Intellectual Property in the Conflict of Laws

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Preface

It is a frequently made statement in legal writing that the rights which are known under the common name of intellectual property are highly international in character. National frontiers, it is often said, are not able to stop the productions which these particular rights protect, both in their capacity as "goods" – literary or artistic works, inventions, or trade marks – with a greater or smaller economic value, and in their capacity as expressions of the author's, inventor's or business man's personality. These productions are by definition ubiquitous, or at least capable of being made accessible in one form or another irrespective of political and legal frontiers.

It is also frequently stated, however, – and this is true particularly about writers in the field of private international law – that intellectual property has for a long time been an area neglected by conflict lawyers. This statement is usually made with regret, as a kind of excuse, or as an expression of criticism or self-criticism. The reasons put forward to explain this state of affairs vary considerably from one time to another and from one country to another.

The fact that industrial inventions like literary and artistic works are independent of physical links with any territory but at the same time represent great values, which are increasing rapidly with the enormous investments continuously made in these intellectual productions, creates an urgent need for such solutions as can provide an adequate international protection against infringements of the rights related to them. In most European countries intellectual property came into existence through a successive development of systems of individual *ad hoc* privileges strictly limited to the territory of the state granting them. These historical roots may well be described as a sort of original sin, which this field of law dragged with it, like heavy intellectual chains, into the modern era. The difficulty of solving the legal problems involved by applying the normal methods of private international law resulted, at the end of the 19th century, in a solution *sui generis*, viz. the creation of international conventions, which do not lay down rules for the choice of the applicable law but embody substantial rules, based upon the solutions given by the national laws concerned even where the provisions of the conventions deal exclusively with international relations. One consequence of this has been that private international law in the strict sense of that term has been slow in developing in this field and – it has to be admitted – that both conflict lawyers and intellectual property lawyers have looked upon the area where they meet each other as a disputed and dangerous legal borderland. The conspicuous lack of monographs in the leading countries before the 1990's illlustrates the situation eloquently.

There is no point in finding fault with the other side. Having worked for a long time in both fields, the present writer considers himself entitled to assure that the problems are important and interesting enough to deserve – indeed to need urgently – being discussed in peaceful cooperation by experts bringing knowledge and experience from both sides. It is in the first place what may be called "*the digital revolution*" – the new electronic means of communication – that makes it imperative to examine closely the private international law problems raised by the exercise of intellectual property rights on an international level. The main principle, which has so far been considered self-evident, at least for practical purposes – the tenet that international property is *territorially limited* and that protection beyond national frontiers is granted only by virtue of agreements between the jurisdictions concerned – is now under attack, or at least under serious critical discussion. In a report commissioned by an international organization in 1998, a leading American expert summarizes: "Now that digital media make possible the instantaneous, worldwide communication of works of authorship, the territorially discrete approach to international copyright has come under considerable strain."

It should be added, by way of precaution that a realistic analysis of the present situation does not make knowledge of the historically given and still largely prevailing traditional view of intellectual property rights as territorially limited rights unnecessary. There are strong reasons to believe that the time-honoured solutions will remain valid for substantial sectors of law even if other sectors call for new methods; there is no point in throwing the egg away with the shell. It must also be remembered that inertia is one of the most powerful actors in all legal and legislative development, not least on the international level. If and when the representatives of the strong political and financial interests involved succeed in designing and formulating such solutions as are deemed necessary to master the growing problems on a global level, it will certainly take a long time before such solutions are adopted by the international community at large, and even longer time before a system embodying them can be made operative. Meanwhile, the traditional rules cannot be neglected.

Against this background, the meeting organized in Hamburg on 2 and 3 March 2004, by two internationally leading centres of study in the fields of law concerned, acting in common – the Max Planck Institute for Foreign Private and Private International Law in Hamburg and the Max Planck Institute for Intellectual Property, Competition and Tax Law in Munich – is an initiative of great value and an encouraging sign of the times.

The papers published in the present volume constitute an impressive *florilegium* of studies concerning many essential aspects of the problems facing conflict lawyers and intellectual property lawyers and calling for their cooperation. The first section deals with topics rightly described as items on the current political agenda; it presents important recent initiatives in the fields of legislation and international conventions taken by the European Commission, the

American Law Institute and the Hague Conference on Private International Law. In a second section, a number of questions are discussed which concern the choice of law problems arising within the framework of contractual obligations, where recent developments – notably the emergence of so-called internationally mandatory rules – have contributed to create a new situation as compared with traditional conflict law. Lawyers familiar with the two fields discussed in the volume will not be astonished to note that the greatest number of contributions are found in the section headed "Non-contractual obligations"; here, competition law, patent law, copyright and trademarks are discussed separately, and particular attention is paid to the relation between community rights and the conflict of laws.

By bringing together a panel of experts as distinguished as those participating in the Hamburg symposium and by selecting a number of subjects as essential as those dealt with in the present volume, the organizers of this meeting have rendered a most important service to the development of a field of law that calls urgently for solutions based upon active, strong and lasting support by the international community of legal experts in the areas concerned. It is not the first time that members of the family of Max Planck Institutes take initiatives of this kind.

