice in *Duijnste v Goderbauer*,<sup>175</sup> that the courts of the granting state "obviously...are best placed to adjudicate"<sup>176</sup> such matters, has been criticised as confusing and redundant: "[s]uch is a truism and would apply as much to infringement actions as to questions of validity".<sup>177</sup> The correlation of justice with the insular determination of the above claims arguably rests upon the arbitrary separation of factors implicating the exercise of national sovereignty

The apparent division of validity and infringement actions was questioned in *Coin Controls Ltd v Suzo International (UK) Ltd and others*.<sup>178</sup> Laddie J held that questions of infringement and validity were "so closely related that they should

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<sup>173</sup> See above n 140.

<sup>174</sup> [1997] 2 WLR 779.

<sup>175</sup> [1983] ECR 3663, [1985] 1 CMLR 220, [1985] FSR 221.

<sup>176</sup> Above n 175, 153

<sup>177</sup> G Tritton *Intellectual Property in Europe* (Sweet & Maxwell, London, 1996) 756.

<sup>178</sup> [1997] 3 All ER 45.



be treated for jurisdiction purposes as one issue or claim".<sup>179</sup> Consequently, a claim concerning a registered intellectual property right could be construed as "principally concerned"<sup>180</sup> with registration or validity once these matters were raised by the defendant, notwithstanding the statement of claim addressed no such issues. The resulting delay in the determination of jurisdiction until after the proceedings have commenced appears to contrast with the general objective under the Convention to directly secure the competent forum.<sup>181</sup> In arriving at these conclusions the judge, however, noted that subjecting registered and unregistered rights to different regimes could potentially incite a proliferation of litigation: "I cannot pretend to be happy that the consequences for intellectual property litigation have been thought through properly in the convention".<sup>182</sup>

Although founded on the semantic construction of the Convention, the case illustrates the nature of the problem in separating the spectrum of claims from validity to infringement, which has been conceived in terms of distributing the resulting risks of forum shopping.<sup>183</sup> The potential for the defendant to fallaciously plead invalidity and therefore undertake limited forum shopping, effectively expanding the scope of the jurisdictional exclusion, is arguably less oppressive than forum shopping by the plaintiff. Assumptions concerning the validity and extent of rights in isolated infringement claims has been described as

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<sup>179</sup> Above n 178, 48.

<sup>180</sup> Article 19 of the Brussels Convention provides that "[w]here a court of a Contracting State is seised of a claim which is principally concerned with a matter over which the courts of another Contracting State have exclusive jurisdiction by virtue of Article 16, it shall declare of its own motion that it has no jurisdiction".

<sup>181</sup> See above n 174.

<sup>182</sup> Above n 178, 64.

<sup>183</sup> See above n 178.



illustrative of the "squeeze between validity and infringement".<sup>184</sup> Such analysis, however, frustrates the act of state distinction and discounts reduced concerns of effectiveness regarding the in personam focus of infringement actions.

## VI A MITIGATED APPROACH

The fact that the act of state doctrine has been utilised in differing contexts, from which the extraction of a general principle may be precarious,<sup>185</sup> was recognised by O'Connor and Barton JJ in *Potter*. O'Connor J considered the doctrine a "well known principle of international law"<sup>186</sup> which the courts were bound to follow. However, as "illustrations of the principle might be multiplied indefinitely",<sup>187</sup> the judge considered the doctrine "at best a vague and unsatisfactory term...[which] cannot be applied to the grant of a patent".<sup>188</sup> The judgement, which appreciates the doctrine's deficient and inappropriate terminology, conceded it was "impossible to distinguish in principle"<sup>189</sup> the grant of letters patent from the executive acts which figure prominently in leading cases such as *Underhill v Hernandez*.

Barton J similarly eschewed the constriction of the act of state rhetoric, finding it "quite immaterial whether it is called an act of State or not, or whether the term 'act of State' is properly reserved for certain occasions".<sup>190</sup> The judge preferred a

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<sup>184</sup> Above n 2, 259.

<sup>185</sup> Above n 13, 109.

<sup>186</sup> Above n 105, 510.

<sup>187</sup> Above n 105, 513.

<sup>188</sup> Above n 105, 513.

<sup>189</sup> Above n 105, 513.

<sup>190</sup> Above n 105, 504.



functional assessment of the repository and province of the executive acts at issue.<sup>191</sup>

Is the thing you propose to examine, and of which you propose to test the validity, an act of the supreme governmental power in any of its branches of another State in respect of a matter which is within its jurisdiction and committed to it for the exercise of that governmental power?

The rejection of a viable distinction between copyright and industrial property rights in *Tyburn*, given the express reliance on the Australian authorities, exhibits a resistance the unmitigated assumptions of the act of state doctrine, and the related discrimination between issues of validity, title and infringement.

The analogous and interwoven considerations inherent in both the act of state and local action doctrines represent the conceived incursion into the sovereign sphere. Often veiled references to the act of state doctrine seek a reflection of unarticulated assumptions which perpetuate the conception that the local action rule "may continue to have validity to protect the sovereignty of the state granting protection".<sup>192</sup> The implication of sovereign concerns may not be either apparent or accessible in private litigation which does not involve the impleading of a foreign state or representative. The supposed derivation of the local action rule from technical venue determinants has motivated queries to the extent of the rule as one of jurisdiction:<sup>193</sup>

...decisions as to what actions are local and what are transitory are not on the question really involved...the answer to which depends...on the limits which...the Courts impose on their own jurisdiction in the recognition of international comity.

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<sup>191</sup> Above n 105, 505.

<sup>192</sup> Above n 8, 65.

<sup>193</sup> Above n 105, 500.



The act of state doctrine can arguably be consigned to a juridical area invoking the non-justiciability of courts which acts to preclude an issue being raised or proved.<sup>194</sup> The increasing translation of the doctrine as embodying internal constitutional balances contrasts with the focus upon international influences prominent in the decisions reviewed:<sup>195</sup>

The matter of the international jurisdiction of Courts in cases of legal actions regarding copyrights and industrial property rights, belongs logically not to private international law, but to the law of international civil procedure.

Appeals to international law, as either providing a normative system for the disposal of such claims or merely influencing discrete domestic considerations, are concerned with constructing a sustainable basis for the inclusion of such elements in foreign intellectual property actions. However, the customary refusal to adjudicate foreign intellectual property claims has faced increasing erosion in many countries.<sup>196</sup> The act of state doctrine obscures the ambit of relevant factors, which courts have struggled to define, as evidenced by Lord Herschell LC in *Moçambique*.<sup>197</sup>

The question what jurisdiction can be exercised by the Courts of any country according to its municipal law cannot...be conclusively determined by a reference to principles of international law...But in considering what jurisdiction our Court possesses...the principles which have found general acceptance amongst civilised nations as defining the limits of jurisdiction are of great weight.

