Choice of law in copyright and related rights: alternatives to the lex protectionis

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Citation for published version (APA):
Chapter 6

Conflict Rules for Modern Copyright and Related Rights

6.1 Introduction

The central question to be answered in this Chapter is which allocation principles can be regarded as best suited to govern different categories of copyright and related rights issues.

In Chapter 2 it has been set out that the most commonly used principle is that of the closest connection in a factual/geographical sense. The increased wish to accommodate substantive values in choice of law, has given rise to both functional allocation and the favour principle. The fourth allocation principle is the long-established party autonomy, which has expanded to areas such as torts and succession, after initially having been limited to contractual obligations.

In a narrow sense, functional allocation entails the use of connecting factors for legal relationships whose corresponding areas of substantive law have as an important objective the protection of the structurally weaker party. One could, however, also view functional allocation in a broader sense, namely as a principle that expresses the idea that when determining appropriate connecting factors, account is taken of the policies underlying the substantive private law. These policies would not of necessity be limited to policies that aim to protect a weaker party.

The analysis of the rationale of copyright and related rights of Chapter 5 revealed that it is traditionally an important policy of intellectual property law to protect creative persons such as authors and performers. This protective policy however is limited mainly to issues relating to the transfer of rights, i.e., the

506 The term functional allocation in its narrow meaning is the equivalent of ‘Schutzprinzip’ in German choice of law. The Schutzprinzip is to be distinguished from the Schutzland Prinzip familiar from international copyright doctrine. The latter refers to the law of the country for whose territory intellectual property protection is sought.
inalienability of certain claims, provisions that call for the interpretation of assignments in favour of the author, etc. It will be argued that given this protective function towards authors and performers, it is justified to subject the transfer of rights by the initial owner to the principle of functional allocation in the narrow sense.

As for the policies that underlie copyright and related rights generally, it has been stated in the previous Chapter that two principal objectives can be discerned, namely justice and utility. On the one hand intellectual property serves justice by rewarding the creative (or investing) person with authority over the use of his or her creation. On the other hand exclusive rights have an instrumental or utilitarian function. By removing certain categories of information goods from the public domain, the production and dissemination of information goods is stimulated. In addition, exclusive rights in information allow for the market-mechanism to work in this area.

It is the instrumental function of copyright and related rights especially, that reflects the public interest. In particular, the determination of the existence, scope and duration of copyright and related rights. This will lead me to enquire if and how functional allocation in the broader sense should play a role in choice of law for these issues.

The term ‘favour principle’, it is recalled, is used for two different types of conflict rules. The first type, of which the favor negotii is an example, rests on the idea that the connecting factors used should be conducive to the validity of a legal act or relationship. The second type is based on the notion that the interests of one party in particular should be advanced. Examples are the various choice-of-law rules which are based on the idea that the choice between the laws of jurisdictions connected to the case should be made to the benefit of the victim of an unlawful act. Another favour-based rule provides that the consumer as party to a contract should always be able to invoke mandatory provisions of the law of the country in which he or she is habitually resident (Art. 5(2) Rome Convention 1980).

Particularly in its second meaning, the favour principle could be used for the benefit of authors and performers, especially as a correction on party autonomy in contractual relations involving the exploitation of intellectual property. In those relationships, the author or performer will generally have the weaker bargaining position than the other party (publisher, producer).

The suitability of each of the four allocation principles mentioned will be examined for the different categories of issues as were first distinguished in Chapter 2:

- existence, scope and duration.

initial ownership.
- transfer,
- infringement.
Existence, scope and duration taken together define what exclusive rights in intellectual creations are. As they are intertwined, these issues will be treated together for the purpose of identifying the appropriate allocation principle and its elaboration in a conflict rule for what are best termed the proprietary aspects of copyright and related rights (see Paragraph 6.2). If, for intellectual property, one were to follow the common approach to characterising corporeal property issues, (initial) ownership and various aspects of transfer (the assignability of rights, requirements for assignment) would be treated as proprietary aspects, i.e., they would be governed by the same choice-of-law rules as existence, scope and duration are.

In this study, initial ownership is, however, treated separately from the issue of existence, scope and duration of intellectual property. The reason is that the differences in the allocation of exclusive rights as they are found in domestic intellectual property laws easily cause limping legal relationships, notably between employees that create work and their employers, between authors or performers that work on commission and their commissioners, as well as between co-contributors. That makes the question of whether a single law should govern initial ownership even more pertinent than in case of the existence of intellectual property (see Paragraph 6.3).

As for the issue of transfer, this can involve the assignment of copyright or related rights proper, or the granting of an (exclusive) exploitation licence. In the first case, the transferor loses all claims to at least the economic rights; in the latter, the transferor/licensor remains copyright owner, but allows a certain use of the protected subject-matter. In both cases, contractual obligations are involved, which have formal aspects (i.e., whether a contract must be in writing) and substantive aspects. The same is true for the proprietary aspects of assignment, i.e., which rights can be assigned is a question of substance: how rights must be assigned is a question of form. The contractual and proprietary aspects of transfer will be treated in the same Paragraph, as provisions in the law of copyright contracts often apply to both assignment and licensing (Paragraph 6.4).

In case of alleged infringement of copyright, the issue is whether an act constitutes infringement and what the legal consequences of the unlawful act are. The lawfulness or unlawfulness of an act of use of protected subject-matter can of course not be viewed separately from the question of whether exclusive rights in a work or other intellectual creation (still) exist and what the scope of these rights is.

It will be argued that this does not mean that the question of infringement must be subjected in all its aspects to the same law that governs existence, scope and duration. The case will be made that the balance of interest that underlies the existence, scope and duration of domestic intellectual property rights should be upheld by letting the law of the place of use govern the matter of unlawfulness of
an act of use. Since particularly in the digital environment, the use of copyrighted or otherwise protected materials may take place in many places simultaneously, the connecting factor, 'place of use', can lead to the identification of a multitude of applicable laws. It will be submitted that the legal consequences of infringement are best subjected to one single governing law (Paragraph 6.5).

The analysis of the various allocation principles for the different issues mentioned here will be concluded in Paragraph 6.6, with a recapitulation of the conflict rules that are in my view best used to solve choice-of-law questions in copyright and related rights.

6.2 Existence, Scope and Duration

6.2.1 Closest Connection

Of the four allocation principles, the principle of the closest connection may at first seem the obvious candidate to govern issues of existence, scope and duration of copyright and related rights. The problem is how to determine this closest connection, given the non-material and ubiquitous nature of the subject-matter of intellectual property rights.

Since intellectual property is akin to corporeal property, it is tempting to treat the two similarly for choice-of-law purposes. The lex rei sitae, or law of the place where an object is situated, has a long history as the applicable law for property rights in physical objects. In modern choice of law, the place where an object is situated is deemed to represent the country with which relations involving the property have the closest connection, since the place where the object is, is where the interests in it converge.