Uppsala, September 2004 *Stig Strömholm*

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Abbreviations

AC	Law Reports, Appeal Cases
AIPPI	Association Internationale pour la Protection de la Propriété Intellectuelle
ALAI	Association Littéraire et Artistique Internationale
ALI	American Law Institute
All ER, All E.R.	All England Law Reports
Am. J. Comp. L., AmJCompL	American Journal of Comparative Law
Anh.	Anhang
Art., Artt., Arts., art., arts.	Article(s), article(s)
AS	Amtliche Sammlung der Bundesgesetze und Verordnungen (Official Collection of Federal Laws and Regulations, Switzerland)
ASA	Advertising Standards Authority
ATF	Recueil officiel des arrêts du Tribunal fédéral suisse
B.I.E.	Bijblad bij De Industriële Eigendom
B2B	business-to-business
BBl.	Bundesblatt (Bulletin of Laws of Switzerland)
Berkeley Tech. L.J.	Berkeley Technology Law Journal
BERTT	Block Exemption Regulation on Transfer of Technology
BEUC	Bureau of European Consumer Organisations
BGB	Bürgerliches Gesetzbuch (German Civil Code)
BGBl.	Bundesgesetzblatt (Bulletin of Federal Laws of Germany)
BGBl.	Bundesgesetzblatt (Bulletin of Laws of the Federal Republic of Germany)
BGE	Amtliche Sammlung der Entscheidungen des Schweizerischen Bundesgerichtes (Decisions of the Swiss Federal Supreme Court)
BGH	Bundesgerichtshof (German Federal Supreme Court)
BGHZ	Entscheidungen des Bundesgerichtshofes in Zivilsachen (Decisions of the German Federal Supreme Court in Civil Law Disputes)
BTDr.	Drucksache des Deutschen Bundestags (official documentation of the German Parliament)
CAP	Committee of Advertising Practices
CD	Community Design
CDPA	(British) Copyright, Designs and Patents Act
ch.	chapter
COD	Codecision
Colum. L. Rev.	Columbia Law Review
Colum.-VLA J.L. & Arts	Columbia-VLA Journal of Law and the Arts
COM	European Commission
CP	Community Patent
CPBR	Community Plant Breeders' Rights
CPI	Code de la Propriété Intellectuelle (French Copyright Act)
CR	Computer und Recht

CRi	Computer und Recht international
CTM	Community Trademark
CTMR	Community Trademark Regulation
D.	Recueil Dalloz
D.C. Cir.	United States Court of Appeals, District of Columbia Circuit
DHJC	Draft Hague Jurisdiction Convention
DMCA	(United States) Digital Millennium Copyright Act
e.g.	exempli gratia
E.I.P.R.	European Intellectual Property Review
EC	European Community
ECJ	European Court of Justice
ECR	European Court Reports
ed., eds.	edition, editor, editors
EEA	European Economic Area
EEC	European Economic Community
EGBGB	Einführungsgesetz zum Bürgerlichen Gesetzbuch (Introductory Law of the Civil Code)
EMOTA	European Mail Order and Distance Selling Trade Association
EPA	Europäisches Patentamt (European Patent Office)
EPC	European Patent Convention
et seq., et seqq., s., ss.	and the following
EU	European Union
EuGVO	Europäische Gerichtsstands- und Vollstreckungsverordnung (Council Regulation on jurisdiction and enforcement of judgments in civil and commercial matters)
EuroISPA	European Internet Service Providers Association
EWS	Europäisches Wirtschafts- und Steuerrecht
F. Supp.	Federal Supplement
f., ff.	and the following
F.3d	Federal Reporter, Third Series
F.S.R., FSR	Fleet Street Reports
FCA	Federal Court of Australia
GESAC	Groupement Européen des Sociétés d'Auteurs et Compositeurs
GRUR	Gewerblicher Rechtsschutz und Urheberrecht
GRUR Int.	Gewerblicher Rechtsschutz und Urheberrecht Internationaler Teil
Harv. L. Rev.	Harvard Law Review
HL	House of Lords
Hous. L. Rev.	Houston Law Review
i.e.	id est
I.E.R.	Intellectuele Eigendom en Reclamerecht
I.I.C.	International Review of Industrial Property and Copyright Law
I.L.M.	International Legal Materials
I.P.Q.	Intellectual Property Quaterly
Ind. J. Global Legal Stud.	Indiana Journal of Global Legal Studies
IP	Intellectual Property
IPRax	Praxis des internationalen Privat- und Verfahrensrechts
IPRs	Intellectual Property Rights
ISP	Internet Service Provider
ITRB	IT-Rechtsberater
J. Copyr. Soc.	Journal of the Copyright Society of the USA

