Law applicable to intellectual property rights in the European Union

Kunda, Ivana

Studies in Conflict of Laws and International Litigation

Korea Private International Law Journal

Vol. XXII No. 2

Festschrift for Prof. Kyung Han Sohn

2016

Special Issue

International Obligations Law

Korea Private International Law Association

9 771738 630005 00222

ISSN 1738-6306

Law applicable to intellectual property rights in the European Union

Dr. Ivana Kunda*

[Contents]

1. Introduction

During his extraordinary fruitful academic and professional career, Professor Dr. Sohn Kyung Han on more than one occasion demonstrated his appreciation of the need to unite the expertise in two fields: private international law and intellectual property law. This article deals with issues at the intersection of the two fields viewed from the European Union perspective. The focus is on determining the law which governs different aspects of intellectual property rights (hereinafter: IPRs) and relationships

* Associate Professor/Head of the Chair of European and International Private Law Faculty of Law University of Rijeka (Croatia)

arising with respect to these rights. As much as these rights defy national borders due to their immaterial subject matter, they are still predominantly national when it comes to their territorial scope. Therefore, territoriality is the first point, and with that related differentiation of the core and other IP issues is the second point to be made in the following pages. Once these foundations are laid, the conflict of law provisions are discussed starting from the core IP issues, moving to contracts and closing with non-contractual obligations. Rather than discussing the abundant doctrinal and scholarly approaches, the purpose of this paper is to depict the current state of law in the EU.

2. Territoriality

The issues at the crossing between conflict of laws and intellectual property law traditionally has not received much attention. The reason was rather rigorous and comprehensive principle of territoriality, which historically developed as a result of the exclusive nature of the rights guaranteed by the sovereign power.[1] At least four basic aspects of this principle may be distinguished: A) Only the nationals of a particular country could be recognised as holders of an IPR in that country. B) Only the courts of a country, under whose laws an IPR is protected, could decide the claims related to that IPR. C) An IPR could exist only under the law of a particular country, and was independent from other IPRs regarding the same object that may exist under the laws of other countries. D) Activity in a particular country could have legal relevance only in respect to an IPR protected by laws of that country.[2] The continuous reduction in

1) J. Basedow, in: European Max Planck Group on Conflict of Laws in Intellectual Property, Conflict of Laws in Intellectual Property: *The CLIP Principles and Commentary*, (Oxford University Publishing, Oxford: 2013) 229.

2) These four aspects of territoriality have been identified in: W. R. Cornish./D. Llewelyn/T. F. Aplin, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights*, (8th edn., Sweet & Maxwell, London, 2013) 27-28.

the scope and rigorousness of the principle of territoriality is driven by technological progress, such as transmission of analogous signal, digital technology and internet, as well as political, economic and social developments, such as the intensifying cross-border human migration and business activity. Already in the late 1890s, aspect A), i.e. discrimination based on nationality was nearly eradicated by means of national treatment clauses included in the international conventions.[3] In parallel, advancing different criteria of elective jurisdiction (especially *actor sequitur forum rei* for general jurisdiction), coupled with and facilitating recognition of foreign judgments, enabled the courts of different countries to decide on certain claims related to a foreign IPR thus relaxing the aspect B).[4] Aspects C) and D) are still predominantly present, with minor exceptions only. As further text focuses on the issues that arise in respect to the applicable law related to IPRs, it is the aspect C) of the principle of territoriality which will be scrutinised in details.

---

3) The earliest such conventions were: the Paris Convention for the Protection of Industrial Property of 1883 (Art. 2) and the Berne Convention for the Protection of Literary and Artistic Works of 1886 (Art. 5). It is also included in the Agreement on Trade-Related Aspects of Intellectual Property Rights od 1994 (Art. 3). It seems appropriate to state here that the CJEU stated that no conflict of la provision may be inferred from the national treatment clause. Judgment in *Tod's*, C-28/04, ECLI:EU:C:2005:418, paras. 32-33.

4) See e.g. the Brussels Convention on jurisdiction and the enforcement of judgments in civil and commercial matters, OJ L 299, 31.12.1972, substituted by the Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ L 12, 16.1.2001, recently substituted by the Regulation (EU) No 1215/2012 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast), OJ L 351 20.12.2012. See also English Supreme Court, *Lucasfilm. Limited & others v Ainsworth & another* [2011] UKSC 39 ("There are no issues of policy which militate against the enforcement of foreign copyright.").

3. Legal characterisation of IPRs

In the course of conflict-of-law process, the first question arises as to the legal qualification of IPRs. These rights are predominantly national rights recognised or granted by a certain country under its laws and with the effect limited to its borders. Thus, different categories of rights might be legally qualified as IPRs under the domestic law of a particular country. As a rule, European countries apply the *lex fori* characterisation. While differing qualification is not unusual in applying national conflict-of-law provisions, it may not be appropriate under the EU legal instruments containing unified conflict-of-law rules. On many occasions has the Court of Justice of the European Union (hereinafter: CJEU) stated that only the autonomous interpretation not dependant on domestic concepts of any Member State may ensure the unified application of the provisions.[5] This should apply to the notion of IPRs which is explicitly mentioned in Art. 8 of the Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II).[6] Instead of definition, there is a non-exhaustive list which for the purposes of the Regulation includes copyright, related rights, the *sui generis* right for the protection of databases and industrial property rights (Rec. 26). Apparently, this embraces both registered and non-registered rights, while the term "industrial property right" may be understood to include patents, trademarks, designs, plant variety rights, rights pertaining to topographies of semiconductor products, geographical indications etc, but not unfair competition which is subject to a different provision in Art. 6(1).