It is, however, rightly observed that copyright cannot be likened to corporeal property because of the moral rights component, which is more akin to personality rights. As has been said above, another difference with corporeal property is the non-material nature of copyright and the resulting inability to physically localise it.

Some writers do not consider these problems insurmountable. We have seen in our discussion of the lex origins in relation to the Berne Convention, that in the 1930's Bartin proposed the use of the lex rei sitae for copyright. In his view, the situs of copyright was the place of first publication and consequently the law of that place should govern existence, ownership, scope, transfer and duration.
More than half a century later, Raynard also defended the *lex rei sitae* as the appropriate conflict rule.508 However, in his view intellectual property is located simultaneously in every state, given the ubiquitous nature of the subject-matter. Unlike Bartin’s approach, Raynard’s theory does not result in the identification of a single governing law, which is to a large extent the charm of the *lex rei sitae*, as traditionally used.509

A more attractive interpretation of the closest connection principle is given by Troller. In his view, central to intellectual property is the interest of the author in his work on the one hand and the interests of third parties in the work, on the other. The common ground of the author and the users is the work, which should therefore be the focal point for the purpose of allocation. The place where the work materialises, i.e. where it is reproduced or communicated, is where the interests of the author and third parties meet. This is where the centre of gravity of the legal relationship between the owner and user of intellectual property is situated. It is the law of the *Schutzland* or *lex protectionis* that should govern copyright issues in general.510

Troller’s additional defence of the *lex protectionis* for the issue of existence is less convincing. He appears to assume that to determine whether an intellectual creation is protected to begin with, it is compared to other objects. That comparison – to determine originality in the case of copyright, or novelty and inventiveness in the case of patents – is typically made with *locally produced* works. On that basis Troller concludes that ‘Die tatbeständliche Basis des Feststellungsprozesses über den Bestand von Exklusivrechten ist somit überwiegend in dem Land zu suchen, wo das Recht gelten soll...’.511

Despite the differences in terminology, both Raynard and Troller ultimately focus on the subject-matter of intellectual property and its (fictitious) location in real space. As both conclude that intellectual creations and therefore the rights in them are located in a multitude of places simultaneously, the use of the closest

508 Raynard bases his analysis on the technical-legal character of copyright: its primary attributes are those of an absolute right *(droit réel), to be subjected to territorial allocation, i.e., the *lex rei sitae*). The moral rights give copyright the characteristic of a *droit personnel*, to be subjected to the personal law of the author. However, Raynard thinks the economic rights of the author should weigh more heavily in the determination of an appropriate connecting factor than the moral rights, which is why he prefers the *lex rei sitae*. See: Raynard 1990, p. 220 et seq.

509 The *lex rei sitae* becomes problematic in cases where corporeal property crosses borders, since then one must address the question to what extent a change of location makes another law applicable, see Paragraph 4.1.2, note 279.


511 Troller 1952, pp. 45-46. However, for patents the required novelty of the invention is as a rule judged against worldwide ‘state of the art’ (compare Art. 4(4) Dutch Patent Act 1995). To my knowledge, in contemporary copyright, the ‘originality’ of a work is not judged solely against locally created works. Rather, local standards as to what constitutes originality may differ.
connection principle in a factual-geographical sense seems rather fruitless for issues of existence, scope and duration. The alternative—focusing on the author or performer rather than the work or performance—is not justified either. One can see how, for instance, the habitual residence of a creator testifies to a relationship between creator, work and a country (in the sense that authors may be influenced by local culture, social and economic circumstances). However, that the act of creation takes place somewhere does not make that necessarily the place that has the closest connection to any rights in the work.

Another problem with Raynard’s technical approach is that the moral rights side of intellectual property plays no role. The few authors who find that the lex origins expresses in some form or other the closest connection where the existence of an exclusive right is concerned, do consider the personality-right aspects of copyright, such as the bond between the author and the work and between the author and the social or cultural environment in which the author creates.

Maybe the most serious objection to a choice-of-law approach such as that of Raynard is that the function of copyright law is ignored. In my view the function of copyright and related rights is to be considered as more important for determining the appropriate applicable law than the legal form in which intellectual property is moulded. I will return to this argument—that functional allocation in the broad sense of the word is the most suitable allocation principle—after having first explained why neither party autonomy, the favour principle nor functional allocation in the common, narrow meaning of the term are suitable allocation principles for issues of existence, scope and duration.

6.2.2 PARTY AUTONOMY

As has been said, the freedom of disposition to choose the applicable law plays a role primarily in the area of contractual obligations since it mirrors the freedom of disposition that parties to a contract have in substantive law and allows parties to an international contract to attain legal certainty. Even though party autonomy is also on the rise in other areas such as torts and succession, it does not extend to

512 Siehr 1988, p. 25 favours the lex origins for existence and duration and mentions a number of draft statutes that use the place of first publication or nationality of the author as connecting factor for the existence of rights (pp. 17–18). Koumantos has also defended the lex origins for existence. Ulmer 1977, p. 481 notes that in French and Austrian drafts of private international law acts initially the lex origins was proposed as conflict rule for intellectual property.
property interests. Substantive intellectual property law does not give interested parties, whether it be the supposed right owner or user of information, any say in the issue of whether and for how long an intellectual property right exists. For example, even though a licensee may agree to recognise a licensor’s claim to intellectual property, neither licensor nor licensee have influence on the actual existence of such exclusive rights independently of the contractual relationship. Party autonomy therefore does not play a role in choice of law for existence, scope and duration of copyright and related rights.

6.2.3 FAVOUR PRINCIPLE

It is submitted that like party autonomy, the favour principle has no role to play either, since this principle is designed to further the interests of one party by selecting from among a number of connected legal systems the most advantageous law as applicable. Accepting the favour principle for the issue of existence of copyright or related rights in a work would result in applying the substantive law with the most lenient criteria for protection —if the author, performer or other right owner is to be the favoured person— or the law with the strictest criteria for protection of intellectual creations —if the user is allowed the best of several worlds. Given that the existence, scope and duration reflect a balance of interests there is no reason, *a priori*, to favour either right owner or user.

6.2.4 FUNCTIONAL ALLOCATION IN THE NARROW SENSE (SCHUTZPRINZIP)

Like the favour principle, *functional allocation* in its normal narrow sense is geared towards protecting the interests of one party, although it does not go so far as to offer better protection. It plays its part where a substantive area of law has the protection of one party to a relationship as an important objective (e.g., consumer, employee).