JCP	Jurisclasseur périodique (Semaine juridique)
JZ	Juristenzeitung
K&R	Kommunikation und Recht
KG	Kammergericht (Court of Appeals of Berlin, Germany)
Law & Contemp. Prob.	Law and Contemporary Problems
Law Q.Rev.	Law Quaterly Review
MMR	MultiMedia und Recht
MPI	Max Planck Institute
n., nn.	note, notes
N.I.P.R.	Nederlands Internationaal Privaatrecht
NILR	Netherlands International Law Review
NJW	Neue Juristische Wochenschrift
no., nr., nos.	number(s)
OECD	Organisation for Economic Co-operation and Development
Ohio St. L. J.	Ohio State Law Journal
OJ, O.J.	Official Journal
OLG	Oberlandesgericht (Court of Appeals, Germany)
p., pp.	page, pages
para., paras.	paragraph(s)
PCT	Patent Cooperation Treaty
PIL	Private International Law
PIPC	Paris Industrial Property Convention
Prel. Doc.	Preliminary Document
RabelsZ	Rabels Zeitschrift für ausländisches und internationales Privatrecht
Rev. crit. DIP	Revue critique de droit international privé
RIDA	Revue internationale du droit d'auteur
RIW	Recht der internationalen Wirtschaft
RPC	Reports of Patent Cases
S.D.N.Y.	United States District Court for the Southern District of New York
SCT	(WIPO) Standing Committee on the Law of Trademarks, Industrial Design and Geographical Indications
Sec.	Section
Slg.	Sammlung der Entscheidungen des EuGH (Collection of ECJ Decisions)
SLT	Scots Law Times
SME	small and medium-sized enterprises
Stan. L. Rev.	Stanford Law Review
TLD	Top Level Domain
TRIPS	Agreement on Trade-Related Aspects of Intellectual Property Rights
U. Pa. L. Rev.	University of Pennsylvania Law Review
U.N.T.S.	United Nations Treaty Series
U.S.	United States
U.S.C.	United States Codes
U.S.P.Q.	United States Patents Quarterly
UDRP	Uniform Domain Name Dispute Resolution Policy
UFITA	Archiv für Archiv für Urheber- und Medienrecht (bis 2000 Archiv für Urheber-, Film-, Funk- und Theaterrecht)
UK	United Kingdom
UNIDROIT	International Institute for the Unification of Private Law
UrhG	Urheberrechtsgesetz (German Copyright Act)

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US	United States Reports
USPTO	United States Patent and Trademark Office
v.	versus
Virginia J. Int'l L.	Virginia Journal of International Law
vol.	volume
WIPO	World Intellectual Property Organization
Wm. & Mary L. Rev.	William and Mary Law Review
WRP	Wettbewerb in Recht und Praxis
WuW	Wirtschaft und Wettbewerb
ZUM	Zeitschrift für Urheber- und Medienrecht
ZWeR	Zeitschrift für Wettbewerbsrecht

Introduction

JÜRGEN BASEDOW

An academic conference organized by two Max Planck Institutes is a rare occurrence. The Max Planck Institute for Foreign Private and Private International Law and the Max Planck Institute for Intellectual Property Rights, Competition, and Tax Law have convened this conference in view of the synergies that can be expected from a cooperation in a field which has been considered marginal to both of our respective areas for many years, but which has gained increasing importance recently. Let me explain this from my own experience as a scholar of private international law.

When I joined the academic staff of this institute as a full-time researcher twenty-five years ago, my first job was to review two papers written for the International Encyclopedia of Comparative Law that dealt with the law applicable to liability sounding in tort. One of these chapters was entitled Enterprise Liability, the other Intentional Torts. The first had been written by the late Professor Albert Ehrenzweig,[1] the second by Professor Stig Strömholm,[2] whom we have the pleasure to welcome among us today. The basic message of both papers was that the traditional discussion of the private international law of torts under the sole heading of the *lex loci delicti* has to be criticized. Drawing from the rich experience of American case law, Professor Ehrenzweig in particular favored a differentiation of the relevant conflict rules depending on the type of delict in question: he advocated special conflict rules for road accidents, airplane crashes, product liability, etc. Despite this elaborate program, the two aforementioned chapters of the Encyclopedia do not cover liability arising from the infringement of intellectual property rights. Instead, the editors of the Encyclopedia considered this area to be so specialized that it was left to special chapters authored by two Swiss experts of this discipline, Kamen and Alois Troller.[3]

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[1] *Albert A. Ehrenzweig*, Enterprise Liability, in: International Encyclopedia of Comparative Law vol. 3 ch. 32 (1980).

[2] *Stig Strömholm*, International Torts, in: International Encyclopedia of Comparative Law vol. 3 ch. 33 (1980).

[3] *Kamen Troller*, Industrial and Intellectual Property, in: International Encyclopedia of Comparative Law vol. 3 ch. 22 (1994); *Alois Troller*, Unfair Competition, in: International Encyclopedia of Comparative Law of vol. 3 ch. 34 (1980).

Looking at the matter from the other side of intellectual property law, it appears that the issue of the applicable law has never been the main concern of international law in this area. Instead, intellectual property law has focused, from its very beginning, on two central issues: first, the recognition by a legal system of intellectual property rights as such; and second, the equal protection of nationals and foreigners. By their nature, intellectual property rights are legal artifacts created by a given state as monopolies limited in time and designed to determine the competitive conditions in the relevant markets of that country. This perspective implies a territorial limitation of those rights[4] which has been more or less automatically transferred from the issues relating to their existence and reach to the issues of their protection, including sanctions flowing from private law.