As opposed to these national rights, there are unitary rights established under the European Union regulations and effective in all its Member States. Such rights are termed "unitary Community IPRs" in Art 8 of the

---

5) See *infra* sections: Contracts and Infringement.

6) OJ L 199/40, 31.7.2007.

Rome II Regulation and include European Union trade mark (hereinafter: EUTM, named Community Trade Mark until 23 March 2016),[7] Community design (hereinafter: CD)[8] and Community plant variety rights (hereinafter: CPVR).[9] The scope of this chapter does not allow for conflict of law issues regarding these rights to be addressed.

4. Differentiation of IP issues

Different IP issues fall under different conflict-of-law rules and the law applicable to them is determined on the basis of different connecting factors. The "core IP issues", sometimes also called the "proprietary issues related to IP" or the "matters concerning the right as such", are usually said to include creation, existence, registration, validity, termination, content, limitation and exceptions, scope of protection, duration, effects against third parties, compulsory licenses, and often also initial ownership, co-ownership, waiveability, transferability, formalities and requirements related to license, as well as security rights including the possibility to create them and other respective aspects.[10] It was a rarity to find the list of such issues in the

---

7) Council Regulation (EC) No 207/2009 on the Community trade mark, OJ L 78, 24.3.2009, amended by Regulation (EU) 2015/2424 of the European Parliament and of the Council of 16 December 2015, OJ L OJ 341, 24.12.2015.

8) Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs, OJ L 3 of 5.1.2002, amended by Council Regulation No 1891/2006 of 18 December 2006, OJ L 386 of 29.12.2006.

9) Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, OJ L 227 of 1.9.1994, amended several times: OJ L 258 of 28.10.1995, J L 122 of 16.05.2003, OJ L 245 of 29.09.2003, OJ L 162 of 30.04.2004 and OJ L 8 of 11.01.2008.

10) See P. A. de Miguel Asensio, The law governing international intellectual property licensing agreements (a conflict of law analysis), in: J. de Werra (ed.), *Research Handbook on Intellectual Property Licensing*, (Edward Elgar, Cheltenham: 2013) 315; J. Basedow, in: European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary*, (Oxford university publishing, Oxford: 2013) 231-232; T. Kono/P. Jurćys, General Report, in: Kono (ed.) *Intellectual Property and Private International Law: Comparative Perspectives*,

legislation, but the newer codes tend to have such a list. Among many examples, the Belgian Private International Law Code (hereinafter: the Belgian PIL Code)[11] explicitly mentions, in particular, the existence, nature, content and scope of the right, its holders, possibility to dispose of it, the manner of its constitution, modification, transfer and extension and its effects vis-à-vis third parties (Art. 94, para. 1). Separate from the core IP issues are: contractual issues, infringement issues and issues of security rights.

5. The core IP issues

There is no unification of the issues related to the core IPR issues at the European Union level, hence the national conflict of laws provision of the forum state apply. There is a strong tendency to include in the contemporary national legislation on private international law the specific conflict-of-law provisions explicitly dealing with intellectual property.[12] Although not part of the EU, prominent example is surely Art. 110, para. 1 of the Swiss Federal Act on Private International Law (hereinafter: the Swiss PIL Act),[13] which generally subjects the IPRs to the law of the state in

---

(Hart Publishing: 2012) 139; A. Metzger, Applicable Law under the CLIP Principles: A Pragmatic Revaluation of Territoriality, in: J. Basedow/T. Kono/A. Metzger (eds.), *Intellectual Property in the Global Arena – Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US*, (Mohr Siebeck, Tübingen: 2010) 168; S. Bariatti, The Law Applicable to Security Interests in Intellectual Property Rights, *Journal of Private International Law* (6/2010) 400; P. Mankowski, Contracts relating to Intellectual or Industrial Property Rights Under the Rome I, in: S. Leible/A. Ohly (eds.), *Intellectual Property and Private International Law*, (Mohr Siebeck, Tübingen: 2009) 42-43.

11) Loi portant le Code de droit international privé, MB 27.07.2004, 57344.

12) Some statues do not contain any specific provision although they are more recent. See e.g. Macedonian Закон за меѓународно приватно право, Сл. Весник на Р. Македо нија бр.87/07 од 12.07.2007.

