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論　　説

Internet Intermediaries and Conflict of Laws with Regard to IP Infringement

Dai YOKOMIZO*

I. Introduction

The purpose of this paper is to examine an appropriate choice-of-law rule relating to the liability of Internet intermediaries with regard to intellectual property (hereafter referred to as "IP") infringement.

Internet Service Providers (hereafter referred to as "ISP") currently provide a variety of facilities and services on the internet which may lead to the infringement of intellectual property rights. For example, content uploaded on a social network service may infringe a copyright, or a product sold on an auction site may infringe a trademark. In these cases, it is sometimes difficult to identify the direct infringer, who may be located far from the right holder's place or lack sufficient financial resources to pay damages.[1] Thus, the liability of an ISP as a contributor to infringement or as an indirect infringer has been discussed on the substantive IP law level.[2]

* Professor of Law at Nagoya University, Graduate School of Law. This article is an outcome of the Grants-in-aid for Scientific Research (the Japanese Society for the Promotion of Science, for Scientists (A): 2017-2021) project: "Research on the Common Framework of IP Law and Relevant Laws among Multiple States" (Principal Researcher: Prof. Masabumi Suzuki). It is also based on my presentations at the 9th Japan-Taiwan Symposium on Intellectual Property law (December 14, 2018, at National Cheng-Kung University) as well as at the First IP & Innovation Researchers of Asia Conference (January 31, 2019, at International Islamic University Malaysia).

1) Pedro A. De Miguel Asensio, "Internet Intermediaries and the Law Applicable to Intellectual Property Infringements", *JIPITEC*, Vol. 3, No. 3 (2012), p. 350, pp. 350-351.

2) See, for example, Gerald Spindler/Mathias Leistner, "Secondary Copyright Infringement – New Perspectives in Germany and Europe", *IIC*, Vol. 37 (2006), p. 788; Jan Bernd Nordemann, "Liability for Copyright Infringements on the Internet: Host Providers (Content Providers) – The German Approach", *JIPITEC*, Vol. 2 (2011), p. 37.

Due to ubiquitous nature of the Internet, this issue may often occur in a cross-border context and the significance of examining this issue from a conflict-of-laws perspective is evident, though thus far scholars in the field have not given the issue a great deal of attention.[3] One of the reasons for this may be that, as will be shown later, the solution to this problem has been almost unanimous in practice and also supported by many scholars and soft-law type principles.

However, this solution may be insufficient from the viewpoint of right holders. In fact, as will be discussed later, some authors have claimed different solutions and, in particular, the so-called CLIP Principles drafted by the European Max Planck Group on Conflict of Laws in Intellectual Property[4] have proposed a special choice-of-law rule relating to secondary infringement (Art. 3: 604). Thus, it seems significant to reflect on whether the solution supported by the current practice is appropriate and, if not, what choice-of-law rule should be introduced.

Against this background, this paper will examine a choice-of-law rule relating to secondary infringement[5] committed by an ISP. The following sections will, first, describe the current practice and the majority's view on this issue (II). Then, it will analyze alternative solutions, mainly focusing on the CLIP Principles (III). Finally, it will examine what would be the best solution (IV).

II. Current State Practices

As for the law applicable to secondary infringement, the solution offered by current practice is clear: the *lex loci protectionis* (the law of the state for which protection is sought). For example, in the EU, the Rome II Regulation[6] clarifies,

3）As exceptions, see Graeme B. Dinwoodie/Rochelle C. Dreyfuss/Annette Kur, "The Law Applicable to Secondary Liability in Intellectual Property Cases", *International Law and Policy*, Vol. 42 (2009), p. 201; Asensio, *supra* note (1); Sophie Neumann, *Die Haftung der Intermediäre im internationalen Immaterialgüterrecht* (Nomos, 2014).

4）European Max Planck Group on Conflict of Laws in Intellectual Property (CLIP), *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary* [hereafter referred to as "Commendaty"](Oxford, 2013).

5）In this paper, the term "secondary infringement" will be used in a broad sense, which includes "any actions or conduct enabling another person to carry out activities resulting in infringement of any kind". See, Commentary, *supra* note (4), p. 327 [Annette Kur].