Copyright and related rights law protects right owners from many types of uses of their intellectual creations. From the perspective of functional allocation in the narrow sense, the question is whether this justifies that the interests of the author, performer, broadcaster or other right owner should dominate the choice of a connecting factor for existence, scope and duration. If the answer is affirmative, 513 In exceptional cases, limited party autonomy is proposed, e.g., where a proprietary aspect is closely related to contractual obligations (e.g., under Dutch law: reservation of title in case of transfer of corporeal property, see note 89 in Paragraph 2.4.2).
the right owner’s habitual residence, principal place of business or a possible other connecting factor that reflects a close tie between a right owner and a country’s law should be used.

It would seem that there is no such justification to use such right-owner-oriented connecting factors rather than connecting factors that reflect the interests of the user or of the public in general. The interests of the latter play an equally important role in the delineation of the subject-matter of intellectual property, of its scope and duration.

As Dinwoodie observes, with the utilitarian function of exclusive rights in information in mind, ‘numerous intellectual property concepts reflect underlying determinations of the appropriate balance between encouraging competition and stimulating innovation.’ From the local perspective, this balance is disturbed if the question of whether information is protected is subjected to the law of the country of the (foreign) right owner, rather than to the local law of the place of use, particularly of course in countries that are net importers of information.

6.2.5 FUNCTIONAL ALLOCATION IN THE BROAD SENSE

In the preceding Paragraphs, it has been elaborated why the closest connection in a factual-geographical sense, party autonomy, the favour principle and functional allocation in its narrow ‘Schutzprinzip’ meaning are not the appropriate allocation principles to employ for the issue of existence, scope and duration of copyright and related rights.

Neither of these principles aims to accommodate the general policies that underlie most domestic intellectual property law: i.e., to stimulate the production and dissemination of information and to do justice to the legitimate interests of those who create. Particularly the first policy, which corresponds to the utilitarian rationale of intellectual property, has a strong public interest dimension where it concerns existence, scope and duration.

The nature of information—it has no natural boundaries the way a physical object does, it is an inexhaustible source of input for new creations—poses an extra challenge for the balancing of the interests of the public and of creators. As Austin puts it: ‘Copyright law’s contested character means that each society with a

514 Compare the situation where the question whether a corporeal object is a res publica or individual property would be governed by the law of the habitual residence of the alleged individual owner.
515 Dinwoodie 2001a, p. 436.
copyright law system is required to struggle constantly with the issue of how copyright law can continue to serve the public good.\(^{516}\)

Where it concerns the existence of intellectual property rights, a comparison with property in physical objects can clarify the importance of local standards. We have come to find it self-evident that property exists in every physical object and that it is owned by an individual person or organisation.\(^{517}\) Likewise, private international law assumes that all legal systems recognise the concept of perpetual property of material objects and that every material object is ultimately owned by a person or organisation. The question of whether there is (still) property, is hardly ever raised because we assume there is.

For intellectual property, the situation is less straightforward for a number of reasons. Unlike physical objects, no law regards governs all intellectual ‘objects’—whether it be a song, a story, an algorithm, a recipe or a set of measurements—as potential subject-matter of intellectual property. Notwithstanding the rapidly increasing commodification of knowledge and information through new or expanded intellectual property rights, it is difficult to imagine that these exclusive rights will ever be as all-pervasive as they have become with regard to physical objects. In addition, as has been said, their object will also always be more difficult to delineate because of the nature of intellectual creations.

National copyright laws differ as regards the type of creations that they aim to protect. For example, formerly under Italian law, industrial design was not protected by copyright law but by design law only, whereas in the Netherlands, cumulative protection was always possible. Software was considered copyrightable subject-matter in some countries, while others did not protect it under copyright.

One could argue that not only at the European, but also at the international level there is ongoing harmonisation of laws with regard to the types of creations that are protected. For instance, databases and software have become protectable subject-matter, under both the TRIPs Agreement and the WCT 1996. Even when an intellectual creation belongs to a class of works that is generally regarded as protected, however, the individual work must meet certain criteria to be protected. National laws also differ with regard to these criteria, such as the originality requirement, the fixation requirement, the exclusion of government-produced documents from intellectual property, etc.

As we have seen in Chapter 5, in domestic law, the delineation of the subject-matter, i.e., the criteria for existence, combined with the scope of rights and their duration constitutes the result of a balancing of interests of the creator in

\(^{516}\) Austin 2000, p. 614.

\(^{517}\) A few spots of ‘commons’ are left, such as the high seas and—more disputed—Antarctica.
controlling the use of his or her work and those of society in a public domain. If this balance is to be accommodated, one should allow the law of the place where an intellectual creation is used to govern the question of whether and which exclusive rights exist in information.

One could argue that the local balance of interests that has been struck at the place of use would not be upset by the occasional application of foreign copyright law. From that perspective, there is no reason to apply the law of the country of use. However, in most countries the sheer volume of use of foreign works would result in the routine application of foreign copyright law. Cartoon characters are merchandised worldwide; other entertainment products, such as music, television series and film have huge international audiences; software of certain suppliers is a standard feature on computers across the globe; in the sciences, the major journals cater to scientists all over the world, etc.

As a result, if the conflict rule for existence, scope and duration were to be any other than the *lex protectionis* — i.e., the law of the place where the intellectual creation is used — there would not be sporadic, but continuous application of intellectual property law that is foreign to the place of use. With the ever-growing economic and social importance of information — as exemplified by the much proclaimed expression that we live in an Information Society — the interest that societies have in upholding their local information policy will only grow.

## 6.3 Initial Ownership

Unlike for the issue of existence, scope and duration, all four allocation principles have in my view a role to play where it concerns initial ownership of copyright and related rights. I would suggest that *functional allocation* in the narrow sense should be the leading principle, as this best corresponds with the objective of copyright and related rights law in relation to rights allocation, namely to reward and stimulate authors — particularly the actual creators of works — and performers. This general solution will be elaborated in Paragraph 6.3.1.

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518 Subject-matter, scope and duration are to a considerable extent communicating vessels within any domestic copyright law. For example, the required level of originality may be low in combination with narrowly defined 'thin' protection, or the standards for protection of a work may be set higher, but once met, result in broad protection. Some non-original types of information (e.g., certain photographs) may be protected, but for a much shorter period of time than original works.

519 One could argue that if the local balance of interest is so important, the *lex fori* should be the applicable law, not the *lex protectionis*. However, if the work in question is not used in the forum state, the forum has no interest in applying its own copyright law.
In case of works created by employees in the course of their duties, one could also use the general solution of the creator's law. It will, however, be argued that it is more appropriate to subject the question of rights allocation between employer and employee to the law that governs the employment contract. Under the rules of the Rome Convention 1980, this means that *party autonomy* will serve as the primary allocation principle. Regardless of the law chosen, the employee will still be able to invoke mandatory provisions of the law of the country where he or she works. As we have seen before, the Rome Convention limits party autonomy by prescribing the application of the *favour principle* to the benefit of the employee (see Paragraph 6.3.3).