13) Loi fédérale sur le droit international privé (LDIP) du 18 décembre 1987 (Etat le 1er juillet 2014), RO 1988 1776.

respect of which intellectual property protection is sought (*lex loci protectionis*). Similarly, the Austrian Private International Law Act[14] states that coming into being, content and termination of IPRs is governed by the law of the country in which use or infringement occurs. The Belgian PIL Code provides in Art. 93, para. 1 that IPRs are governed by the law of the state for the territory of which the protection is sought and further clarifies what issues the applicable law governs.[15] Likewise, Art. 80 of the Czech Private International Law Act[16] contains one provision mentioning IPRs which states that they are governed by the laws of the country which recognizes them and provides them with protection. In the similar vein, the Estonian Private International Law Act[17] provides that IPRs and creation, content, extinguishment and protection thereof are governed by the law of the state for the territory of which protection is applied for (Art. 28). Despite somewhat outdated phraseology of the Italian Private International Law Act (hereinafter: the Italian PIL Act) which in its Art. 54 states that the rights relating to intangible assets are governed by the law of the state in which they are used,[18] this is commonly understood the reference to the *lex loci protectionis*, and includes also the transferability and aspects of the transfer of title over an IPR.[19] Furthermore, Art. 46, paras. 1 and 2 of the Polish Private International Law Act (hereinafter: the Polish PIL Act)[20] state that the establishment, the content and the termination of an IPR as well as alienation of and determination of priority is subject to the law of the

14) Bundesgesetz vom 15. Juni 1978 über das internationale Privatrecht (IPR-Gesetz), BGBl. 304/1978, idF BGBl. I 87/2015.

15) See supra section: Differentiation of IP issues.

16) Zákon o mezinárodním právu soukromém, Předpis č. 91/2012 Sb.

17) Rahvusvahelise eraõiguse seadus, RT I 2002, 35, 217.

18) Legge di 31 maggio 1995, n. 218, Riforma del sistema italiano di diritto internazionale privato; Gazz. Uff. 3 giugno 1995, n. 128, SO; Circ. 9 aprile 1997, n. 4/97 da Ministero di grazia e giustizia; Circ. 5 aprile 1996, n. 12/96 da Ministero di grazia e giustizia.

19) N. Boschiero/B. Ubertazzi, Italy, in: T. Kono (ed.) *Intellectual Property and Private International Law: Comparative Perspectives*, (Hart, Oxford and Portland: 2012) 729.

20) Ustawa z dnia 4 lutego 2011 r. Prawo prywatne międzynarodowe, Dz.U. 2011 nr 80 poz. 432.

country in which this right is exercised. Likewise, the Draft Proposal of the new Croatian Private International Law Act states that original status of a right holder, existence validity, exclusive rights and exceptions, scope, duration, waivability, as well as transferability and effects of transfer over third person's right, security rights and all other issues which concern the IPR as such are subject to the law of each country for which the protection is claimed.[21] The unilateral conflict of law provision in Art. 10, para. 4 of the Spanish Civil Code[22] subjects the protection of the IPRs on the Spanish territory to the Spanish law and is understood as reference to the *lex loci protectionis*.[23]

Although vast majority agrees on the importance of the *lex loci protectionis* for the core IPR issues, certain number of legal system favour the *lex originis* approach in the field of copyright. These systems usually also mention the law of the country of registration (*lex loci registrationis*) to be governing law for the industrial property rights, which in practice corresponds to the *lex protectionis*. Thus the Portuguese Civil Code[24] provides that, while the industrial property rights which are subject to the law of the place of their creation, the author's rights are subject to the law of the place where the work has been first published, and in case it was not published, to the personal law of the author (Art. 48). Similarly, the Romanian Private International Law Act[25] provides that existence, contents and protection of copyright n a work of intellectual creation is subject to the law of the State where it was for the first time made public by publication, representation, exhibition, broadcast or otherwise, while the

---

21) Available st https://esavjetovanja.gov.hr/ECon/MainScreen?entityId=3787.

22) Código Civil, BOE núm. 206, de 25/07/1889.

23) P. A. de Miguel Asensio, Spain, in: Kono (ed.) *Intellectual Property and Private International Law: Comparative Perspectives*, (Hart Publishing: 2012), 993.

24) Código civil, DL n.º 47344/66. See also Supremo Tribunal de Justiça, 10.1.2008. cited in D. Moura Vicente, La propriété intellectuelle en droit international privé, (Martinus Nijhoff, Leiden/Boston: 2009) 244, n. 481.

25) Lege Nr. 105 din 22 septembrie 1992 cu privire la reglementarea raporturilor de drept internaţional privat.

undisclosed intellectual creative works are subject to the national law of the author (Art. 61). Existence, content and termination of industrial property rights are subject to law of the state of deposit or registration (Art. 61). Likewise, Art. 6 of the Greek Copyright Act[26] law also refers to the *lex originis* for copyright which is understood as the law of the state in which the work is first made lawfully accessible to the public, or that of which the author is a national. It further provides that related rights are governed by the legislation of the State in which the performance is realized, or in which the sound or visual or sound and visual recording is produced, or in which the radio or television broadcast is transmitted or in which the printed publication is effected. This law applies also to determination of the subject, object, content, duration and limitations of the right, while protection is subject to *lex loci protectionis*.

The legislative choice between the connections based on *locus protectionis* and *locus originis* is the choice between territoriality and universality. The former leads to the distributive application of the law of all the respective countries (mosaic approach), while the latter leads to the application of one single law. Perhaps the strongest divide is in regard to the initial ownership. In the absence of any statutory provision, some courts, like German, traditionally apply the *lex loci protectionis*.[27] Interesting is the practice of the French courts which tends to favour the *lex originis* regarding the initial ownership, although not consistently. In the famous case regarding the broadcasting of the colourised version of the John Huston's black-and-white film "The Asphalt Jungle", the French overriding mandatory provisions on (initial) ownership of moral rights were applied regardless of the US nationality of the film director.[28] In this

---

26) Νόμος 2121/1993, Πνευματική Ιδιοκτησία, Συγγενικά Δικαιώματα και Πολιτιστικά Θέματα, ΦΕΚ Α 25/4.3.1993.