6）Regulation (EC) No 864/2007 of The European Parliament and of The Council of 11

in Article 15 (g), that the law applicable to non-contractual obligations under the Regulation shall govern the liability for the acts of another person.[7] This means that, in the context of the infringement of IP rights, the *lex loci protectionis,* which is provided in Article 8 (1), shall apply to secondary infringement.[8] Furthermore, in the United States, the ALI Principles[9] supports this solution. The comment on Article 301 of the ALI Principles points out that the law that governs the determination of infringement not only covers direct infringement but also determines to what extent activities facilitating infringement may be regarded as infringement.[10] Moreover, in Japan, in a case where claims for an injunction and damages were brought against an ISP which provided a peer-to-peer music file-sharing service with the host server located in Canada, Japanese courts determined the case according to Japanese law without mentioning the choice-of-law process.[11] This attitude can be interpreted as the courts applying Japanese law as the *lex loci protectionis*.[12][13]

July 2007 on the law applicable to non-contractual obligations.

7） For this provision's broad scope, see Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* (Oxford, 2008), p. 587.

8） Asensio, *supra* note (1), p. 353; Toshiyuki Kōno/Paulius Jurcys, "General Report", in Toshiyuki Kono, *Intellectual Property and Private International Law: Comparative Perspective* (Hart Publishing, 2012), p. 155.

9） The American Law Institute, Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes (ALI Publishers, 2008).

10） *Ibid*, p. 125.

11） Tokyo District Court, Ruling, 9 April 2002, *Hanrei Jiho*, No. 1780, p. 71; Tokyo District Court, Ruling, 11 April 2002, *Hanrei Jiho*, No. 1780, p. 25; Tokyo District Court, Intermediary Judgment, 29 January 2003, *Hanrei Jiho*, No. 1810, p. 29; Tokyo District Court, Judgment, 17 December 2003, *Hanrei Jiho*, No. 1845, p. 36.

12） However, in Tokyo High Court, Judgment, 31 March 2005 ([Hei 16 (ne) No. 405], *available at* "Court in Japan" http://www.courts.go.jp/), the court mentioned the choice-of-law process. It justified the application of Japanese law as follows: from the facts that the defendant company was a Japanese company, that the web site in question was described in Japanese, and that the software for clients was described in Japanese, it could be considered that the most part of the transmissions of files by way of the service in question were conducted within Japan; the location of the server was not important since the utilization of that server with regard to the service in question could be determined by the defendant company; hence, it could be said that the alleged infringing acts were substantially conducted in Japan; furthermore, it was a right based on Japanese copyright law which was infringed. It is possible to interpret that the court applied Japanese law as the most closely connected law to the case.

13） Article 305 of the Principles of Private International Law on Intellectual Property Rights (Joint Proposal Drafted by Members of the Private International Law Association of Japan and Korea) adopts the same position. Shōichi Kidana (ed.), *Chiteki Zaisan no*

What is the justification for this solution? In this regard, a substantial connection between direct infringement and indirect infringement is pointed out.[14] However, is there such a connection between a direct infringer and an ISP, which offer their facilities or services in a neutral way? Indeed, alternative choice-of-law rules proposed by some authors are based on the lack of this connection.

III. Alternatives

As a special choice-of-law rule relating to secondary infringement, one Japanese author proposes a cascading connection. First, the law of the state where the server is located; if the server's location is not identified, then, as the second connection, the law of the state where the ISP has its principal place of business applies; finally, in cases where the ISP's principal place of business cannot be identified, the law of the state where the object is downloaded is to apply.[15] Although the idea is interesting, the rule does not seem so convincing since it is hard to discern the rationality behind reliance on these connections.[16]

As for soft-law type principles, whereas all the principles propose a special rule relating to "ubiquitous infringement" which allows the connection of a single law to infringement online,[17] only one of the principles propose a special rule relating to secondary infringement: the CLIP Principles which we thus focus on.[18]

Kokusai Shihō Gensoku Kenkyū – Higashi Ajia karano Nikkan KyōdōTeian [Studies on the Principles of Private International Law on Intellectual Property Rights – A Japanese-Korean Joint Proposal from East Asian Points of View-] (Seibundō Publishing, 2012), pp. 164-165.