Party autonomy can also be used to solve problems with identifying the initial owners of copyright in collective works. In case the co-creators of a work have not made a choice of applicable law, the *principle of the closest connection* will have to serve as back-up solution (see Paragraph 6.3.2).

6.3.1 THE CREATOR'S LAW: FUNCTIONAL ALLOCATION AS A GENERAL RULE

As a rule, copyright is vested in the actual creator of a work and performers' rights are vested in the performing artist. Domestic laws do, however, tend to deal differently with the allocation of rights in case of works made for hire and works created by two or more co-contributors (e.g., film). If one were to let the *lex protectionis* govern issues of initial ownership, the result would be legal uncertainty as to who qualifies as initial right owner. As we have seen in Chapter 4, the tendency in case-law and among scholars to use some form of the *lex originis* for initial ownership, is mainly inspired by the wish to avoid this legal uncertainty.520

In my opinion, the move away from the *lex protectionis* towards a single governing law is a development to be welcomed, as it could increase legal certainty and thereby facilitate the cross-border exploitation of works. However, there is another, better reason not to use the *lex protectionis* as the conflict rule for initial ownership, which lies in the central position of the author/performer in copyright and related rights law.

In Chapter 3 we have seen that the author—in the sense of the creative natural person—rather than publishers or printers, was at the centre of the first modern copyright laws of the 19th century. Consequently, it is traditionally the author as the natural person who creates a work in whom copyright is vested, rather than the

person or company that invests or is otherwise involved in the production of works. This allocation of rights is to date the predominant norm in most copyright acts and has found its way in performer’s rights as well.

Nonetheless, the expansion of intellectual property rights has seen an increasing group of beneficiaries that are often corporate entities. In the course of time, record producers, broadcasting organisations, film producers, database producers and software manufacturers—all of whom are typically legal rather than natural persons—have come to benefit from exclusive rights in the information products or services that they produce. We have seen that the rationale for the protection of these producers is primarily a utilitarian one, i.e., the allocation of exclusive rights serves as an incentive for production.

One would expect that the increased importance of the utilitarian rationale has led to an increase in the direct allocation of exclusive rights to those who invest, produce or are otherwise instrumental in the creation of information goods. However, in cases where creative input is also required, direct allocation to producers has remained the exception. Instead, the traditional rule that the person who actually does the creative work is invested with ownership remains dominant.521

As a result, producers acquire intellectual property directly through allocation by law only to a limited extent. More often, they acquire rights indirectly, by way of transfer of rights from the actual creators or performers.

Given the protective function of the law of copyright and related rights towards the actual creator or performer, who are regarded as the weaker parties compared to other parties involved in the production and dissemination of works (producers, publishers, etc.), in my view, functional allocation should be the guiding principle for initial ownership. That means the use of connecting factors linked to the actual creator or performer, notably the habitual residence at the time the work was created or the performance first delivered.522

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521 E.g., where it concerns software and databases as original—i.e., copyrighted—works, the allocation of exploitation rights to the employer rather than to the employee was prescribed by the EC’s Software Directive of 1992. The 1996 Database Directive does not, however, grant rights in copyrighted databases directly to employers, but to employees (although Member States remain free to provide that initial ownership rests with the employer, or that employees are presumed to have transferred their rights to the employer).

522 If the author changes his or her habitual residence during the creation, the last habitual residence, i.e., the one at the time of completion of the work rather than the one at the beginning or in between, seems the more appropriate connecting factor. Alternatively, one could use the country where most of the creative work took place as connecting factor.
6.3.1.1 Identification of the Creator or Performer

The connecting factor proposed above for initial ownership of copyright does not refer to the author. The term author is not a factual definition, but a legal one. Even though the term often coincides with, or denotes the actual creator, legal definitions of who the ‘author’ of a work is or can be, do substantially differ. In some countries –like Germany– the author must of necessity be a natural person, in others –like the Netherlands– it can be a legal person. Another example of different meanings of the term ‘author’ occurs with regard to film: under some laws the producer of a film, rather than the creative contributors, is regarded as author or co-author and therefore initial (co-) right owner.

If one were to let initial ownership be governed by the author’s law, one would first have to determine which law’s definition of author should be used. The normal solution to this type of problem is to decide who qualifies as the (co) author under the *lex fori*. Alternatively, the term could be given an autonomous interpretation. However, as can be inferred from Chapter 3, copyright treaties are not a satisfactory source for such a country-independent definition, since they do not contain a clear definition of ‘author’ either.

By referring to the actual creator of a work –which is a more factual definition– the interpretation problem is reduced. More importantly, where the actual creator and another party (producer, investor, or any other entity that could under some laws qualify as the author) each claim initial ownership, it allows for the law of the actual creator to decide the issue. This solution –functional allocation by reference to the actual creator– is in accordance with the objective of most copyright laws, which primarily seek to protect and reward actual creators.

As long as the question is who owns the initial rights in a copyrighted work, there will always be a natural person who actually did the creative work involved –however low the required standard of originality may be– and under the conflict rule I propose, it would be the law of his or her habitual residence that decides who owns the copyright. The same is true for performers’ rights, where it is the actual performer’s place of habitual residence that should in my view serve as the connecting factor.

523 Drexler states that the Berne Convention is based on the idea of the author as a natural creative person 2001: from Chapter 3 it may however be clear that the BC and other conventions contain no clear definition of ‘author’. See also Seignette 1994, pp. 56–58, who points out that even if the norm is that the author is the natural person who created the work, it may still be difficult to determine who that person is.

524 Some copyright laws also grant rights in non-original creations (e.g., protection of non-original writings in the Netherlands, of non-original photography in Scandinavian countries), in which case the habitual residence of the actual maker could be used as connecting factor.
In case two or more natural persons both claim to be the initial owner to the exclusion of the other, while they do not share the same habitual residence, application of the law of shared nationality is an option. If that does not yield one applicable law either, the lex fori will have to be applied as a last resort. Cases of co-authorship or co-performance will be addressed in Paragraph 6.3.2.

6.3.1.2 Initial Ownership of Related Rights other than Performer’s Rights

So far, the focus has been on the role that functional allocation can play in the case of intellectual property rights that are primarily vested in natural persons, i.e., copyright and the rights of performing artists. For initial ownership of other related rights, i.e., those of record producers, broadcasting organisations and database producers, two questions must be answered. First, should functional allocation—in the narrow meaning of protecting a structurally weaker party by its own law—also be the leading principle in these areas? One would think not, as unlike in copyright and performers’ rights, the substantive law that deals with these other related rights does not really focus on the protection of actual makers (natural persons) as the ones deemed to be more deserving of initial ownership than any corporate entities involved in the production and dissemination of protected subject-matter.