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<sup>194</sup> See M Shaw *International Law* (3ed, Grotius Publications Ltd, Cambridge, 1991).

<sup>195</sup> See above n 64.

<sup>196</sup> See above n 64.

<sup>197</sup> Above n 78, 624.



The uncertain doctrinal basis of the local action rule in the context of intellectual property is evidenced by competing classifications of the rule, beyond jurisdictional principles, as a defense concerning venue or a component of "other rules, procedural or otherwise, as to the admissibility of proceedings".<sup>198</sup> Intrusions upon the clarity and operation of the rule have acted to subsume it within general private international law exclusions: "[i]t is a principle of public policy based on the undesirability of our courts adjudicating on issues which are essentially foreign and local".<sup>199</sup> The contrivance of public policy in relation to intellectual property claims is incongruous as the "*ordre public here*, as so often, is merely a convenient framework to accommodate special rules for conflict of laws".<sup>200</sup> Moreover, the conventional implications of public policy exclusions, that foreign law is abhorrent to forum policy,<sup>201</sup> contrasts with the typical correlation between intellectual property regimes and concerns over extraterritorial enforcement above internal policy:<sup>202</sup>

...the reason for this is not to be found in its own 'public policy', but in the consideration that these branches of the law have, or according to the law of nations should have, a strictly territorial character, since - generally speaking - it is no part of the task of any sovereign state to protect the interests of a foreign sovereign state as such.

## VII TORT DOUBLE ACTIONABILITY RULE

In *Tyburn*, Vinelott J considered that additional support for the characterisation of actions for the infringement of intellectual property rights as local, could be

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<sup>198</sup> Above n 174, 801. See above n 7; E Jooris "Infringement of Foreign Copyright and the Jurisdiction of English Courts" (1996) 3 EIPR 127.

<sup>199</sup> Above n 178, 55.

<sup>200</sup> Above n 61, 26.

<sup>201</sup> See above n 5.

<sup>202</sup> Above n 72, 171.



derived from the authorities concerned with the tort double actionability rule. The judge regarded that the precedents, maintaining that the locality of the act is inseparable from the wrong, were predicated on the distinction between local and transitory actions. Dicey and Morris surmise the tort double actionability rule, substantially derived from the seminal judgment in *Phillips v Eyre*,<sup>203</sup> as follows:<sup>204</sup>

(1) As a general rule, an act done in a foreign country is a tort and actionable as such in England, only if it is both

- (a) actionable as a tort according to English law, or in other words is an act which, if done in England, would be a tort; and
- (b) actionable according to the law of the foreign country where it was done.

(2) But a particular issue between the parties may be governed by the law of the country which, with respect to that issue, has the most significant relationship with the occurrence and the parties

Intellectual property claims are subsumed within the private international law rule as the invasion of such property rights in the form of an infringement constitutes a tort. Although the jurisdictional rule regarding local actions and the choice of law double actionability rule constitute "overlapping answers"<sup>205</sup> to foreign intellectual property claims, they occupy distinct fields of private international law. The latter rule, which has been considered "more theoretical than real",<sup>206</sup> is variously influenced by territoriality and forum preference.

The "controversial...and confusing"<sup>207</sup> scope of the rule follows from the inclusion of jurisdictional concepts within a rule essentially concerned with the

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<sup>203</sup> (1870) LR 6 QB 1.

<sup>204</sup> Above n 13, 1487.

<sup>205</sup> A Briggs "Two Undesirable Side-Effects of the Brussels Convention?" (1997) 113 LQR 364, 364.

<sup>206</sup> Above n 205, 365.

<sup>207</sup> E Jooris "Infringement of Foreign Copyright and the Jurisdiction of English Courts" (1996) 3 EIPR 127.



regulation of choice of law. The requirement of forum actionability reflects a "contemporary scepticism...more firmly based in policy than logic"<sup>208</sup> cementing the policy of the forum. The prerequisite actionability of the place of the tort, the *lex loci delicti*,<sup>209</sup> is "logically an essential precondition"<sup>210</sup> in many private international law systems. Choice of law rules specify the legal system according to which the rights and liabilities of the parties must be determined,<sup>211</sup> the limitation of actionability inherent in the rule and the obscure character of the substantive law has engendered debate over the rule's jurisdictional and choice of law implications.

The Victorian Supreme Court in *Potter* considered whether the double actionability rule permitted recovery for foreign intellectual property infringement claims in circumstances where the tort alleged was of an analogous character to a tortious class for which the forum would provide relief, or whether the very act complained of must be the subject of tort in both jurisdictions. The majority, consistent with the later developed methodology of the rule, held the former approach prevailed, therefore effectively constraining actions for the infringement of foreign intellectual property rights.

The "strict territoriality of patents"<sup>212</sup> was held to preclude an action for unjustified threats to sue for the infringement of a patent in *Norbert Steinhardt and*

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<sup>208</sup> C Floyd and I Purvis "Can an English Court Restrain Infringement of a Foreign Patent?" (1995) 3 EIPR 110, 111.

<sup>209</sup> The *lex loci delicti* (commissi) can be defined as the law of the country in which the tort/delict was committed.

<sup>210</sup> Above n 208, 111.

<sup>211</sup> See above n 5.

<sup>212</sup> Above n 122, 443.



*Son Ltd v Meth*, considered above. Fullagar J held the English company, who had received the threats of infringement in England in relation to its Australian patent, could not satisfy the second limb of the rule as "[t]here can, in truth, be no such thing as an infringement in England of an Australian patent".<sup>213</sup> The particular nature of the case attests to the inflexible character of the rule, and the assumed influence of territoriality. The plaintiff was denied any forum for the resolution of a claim ostensibly culpable under the respective patent Acts of both countries.

In *Def Lepp Music and Others v Stuart-Brown and Others*<sup>214</sup> the plaintiff music group, who were the proprietors of the United Kingdom copyright in certain tape recordings, alleged the defendants infringed their rights through copying and distributing the tape recording in various markets. Two of the defendants, based respectively in Luxembourg and Holland, applied to set aside service, for which leave had been obtained. Browne-Wilkinson V-C held that "on no basis" was the claim actionable, as "for myself I do not understand what is added by the phrase 'in other words is an act which, if done in England, would be a tort'".<sup>215</sup> Given the territorially discrete nature of intellectual property rights, the explicit transposition of the factual context might appear vital to satisfying the rule in circumstances where parallel rights are held in both jurisdictions. However, the statement contemplates the "logical impasse"<sup>216</sup> which derives from the inevitable application of the substantive law to the particular claim.<sup>217</sup>

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<sup>213</sup> Above n 122, 444.