The different approaches of intellectual property law and private international law did not contradict each other as long as the *lex loci delicti* was generally applied, as it was in most countries. In cases relating to the infringement of intellectual property rights, the *lex loci delicti* could be interpreted as referring to the law of the country for whose territory protection was granted.[5] But things started to change when private international law began to handle the *lex loci delicti* in a more flexible way, allowing the application of a law which was definitely more closely connected to the case at hand than the place of acting or the place of injury. This could be, for example, the law of the country of the common habitual residence of the parties, which may clearly differ from the country where an intellectual property right is registered and for which protection is sought. Moreover, the rapid growth of international exchange and commerce brought about an increase in situations where the place of acting and the place of injury diverge in different states, and where one and the same act may generate injury in various other states. Thus, the *lex loci delicti*, as the starting point of every debate in this area, gives rise to increasing doubts as to its appropriateness. The least that can be said is that it is incomplete in various situations.

Moreover, the economic development of society has triggered changes in the substantive law of torts. While that law started as an annex to criminal law designed to make good the harm caused by the perpetrator, it acquired new functions in the course of the twentieth century. In the first place, the law of torts is one of the legal tools that allows society to deal with the losses which are inevitably connected with technical and industrial innovations; in this area, the distribution of loss – i.e., the central theme of insurance – is gaining

[4] See, e.g., *Wolfgang Fikentscher*, Wirtschaftsrecht vol. I (München 1983) pp. 274-276; *Heinrich Hubmann/Horst-Peter Götting*, Gewerblicher Rechtsschutz (6th ed. München 1998) p. 92.

[5] See *Bernd von Hoffmann* in Staudinger, Kommentar zum Bürgerlichen Gesetzbuch mit Einführungsgesetz und Nebengesetzen (13th ed., Neubearbeitung, Berlin 2001) Art. 40 EGBGB no. 390; *Karl Kreuzer* in Münchener Kommentar zum Bürgerlichen Gesetzbuch vol. 10 (3rd ed. München 1998) nach Art. 38 Anh. II, no. 26.

importance next to the traditional objectives of compensation and loss prevention. In other areas, the law of torts increasingly determines the risk exposure of economic activities affecting third parties. Thus, the profitability of the production of goods certainly depends inter alia on the risk of environmental or product liability. And the liability for the infringement of privacy has a strong impact on the risk exposure, and thereby on the profitability of press and media undertakings. Given the alternation of innovation and imitation in economic competition, the risk of exposure to sanctions for the infringement of intellectual property rights determines the success of business strategies to a large extent. The growing economic significance of tort law has drawn the attention of business to the issue of the applicable law in international markets. While the different interests of the various economic sectors put the *lex loci delicti* under pressure, a progressive disintegration of the conflict rules for non-contractual liability can be observed. Professor Ehrenzweig's and Professor Strömholm's predictions have come true.

This evolution is evidenced by a number of national codifications of private international law. They either maintain the traditional ideal of a sole conflict rule of non-contractual liability – which, however, has to be framed in very general and flexible terms in order to allow for an adjustment to the different fact situations; this is the path followed by the German codification of 1999.[6] Or in the alternative, national legislators try to keep track with the outlined development; thus, the Swiss law on private international law has hammered out a number of different conflict rules for the various types of tort.[7] The European Commission has made the same choice. The proposal for a regulation on the law applicable to non-contractual obligations of July 2003 (often simply called "Rome II") contains, next to the general rule of Article 3, no less than five specific conflict rules.[8] They cover product liability, unfair competition, violations of privacy and rights relating to the personality, damage to the environment, and the infringement of intellectual property rights. The proposal for the latter subject contained in Article 8 has recently been matched by the second preliminary draft of a working group of the American Law Institute dealing with intellectual property, in particular principles governing jurisdiction, choice of law, and judgments in transnational disputes.[9] The following

[6] See Arts. 40-41 of the Introductory Law of the Civil Code (EGBGB), added by the Law of May 21, 1999, BGBl. I, p. 1026.

[7] See Arts. 129-142 and Art. 110 of the federal law on private international law of December 18, 1987, BBl. 1988 I, 5, AS 1988, 1776; English translation in Am. J. Comp. L. 37 (1989) 193.

[8] Proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-Contractual Obligations ("Rome II"), COM (2003) 427 final of 22 July 2003; see also the comments on the preceding preliminary draft: *Hamburg Group for Private International Law*, Comments on the European Commission's Draft Proposal for a Council Regulation on the Law Applicable to Non-Contractual Obligations: RabelsZ 67 (2003) 1 seq.

[9] Principles Governing the Jurisdiction, Choice of Law and Judgments in Transnational Disputes, Preliminary Draft N° 2 of 20 January 2004, see below, annex 2.

surveys of the American and European drafts and the subsequent more detailed contributions on the Rome II proposal will allow for a first comparative discussion of these texts that will frame the future competition between the U.S. and the EU in this area.