It is the desire for legal certainty, to be achieved by the designation of a single law to govern the issue of who is the initial owner of these related rights, that may justify the use of the principal place of business of producers and broadcasting organisations as connecting factor. There are, of course, other connecting factors that can serve the same purpose: the place where a phonogram or broadcast was first recorded or transmitted, the place where a database was actually made, etc.

The advantage of such connecting factors that are linked to the (creation or distribution of) information goods or services rather than to its producers, is that

525 If at least the persons involved have some connection to that country, other than the mere bond of nationality; see note 534).

526 One could also give the parties the opportunity to choose between the laws of either of their habitual residences or the lex fori so as to settle their position. Chances are of course that they will not agree on such a choice. The use of other connecting factors, such as the place of creation of the work or the place of first publication, may be difficult to determine, especially in the digital environment.

527 This is the solution used for divorce in the Dutch Wet Conflictenrecht Echtscheiding (Act on the law applicable to divorce), Sbr. 1981.66. In default of a choice by the spouses and in default of common nationality or habitual residence, the lex fori is the applicable law.

528 To the extent that the beneficiaries may also be natural persons, habitual residence is of course the other connecting factor to be used.
they provide a solution when different parties dispute each other's status as initial right owner. On the other hand these places may be difficult to identify. More importantly, they may be quite accidental, as is the case when, for example, a recording artist and the producer decide to record a phonogram abroad because the artist has engagements for live concerts in the region, or the database producer decides to tender the actual collection and processing of data to a company in a low-wage country. On the whole, I prefer the use of the principal place of business or habitual residence as connecting factor.

The second question to be answered is what definition of database producer, phonogram producer and broadcasting organisation should be used.

6.3.1.3 Identification of the Record Producer, Database Producer or Broadcasting Organisation

As was described in Chapter 3, phonogram producers and broadcasting organisations are currently protected under the Rome Convention 1961, TRIPs 1994 and the WPPT 1996. In the near future, broadcasting organisations may win additional protection under a WIPO Broadcast Treaty, while perhaps in the long-run, producers of (and performers in) audiovisual works and database producers may also be protected under their 'own' treaty (see Paragraph 3.4.3). To determine the applicable law, the definitions as laid down in these treaties may be used, if that is, they prove to be suitable for the purpose.

Broadcasting organisations typically are corporate or other legal entities, whereas a record producer may be a natural person or a legal person. The Rome Convention does not contain a definition of 'broadcasting organisation'. In the negotiations on a WIPO Broadcast Treaty, it has been proposed that:

"broadcasting organization" means the body authorized by any Contracting Party that is capable of emitting sound or visual signals, or both, in such a way that they may be perceived by a number of receiving individuals: the authorized entity that engages in cable distribution is also a "broadcasting organization".  

Since the debate on the definitions of broadcasting and broadcasting organisations is ongoing, it would be premature to use the above definition of broadcasting organisation for the purpose of determining the applicable law to initial ownership of broadcasting rights. Consequently, if two parties disagree as to who is the broadcasting organisation, the courts will have to revert to a definition under the

529 WIPO 2002, Art. 2.
lex fori. For example, under Dutch law, a broadcasting organisation is the entity that provides television or radio programmes and airs them (or has them aired) under its own responsibility (Art. 1(e) Neighbouring Rights Act).

To determine who the record producer is, the definitions of the Rome Convention 1961, Geneva Convention 1971 and WPPT 1996 could be considered. Under the Rome Convention 1961, Article 3(e), the phonogram producer is the natural or legal person who first registers the sound (similarly: Art. 1(b) Geneva Convention 1971). Article 2(d) WPPT provides that the producer is the person or legal entity taking the initiative and having the responsibility for the first fixation of sounds of a performance or other sounds, or the representation of sounds. Since the WPPT is in a sense an ‘update’ of the Rome Convention 1961, its definition of producer, which is more specific than the one contained in the Rome Convention 1961, is to be preferred.

At the global level, database producers do not have related rights in databases (i.e., specific neighbouring rights apart from copyright), but in the EU, they do enjoy protection in their capacity as producers. According the Database Directive, the producer of the database is the entity who takes the initiative to make the database and bears the financial risks of the investments necessary for production. The EU countries, at least, could use this definition for the determination of initial ownership of related rights in databases.

The alternative to using the definitions in international agreements, is to leave it to the domestic intellectual property law of either the lex fori or the lex causae (i.e., the law applicable to the issue of initial ownership) to decide who is the producer. Parties could of course be allowed to choose the applicable law in case they dispute each other’s ownership claims, but if no choice can be agreed upon, a solution is still required.

In case of a dispute between two parties who contest each other’s status as producer, the lex causae can only be determined when the parties are from the same country. If they are from different countries with the same definitions in their substantive law, it does not matter which of the two laws is applied since they will yield the same result. If the intellectual property laws of the countries in which the parties have their habitual residence or principal place of business

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530 The Dutch word used is ‘verzorgen’.
531 More accurately, the person under whose (creative) control the recording takes place, the sound-technicians that take care of the actual recording are not the record producer.
532 This definition has similar elements (initiative, organisation) as that of the database producer, for purposes of the sui generis protection of databases under the Database Directive 96/9/E C of 11 March 1996, Recital 41 and Article 1.
533 Article 7(1) in combination with Recital 41 Database Directive.
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contain different definitions of who the producer is, the lex causae cannot be determined. The lex fori will then have to bring relief.

The disadvantage of using the lex fori is that it presupposes that a legal dispute is brought before a court. However, if there is no definition available in international instruments and the laws of the habitual residences or principal places of business of the parties involved yield different results, the lex fori will have to do. This is, of course, a rather make-shift and not very elegant solution, but it is not an uncommon one in choice of law.

6.3.1.4 Summary

To summarise the main solutions offered so far: initial ownership of copyright and performers’ rights is to be subjected to functional allocation in the narrow sense by using the habitual residence of the actual creator or performer (i.e., the natural person) as connecting factor.

Initial ownership of rights in broadcasts, phonograms and databases is not subjected to functional allocation. However, both the cross-border dissemination of information goods and services and the trade in intellectual property rights themselves would benefit from the legal certainty that a single governing law can bring. It is therefore proposed that the matter of initial ownership of related rights other than those of performers is also subjected to the law of the country where the broadcasting organisation or producer habitually resides or has its principal place of business.

The solutions offered here do not work in cases of co-operation between creators, performers or producers from different countries. An alternative solution must be found for such collective works and performances. Also, the relationship between employer and employee with regard to ownership of rights in works created in the course of an employee’s duties deserves special attention. These issues will be dealt with next.