<sup>214</sup> [1986] RPC 273.

<sup>215</sup> Above n 214, 288.

<sup>216</sup> Above n 2, 262.

<sup>217</sup> Above n 214, 289.



...although for the purpose of establishing what is the appropriate law the acts may have to be deemed to have been done in England, on the trial of the substantive case the court must be bound to have regard to the actual facts not to any deemed facts.

The double actionability rule conventionally favours the application of the substantive law of the forum, on the condition that the claim gives rise to civil liability by the *lex loci delicti*. The "slithery logic"<sup>218</sup> employed demonstrates the extraneous nature of the *lex fori* in such circumstances.<sup>219</sup> Consistent with the ubiquitous preferment of the *lex loci protectionis* to govern intellectual property infringement actions, the statutory *lex fori*<sup>220</sup> cannot extend to foreign acts.<sup>221</sup>

The application of the rule to intellectual property claims has been criticised on the basis that the policy of the rule secures an "aura of imperial superiority".<sup>222</sup> This should arguably not be accentuated by necessitating that the breach of foreign law must be actionable in the forum, which is the very object of the rule, but lessened through merely requiring that both laws provide similar remedies in similar situations.<sup>223</sup> The "complete deemed transference of the facts of the case from the foreign *locus delicti* to the forum"<sup>224</sup> is essential to territorially defined torts, and arguably represents the functional basis of the rule.

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<sup>218</sup> Above n 6, 288.

<sup>219</sup> See above n 6.

<sup>220</sup> The *lex fori* can be defined as the law of the country in which the court seized of the case sits, when applied simply by virtue of it being the forum's law, rather than the law having the closest connection with the issue.

<sup>221</sup> See above n 208.

<sup>222</sup> Above n 6, 287.

<sup>223</sup> See above n 207; P Kaye "International Trade Mark Infringement: Territoriality Defined Torts and the Double Actionability Rule" (1990) 1 EIPR 28.

<sup>224</sup> Above n 223, 29.



A suggested amelioration of the rule, providing "jurisprudential clarity and practical expedience",<sup>225</sup> would recognise a distinction between the conferral of proprietary intellectual property rights, territorial in scope, and the provision of a general tortious remedy, not so spatially bound. The latter, consistent with general civil obligations, would be actionable under the double actionability rule. Such proposals, however, have been expressly rejected by the courts and legislatures, who inextricably associate tortious remedies with their proprietary anchors.

The prevailing need to assuage the above prohibition has led to the abolition of the rule in the United Kingdom by section 10 of the Private International Law (Miscellaneous Provisions) Act 1995, which gives primacy to the *lex loci delicti*. The "xenophobic"<sup>226</sup> dominance of the law of the forum, which remits choice of law issues to jurisdictional selection, and the attendant unfairness on the plaintiff contribute to the rule's perceived rigidity: "[o]ne would look far to find a more striking example of mechanical jurisprudence, blind adherence to a verbal formula without any regard for policies or consequences".<sup>227</sup> In *Boys v Chaplin*<sup>228</sup> Lord Wilberforce, in a court from which a consistent majority can only perilously be extracted,<sup>229</sup> developed a "necessary flexibility"<sup>230</sup> as an inherent exception to the rule.<sup>231</sup>

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<sup>225</sup> Above n 223, 30.

<sup>226</sup> P North "Choice in Choice of Law" in *Essays in Private International Law* (Clarendon Press, Oxford, 1993) 76.

<sup>227</sup> Hancock "Torts in the Conflict of Laws" (1968) 46 Can Bar Rev 226, 307.

<sup>228</sup> [1971] AC 356.

<sup>229</sup> See above n 5.

<sup>230</sup> Above n 228, 391.

<sup>231</sup> Above n 228, 391-392.



No purely mechanical rule can properly do justice to the great variety of cases where persons come together in a foreign jurisdiction for different purposes with different pre-existing relationships, from the background of different legal systems...The general rule must apply unless clear and satisfying grounds are shown why it should be departed from and what solution, derived from what other rule, should be preferred.

The dicta, consistent with the intricate nature of the judgments in the case, has been described as "conducive of uncertainty"<sup>232</sup> due to a perceived neglect to elaborate more precise doctrinal grounds. The continuous and variant tension between the certainty necessary for effective relations and the flexibility of justice, was considered by the Privy Council in *Red Sea Insurance Co Ltd v Bouygues Sa & Ors.*<sup>233</sup> Their Lordships contemplated whether the exception enunciated in *Boys* was generally applicable in different circumstances, such as the defendant insurance company's counterclaim under the doctrine of subrogation against the plaintiff concrete suppliers. Lord Slynn of Hadley, who delivered the opinion of the Board, recognised that a particular issue, and in rare circumstances the entire claim, "may be governed by the law of the country which, with respect to that issue, has the most significant relationship with the occurrence and with the parties".<sup>234</sup> The Board confirmed that the exception could be utilised to enable exclusive reliance on the *lex loci delicti* to "give a just result when the *lex fori* might not do so".<sup>235</sup> The absence of a cause of action under the *lex fori* and the "overwhelming"<sup>236</sup> association of the claim with the *lex loci delicti*, persuaded the Board that "all relevant factors point to the exception being applied".<sup>237</sup>

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<sup>232</sup> Above n 226, 78.

<sup>233</sup> [1994] 3 All ER 749.

<sup>234</sup> Above n 233, 762.

<sup>235</sup> Above n 233, 762.

<sup>236</sup> Above n 233, 763.

<sup>237</sup> Above n 233, 763.



The significance of their Lordship's reasoning for actions concerning the infringement of foreign intellectual property rights is potentially dramatic. The established and innate nature of the *lex loci delicti* in regard to such claims, exemplified through the territorial axioms of administration and infringement, arguably provides "clear and satisfying grounds"<sup>238</sup> for the exclusive application of the *lex loci delicti*. Deference to foreign sovereign interests and other jurisdictional concerns, which constitute illegitimate influences on a choice of law rule, should not enlarge the uncertainty of the exception through distorting the "proper and logically sound view of the appropriate law".<sup>239</sup> The clear inertia of the *lex fori*, evidenced by *Def Lepp*, together with the most significant elements of the cause of action and the expectations of parties being inextricably connected with the *lex loci delicti*, signal the transparent adoption of the foreign law. The analysis must be tempered, however, by the realisation that jurisdictional impediments and underlying policies, favouring the exclusion of such claims, remain.