27) E.g. Bundesgerichtshof, 2. Oktober 1997, I ZR 88/95, BGHZ 136, 380 – Spielbankaffaire.

28) Cour de Cassation, Chambre civile 1, du 28 mai 1991, 89-19.522 89-19725 – Huston c/ Turner Entertainment et la Cinq, RCDIP 1991, 752.

constellation, the provision of Art. 93 of the Belgian PIL Act presents a flexible solution by providing for the application of the law of the closest connection to the question of initial ownership over industrial property rights (not copyright which remains under the *lex loci protectionis*), with the rebuttable presumption in favour of the law applicable to contracts if the intellectual activity occurs in the context of the contractual relationship. The latter solution is addressing the situation of employment-related creations/inventions. While certain countries subject the issue of initial ownership, along with other issues related to employment relation between employee-creator/inventor and employer, to the law applicable to the employment contract, some legal systems still reserve the issue of initial ownership in employment-related situations to the *lex loci protectionis* or *lex originis*, as the case may be.[29]

6. Contracts

Unlike the issues discussed above, the area of contracts is subject to unification in the European Union. The initial Rome Convention on the law applicable to contractual obligations of 1980, which entered into force in 1991,[30] was replaced by the Rome I Regulation. The latter applies, in situations involving a conflict of laws, to contractual obligations in civil and commercial matters (Art. 1). The concept of civil and commercial matters is autonomously defined.[31] Some specific legal situations are excluded from

---

29) See further on the employment-related IP *infra* section: Contracts.

30) OJ L 266, 9.10.1980.

31) There is a line of judgments on this notion delivered by the CJEU, e.g. judgment in *LTU v Eurocontrol*, C-29/76, EU:C:1976:137, judgment in *Netherlands v Rüffer*, C-814/79, EU:C:1980:291, judgment in *Sonntag v Waidmann*, C-172/91, EU:C:1993:144, judgment in *Baten*, C-271/00, EU:C:2002:656, judgment in *Préservatrice Foncière TIARD*, C-266/01, EU:C:2003:282, judgment in *Lechouritou and Others*, C-292/05, EU:C:2007:102, judgment in *Land Berlin*, C-645/11, EU:C:2013:228, judgment in *Sunico and Others*, C-49/12, EU:C:2013:545.

the Regulation's scope *ratione materiae*. The Regulation is of universal application regardless of which law is designated as applicable (Art. 2). It applies in all EU Member States to the contracts concluded from 17 December 2009 (Art. 28).[32]

The notion of contractual obligation is also autonomously defined and should be consistent with the same notions in the connected legal instruments (Rec. 7).[33] Therefore, a contractual obligation presupposes "the establishment of a legal obligation freely consented to by one person towards another and on which claimant's action is based."[34] The issue of characterisation is extremely important in connection with the IPR transactions. In the context of contracts related to an IPR, the delineation of the contractual *versus* core IPR issues is exceptionally important. Thus, the compulsory licence does not constitute a contractual obligation within the meaning of the Rome I Regulation. Likewise, the issue of transferability (including by means of a contract) of a right is dominantly considered the core IPR issue.[35] Additionally, the formalities or other requirements imposed as prerequisites for validity of a license are not considered contractual, but core IP issues.[36] Other issues may be considered contractual, formation of the contract, performance of the contract, interpretation of the contract, breach of the contract, remedies in case of breach, ways of extinguishing contractual obligations, consequences of nullity, etc. (Art. 12).

---

32) See clarification of the scope of application in CJEU judgment in *Republik Griechenland v Grigorios Nikiforidis*, C-135/15, EU:C:2016:774.

33) These are the Brussels I (bis) Regulation and the Rome II Regulation. For the latter see *infra* section: Infringement.

34) Reference is made to the CJEU judgments: in *Engler*, C-27/02, ECLI:EU:C:2005:33; in *Česká spořitelna*, C-419/11, ECLI:EU:C:2013:165; in *Brogsitter*, C-548/12, ECLI:EU:C:2014:148.

35) See supra section: Legal characterisation of IPRs.

36) P. A. de Miguel Asensio, The law governing international intellectual property licensing agreements (a conflict of law analysis), in: J. de Werra (ed.), *Research Handbook on Intellectual Property Licensing*, (Edward Elgar, Cheltenham: 2013) 315.

6.1. Contracts in general

The primary connecting factor for contracts in the Rome I Regulation is party autonomy (Art. 3). It can be express or tacit, for the entire or just a part of the contract, and may be subject to subsequent changes. In situations connected to one country A only, the choice of law of another country B may displace merely the dispositive norms of the law of the country A. Likewise, in situations connected to one or more EU Member States, the choice of law of a third country may displace only the dipositive norms of the EU. It is important to note that the Rome I Regulation does not preclude parties from incorporating by reference into their contract a non-State body of law or an international convention (Rec. 13), such as perhaps the CLIP Principles.[37] However, this should not be understood as a choice of law with effect of replacing all other national laws, since the contract will still be subject to a law of a country whose dispositive provisions may be replaced by such an incorporation.