6.3.2 COLLECTIVE WORKS

The creator’s law is no answer to the choice-of-law problem in cases of multi-authorship, or for performances with more than one performer, unless of course all creators or performers involved share the same habitual residence.534 Likewise,
CHAPTER 6

When producers or broadcasting organisations from different countries cooperate, one cannot determine which law governs the initial ownership of the intellectual property by looking at the habitual residence or principal place of business. As the co-operators are not located in the same country, these connecting factors point to different laws, not to a single law. To arrive at the identification of one single law, we must therefore look for another solution.

Where copyright in works created by co-creators from different countries is concerned, it seems logical to make a choice between the various creators’ laws involved. Who the co-creators are, is a matter of fact not law, so it should not be too difficult to determine which persons and therefore which laws, are to be considered. The same is true for co-performers.

6.3.2.1 Party Autonomy

The choice between laws can be made objectively, but also subjectively, by giving the co-creators the opportunity to decide jointly which law governs the allocation of rights in the work they helped to create. The justification for leaving the choice to the co-creators is that the idea behind the use of a creator-oriented connecting factor for issues of initial ownership is to protect their interests to begin with. One may assume that by choosing the applicable law themselves, the co-creators can take care of their interests at least as well as the legislator can by providing an objective conflict rule.

Not unimportant either is that party autonomy provides legal certainty and predictability for the co-contributors. From that perspective, it can be argued that they should also be allowed to opt for a ‘neutral’ law, rather than for one of the laws of their habitual residences or principal places of business. Such a choice would not affect the rights of third parties, but only determine the respective positions of the co-creators involved. The same solution is proposed for performers’ rights and other related rights.

country of which he or she is a national. Such a connection could be lacking if a writer has long been in exile, or a performer has never lived in the country of which she is a national. In practice, the relevance of nationality as connecting factor will be limited, as it is not that likely that co-contributors who do not share a habitual residence, do share the same nationality.

535 As we have argued above that the actual creators (in case of copyright) and performers should be the point of departure, these are also the parties to consider in case of collective works, rather than the corporate entities that may under some laws have a claim to initial ownership, for instance because they commissioned a work. For the relationship between employer and employee, see Paragraph 6.3.3).
6.3.2.2 Applicable Law in Default of a Choice by Co-Contributors

It is, of course, quite conceivable that the co-contributors would not agree on the applicable law. In default of a choice, the question of initial ownership may best answered by using a semi-open conflict rule, bearing in mind the protective function of copyright law towards actual creators. Such a rule would prescribe that the law of the country with the closest connection to the case should govern the ownership question and list connecting factors that may be considered in search of that closest connection.

These factors could, for instance, be based on the relative creative input of the co-contributors, or more neutrally, on majority characteristics. In the first case, the fact that someone is a primary creative contributor or the initiator of the work suggests that his or her habitual residence should be given more weight than that of contributors with less (creative) input. In the latter case, if a (considerable) majority of the contributors share the same habitual residence, this can be viewed as indicative of a close connection. If the parties have made a more or less equal contribution, or if there is no majority habitual residence, the (principal) place of creation may serve as an alternative. For ownership of performers' rights, a similar rule could be used.

In case of other related rights, the habitual residence or principal place of business of the majority is a potential connecting factor. Factors that could equally be considered as equivalent to the place of creation for copyright are: the place from where a broadcast was first transmitted, a phonogram recorded, or a database created. Instead of the relative creative input, for broadcasting, phonograms and databases, the relative organisational and financial input of the co-producers may be seen as indicative of the closeness of the connection of the law of the country in which they have their principal place of business or habitual residence.

One drawback of using a semi-open conflict rule as described above is that it leaves a measure of legal uncertainty. It does not provide for much predictability as to the applicable law. If one considers the alternatives, however, these do not appear to be ideal either.

The classic territorial or *lex protectionis* approach, for instance, entails at least as much uncertainty. This is not caused by uncertainty as to which law is applicable—in principle, all of the world’s intellectual property laws are—but in what the outcome of the simultaneous application of them would be. With respect to the same work, a co-contributor may be regarded as initial co-owner in one country, but not in the next. This causes limping legal relationships among co-

536 A conflict rule based on functional allocation in the narrow sense would not work here, since it is aimed at determining the creator’s law. The problem that needs addressing here is what to do when there are various creators’ laws involved.
contributors. It also means that a chain-of-title cannot be traced back to one single law, but can end in as many applicable laws as there are countries that recognise an intellectual property right in a work. For the transfer of intellectual property later on in the exploitation chain, this yields uncertainty as to the validity of title.

Instead of a semi-open conflict rule, one could also opt for a hard-and-fast rule, for instance, the law applicable to initial ownership in collective works is that of the country in which the work was created, or first published. The problem with such connecting factors – apart from the fact that the places they point to may be difficult to determine – is that they do not necessarily lead to the identification of a law with a significant relationship to the case. As was elaborated in Chapter 2, the use of hard-and-fast conflict rules is at odds with modern ideas on the role of choice of law.

All in all, a semi-open conflict rule that leads to identification of a single governing law has my preference over a hard-and-fast rule that does the same and over a rule such as the lex protectionis which can easily cause limping legal relationships between co-contributors.

6.3.3 WORKS CREATED BY EMPLOYEES

In Chapter 5, it has been stated that intellectual creations are increasingly made by employees in the course of their duties. Few domestic laws have a general work-for-hire clause that attributes copyright to the employer – such as Art. 7 of the Dutch Copyright Act and Section 11(2) of the UK Copyright, Designs and Patents Act – or to employer and commissioner alike, such as Sections 101 and 201(b) of the USCA.

Less far-reaching than the outright allocation of rights are the legal presumptions that the employer has an (exclusive) licence to exploit the work or performance created by employees. The Dutch Wet Naburige Rechten (WNR), for instance, contains an extensive clause on the rights of employers, who are entitled to exercise the performer’s economic rights if parties have an agreement to that effect, or if it follows from the nature of the employment contract, from convention or standards of equity and fairness (Art. 3 WNR).

537 E.g., in German law copyright is inalienable, but the Courts have accepted that the employer is presumed to have been given the rights necessary for business purposes, unless there is an express agreement to the contrary. See Seignette 1994, p. 34.

538 Art. 38(1) Austrian Copyright Act provides that for films, the exploitation rights rest with the producer. Art. 79 German Copyright Act provides that the employer owns the exploitation rights in performances made in the context of an employment or service contract.
Laws that do not contain a general work-for-hire clause or presumption with regard to the employer's rights may contain specific provisions for certain categories of works such as film or software. Such provisions often lay down a (often rebuttable) presumption that the employer or producer owns the economic rights.