#### VIII AN ANOMALY PROMOTED

Vinelott J in *Tyburn*, following a discussion of the debilitating locality of copyright, maintained that "[b]y contrast, although goodwill is local an action for passing-off is an application of the tort of misrepresentation".<sup>240</sup> The grant of an injunction to restrain passing off in a foreign jurisdiction was therefore permitted, provided the threatened conduct was prohibited in that jurisdiction.

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<sup>238</sup> Above n 233, 762.

<sup>239</sup> Above n 208, 114.

<sup>240</sup> Above n 126, 197.



Browne-Wilkinson V-C in *Def Lepp* emphasised that the statutory rights conferred under intellectual property legislation did not extend beyond the territory in which they arose:<sup>241</sup>

...[the] right under English law is a statutory right not a tort at common law. No common law rule of international law can confer on a litigant a right under English law that he would not otherwise possess.

The distinction drawn between statutory and common law tortious actions may arguably clarify the disparate treatment of passing off claims at private international law. The common law commodity of goodwill is not predicated on an act of government and "the argument for treating it as an immoveable weakens".<sup>242</sup> However, the approximated act of state rationale utilised by the authorities is based on executive or administrative acts, not the further attenuated and enveloping mask of legislative effect:<sup>243</sup>

...we do not see why the transitory character of the action, or the jurisdiction of the Courts of another State to entertain it, can in any manner be affected by the question whether the right of action is statutory or common law.

The further assertion that the denial of foreign statutory intellectual property actions, based on the double actionability rule, is an incident of the "fundamental principle"<sup>244</sup> that foreign law forms no part of forum law can similarly be questioned. In passing off proceedings the necessarily comparable foreign law may commonly be represented by the legislative embodiment of unfair

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<sup>241</sup> Above n 214, 288.

<sup>242</sup> Above n 177, 771.

<sup>243</sup> *Herrick v Minneapolis, etc, Railway Co* 47 Amer Rep 771.

<sup>244</sup> Above n 177, 771.



competition or analogous laws. The argument that in passing off actions "no recognition of foreign law is required"<sup>245</sup> under the initial limb of the double actionability rule, assumes a territorial fluidity not justified by the orthodox authorities.

The aberrant nature of the exception to the territoriality of intellectual property rights is evident from the irreconcilable decision rendered by the Scottish Court of Sessions in *James Burrough Distillers Plc v Speymalt Whisky Distributors Ltd.*<sup>246</sup> The petitioners, an array of associated companies which manufactured and sold Scotch whisky under the name "Laphroaig", alleged the respondents had passed off their whisky in Italy and infringed the second petitioners' Italian trade mark. Lord Coulsfield averred to the different proprietors of the relevant trade marks, the first petitioners were the registered proprietors of the United Kingdom trade mark, as a "simple ground"<sup>247</sup> upon which to dispose of the action for interdict, citing the double actionability rule's requirement that the *lex loci delicti* and the forum confer the right of action on the same party.

His Lordship further held that, assuming the United Kingdom and Italian trademarks had a common proprietor, the "strictly territorial character of rights such as trade marks"<sup>248</sup> would necessitate the granting of the respondents application for dismissal:<sup>249</sup>

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<sup>245</sup> Above n 177, 771.

<sup>246</sup> [1991] RPC 130.

<sup>247</sup> Above n 246, 139.

<sup>248</sup> Above n 246, 140.

<sup>249</sup> Above n 246, 140.



the *jus actionis* for breach of an Italian trade mark is a different *jus actionis* from that for breach of a United Kingdom trade mark. Each *jus actionis* is separately derived from a statutory privilege which the trade mark holder has in the territory in question and is strictly confined to that territory.

Alternatively, the petitioners claim concerning entitlement to protection under the Italian Civil Code against unfair competition was held to "present little difficulty".<sup>250</sup> Lord Coulsfield maintained that it could be inferred from the terms of the code that the scope and grounds of protection were "broadly similar" to passing off, therefore satisfying the double actionability rule.

The acute discrimination between the form of proceedings, arguably the *jus actionis* for passing off involving discrete misrepresentations and goodwill are "quite distinct",<sup>251</sup> was not elaborated by the court. Additionally, the "close relationship"<sup>252</sup> between the law of trade marks and passing off, based on preventing public deception, would suggest parallel treatment at private international law. Conceptually, arguably neither constitutes intellectual property as they merely represent the economic value of an innovator's commercial reputation.<sup>253</sup> The danger of confusion under both, the same acts of infringement are often relied on to found the claims,<sup>254</sup> has been considered "basically universal".<sup>255</sup>

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<sup>250</sup> Above n 246, 135.

<sup>251</sup> Above n 2, 262.

<sup>252</sup> Above n 61, 20.

<sup>253</sup> See above n 61.

<sup>254</sup> See *LA Gear Incorporated v Gerald Whelan & Sons Limited* [1991] FSR 670.

<sup>255</sup> F-K Beier "Territoriality of Trademark Law and International Trade" (1970) 1 IIC 48, 56.



In *Alfred Dunhill Ltd and Another v Sunoptic SA and Another*<sup>256</sup> the English Court of Appeal considered an application for an interlocutory injunction to restrain the defendants from using a confusingly similar trade mark to the plaintiff's in the United Kingdom and certain other specified countries. The limitation of the pleadings in the Court of Appeal to allegations of passing off did not provide the divergence evident in *James Burrough Distillers*, and fostered an insular analysis. Upon deciding the balance of convenience favoured restraining the threatened conduct, the court extended the injunction to Switzerland, the only foreign jurisdiction on which evidence had been tendered. Further, the application of the presumption that foreign law is identical to that of the forum was rejected by the court as it would essentially recast a negative burden on the defendant, and potentially obviate the limitations inherent in the double actionability rule.

The High Court of Ireland pursued the analysis concerning the jurisdiction to grant relief in *An Bord Trachtala v Waterford Foods Plc.*<sup>257</sup> Keane J noted the successful invocation of the double actionability rule "could prevent the application of laws as to unfair competition in civil jurisdictions which may more amply defend the rights of injured traders than our passing off tort".<sup>258</sup> However, the reasonable anticipation of the determination of rights and duties under forum law presented no difficulty in the application of the rule, although the plaintiffs failed to satisfy the requisite elements of passing off.

The feigned distinction between core intellectual property regimes and passing off was replicated by Tipping J in *Atkinson Footwear*: "...the position is different

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<sup>256</sup> [1979] FSR 337.

<sup>257</sup> [1994] FSR 316.