The infringement of intellectual property rights cannot be discussed without a closer look at license agreements. In the field of conflict of laws, such a look is suggested in particular by another activity of the European Commission. By the publication of a "Green paper on the conversion of the Rome Convention of 1980 on the law applicable to contractual obligations of 1980 into a Community instrument,"[10] the Commission has indicated its intention to adjust, insofar as necessary, the rules of Rome I to the changing needs of the business community. Our conference therefore provides a timely platform to discuss such needs; this will be done in the second block of this conference.

[10] COM (2002) 654 final of 14 January 2003.

Part 1: Current Political Agenda

The European Commission's Agenda: The Future "Rome I and II" Regulations

CLAUDIA HAHN and OLIVIER TELL*

I. Introduction

The following contribution elucidates the current European Agenda on private international law and its impact on intellectual property rights. First, it will be demonstrated that the Rome Convention of 1980[1] is already applicable for intellectual property issues; there seems to be no need for further clarification in a future Rome I Regulation (II). Second, it will be asked if a rule for infringements of intellectual property rights should be provided in a future Community instrument for non-contractual obligations (III).

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* The opinions expressed by the authors of this document are purely those of the writers and may not in any circumstances be regarded as stating an official position of the European Commission.

[1] Rome Convention of 1980 on the law applicable to contractual obligations (consolidated version), OJ EC, C 27, 26.01.1998, 34.

II. Intellectual Property and Rome I

1. *The Green Paper Adopted by the Commission on 14 January 2003*

On 14 January 2003, the Commission published the so-called Rome I Green Paper.[2] In addition, a public hearing was organised on 27 January 2004 in Brussels.

The general objectives of the Rome I project:

- improve uniform application of the rules contained in the Convention, mainly by giving competence to the European Court of Justice; thus also improving coherence with the interpretation of the rules on jurisdiction contained in the Brussels-I-Regulation;[3]
- facilitate extension of the standardised conflict rules of the Rome Convention of 1980 to acceding countries;
- modernise some of its rules, mainly the rule on consumer contracts which does not seem adapted any more in the digital era.

Until now, the Commission received about 90 answers to this Green Paper. A summary of the contributions as well as most of the contributions are available on the Directorate-General Justice and Home Affair's website.[4]

2. *The Absence of Intellectual Property Rights in the Comments Received by the Commission*

The Rome Convention of 1980 does not contain one single reference to intellectual property rights. However, its different rules on contractual obligations nevertheless apply to the different contractual obligations arising in this context. These matters are discussed in other contributions.[5]

Nevertheless, in the framework of the Green Paper, the Commission did not receive one single comment on the application of the rules of the Rome Convention of 1980 to contracts related to intellectual property. There are two possible conclusions: either the present rules work perfectly well for this matter and there is no reason to modify the text. Or, the specialists of intellectual property did not realise that the Rome I Green Paper presented an occasion to comment on these specific issues. It is true that the Green Paper did not

[2] Green Paper on the conversion of the Rome Convention of 1980 on the law applicable to contractual obligations into a Community instrument and its modernisation, COM (2002) 654 final of 14.01.2003.

[3] Council Regulation (EC) No 44/2001 of 22.12.2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ EC, L 12, 16.01.2001, 1.

[4] <www.europa.eu.int/comm/justice_home/news/consulting_public/rome_i/news_summary_rome1_en.htm>.

[5] See the contributions of *Josef Drexl* (p. 79 et seq.), *Axel Metzger* (p. 61 et seq.) and *Haimo Schack* (p. 107 et seq.) in this volume.

specifically address the question whether the rules of the Convention work well in the context of intellectual property.

3. *Timetable*

The Commission intends to submit a proposal for a Rome I Regulation in the near future. In the meantime it will continue the consultation process on more specific questions. Everybody is invited to send comments to the Commission.

III. Intellectual Property and Rome II

1. *Existing Community Instruments: No Clear Conflict of Laws' Rules*

Although the harmonisation at European Community level on substantive intellectual property law is quite complete by now, experts generally agree that European Community legislation does not yet contain a complete set of rules on civil law dealing with all aspects of intellectual property infringements. For instance, although the Directive 2004/48/EC on the enforcement of intellectual property rights[6] aims at harmonising, among others, the level of damages, nevertheless does this not lead to full harmonisation of all related aspects of civil law and this for different reasons: (i) following the "minimum harmonisation approach", the directive leaves a margin of flexibility to the Member States when transposing the text into national law; thus the effective degree of harmonisation is still uncertain; (ii) claims for damages are often linked to a lot of questions concerning general private law such as contributory negligence, duty to pay interest and vicarious liability, sharing of liability between co-tortfeasors; liability for employees. These topics are not dealt with in the directive. The question of the applicable national law thus remains important.

However, the relevant Community instruments in this field lack clarification on the question regarding the applicable law.

It is true that some specific Community instruments contain choice of law rules (e.g. the Community Trademark Regulation,[7] or the Community Design Regulation.[8] However, this is not the case for all Community instruments relating to intellectual property.

Furthermore, the conflict of laws' rules contained in the above mentioned Community instruments are drafted as follows: "on all matters not covered by this Regulation a (...) court shall apply its national law, including its private

[6] Directive 2004/48/EC of the European Parliament and of the Council of 2904.2004 on the enforcement of intellectual property rights, OJ EC, L 157, 30.04.2004, 45.