In the absence of choice, the applicable law is determined primarily on the basis of a list of individual contracts which are subject to specified laws (Art. 4, para. 1). This list does not contain a special provision on contracts related to IPRs,[38] but itemises distribution contract and franchising contract which frequently contain clauses related to assignments of IPRs.[39] These contracts are governed by the law of the country of the habitual residence of the distributor and franchisee respectively, including the part of the

---

37) Conflict of Laws in Intellectual Property: CLIP Principles, final text, 1 December 2011, published in European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary*, (Oxford University Press: 2013), 1-22.

38) See CJEU judgment in *Falco*, C-533/07, ECLI:EU:C:2009:257, where it was held that licencing contract is not the contract for provision of services under the Brussels I Regulation.

39) See more, e.g. M.-E. Ancel, The Rome I Regulation and Distribution Contracts, *Yearbook of Private International Law* (10/2008): 221-231; L. García Gutiérrez, Franchise Contracts and the Rome I Regulation on the Law Applicable to International Contracts, *Yearbook of Private International Law*, (10/2008), 233-244.

contract related to IPRs.[40] Unless parties exercised their autonomy, none of these contracts should be subject to *depeçage*).[41] However, in majority of cases where a contract relates to an IPR, including contracts in which the main object if an IPR, the provision of the second paragraph applies. The applicable law is that of the habitual residence of a party required to perform the characteristic performance. This entails answering two questions in each particular case: Which party affects the characteristic performance? And where the habitual residence of that party is?

Determining the characteristic performance is based on the assessment of the centre of gravity and the socio-economic function of the contractual transaction in a certain legal system (Rec. 19). This is highly debated in contracts related to IPRs due to their diversity, where the traditional approach of non-pecuniary performance gave way to analysis of various aspects of the contract and parties' multiple obligations. Some emphasise that in assignment or licencing contracts the assignor or the licensor is affecting the characteristic performance.[42] As the holder of an IPR the

---

40) Y. Nishitani, Contracts Concerning Intellectual Property Rights, in: F. Ferrari/S. Leible (eds.), *Rome I Regulation: The Law Applicable to Contractual Obligations in Europe*, (Sellier, München: 2009), 62; P. A. de Miguel Asensio, Applicable Law in the Absence of Choice to Contracts relating to Intellectual or Industrial Property Rights, *Yearbook of Private International Law*, (10/2008): 207.

41) J. J. Fawcet/P. Torremans, *Intellectual Property and Private International Law*, (2nd edn., Oxford University Press, 2011), 763-764.

42) Such position is adopted in many national legal systems, such as in Art. 122, para. 1 of the Swiss PIL Act; in Art. 1211, para. 3, subpara. 19 of the Russian Civil Code, Гра жданский кодекс Российской Федерации, 30 ноября 1994 года N 51-ФЗ (с изменения ми, внесенными в соответствии с Федеральным законом от 28 ноября 2015 года № 358-ФЗ); for the licence agreements in Art. 1125 of the Belarus Civil Code, while for the transfer the clause is simply referring to the main place of business of the party performing the characteristic performance; in Art. 1.52, para. 1 of the Lithuanian Civil Code, Lietuvos Respublikos civilinis kodeksas, patvirtintas 2000 m. liepos 18 d. įstatymu Nr. VIII-1864 (su paskutiniais pakeitimais, padarytais 2016 m. gruodžio 3 d. įstatymu Nr. XII-2126); and in relation only to copyright contracts in Art. 20, para. 14 of the Croatian Private International Law Act (hereinafter: Croatian PIL Act), Zakon o rješavanju sukoba zakona s propisima drugih zemalja u određenim odnosima, Sl. l. SFRJ 43/1982, 72/1982 and Narodne novine RH 53/1991, 88/2001.

assignor or the licensor invested efforts, time and resources in the creation of the subject-matter of protection and the licensee would not have the right to use the subject-matter of protection without permission of the right holder.[43] Others tend to agree in principle, but point out that circumstances such as exclusive nature of licencing contract, territorial limitation of licence to one country only, obligation of the licensee to exploit the subject-matter of protection, or licencing fee calculated in a percentage of sale indicate that the licensee affects the characteristic performance.[44] For these reasons some tend to claim that an *a priori* approach to determining the characteristic performance is unworkable.[45]

As for the habitual residence, there are helpful definitions in the Rome I Regulation. Thus, for a natural person acting in the course of his or her business activity, the connecting factor "habitual residence" is understood as

---

43) See e.g. F. Dessemontet, Les contrats de licence en droit international privé, in: *Mélanges Guy Flattet* (Lausanne, 1985), 450.; Y. Nishitani, (*supra* n. 3), 68. The provision favouring this position was included in the Commission Proposal, but was abandoned in the course of enactment of the Rome I Regulation.