<sup>258</sup> Above n 257, 322.



with a passing-off action, the basis of which is misrepresentation. There the wrong is not so territorially circumscribed as is copyright".<sup>259</sup> The refusal to extend the territorial scope of the injunction concerning parallel conduct and copyright enactments could, therefore, have been abrogated by framing the claim in terms of passing off. Although passing off may be premised on damage to goodwill, which "is local in character and divisible",<sup>260</sup> the tortious conduct of misrepresentation is abstracted from the territorial confines of property and is considered actionable.

Explanation of the tort of passing off as "limited in both space and time and [having] no extra-territorial application",<sup>261</sup> parallels the territorial concentration of other intellectual property rights. Further, "[g]oodwill, as the subject of proprietary rights, is incapable of subsisting by itself",<sup>262</sup> but conventionally must be attached to an ongoing business concern situated within a defined locality. The common law proprietary right in business and goodwill traditionally necessitated the award, upon establishing a misrepresentation, of nominal damages "founded on the invasion of a right".<sup>263</sup> While further compensatory damages, an account of profits and equitable relief, were dependant on establishing actual or likely damage, the inference of damage, without an explicit consideration, remained prominent.

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<sup>259</sup> Above n 3, 190.

<sup>260</sup> *Star Industrial Co Ltd v Yap Kwee Kor* [1976] FSR 256, 269.

<sup>261</sup> *The Laws of Australia* (Law Book Co, Sydney, 1996) vol 23, Intellectual Property, para 14.

<sup>262</sup> Above n 260, 269.

<sup>263</sup> *Reddaway v Banham* [1896] AC 199, 284 in S Naresh "Passing-Off, Goodwill and False Advertising: New Wine in Old Bottles" [1986] 45 CLJ 97, 103; S Ricketson *The Law of Intellectual Property* (Law Book Company, NSW, 1984).



The "wider genus"<sup>264</sup> of the extended form of passing off, upon "escap[ing] the confines of the typical commercial situation which gave it its name"<sup>265</sup> has become an "effective instrument of economic regulation".<sup>266</sup> The broad scope of the misrepresentation thereby invoked has not, however, been uncritically accepted as the extended notion of goodwill arguably has "the necessary result of altering the character of [the] protection"<sup>267</sup> towards allowing "a unrestricted right of action in respect of a competitor's misrepresentation".<sup>268</sup> The increasingly amorphous scope of the tort, and its subtle application in developing market structures, has led to a more explicit consideration of the damage requirement, removed from an absolutist conception of property, and "is one of the points at which the real limits of passing off as a source of intellectual property rights emerge".<sup>269</sup>

The protection of property interests, abstract in nature, is a primary function of the law of torts.<sup>270</sup> Infringements of statutory intellectual property rights are considered actionable per se; non monetary remedies such as injunctions, forfeiture and destruction, are generally available without proof of loss: "[i]n this way, statutory intellectual property rights are like other common law property

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<sup>264</sup> *Erven Warnick BV v J Townend & Sons Hull Ltd* [1980] RPC 731, 764.

<sup>265</sup> WL Morison "Unfair Competition and Passing Off" (1956) 3 SLR 50, 57 in D R Shannon *Australian Law of Trade Marks and Passing Off* (Law Book Company, Sydney, 1990) 361.

<sup>266</sup> J Fleming *The Law of Torts* (8 ed, Law Book Company, Sydney, 1992) 715.

<sup>267</sup> S Naresh "Passing-Off, Goodwill and False Advertising: New Wine in Old Bottles" [1986] 45 CLJ 97, 117.

<sup>268</sup> Above 267, 120.

<sup>269</sup> *Tot Toys v Mitchell* [1993] 1 NZLR 325, 352; B Brown "Current Developments in Passing Off and Fair Trading in New Zealand with particular reference to the Australian Connection" in *Australian and New Zealand Institute of Patent Attorneys Conference Papers* (Australian and New Zealand Institute of Patent Attorneys, Queenstown, 1988) 11; above n 267, 104.

<sup>270</sup> See P Cane *Tort Law & Economic Interests* (Clarendon Press, Oxford, 1991).



rights protected by the law of torts".<sup>271</sup> This contrasts with the expanding requirement to establish actual, or at least likely, damage in actions for passing off.<sup>272</sup>

The fact that goodwill is viewed as property, even though passing off is not actionable in the absence of damage or the likelihood of damage, provides a good illustration of the fact that the concept of 'property' can be used to justify a variety of legal consequences; but calling an asset 'property' does not necessarily mean that all of these legal consequences will be available to protect the asset. As a result, use of the concept without explanation is both dangerous and relatively uninformative.

While the basis of the tort is interference with property rights, the tortious nature of the misrepresentation, arguably the foundational element of liability,<sup>273</sup> is reflected in the requirement of damage. The increasing extraterritorial potential for goodwill to transcend national boundaries, and the expansive nature of character merchandising, further reflect the remove from orthodox notions of goodwill.<sup>274</sup>

In formulating such general principles, which are queries "essentially...of legal policy",<sup>275</sup> courts confront different issues respecting the balance of protection and scope of boundaries.<sup>276</sup>

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<sup>271</sup> Above n 270, 77.

<sup>272</sup> Above n 270, 82.

<sup>273</sup> See above n 267, 99.

<sup>274</sup> See *Dominion Rent A Car Ltd v Budget Rent A Car Systems (1970) Ltd* [1987] 2 NZLR 395; H Carty "Passing Off and the Concept of Goodwill" [1995] JBL 139; F Martin "The Dividing Line Between Goodwill and International Reputation: A Comparison of the Law Relating to Passing Off in the United Kingdom, Australia and Other Jurisdictions" [1995] JBL 70.

<sup>275</sup> Above n 264, 739.

<sup>276</sup> Above n 270, 84.



The advantage of the concept of property is that it can be used to protect assets from unauthorized use, regardless of whether that use is unfair in any sense other than that it was done without the consent of the 'owner' of the asset. But the corresponding disadvantage of the concept is that it enables business people to eliminate unwanted competition.

The above consideration of passing off under the double actionability rule, excluding characterisation under jurisdictional principles, illustrates the focus on the tortious character of rights not reliant on territorial presence. The courts "have not...thrown...protection...around all the intangible elements of value",<sup>277</sup> and emphasis on the quality of conduct shapes the amorphous tort.

Regardless of the uncertain theoretical foundation of the private international law demarcation between statutory rights and passing off, the distinction threatens to distort delicate intellectual property regimes. The operation of the tort of passing off in contexts where specific statutory rights are primarily applicable, "without any real differentiation of the separate policy bases",<sup>278</sup> potentially assumes inflated significance given the former's preferment at private international law. In cases such as *Atkinson* and *Tyburn*, involving an explicit contrast, it would appear anomalous that the result potentially depends on the form of pleadings:<sup>279</sup>

For the purposes of the principle of unenforceability under consideration the action is to be characterized by reference to the substance of the interest sought to be enforced, rather than the form of the action.