14) Cf. Commentary, *supra* note (4), p. 337.

15) Shōichi Kidana, "Service Provider no Hōteki Chii to Sekinin – Kokusaishihō-jō no Mondai" [Legal position and Liability of Service Providers – Issues of Private International Law], *Chosakuken Kenkyū* [Research on Copyrights], Vol. 28 (2001) p. 100, p. 104.

16) For other criticisms, Yuko Nishitani, "Copyright Infringement on the Internet and Service Provider's Liability – A Japanese Approach from a Comparative Perspective-", in: Andrea Schutz (ed.), *Legal Aspect of an E-Commerce Transaction. International Conference in The Hague, 26 and 27 October 2004* (2006), p. 41, p. 52.

17) For these rules, see, Dai Yokomizo, "Intellectual Property Infringement on the Internet and Conflict of Laws", *AIPPI Journal,* Vol. 36, No. 3 (2011), p. 104, pp. 108-109.

18) Article 3:604: Secondary infringement
"(1) Subject to paragraph 2, the law applicable to liability based upon acts or conduct that induce, contribute to or further an infringement is the same as the law applicable to that

Whereas Article 3: 604 (1) maintains the idea that the law applicable to secondary infringement should be the law governing the main infringement, Article 3: 604 (2) introduces an exception: in cases where facilities or services are offered by Internet intermediaries, the law applicable to the liability of that person is the law of the state where the centre of gravity of her/his activities relating to those facilities or services is located. It has been pointed out that this rule aims to provide legal certainty for ISPs by subjecting them to the application of one law that can be determined prior to the individual acts of infringement committed by users of the services.[19] The question then becomes how the centre of gravity should be determined?

According to the commentary of the Principles, the centre of gravity of the activities will be found where the person or persons in charge of operating the services are mainly (physically) engaged in the pursuit of the relevant business activities.[20] However, it is pointed out that there may be a number of cases where the centre of gravity is unclear.[21] In particular, two situations are mentioned. First, in cases where the ISP conducts its business via a central organization as well as through several subsidiaries. In that case, the centre of gravity should be determined in relation with each claim: it may be different with regard to the liability of the central administrator and of its subsidiaries.[22] Second, in cases where the persons responsible for the operation conduct their activities in different

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infringement.
(2) In case of facilities or services being offered or rendered that are capable of being used for infringing or non-infringing purposes by a multitude of users without intervention of the person offering or rendering the facilities or services in relation to the individual acts resulting in infringement, the law applicable to the liability of that person is the law of the State where the centre of gravity of her/his activities relating to those facilities or services is located.
(3) The law designated by paragraph 2 shall only apply if it provides at least for the following substantive standards:
(a) liability for failure to react in case of a manifest infringement and
(b) liability for active inducement.
(4) Paragraph 2 does not apply to claims relating to information on the identity and the activities of primary infringers."

19） Commentary, *supra* note (4), p. 326.
20） Commentary, *supra* note (4), p. 330.
21） Commentary, *supra* note (4), p. 330.
22） Commentary, *supra* note (4), p. 330.

countries, or where they try to hide their identity and place of business, it is the court which should freely determine the centre of business.[23)]

Article 3: 604 (2) only applies if the designated law at a minimum provides substantive standards of liability for failure to react in case of a manifest infringement and liability for active inducement (Article 3: 604 (3)). These requirements were introduced in order to prevent the rule from being misused by intermediaries who seek shelter in states that do not provide any regime for establishing liability for contributory actions, and to maintain the balance between the intermediary and the right holder.[24)]

Finally, this rule does not apply to claims relating to information on the identity and the activities of primary infringers (Article 3: 604 (4)). This limitation is made to avoid creating any obstacles to the prosecution of direct infringers under the national law of the state where that infringement occurs.[25)]

Thus, the CLIP Principles determine the law applicable to secondary infringement independently from direct infringement. The reason why they adopted this "autonomous" approach is that, in cases of internet intermediaries, the activities are only technical, automatic, and passive, and there is no subjective connection between the direct infringer and the ISP.[26)] It is also pointed out that this rule is based not only on practical convenience but also on consideration of comity, that is, the idea that it is appropriate that the law of the state having the closest connection with that service determines the conditions for the liability of intermediaries.[27)] Thus, the CLIP Principles claim that, with this provision, they provide internet intermediaries with a relatively secure and stable legal framework.[28)]