In EU legislation, to grant initial ownership to the employee is the preferred method of rights allocation. Even the introduction of legal presumptions of transfer which enable the employer to exploit the intellectual property in the work of employees is controversial. The 1991 Software Directive is an exception as it provides in Article 2(3) that 'Where a computer program is created by an employee in the execution of his duties or following the instructions given by his employer, the employer exclusively shall be entitled to exercise all economic rights in the program so created, unless otherwise provided by contract.'

A few years later such agreement in favour of the employer could not be reached again for copyright in databases. The 1996 Database Directive does however (in Recital 29), make clear that 'nothing in this Directive prevents Member States from stipulating in their legislation that ... the employer exclusively shall be entitled to exercise all economic rights in the database...'

According to Article 4(1) the creator of a database is the natural person or persons that makes the database, or, if the law of a Member State so allows, the legal person that the law of the Member state designates as right owner.

At the European level then, there is no real trend towards granting initial ownership of intellectual property rights to the employer rather than to the employee. It could be argued that the creator's law as proposed above should therefore also be used for situations where protected subject-matter is created by

539 See Spoors & Verkade 1993 at nr. 27 for a discussion of legal theories behind the employer (and legal persons in general) as authors/creators. Id. Segnette 1994 and Nimmer & Nimmer 2001, at §1.06. On the relationship between intellectual property law and labour law, especially where it concerns financial interests, see Quaedvlieg 1999 and 2002.


541 The sui-generis right in databases (Sec. III Database Directive) is vested directly in the database producer, which will often be a corporate entity.

542 In the Netherlands, the normal copyright rules concerning ownership apply to databases protected under copyright, i.e., the employer is regarded as author of a database that is created by employees in the course of their duties (Art. 7 Aw). For databases protected under the sui generis regime, the producer, i.e., the (legal) person who bears the risk of investment, owns the exclusive rights (Art. 1(1)b Dw).

543 Guibault & Hugenholtz 2002, pp. 25-26 conclude that there 'seems to be a growing tendency at the European level to recognise, either statutorily or judicially, the existence of the presumption of ownership in favour of the employee...'.

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employees. After all, the employees and not the corporate entity that employs them deliver the creative performance. The law of the habitual residence of the employee/creator then governs the question of (initial) rights allocation between employer or employee.

However, the employee's duties—including the creation of information that is potentially the subject-matter of intellectual property—are embedded in the broader labour relationship of employer and employee. It can therefore be maintained that the question of who owns any exclusive rights in the work may as well be subjected to the law that governs this labour relationship, i.e., to the law that governs the employment contract. We have seen that for employment contracts the Rome Convention 1980 provides—apart from a choice by parties—for functional allocation, i.e., the law that governs the employment contract is the law of the country where the employee habitually works.

6.3.3.1 Accessory Allocation to the Employment Contract

Accessory allocation to the employment contract means that initial ownership of works created by employees is subjected to functional allocation, not by reference to the creator as such, but by reference to the creator in his or her capacity as employee. In practice, the country of habitual residence of the employee will, of course, also be the place of work, as is the case with, for instance, the many Indian software developers that work in Silicon Valley firms. From that perspective, both connecting factors point towards the same law.

The situation will be different if there is no habitual place of work. For such ‘mobile’ employees, the Rome Convention provides in Article 6(2b) that the employment contract is governed by ‘the law of the country in which the place of business through which [the employee] was engaged is situated; unless it appears


545 The Economist (21 April 2001) actually describes Indian engineers and scientists as the backbone of Silicon Valley's workforce.

546 Incidental work carried out elsewhere does not make an employee mobile in the sense of Art. 6(2b) Rome Convention. Exactly when there is no longer a place of habitual work is unclear. In the Weber case, the ECJ ruled that if an employee works in various places, the place where the employee habitually works is the place where the employee fulfils the most important part of his duties towards the employer (ECJ 27 February 2002, case C-37/00, [2002] ECR 1-2013). As this ruling pertained to the habitual place of work for issues of jurisdiction under the Brussels Convention, one should be cautious as regards its extension to applicable law issues.
from the circumstances as a whole that the contract is more closely connected with another country, in which case the contract shall be governed by the law of that country.

Applied to our area, this Article means, for instance, that performing artists who do not do most of their performing in one country, can invoke the provisions on initial ownership of performer's rights of the law of the country where the company that employs them has its principal place of business, unless having considered all circumstances, the law of another country is more closely connected.

6.3.3.2 Favour-Restricted Choice by Parties

The primary reason to subject the initial ownership question to the law of the employment contract is that the creative activities of the author or performer are embedded in labour relations. Another reason is that (written) employment contracts, or any collective labour agreements to which the contract refers, often contain provisions on intellectual property. If the material validity of the intellectual property clauses and their interpretation are subjected to the law of the contract, whereas the initial ownership question is governed by another law, it may become difficult to assess which prerogatives with regard to intellectual property lie with the employer or employee.

The drawback of treating initial ownership as an issue accessory to an employment contract, is that in contract law there is a large measure of freedom of disposition to choose the applicable law. Since the terms of an employment contract are usually stipulated by the employer, a choice for an employer-friendly intellectual property law is easily made. However, the favour principle could always be used to restrict the freedom of disposition. In that case, a choice of the applicable law by the parties cannot have for effect that the employee-creator loses the protection of the mandatory provisions of the copyright or related rights law of the country where he or she habitually works.

547 On collective labour agreements and intellectual property, see Birk 1985.
548 Locher 1993, p. 49 et seq. notes that provisions on ownership and transfer in national copyright acts tend to protect the author, but that subjecting them to the lex protectionis leads to a fragmentation that easily becomes detrimental to the creator’s interest. He suggests that the division of rights between employer and employee, commissioner and commissionee, is governed by the employment or commission contract, including the question of which rights are transferable.
Article 6(1) of the Rome Convention 1980 provides as much for employment contracts. As it stands, this Article probably applies at best to provisions in intellectual property law that pertain specifically to employer-employee relations. Such provisions can be said to belong to the realm of labour law addressed by Article 6.

The question is whether the intellectual property law's general provisions on initial ownership can also be invoked by the employee under the Rome Convention. If not, the effect of the favour principle correction is largely annulled, because those laws that contain special provisions on works made-for-hire or presumptions of ownership with respect to rights in works created by employees, usually do so to the advantage of the employer. Laws without any special provision will be based on the idea that the employee is the initial owner. Another reason to allow employees to invoke the totality of provisions on initial ownership and employer-employee relations in substantive intellectual property law, lies in the fact that these general and specific provisions are related.

In sum, it is the protective function of copyright and related rights law towards actual creators and performers, combined with the fact that the creative work of employees is embedded in their labour relationship with the employer, that warrants accessory allocation of the initial ownership issue to the law that governs the employment contract.