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<sup>277</sup> *Victoria Park Racing and Recreation Ground Co Ltd v Taylor* (1937) 58 CLR 479, 509.

<sup>278</sup> M Blakeney "The Protection of Industrial and Intellectual Property Rights under Section 52 of the Trade Practices Act 1974" (1984) 7 UNSWLJ 39, 41.

<sup>279</sup> *Attorney-General (United Kingdom) v Heinemann Publishers Australia Pty Ltd* (1988) 165 CLR 30, 44.



The position assumes increased indeterminacy when broad statutory provisions, which are not directly correlated to conventional models of intellectual property, are considered. Section 9 of the Fair Trading Act 1986 states that: "[n]o person shall, in trade, engage in conduct that is misleading or deceptive or is likely to mislead or deceive". The section is enforceable through civil action by any person, or the Commerce Commission.<sup>280</sup>

The simplicity of terminology masks the nature and extent of the normative commercial morality enacted under the provision, and it remains pertinent to ascertain whether such rules fall within the jurisdictional prohibitions considered. The predilection of the section towards conduct, within which misrepresentations are subsumed,<sup>281</sup> directs the analysis towards whether erroneous conclusions have been induced in consumers. The capacity of the section to "open the way to the creation of prescriptive monopolies",<sup>282</sup> has led the doctrinal purity of the consumer protection legislation to be infused with a substratum of technical passing off principles,<sup>283</sup> due somewhat to the procedural association of the causes of action.<sup>284</sup>

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<sup>280</sup> Brown and Grant *The Law of Intellectual Property in New Zealand* (Butterworths, Wellington, 1989) 567-568; ss40-43 of the Fair Trading Act 1986.

<sup>281</sup> The weight of authority indicates that the approach in *Taco Co of Australia Inc v Taco Bell Pty Ltd* (1982) 2 TPR 48, in confining misleading and deceptive conduct to misrepresentations, is not to be preferred, see French J "A Lawyers Guide to Misleading or Deceptive Conduct" [1989] 63 ALJ 250.

<sup>282</sup> Above *Parkdale Custom Built Furniture Pty Ltd v Puxu Pty Ltd* (1982) 149 CLR 191, 196.

<sup>283</sup> See M Blakeney "Old Wine in New Bottles: Influence of the Common Law on the Interpretation of Section 52 of the Trade Practices Act" [1984] 58 ALJ 316.

<sup>284</sup> Above n 278, 40.



The manifest overlap with passing off and the concentration on the culpability of conduct productive of confusion, suggest a want of territorial conscription.<sup>285</sup>

From a systematic point of view...protection against unfair competition should be ranked not with rights to intangible objects, but with the law of tort...[such claims] do not arise from rights comparable to corporeal rights, but are based rather upon the unfairness of an act of competition.

Such distinctions should not, however, be superficially promoted. The core intellectual property regimes do not incorporate the range of interests, economic or otherwise, that unfair competition, contract law, and the law of torts protect.<sup>286</sup> Arguably, such intersecting legal relations, derived from an aggregate of common law and statutory rules, cannot be segregated to provide a consistent body of law: "[i]t is dangerous to suggest a whole cloth out of pieces in different households".<sup>287</sup> Attempts to separate out coherent mechanisms of protection, beyond the inherited bipolar structure of industrial property and copyrights, encounter vague lines of demarcation.<sup>288</sup> Uncertain and inchoate prejudice at private international law distinction will only further destabilise the dominant intellectual property paradigms.

## IX POLICY CRITIQUE

The apparent "element of circular reasoning"<sup>289</sup> in the decisions surveyed, through the utilisation of irreconcilable doctrines to characterise a reluctance to

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<sup>285</sup> Above n 61, 5.

<sup>286</sup> See above n 255.

<sup>287</sup> G Hammond "The Legal Protection of Ideas" (1991) 29 Osgoode LJ 93.

<sup>288</sup> See above n 61, 20-24; JH Reichman "Charting the Collapse of the Patent-Copyright Dichotomy: Premises for a Restructured International Intellectual Property System" (1995) 13 Cardozo Arts & Ent LJ 475.

<sup>289</sup> PB Carter "Decisions of British Courts During 1990" (1990) 61 BYIL 400, 401.



adjudicate claims, fails to accommodate the argued need for "appropriateness in sophisticated detail".<sup>290</sup> The employment of the local action rule, and the territorial manipulation of the double actionability rule, arguably parallels Holme's narration of common law development:<sup>291</sup>

The customs, beliefs or needs of a...time establish a rule or a formula. In the course of centuries the custom, belief or necessity disappears but the rule remains. The reason that gave rise to the rule has been forgotten and ingenious minds set themselves to inquire how it is to be accounted for. Some ground of policy is thought of, which seems to explain it and to reconcile it with the present state of things; and then the rule adapts itself to the new reasons which have been found for it, and enters on a new career. The old form receives a new content, and in time even the form modifies itself to fit the meaning which it has received.

The geographic division and limitation of intellectual property rights has arguably arisen from their inherent nature as "peculiarly expressive of a nation's political, socio-economic and cultural interests".<sup>292</sup> Competing conceptions of the nationalisation of intellectual property, incorporating fundamental notions of allocation, and private proprietary rights underlie the analysis. Contentions that such rights constitute a "form of property worth of special protection in the ultimate public interest"<sup>293</sup> commonly rely on the contingent relation of intellectual property to existing legal structures.<sup>294</sup> The independent existence of the material objects of corporeal property from the governing law is not, however, the proper focus and neglects the abstract nature of all property rights, which manifest underlying societal values.

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<sup>290</sup> Above n 289, 402.

<sup>291</sup> OW Holmes *The Common Law* (1881) 5.

<sup>292</sup> Above n 144, 1183.

<sup>293</sup> *Penguin Books Limited v India Book Distributors et al* [1985] FSR 120, 225.

<sup>294</sup> See for example above n 105; above n 144.