[7] Council Regulation (EC) No 40/94 of 20.12.1993 on the Community trade mark, OJ EC, L 11, 14.01.1994, 1.

[8] Council Regulation (EC) No 6/2002 of 12.12.2001 on Community designs, OJ EC, L 3, 05.01.2002, 1.

international law".[9] Given the reference to the national conflict of laws' rules, it is clear that these instruments do not provide for harmonisation of these rules at European Community level, each Member State applying its own rules.

2. *General Architecture of the Rome II Proposal*[10]

a) Civil and Commercial Matters

Like the Rome Convention of 1980 and the Brussels-I-Regulation, the future Rome II instrument will apply to non contractual obligations in "civil and commercial matters". Intellectual property rights are not excluded from its scope of application. Thus the instrument will apply to claims for damages following the infringement of an intellectual property right.

b) Universal Scope of Application

The instrument also applies when the law designed by the conflict rule is not that of a Member State. Thus, like for the Rome Convention of 1980, the rules of the future Rome II instrument will completely replace the national conflict of laws' rules for non contractual matters.

c) General Rule (Art. 3-1)

Article 3 applies for all matters for which the following Articles 4 to 9 do not give a specific rule. The general rule states the application of the law of the place where the direct damage arises (in German "Erfolgsort", which is different from "Schadensort") or is likely to arise. Thus the law of the place where the harmful act was committed is not longer relevant; neither is the place where the indirect consequences of the damage arise (e.g. financial loss following an accident).

d) Common Habitual Residence (Art. 3-2)

If the parties have their common habitual residence in the same country, the law of that country applies (§ 2).

[9] Art. 97 para. 2 of the Community Trademark Regulation; Art. 88 para. 2 of the Community Design Right Regulation contains a similar rule.

[10] Proposal for a Regulation of the European Parliament and the Council on the law applicable to non-contractual obligations, COM (2003) 427 final of 22.7.2003.

e) General Exception Clause (Art. 3-3)

The Rome II proposal also provides for a general exception clause, authorising the judge to apply a different law if the situation presents a manifestly closer link with the law of another country. Such close connection particularly exists in the case of a pre-existing relation between the parties, such as a contract ("accessory choice of law in respect of pre-existing relationships").

f) Conflict of Laws' Rules for Specific Torts (Article 4 to 9)

The instrument contains specific rules for specific torts. Thus you might be the most interested in the specific rule for unfair competition (Art. 5) which provides for the application of the law of the country in which the competitive relations were affected (so called "market place principle"). The other specific rule interesting for intellectual property rights infringements, at least in some Member States, is Article 9 on quasi-contracts, especially the one on unjust enrichment. Article 9 provides that the applicable law is that of the country in which the enrichment took place. However, rules on accessory choice of law in respect of pre-existing relationships, common habitual residence as well as the general exception clause also apply.

g) Freedom of Choice

Art. 10 of the proposal allows the parties to chose the law applicable to their non contractual obligation, but only after the dispute arose.

3. *Intellectual Property Rights in the Preliminary Draft Proposal of May 2002 and the Comments Received by the Commission*

a) Intellectual Property Rights in the Preliminary Draft Proposal

In the preliminary draft proposal[11] there was no specific article on intellectual property rights, neither was the matter excluded. Comments thus concentrated on the question whether the general rules of the Rome II proposal such as described hereabove should also apply to intellectual property infringement.

The Commission received about 10 comments on the intellectual property rights aspects of its proposal[12] and this matter was also intensively discussed

[11] See "Consultation on a Preliminary Draft Proposal for a Council Regulation on the Law Applicable to Non-Contractual Obligations", <www.europa.eu.int/comm/justice_home/unit/civil/consultation/index_en.htm>.

[12] See the summary at <www.europa.eu.int/comm/justice_home/news/consulting_public/rome_ii/news_summary_rome2_en.htm>.

during the public hearing organised in Brussels on 7 January 2003. At the hearing of 7 January, the Commission asked whether a provision drafted in line with Article 5 of the Berne Convention[13] would be satisfactory.

b) Comments Against Inclusion of Intellectual Property Rights

Most comments recalled that Article 3 – providing for the application of the law of the country in which the direct damage took place – is not compatible with the universally accepted principle of territoriality, written down in different international treaties (Paris Convention, Berne Convention). This principle – and the closely linked rule that the law of the country for which protection is sought is applicable – provides in case of infringement of an intellectual property right for the application of the law of the country which has granted the industrial property right (which has registered a patent or trademark). For copyright, this principle leads to the application of the law of the country in which the infringement took place. This solution leads to the "Mosaik-principle" – application of different laws to the rights which the owner of an intellectual property right holds in different countries.

Some comments suggested that priority should be given to a solution at WIPO level. *GESAC (European Grouping of societies of authors and composers)* recalled that the interpretation of Article 5.2 of the Berne Convention is not clear when it comes to locating a delict which took place via Internet. They called for a clarification of Article 5.2 of the Berne Convention in the digital context, favouring the location of the delict in the country of reception, i.e. in the country in which the protected work or object is accessible to users. This clarification should be dealt within the framework of WIPO regarding a problem raised at worldwide level. Until the adoption of a new international Treaty or a clarification and a unanimous interpretation of Art. 5.2 Berne Convention, it would be advisable to exclude literary and artistic property from the scope of application of a Rome II instrument until work on this matter has permitted the emergence of consensus at international level.