44) See e.g. E. Ulmer, *Intellectual Property Rights and the Conflict of Laws*, (Kluwer, Luxembourg: 1978) 48-51; J. Raynard, *Droit d'auteur et conflits de lois : Essai sur la nature juridique du droit d'auteur*, (LITEC, Paris: 1990) 564; A. Metzger, Transfer of Rights, License Agreements, and Conflict of Laws: Remarks on the Rome Convention of 1980 and the Current ALI Draft, in: J. Basedow/J. Drexl/A. Kur/A. Metzger (eds.), *Intellectual Property in the Conflict of Laws*, (Mohr Siebeck, Tübingen: 2005), 63 and 69; European Max-Planck Group for Conflict of Laws in Intellectual Property (CLIP), Comments on the European Commission's Proposal for a Regulation on the Law Applicable to Contractual Obligations (Rome I) of December 15, 2005 and the European Parliament Committee on Legal Affairs' Draft Report on the Proposal of August 22, 2006, *International Review of Intellectual Property and Competition Law* (38/2007) 474-476; P. A. de Miguel Asensio, (supra n. 3) 212; P. Mankowski, Die Rom I-Verordnung – Änderungen im europäischen IPR für Schuldverträge, *Internationales Handelsrecht* (8/2008) 138. Position in favour of the licensee in situations of technology transfer is adopted in Art. 20, para. 18 of the Croatian PIL Act, which is explainable by the fact that this is the act of the former Yugoslavia of 1982, which intended to make the Yugoslav law applicable since as a rule licence agreements were concluded by a domestic licensee and a foreign licensor.

45) M. McParland, *The Rome I Regulation on the law applicable to contractual obligations*, (Oxford University Press, Oxford: 2015), 444.

his or her principal place of business, while for a legal person that would be the place of its central administration. However, where a contract is concluded or performed in the course of the operations of a branch, agency or any other establishment, the place where the branch, agency or other establishment is located shall be treated as the place of habitual residence (Art. 19). Conversely, the notion of "habitual residence" for natural person acting outside his or her business activity is not explicitly defined in the Regulation; it is to be autonomously interpreted by the courts.

The reference to the law of the habitual residence of the party affecting characteristic performance is not final where it is clear from all the circumstances of the case that the contract is manifestly more closely connected with a country (Art. 4, para. 3). The wording of this escape clause shows that it is reserved for exceptional situations in which strict interpreted is required. And finally, where the characteristic performance cannot be determined, such as in case of cross-licencing,[46] the contract is governed by the law of the country with which it is most closely connected (Art. 4, para. 4).

The formal validity of a contract related to an IPR is subject to the provisions of Art. 11 of the Rome I Regulation inspired by the principle of *in favorem contracti*.

6.2. Consumer contracts

Special attention has to be paid to situations which fall under the protective regime for consumer contracts under Art. 6 of the Rome I Regulation. These conflicts of law provisions have precedence over the abovementioned general provisions. The apply where a contract is concluded by a natural person for a purpose which can be regarded as

46) See e.g. B. Ubertazzi, la legge applicabile ai contratti di trasferimento dii tecnologia, *Rivista di diritto industriale* (57/2008): 118.

being outside his trade or profession (the consumer) with another person acting in the exercise of his trade or profession (the professional) provided that the professional: A) pursues his commercial or professional activities in the country where the consumer has his habitual residence, or B) by any means, directs such activities to that country or to several countries including that country, and the contract falls within the scope of such activities. Certain consumer contracts are excluded from the scope of this provision, but not with specific reference to IPRs.[47]

The parties to consumer contracts involving an IPR are free to agree on the applicable law, but the choice may not have the result of depriving the consumer of the protection afforded to him by provisions that cannot be derogated from by agreement by virtue of the law which, in the absence of choice, would have been applicable. The law governing the consumer contract in the absence of the parties' choice is the law of the country where the consumer has his habitual residence. The law of the country of consumer's residence is exclusively applicable to formal validity of consumer contracts (Art. 11, para. 4).

6.3. Employment contracts

Conflict of law rules on employment contracts play a significant role in determining the law applicable to obligations between employer and employee relative to the subject matter protected by IPR created in the course of employment. These issues are governed by the law applicable to employment contract by virtue of the accessory connecting.[48] Some

---

47) On characterisation of the consumer contract under Art. 6 see the CJEU judgments: in *Gabriel*, C-96/00, ECLI:EU:C:2002:436; in *Engler*, C-27/02, ECLI:EU:C:2005:33; in *Kapfer*, C-234/04, ECLI:EU:C:2006:178; in *Ilsinger*, C-180/06, ECLI:EU:C:2009:303.

48) Under Art. 8 of the Rome I Regulation, the employment contract is governed by the law chosen by the parties, subject to the protection afforded to the employee under the law applicable in the absence of choice. Where parties did not choose applicable law, the law of the country where or from which the employee habitually carries out his work is applicable. If that cannot be established, the applicable law is that of the

countries have explicitly establish this connection in the statutes, such as in Art. 72 of the Bulgarian Private International Law Code,[49] in Art. 36 of the Montenegrin PIL Act, in Art. 43 of the Albanian PIL Act, in Art. 1.52, para. 2 of the Lithuanian Civil Code, and in Art. 122, para.3 of the Swiss PIL Act, in Art. 36 of the Montenegrin PIL Act. It is generally accepted that such connection is pertinent to the contractual aspects of the relationship between employee and employer, such as the employee's right to compensation or the employee's and employer's obligation to conclude a licence or transfer agreement in respect to the created subject matter. Nevertheless, it is somewhat questionable to what extent this may be so in regard to the initial ownership over the employee's creation/invention.[50] For instance, under Art. 10, para 4 of the Spanish Civil Code the initial ownership is in all cases, including in cases of employee's creations/inventions governed by the *lex loci protectionis*.[51] Likewise, the French and German case law indicate that "right to a patent" is subject to *lex loci protectionis*.[52]

It is important also to mention the special provision tackling this employee's invention in the Convention on the Grant of European Patents (European Patent Convention) of 1973.[53] 〈6〉 The second sentence of its

---

country where the place of business through which the employee was engaged is situated. There is also an escape clause as corrective to the result achieved by both objective connecting factors.