23）Commentary, *supra* note (4), p. 330. It means that the intermediary must comply with all states where the activities are centred, which prevent the ISPs from hiding their identity. *Ibid*.
24）Commentary, *supra* note (4), p. 331.
25）Commentary, *supra* note (4), p. 332.
26）Commentary, *supra* note (4), p. 337.
27）Commentary, *supra* note (4), pp. 336-337.
28）Commentary, *supra* note (4), p. 337.

IV. Reflections

The above-mentioned rule of the CLIP Principles can be highly appreciated as a first attempt to draft a special choice-of-law rule relating to secondary infringement. However, the rule does not seem so convincing due to two issues which will be examined here: the necessity of a special rule (1) and the appropriateness of the connecting factor (2).

1. Necessity of A Special Rule

First, is a special choice-of-law rule truly necessary in this matter? The difficulty in distinguishing between direct infringement and indirect infringement and the close relation between both infringements are often pointed out.[29] Thus, it seems reasonable to subject indirect infringement to the same applicable law as the one relating to direct infringement in an ordinary case.

Contrary to this view, the CLIP Principles emphasize the fact that internet intermediaries offer their facilities or services in a neutral way and that there is no subjective connection between the direct infringer and the ISP.[30] However, the question is whether such neutrality should be considered at the conflict-of-laws level in addition to the substantive law level.

The ISP's neutrality may be considered in relation with its predictability about the application of the *lex loci protectionis*.[31] In this regard, even if there is no subjective connection between the direct infringer and the ISP, the latter can foresee the law(s) to be applied at the stage when it has received a complaint from a copyright owner, by identifying the copyright owner's domicile, the location of the website in question or the location of the merchant or customers.[32] It is true

29） Asensio, *supra* note (1), p. 354. See also, Nishitani, *supra* note (16), p. 52.
30） Commentary, *supra* note (4), p. 337. Cf. Neuman, *supra* note (3), pp. 403-407.
31） Neuman, *supra* note (3), pp. 406-407.
32） For the response of the payment systems to the complaints of copyright infringement and an interesting case in which a credit card company received a complaint from a copyright representative entity alleging that a website located in Russia was infringing on the copyrights in different countries (the *Allofmp3. com* Case), see, Mark MacCarthy, "What Payment Intermediaries are Doing About Online Liability and What It Matters",

that it should foresee the application of different laws under the choice-of-law rule of the *lex loci protectionis*, but, even so, it is still predictable which laws are to be applied.

Having said that, one can agree that, if one of the choice-of-law rules relating to the ubiquitous infringement proposed by soft-law-type principles is introduced, the applicable law would be unpredictable for an ISP, because most of these rules aim to apply the most closely connected law with the infringement.[33] Then, one should reflect on the question of whether one needs to introduce a choice-of-law rule relating to the ubiquitous infringement.

The author doubts the necessity of introducing a special choice-of-law rule relating to ubiquitous infringement.[34] It is true that it would be convenient for a right holder to make a claim based on IP infringement through the internet according to a single law. However, as one can understand from the fact that the principle of independence and territoriality is maintained in IP law, IP law concretizes the state's economic and/or cultural policy.[35] In that sense, the essential rules of IP law should be considered as overriding mandatory rules. The choice-of-law rule designating the *lex loci protectionis* reflects this idea.[36] Then, in order for a state to respect one single IP law instead of relevant IP laws (including those of the forum) from the viewpoint of international cooperation and comity, the convergence of policy and functional equivalence on the substantive law level should be achieved. However, such convergence cannot easily be discerned in the field of ubiquitous infringement. Under this current situation, the

Berkeley Technology Law Journal, Vol. 25 (2010), p. 1037, pp. 1087-1098 (the credit card company, which plays a role of intermediaries, responds to complaint in foreseeing the application of different laws as the *lex loci protectionis*).