It was agreed by nearly all comments on that matter that party autonomy is not suitable for claims relating to intellectual property rights infringements. It seems in fact self-evident that parties cannot be allowed to choose the law of a country in which the litigious right is not protected by the law of that country.

Finally some comments insisted that the rules provided for by a Rome II instrument would never allow answering all questions regarding the very complicated issue of applicable law to intellectual property rights and that the solution proposed by the Rome II proposal would thus remain an incomplete one.

[13] Berne Convention for the Protection of Literary and Artistic Works of 09.09.1886, last revised in Paris on 24.07.1971.

c) Comments Favouring the Inclusion of Intellectual Property Rights

There was of course the proposal of the Hamburg Group on Private International Law[14] which favoured the inclusion of a specific rule on intellectual property right and which directly inspired the Commission's proposal. We will come back to it later.

Other comments were in favour of the inclusion of the matter into the scope of Rome II instrument, but suggested a redrafting of Article 24 relating to the priority of choice of laws' rules contained in existing international treaties in order to make sure that the principle of territoriality and the *lex loci protectionis* principle are preserved. However, in the view of the Commission this solution could not be sufficient since this could perhaps work for Article 5-2 of the Berne Convention; there are other international instruments (e.g. the "International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations on related rights" ["Rome Convention" of 1961][15]) which do not contain choice of law rules.

4. Intellectual Property Aspects in the Rome II Proposal

a) Motivation for the Solution Finally Adopted by the Commission

- At WIPO level, work has been delayed for a long time, saying that this matter is too complicated; the Rome II proposal could be a good occasion to discuss this matter. The Hamburg conference was a good illustration of this.
- Despite large degree of harmonisation of material law, many questions will still be governed by national law. As already mentioned before, a conflict of law rule is thus needed.
- Some academics still contest that Art. 5.2 of the Berne Convention contains a conflict of laws' rule (although this academic debate does not concern judges who apply this article as if it was a bilateral conflict rule).
- Although the "territoriality principle" seems to be universally recognised, some Member State still seem to have a different approach. We were told that two Member States, for instance, apply the law of the place where the infringement took place for copyright infringements. The Rome II proposal could thus lead to greater harmony at EC-level.
- There is a close link with unjust enrichment in certain Member States when, in the case of an intellectual property infringement procedure, the

[14] See *Basedow et al.* („Hamburg Group for Private International law"), RabelsZ (67) 2003, 1, 11.

[15] International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations of 26.10.1961.

claimant also requests damages on the basis of unjust enrichment (which happens very often in Germany).

In its Rome II proposal, which was directly inspired by the proposal of the Hamburg Group for Private International Law, the Commission finally chose to introduce a specific rule on intellectual property rights.

Following the explanatory memorandum, intellectual property rights in the sense of this proposal are copyright, related rights, databases and industrial property rights (patents, trademarks, design rights).

The Rome II proposal contains 2 different rules on intellectual property rights:

Article 8-1:

"The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is sought".

The current German translation of this rule is not correct.[16] Instead of "Land, in dem" it should be drafted "Land, für das". We will try to correct this during the negotiations in the Council.

Art. 8.1 confirms the principle of territoriality and the *lex loci protectionis* principle such as they results from the international conventions. To make sure that there is no doubt about this Recital 14 again recalls that "the universally acknowledged principle of lex loci protectionis should be preserved."

Article 8-2:

"In the case of a non contractual obligation arising from an infringement of a unitary Community industrial property right, the relevant Community instruments shall apply. For any question that is not governed by that instrument, the applicable law shall be the law of the Member State in which the act of infringement is committed".

This Article confirms the application of the relevant European Community instruments. This somehow self-evident rule is completed by a genuine conflict of laws' rule: application of the law of the place where the infringement took place. This is really new.

Indeed, the *lex loci protectionis* is not sufficient for Community intellectual property rights, since the protection "country" is the whole Community with its very varying internal rules. After applying the lex loci protectionis rule it is still unclear, which Member State's law is applicable to the claim for damages. Therefore the principle of territoriality needs a supplementary rule for Community intellectual property rights with a unitary character. Following the suggestions of the Hamburg Group for Private International Law, the Rome II proposal introduces the application of the law of the Member State in which the

[16] See Vorschlag für eine Verordnung des Europäischen Parlaments und des Rates über das auf außervertragliche Schuldverhältnisse anzuwendende Recht („Rom II"), KOM (2003) 427 endgültig vom 22.07.2003.

act of infringement is committed. This rule is of course inspired by the general conflict rule of Article 3 of the Regulation.

b) Exclusion of Party Autonomy

Article 10-1 of the Rome II Proposal on the parties "freedom of choice on the applicable law" specifies that party autonomy does not apply for intellectual property rights. The Commission thus took into account an opinion which was expressed with unanimity during the written consultation of 2002.