The conception of the purpose of the quasi-monopolies as "historically...to encourage and protect local industry"<sup>295</sup> centres on the peculiar provincial interest of the protecting state. The perceived inability of foreign fora to capture such interests was summarised by Aldous J in *Plastus Kreativ AB v Minnesota Mining and Manufacturing Co*:<sup>296</sup>

For myself I would not welcome the task of having to decide whether a person had infringed a foreign patent. Although patent actions appear on their face to be disputes between two parties, in reality they also concern the public. A finding of infringement is a finding that a monopoly granted by the state is to be enforced. The result is invariably that the public have to pay higher prices than if the monopoly did not exist. If that be the proper result, then that result should, I believe, come about from a decision of a court situated in the state where the public have to pay the higher prices...I believe that, if the local courts are responsible for enforcing and deciding questions of validity and infringement, the conclusions reached are likely to command the respect of the public. Also a conclusion that a patent is infringed or not infringed involves in this country a decision on validity as in this country no man can infringe an invalid patent. In the present case the plaintiffs admit the validity of the patent and therefore there is no dispute upon the matter. However, it will be implicit in the judgment of this court that there has been infringement, and that, between the parties, the patent is valid. Thus, I believe it is at least convenient that infringement, like validity, is decided in the state in which it arises. I also believe that it would not normally be right for the courts of this country to decide a dispute on infringement of a foreign patent in respect of facts done outside this country provided there is an adequate remedy in the relevant country. The local court is able to look at the particular acts in the context in which they are carried out. If it happened that there was not an adequate remedy in the other state, then it might be appropriate that action be taken in a state in which there was an appropriate remedy.

Concerns over apparent validity and disparate judgments are arguably supported by the distinct operation of corresponding substantive provisions across states, such as the common test of infringement under article 69 of the European Patent Convention.<sup>297</sup> The institution of parallel intellectual property

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<sup>295</sup> Above n 178, 55.

<sup>296</sup> [1995] RPC 438.

<sup>297</sup> See D Perkins and G Mills "Patent Infringement And Forum Shopping In The European Union" (1996) 20 Fordham Int'l LJ 549.



proceedings in diverse fora may be subject to "national cultural and jurisprudential factors and procedural differences".<sup>298</sup> Procedural intricacies, the exclusive province of the forum, such as availability of specialist courts and expedited relief, may critically influence proceedings.<sup>299</sup> A related concern, the potential for litigation to become aggregated in dominant intellectual property centres and the further ascendance of uniform policy, is arguably mitigated by the requirement for sufficient jurisdictional contacts. Further, the assertion that intellectual property claims are "notoriously complex and expensive"<sup>300</sup> evokes the potential of an inextricable burden on a foreign court. The question remains, however, the extent to which intellectual property claims are beset with such encumbrances beyond other forms of private international law litigation. The law of torts' status as an instrument of distributive justice and economic regulation bound to fundamental policy, is reflected primarily through choice of law rather than jurisdictional rules. Such queries were catalogued by Lloyd J in *Pearce v Ove Arup Partnership Ltd*.<sup>301</sup>

In circumstances of increasingly international dealings as regards intellectual property rights and articles created using them, including the dramatic potential effects of the Internet and other transnational communication systems, and the possible supply of articles in breach of copyright in a contracting state by a person who does not establish a place of business there, it might be said to be convenient to be able to sue a person who is said to have infringed such rights in two or more contracting states by one action in the court of domicile...instead of proceeding separately in each relevant jurisdiction: this might result in an economic and efficient resolution of a dispute of an international character, and avoid inconsistent results. On the other hand there are undoubtedly anomalies which could result from the court applying its own adjectival rules, especially of procedure and remedy, in relation to a cause of action arising under a different state's law. There would be scope for forum shopping, in relation to which the plaintiff might wish to bear in mind any number of factors such as the rules as regards the

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<sup>298</sup> Above n 177, 734.

<sup>299</sup> See above n 177; above n 297.

<sup>300</sup> Above n 2, 258.

<sup>301</sup> [1997] 3 All ER 31, [1997] 2 WLR 779.



quantification of compensation or other remedies, including interim protection, procedural differences such as rules about discovery and witnesses, and rules and practices as regards costs and their recovery, or such matters as contingency fees or legal aid. However, that is something which the courts of the contracting states are already faced with in relation to all other matters governed by the Convention and not reserved to the courts of one contracting state...

The prevalent adjudication of contractual intellectual property claims is illustrative of courts' capacity to construe and apply foreign intellectual property law. In *Campbell Connelly & Co, Ltd v Noble*<sup>302</sup> Wilberforce J dealt with a contract argued to equitably assign the future contingent rights of a United States renewal copyright. While the construction of the contract was governed by English law, the precise nature of the subject matter and the conditions of its assignment, the proprietary interests, were controlled by the law of the United States. Cognisant of foreign legislation, case law and expert opinion regarding "an item of property...or 'estate'",<sup>303</sup> especially one unknown at English law, was thus not beyond the court. The "heavy gloss"<sup>304</sup> such an approach places upon the local action rule depends upon a distinction at private international law between the law of torts and contract which is arguably "largely historical and...[has] little modern social purpose".<sup>305</sup> In addition, the common characterisation of intellectual property legislation as a statutory default regime, in absence of specific contractual terms, further blurs the demarcation. The contractual classification of an action is arguably paralleled by a decision between the parties to permit the unqualified employment of the relevant legislative regime.

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<sup>302</sup> [1963] 1 All ER 237, [1963] 1 WLR 252.

<sup>303</sup> Above n 302.

<sup>304</sup> Above n 86, 287.

<sup>305</sup> L Collins *Essays in International Litigation and the Conflict of Laws* (Clarendon Press, Oxford, 1994) 389.



Appeals for the "construction of a much needed private international law of intellectual property"<sup>306</sup> seek an appraisal beyond the guise of "psychological and political reasons"<sup>307</sup> raised through resort to inappropriate concepts which "...cannot be replaced either by invoking the sovereignty of States or legislative policy arguments aiming to prove that it would be advisable for such...principle[s] to exist".<sup>308</sup>

The increased congruity of substantive intellectual property rights affected by international conventions contrasts with the enduring assertions concerning the novelty and imprecision of foreign enactments. Increasingly mutable telecommunications technologies further challenge the assumed model of partitioned acts of infringement. Territorially discrete legal facts become difficult to extract from transnational activity potentially involving inchoate acts, from creation to infringement.<sup>309</sup> Collective licensing organisations and trade associations, while viable collection mechanisms, cannot sufficiently mitigate such effects in isolation.

The risk of concurrent litigation, raising complications regarding issues of estoppel, *res judicata*, and enforcement,<sup>310</sup> could be minimised through in personam orders: "...there is no reason to assume that such an order cannot be

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<sup>306</sup> Above n 289, 402.

<sup>307</sup> SM Stewart *International Copyright and Neighbouring Rights* (Butterworths, London, 1983) 38.

<sup>308</sup> Above n 37, 418.

<sup>309</sup> See Jane C Ginsburg "Global Use/Territorial Rights: Private International Law Questions of the Global Information Infrastructure" (1995) 42 *J Copyright Soc'y USA* 318; P Geller "Conflicts of Laws in Cyberspace: Rethinking International Copyright in a Digitally Networked World" (1996) 20 *Colum-VLA JL & Arts* 571.