49) Кодекс на международното частно право, Държавен вестник Брой: 42, от дата 17.5.2005 г.

50) Ch. Heinze, in: European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary*, (Oxford University Publishing, Oxford: 2013) 284-285. Further reference is made to the above comments on initial ownership, see *supra* section: The core IPR issues.

51) P. A. de Miguel Asensio, Spain, in: Kono (ed.) *Intellectual Property and Private International Law: Comparative Perspectives*, (Hart Publishing: 2012) 1014.

52) M.-E. Ancel, France, in: Kono (ed.) *Intellectual Property and Private International Law: Comparative Perspectives*, (Hart Publishing: 2012) 569, citing Cour d'appel de Paris, 28 April 1976, D 1977, 511; A. Metzger, Germany, in: Kono (ed.) *Intellectual Property and Private International Law: Comparative Perspectives*, (Hart Publishing: 2012) 598, citing Bundesgerichtshof, 2. Oktober 1997, I ZR 88/95, BGHZ 136, 380 – Spielbankaffaire.

Art. 60, para. 1 provides that if the inventor is an employee, the right to a European patent is determined in accordance with the law of the state in which the employee is mainly employed. If the State in which the employee is mainly employed cannot be determined, the law of the state in which the employer has the place of business to which the employee is attached is to be applied. Assuming this provision does not envisage *renvoi*, essential difference with other situations would be in the exclusion of party autonomy. Its scope has been interpreted to include the questions of initial ownership as well.[54]

7. Non-contractual obligations

A parallel to the Rome I Regulation is the Rome II Regulation which applies, in situations involving a conflict of laws, to non-contractual obligations in civil and commercial matters (Art. 1). The concept of civil and commercial matters has the same meaning as in the Rome I Regulation.[55] Some specific legal situations are excluded from the Regulation's scope *ratione materiae*. The Regulation is of universal application regardless of which law is designated as applicable (Art. 3). It applies in all EU Member States (except Denmark) in the proceedings commenced only to events giving rise to damage occurring after 11 January 2009 (Arts. 31 and 32).[56]

Consistent with the notion of contractual obligation, the notion of non-contractual obligation is autonomously defined (Rec. 7). Thus, a non-contractual obligation "covers all actions which seek to establish the liability of the defendant and which are not related to a contract".[57]

---

53) Most recently amended on 27 October 2005.

54) A. Metzger, (*supra* n. 5) 597.

55) See *infra* section: Contracts.

56) CJEU judgment in *Homawoo*, C-412/10, ECLI:EU:C:2011:747.

57) CJEU judgment in *Kalfelis*, C-189/87, ECLI:EU:C:1988:459.

7.1. Non-contractual obligations in general

There is a single connecting factor for a non-contractual obligation arising from an infringement of an IPR - the law of the country for which protection is claimed (Art. 8, para. 1).[58] By virtue of Art. 13 this is extended also to claims related to infringement of an IPR and falling under unjust enrichment, *negotiorum gestio* and *culpa in contrahendo*. This connecting factor is said to preserve the universally acknowledged principle of the *lex loci protectionis* (Rec. 26) or *Schutzlandprinzip*,[59] which is derived from the principle of territoriality of IPRs. Thus, in a case in which the plaintiff claims infringements in several countries, the laws of all those countries have to be applied to the respective portions of the claim. The result is the mosaic of applicable laws, where each piece of the mosaic represents the law of the respective country. While some wholeheartedly welcome this solution,[60] others express the view that complete exclusion of party autonomy in case of infringement of IPRs (Art. 8, para. 3) might be inapt to modern-day challenges of global business environment and activities over the internet. The advocates of the party autonomy are usually careful in admitting that it should be limited to the issues other than whether an infringement occurred (such as remedies or monetary consequences).[61] In fact, Art. 110 of the Swiss PIL Act contains such

---

58) In European countries not members to the European Union, this connecting factor is also present for non-contractual obligations. See e.g. Art. 42 of the Albanian PIL Act, Art. 1607, para. 4 of the Moldavian Civil Code (using the wording: the country on the territory of which the IPR has been infringed) and Art. 35 of the Montenegrin PIL Act.

59) E. I. Obergfell, Das Schutzlandprinzip und "Rom II" - Bedeutung und Konsequenzen für das Internationale Urheberrecht, *Praxis des Internationalen Privat- und Verfahrensrechts* (25/2005): 9-13.

60) See e.g. K. F. Kreuzer, Tort Liability in General, in: A. Malatesta (ed.), *The Unification of Choice of Law Rules on Torts and other Non-Contractual Obligations in Europe: the "Rome II" Proposal*, (CEDAM, Padova: 2006) 56.