c) Claims Based on Unjust Enrichment Linked to Intellectual Property

Article 9-6 of the Rome II proposal, relating to quasi contracts, specifies that all non-contractual obligations in the field of intellectual property shall be governed by Article 8. As a consequence, the specific rules on unjust enrichment will not apply. This rule aims at making sure that the entire claim regarding an intellectual property rights infringement is governed by one single law in to order avoid the application of two completely different conflict of laws' rules to one single claim.

d) Consequences for Negotiations at International Level

What happens if WIPO finally decides to elaborate a Protocol regarding the interpretation of Article 5.2 of the Berne Convention? Such an instrument would be a new international Treaty which would have priority over the Rome II conflict rule, provided that other conditions regarding accession are fulfilled, unless the Community asks for a disconnection clause. For the negotiation of this new instrument there will be a genuine Community competence and Member States will be obliged to adopt a coherent approach. The project of the American Law Institute tries to define rules on transnational intellectual property infringement.

We know that Art. 8 Rome II proposal does not solve all questions regarding the applicable law for intellectual property (question of validity or the existence of intellectual property rights). However, as of today, there are no plans at European Community level to definitively regulate this very complicated issue.

5. *Reactions to the Rome II Proposal*

a) Negotiations in the Council

Our first impression was that Member States tend to be in favour of the inclusion of intellectual property rights into the scope of application of the future Rome II instrument, mainly in order to have a certain parallelism with the scope of application of the Rome Convention of 1980 and the Brussels-I-Regulation. Most delegations stressed however that internal consultations with administrations in charge of intellectual property rights are still ongoing.

However, as usual in this debate, there is one general problem: you have either specialists of private international law or specialists of intellectual property rights. In the Council working group on the future Rome II instrument, at this stage, there are but specialists on private international law. They raised a lot of questions within mere questions of comprehension, beginning with the question for explanation of the territoriality principle.

The following examples may illustrate that not all questions raised by the delegations are simple questions of comprehension:

- Art. 8.2 concentrates on the place where the infringement took place, whereas Art. 3 and more generally most of the rules of the proposal concentrate on the place where the damage took place. One might question here, why the place of damage is not relevant for intellectual property rights.
- The interplay between Art. 8 on intellectual property and Article 5 on unfair competition is not very clear. What happens if an act of unfair competition consists of the violation of an intellectual property right (e.g. passing off)? The Commission explained that this is not a problem. Art. 8 is a *lex specialis* which excludes the application of Art. 5 insofar as an intellectual property right is affected. However, some concern was expressed on how this would work for passing off and it was stressed that judges would have difficulties to know what rule to apply.
- A general question of transparency was also raised. A part of conflict of laws rules for intellectual property rights is stated in specific European Community instruments on intellectual property rights. In addition, the general rule of Art. 8 of the Rome II proposal is to be applied; this could lead to a lack of awareness that there is a specific rule in Rome II.

b) Questions Raised by Academics

Although most academics seem to agree with Article 8-1 Rome II proposal, some seem to suggest improvements regarding the rule on the infringement of a Community intellectual property right.

Thus *Rainer Hausmann* questioned[17] why there is a need to exclude party autonomy for Community intellectual property rights. The argument against party autonomy in national rights – parties cannot be allowed to choose the law of a country which does not grant protection for the litigious right – does not seem relevant for Community intellectual property rights, since, by definition, all Member States provide for this protection. E.g. in case of multi state infringement of a community trademark in different Member States, the present solution leads – for the questions which are not harmonised in the relevant EC-regulation – to distributive application of the laws of the different Member States involved. Why not allow the parties to choose the law of one single Member State to resolve these questions (e.g. application of one single law for the quantification of damages) in order to facilitate an agreement or to speed up judicial procedures?

More generally, *Axel Metzger*, seems to suggest[18] that the general rules of the Rome II Regulation (including party autonomy, accessory choice of law relating to a pre-existing relationship, exception clause, etc.) should apply for Community industrial property rights as long as the law of a Member State is applicable under this rule. He even seems to favour a specific rule to avoid the application of different laws in the case of a multi-state infringement.

These are of course very interesting approaches and we were very happy to have the occasion, together with our colleagues from the Directorate-General Internal Market (*Sami Sunila* and *Johannes Karcher*), to discuss those with specialists during the Hamburg conference.

6. *Timetable and Conclusion*

Negotiations within the "Internal Market" Committee of the European Parliament have not started yet. Thus, an opinion is not to be expected under the present Parliament, which is likely to delay the discussions on the future Rome II Regulation. Indeed, it is not likely that there will be an opinion of the European Parliament before the beginning or even the middle of 2005. Given the high interest from some private groups on this proposal (mainly on defamation, e-commerce and unfair competition), a certain number of amendments are expected.

We thus think that it is still time to improve the rules proposed by the Commission if we discover that improvement is possible. The Hamburg seminar was an excellent occasion to discuss this highly complicated matter and we thank the organisers for their efforts to bring together both specialists of intellectual property and specialists of private international law.

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[17] *Hausmann*, European Legal Forum 2003, 278, 287.

[18] See *Metzger* in *Drexl/Kur (ed.)*, IP and Private International Law: Heading for the Future (forthcoming).