33）Article 321 of the ALI Principles; Article 302 of the Transparency Principles (accessible in Jürgen Basedow/Toshiyuki Kono/Axel Metzger, *Intellectual Propert in the Global Area* (Mohr Siebeck, 2010), pp. 394-402. It is also the case for Draft Guidelines: "Intellectual Property in Private International Law" [as of May 22, 2018] proposed by the ILA Committee on "Intellectual Property and Private International Law" (26 (3)), *available at* < http://www.ila-hq.org/index.php/committees> (last visited September 26, 2019). For these rules, see, Yokomizo, *supra* note (17), pp. 108-109.

34）For the problems of these rules relating to ubiquitous infringement, see, Yokomizo, *supra* note (17), p. 109.

35）See, Dai Yokomizo, "Intellectual Property and Conflict of Laws: Between State Policies and Private Interests", *AIPPI Journal*, Vol. 35, No. 3 (2010), p. 119.

36）*Ibid*., p. 126.

application of the *lex loci protectionis* as the respect for each state's IP policy seems more desirable from the viewpoint of international cooperation and comity.

Thus, a special choice-of-law rule relating to secondary infringement seems unnecessary. The solution of the current practice, the rule of *the lex loci protectionis*, should be maintained, from the viewpoint of the ISP's predictability as well as from that of international cooperation and comity.

2. Appropriateness of the Connecting Factor

Second, even if we were to admit the necessity of introducing a special choice-of-law rule relating to secondary infringement, we still have to consider whether the connecting factor proposed by the CLIP Principles is appropriate. Here, among other things,[37] one will focus on the connecting factor that Article 3: 604 (2) adopted: the centre of gravity. As has been above mentioned, in principle, it should be the state where the person or persons in charge of operating the services are mainly (physically) engaged in the pursuit of the relevant business activities, but there remain cases where this cannot be clearly identified. Thus, this connecting factor cannot be considered sufficiently clear and stable in order to ensure legal certainty and the predictability for internet intermediaries.[38]

In this regard, one author suggests the law of the place where the tortious act is committed, namely, the place where the company's decision on the arrangement of service is made and preventive measures against infringement can be taken.[39] Although this connecting factor would enhance legal certainty compared with the provision offered by the CLIP Principles, such a solution seems too much in favor of internet intermediaries considering that the company can freely change the place of this decision.[40]

37） Other than the connecting factor, one can also point out he problem of the so-called "safe harbor provision" (Art. 3: 604 (3)). To what degree are the substantive standards on the liability for failure to react in case of a manifest infringement and liability for active inducement required? It depends heavily on the interpretation of this question whether this special choice-of-law rule would work or not.

38） Asensio, *supra* note (1), p. 355.

39） Neumann, *supra* note (3), p. 520.

40） It is also the case for the law of the state where the defendant Internet intermediary was

V. Concluding Remarks

The conclusion of this paper is that it is not necessary to introduce a special choice-of-law rule relating to the liability of internet intermediaries in order to designate the single law instead of multiple laws brought by the rule of the *lex loci protectionis*. In fact the contents posted on intermediary services often have substantial repercussions in a limited number of jurisdictions and, in those situations, intermediaries have the means to implement technologies that enable territorial restrictions.[41] Thus, the traditional solution supporting the application of the *lex loci protectionis* might be less problematic than it appears.

incorporated, or the law which the Internet intermediary agreed in a contract with a user.

41） Asensio, *supra* note (1), p. 357. For discussions of geoblocking, see, Dan Jerker B. Svantesson, "Geo-Location Technologies and Other Means of Placing Borders on the 'Borderless' Internet", *Journal of Computer and Information Law*, Vol. 23 (2004), p. 101; Marketa Trimble, "Future of Cybertravel: Legal Implications of the Evasion of Geolocation", *Fordham Intellectual Property Media and Entertainment Law Journal*, Vol. 22 (2012), p. 567; *id*., "Geoblocking and Evasion of Geoblocking – Technical Standards and the Law", in Ramon Lobato/James Meese (eds.), *Geoblocking and Global Video Culture* (Institute of Network Cultures, Amsterdam, 2016), *available at* <http://networkcultures.org/blog/publication/no-18-geoblocking-and-global-video-culture/> (last visited September 26, 2019), p. 54.