<sup>310</sup> See above n 31.



given when the case is about an obligation under the law of a foreign country".<sup>311</sup> An absolute and unmitigated jurisdictional prohibition, apathetic to the justice of the individual case, should arguably yield to "pragmatic not a priori"<sup>312</sup> reasoning.<sup>313</sup>

The real answers to these questions [are] not to be found in a jurisprudence of concepts, but in decisions which consciously weigh...the policies and results involved in choosing one category or another.

#### A *Forum Non Conveniens*

The forum non conveniens doctrine, which examines the interests of all parties and the ends of justice to ascertain the competent and appropriate forum, has been variously suggested to "better promote the policies"<sup>314</sup> concerned.<sup>315</sup> Correspondingly, Laddie J in *Coin Controls* suggested the common law jurisdictional prohibition and associated policies were "full of reliance"<sup>316</sup> on the principle of forum conveniens. Under the doctrine the defendant must establish the existence of an available forum which is clearly and distinctly more appropriate. The global inquiry into forum non conveniens, which is relative rather than absolute, will generally include factors tending to demonstrate a real and substantial connection with a particular forum, and considerations militating against justice if the plaintiff is confined to the foreign forum.<sup>317</sup> The prevalent

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<sup>311</sup> (Interlas, Hoge Raad, November 24, 1989, BIE 1991, 86 (741)).

<sup>312</sup> Above n 289, 401.

<sup>313</sup> Above n 305, 390.

<sup>314</sup> Above n 117, 255.

<sup>315</sup> See G Austin and D Browne "New Zealand Copyrights in Conflict - *Atkinson Footwear Ltd v Hodgskin International Services Ltd*" [1995] 1 NZBLQ 252; above n 144.

<sup>316</sup> Above n 178, 56.

<sup>317</sup> See above n 31.



advantages of such an approach include the responsiveness and flexibility of the doctrine and the relocation of intellectual property claims within general principles of private international law.

Perceived inadequacies of the doctrine concern the denial of the foreign state's separate and explicit sovereignty interest, and the focus on alternative fora.<sup>318</sup> The United States Court of Appeals for the Ninth Circuit dismissal of copyright infringement claims on forum non conveniens grounds in *Creative Technology Ltd v Aztech System Pte Ltd*,<sup>319</sup> while facially accurate, has been criticised as neglecting the peculiar instances of copyright protection.<sup>320</sup> A court's competence to make an informed disposition, reliance on translations and subjective policy judgments, and the enforcement of appropriate remedies are determinants argued to require express articulation in intellectual property disputes.<sup>321</sup>

The "really obnoxious feature"<sup>322</sup> of such measures, however, is the potentially unwieldy discretion thereby invoked. It is debatable whether such discretion, potentially uncertain in determining competency, represents a solution to the current lack of an identifiable and consistent doctrinal basis.<sup>323</sup> However, while

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<sup>318</sup> See above n 144.

<sup>319</sup> 61 F.3d 696 (9th Cir 1995).

<sup>320</sup> See L Carino "Creative Technology Ltd v Aztech System Pte Ltd: The Ninth Circuit Sends a United States Copyright Infringement Case to Singapore on a Motion of Forum Non Conveniens" (1996) 41 Vill L Rev 325.

<sup>321</sup> See above n 144.

<sup>322</sup> Above n 205, 366.

<sup>323</sup> The observation is arguably supported by the divergent assessment of forum non conveniens in the United States and the United Kingdom. The former commonly utilises the doctrine to locate the most appropriate forum, whereas the doctrine assumes the role of a stringent exception rarely applied in the United Kingdom. Cf *Creative Technology Ltd v Aztech System Pte Ltd* 61 F.3d 696 (9th Cir 1995) and *Spliada Maritime Corp v Cansulex Ltd* [1987] 1 AC 460.



arguably "national egoism and aggressive economic policy seem to prevail"<sup>324</sup> in the intellectual property arena, legal tradition is liable to constrain capricious and arbitrary decisions.<sup>325</sup>

It is not suggested that intellectual property litigation will ordinarily not be *forum non conveniens*. The location of witnesses and other material evidence combined with implications of public policy, will normally motivate a stay or dismissal of proceedings. However, "refuge in legalisms"<sup>326</sup> should not obscure the particular exigencies of the "mundane process of infringement actions".<sup>327</sup>

## X CONCLUSION

The paucity of New Zealand authority concerning the application and scope of the common law jurisdictional prohibitions, in relation to intellectual property or otherwise, may suggest such issues are inconsequential in a geographically isolated state. However, the development of a pragmatic and methodologically robust approach to intellectual property infringement actions is necessary, if merely to facilitate the recognition and enforcement of emerging foreign judgments.

Potential assumptions of jurisdiction should not be premised on the peripheral concern that other states "will simply take over",<sup>328</sup> but should seek the

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<sup>324</sup> Above n 52, 9.

<sup>325</sup> See above n 22.

<sup>326</sup> Above n 42, 83.

<sup>327</sup> See above n 9, 338.

<sup>328</sup> Jacob J "Minutes of Evidence taken before the Special Public Bill Committee on the Private International Law (Miscellaneous Provisions) Bill, Jan 23, 1995" in above n 297.



reconciliation of private interests and expectations with an arguably profound national interest. Presently, the primacy attached to the law of the protecting country "pushes the choice of law issue back into the realm of...jurisdictional decisions".<sup>329</sup> The contrasting assemblage of authorities reveal the presently uncertain and shifting grounds of exclusion which obscure the values at issue. The "forcing of external issues into...internal moulds for which they were not at all designed"<sup>330</sup> evinces a crude jurisprudence, which places an immoderate strain upon legal principles.

Proposing the evaluation of credible instances of jurisdiction does not necessitate that micro analysis dominate nor destabilise an overarching system of law. Rather, the articulation and application of fundamental interests will assist the construction of a reflective jurisprudence, currently absent in a fragmented system plagued with structural anomalies.

The reduction of legal relations to obligations between the parties, diminishing sovereign implications, may be simplistic in certain circumstances. However, the consolidation of intellectual property rights within general principles of private international law may avoid doctrinal anomalies and promote equitable assumptions of jurisdiction. Discourse concerning the instances of jurisdiction will not advance behind obdurate common law doctrines or allusions to public policy.

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<sup>329</sup> Above n 226, 77.

<sup>330</sup> AK Kuhn "Local and Transitory Actions in Private International Law" (1918) 66 U Pa L Rev 301, 304.



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