61) See e.g. M. Pertegás Sender, Intellectual Property and Choice of Law Rules in: A. Malatesta (ed.), *The Unification of Choice of Law Rules on Torts and other Non-Contractual Obligations in Europe: the "Rome II" Proposal*, (CEDAM, Padova: 2006) 237.

solution: while it permits parties choice of the law of the forum, after the damage has occurred, this choice is limited to the claims arising out of tortious act infringing an IPR, and not the tortious act (infringement) itself which is subject to the *lex protectionis*.[62] Claims for unjust enrichment are, under the Swiss PIL Act governed by the law applicable to the legal relationship, either existing or assumed, on the basis of which the enrichment occurred. Failing such a relationship, these claims are governed by the law of the state in which the enrichment occurred; the parties may agree to apply the law of the forum (Art 128). The Rome II Regulation subjects all non-contractual claims, including for unjust enrichment, to the law applicable under Art. 8, i.e. *lex loci protectionis* (Art. 13) thus "claustrophobically"[63] isolating the infringement of IPRs from the remaining of the Regulation. Although the connections in Swiss and EU law are different, they will often lead to the same result (except where the party autonomy is exercised).

In a view of the scope of the applicable law which states that the basis and extent of liability, including the determination of persons who may be held liable for acts performed by them (Art.15, subpara. a), secondary liability for infringement of an IPR is covered by the law applicable to (primary) infringement, the *lex loci protectionis*.[64]

7.2. Right of communication to the public by satellite

The right of communication to the public by satellite is regulated under

---

62) A. Charbon/I. Sidler, Switzerland, in: Kono (ed.) *Intellectual Property and Private International Law: Comparative Perspectives*, (Hart Publishing: 2012) 1053.

63) D. van Engelen, Rome II and intellectual property rights: Choice of law brought to a standstill, *Nederlands Internationaal Privaatrecht* (4/2008): 444.

64) A. Kurr, in: European Max Planck Group on Conflict of Laws in Intellectual Property, *Conflict of Laws in Intellectual Property: The CLIP Principles and Commentary*, (Oxford University Publishing, Oxford: 2013) 333; N. Boschiero/B. Ubertazzi, Italy, in: T. Kono (ed.) *Intellectual Property and Private International Law: Comparative Perspectives*, (Hart, Oxford and Portland: 2012) 750.

the Council Directive 93/83/EEC of 27 September 1993 on the coordination of certain rules concerning copyright and rights related to copyright applicable to satellite broadcasting and cable retransmission.[65] According to its Art. 1, para 2, subpara. b,[66] the act of such communication occurs solely in the Member State where the uplink of the programme-carrying signals occurs. Although this provisions embodies the country of origin principle, it is not fully settled what conflict of law effects it produces and may it also affect the determination of the law applicable to infringement of such right under the Rome II Regulation. If understood as a conflict of law provision designating the *lex originis*,[67] it would create an exception to the rule in Art. 8, para. 1 of the Rome II Regulation.[68]

7.3. Unfair competition

Certain acts of unfair competition may, under international as well as national law, be understood as violations of intellectual property rights. The question thus arises as to their legal characterisation. Under the Rome II Regulation such issue is particularly important given that, in addition to the special provisions on infringement of IPRs in Art. 8, there is a provision on acts of unfair competition in Art. 6, paras. 1 and 2. Relevant for this chapter is that the notion of "unfair competition" in the Rome II Regulation includes, *inter alia*, acts that exploit competitors' value.[69] A non-contractual

65) OJ L 248, 06.10.1993.

66) Art. 1, para 2, subpara. d contains further provisions regarding the situations where the uplink occurs in a non-Member State with lesser copyright protection.

67) See, for instance, Art. 122-2-1 of the Code de la propriété intellectuelle, Loi n° 92-597 du 1er juillet 1992 relative au code de la propriété intellectuelle, JORF n° 0153 du 3 juillet 1992, dernière modification du 25 avril 2016. As a result of transposing the cited provision of the Directive, the French Code contains the unilateral conflict of law provision mandating application of the Code to the right of communication to the public of the work transmitted by satellite from the French territory.

68) See Art. 27 of the Rome II Regulation giving precedence to the *lex Europea specialis*.

69) COM (2003) 427: Proposal for a Regulation of the European Parliament and the Council on the law applicable to non-contractual obligations ("Rome II"), 15.

obligation arising out of an act of unfair competition is governed by the law of the country where competitive relations or the collective interests of consumers are, or are likely to be, affected. In the commentaries, this is understood as the traditional connecting factor of the affected market.[70] Where an act of unfair competition affects exclusively the interests of a specific competitor, the Regulation refers to the general rules in Art. 4. In that case, the law of the common habitual residence of both parties applies, and where they do not have their habitual residence in the same country, applicable is the law of the place where the direct damage occurred (*lex loci damni directi*). By virtue of an escape clause, the latter may be displaced by the law closer to the tort than the designated one.

8. Conclusion

Intensified legislative activity on the EU level resulted in subjecting the obligation-related issues concerning the IPRs being to the unified set of conflict-of-law rules, both contractual and non-contractual. However, there is still an area intact by the EU legislation – referred to here as the core IP issues. The applicable laws in these cases are determined according to national provisions which in some respects differ considerably among EU Member States. Bridging the conflict-of-law divergences for the core IP issues does not seem to be an expected path any time soon, although that would ease to some extent the problems related to divergences at the level of substantive laws.

70) C. Honorati, The Law Applicable to Unfaiir Competition, in: A. Malatesta (ed.), *The Unification of Choice of Law Rules on Torts and other Non-Contractual Obligations in Europe: the "Rome II" Proposal*, (CEDAM, Padova: 2006) 150.