The Rome Convention's functional allocation principle (Art. 6(2)) as used to objectively determine the applicable law to employment contracts should in my view extend to the provisions of intellectual property law that determine the respective position of employee and employer where ownership is concerned. The same goes for the favour principle (Art. 6(1)) that serves as a restriction to the freedom of employer and employee to determine the applicable law, to the benefit of the employee.

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549 De Boer 1996b at p. 370 is critical of the fact that the favour principle leads to discrimination of employees within the same country; those that are in an international labour relation can invoke the protection of the law applicable to the contract as well as their own law, whichever is more advantageous. Strikwerda 1993, p. 552 et seq. regards Art. 6(1) Rome Convention as an expression of functional allocation rather than of the favour principle. The text of Art. 6(1) and the explanatory report by Giuliano & Lagarde imply the favour principle.

550 From Giuliano & Lagarde's report on the Rome Convention it is not clear exactly which mandatory rules are covered by Paragraph 2 of Article 6. It seems one may interpret the provision broadly, as it applies not only to the law of labour contracts, but also to for instance standards of safety and hygiene (see Giuliano & Lagarde 1980, comment on Art. 6(2)).
6.4 Transfer of Copyright and Related Rights

The three predominant types of transfer of copyright and related rights are by succession,\textsuperscript{551} by assignment, or by licence. In case of assignment of intellectual property, the property interests pass from the right owner to the acquirer. Consequently, the transferor loses all claims on the rights assigned and the transferee becomes the new owner of the copyright or other right assigned. As intellectual property such as copyright consists of a bundle of prerogatives, it can be assigned in whole or in part. The assignment may not only be limited to certain rights, such as the right to communicate a work to the public, it can also be restricted to certain territories.

Instead of assigning intellectual property, the right owner can also grant another party a licence to exercise all or part of the rights, in which case the property interests remain with the copyright or related rights owner. Such an exploitation licence may also pertain to certain forms of exploitation only or to all forms (e.g., print publishing, electronic publishing, broadcasting, making translations or other adaptations, etc.). It may or may not be limited in time. Exploitation rights can be licensed for certain (geographical) markets or for worldwide use. The authorisation to use the intellectual property can be accompanied by a power of attorney to enforce intellectual property vis-à-vis third parties.\textsuperscript{552}

It may be clear that for all practical purposes, an assignment can differ very little from a licence.\textsuperscript{552} In its broadest form, the exclusive exploitation licence has an almost similar effect as a complete assignment of the intellectual property itself.\textsuperscript{554} From a choice-of-law point of view, however, the differences are substantial.

Copyright and related rights licences fall completely within the scope of the Rome Convention 1980, whereas an assignment of copyright is only subjected to the rules of the Rome Convention for its contractual aspects. For these contractual aspects, whether it concerns formal validity of the assignment contract or of the licence, the material validity, the construction of the mutual rights and obligations, the effects of non-performance, etc., the Rome Convention lays down various choice-of-law rules.

\textsuperscript{551} Aspects of succession will not be considered here: see Paragraph 1.2.3.
\textsuperscript{552} National laws differ with respect to whether a licencee has standing to sue for copyright infringement, can sequester infringing copies independently from the copyright owner, etc.
\textsuperscript{553} Fawcett & Torremans 1998, p. 572.
\textsuperscript{554} Guibault & Hugenholtz 2002, pp. 29–30.
The proprietary aspects of transfer, such as the questions of whether the copyright is assignable and how the assignment is effectuated, are governed by the copyright statute. Proprietary aspects are generally held to be governed by the \textit{lex protections}, which, as has been elaborated in Paragraph 6.2, is the appropriate conflict rule for existence, scope and duration.

From the choice-of-law perspective, a distinction must be made not only between contractual aspects of transfer and proprietary aspects. In addition, for both issues one should distinguish questions of substance from questions of form. In the next Paragraphs, contracts (both licences and contracts of assignment) will be discussed first (Paragraph 6.4.1), whereby contractual aspects are subdivided into material and formal aspects. The proprietary aspects of assignment, both as regards substance and form, will be discussed in Paragraph 6.4.2.

As to the respective role of the four allocation principles, for contractual aspects it will be argued that the rules of the Rome Convention 1980 are to a large extent adequate for copyright licences and assignments. Since the predominant allocation principles used in the Rome Convention are \textit{party autonomy} and the \textit{principle of the closest connection} (including its characteristic performance criterion) these will also be central to intellectual property contracts and the contractual aspects of assignment.

Given the protective streak that domestic copyright and related rights law have towards authors (i.e., actual creators) and performers, two alternatives to the Rome Convention's rules will be proposed. The first concerns the introduction of the possibility for creators and performers to invoke the mandatory provisions of the law of their home-country where it concerns the formal validity of a contract by which the initial owner transfers rights. The second deviation from the Rome Convention's rules which I will propose, concerns a similar creator/performer-oriented \textit{favour}-restriction to the freedom of parties to choose the applicable law in the case of contracts in which the initial owner transfers rights, as well as a favour-based correction in cases of objective allocation.

Where the proprietary aspects of an assignment of rights are concerned, such as the question which rights are assignable and how assignment is to be effected, it will be proposed that these issues are not subjected to the \textit{lex protectionis} as the law applicable to substantive copyright, but instead that they be subjected to the law of the contract of assignment. Because of this accessory allocation, the favour restriction for the benefit of creators and performers will also govern the proprietary aspects of transfer by the initial owner. As it concerns both contractual and proprietary aspects, the proposed favour restriction will be discussed separately in Paragraph 6.4.3.
6.4.1 Contractual Aspects of Transfer Through Exploitation Licences or Assignment

As has been said above, the choice-of-law rules for contractual obligations of the Rome Convention are primarily based on the principle of the closest connection and on party autonomy.

In default of a choice by parties, Article 4(1) provides that the contract is governed by the law of the country most closely connected. Articles 4(2) through (4) contain a number of presumptions for different types of contracts as to which law is most closely connected. Of these, the characteristic-performance criterion of Article 4(2) is the only relevant one for intellectual property contracts.

The characteristic performance is not the definitive connecting factor: if it appears from the totality of the circumstances that the contract is more closely connected with another law, that law must be applied (Art. 4(5) Rome Convention). If no characteristic performance can be determined, one must revert to interpretation of the open ‘closest connection’ criterion. The characteristic performance criterion has met with substantial criticism. In many cases, it proves difficult to apply to intellectual property contracts. I will discuss these problems after the role of party autonomy and the issues of validity of the contract have been addressed.

6.4.1.1 Party Autonomy

Under Article 3 Rome Convention 1980, parties to a contract are free to choose the applicable law. However, if all elements of the relationship are connected to one country and the parties make a choice of foreign law, this choice does not set aside mandatory provisions of the law of that country (Art. 3(3) Rome Convention 1980). This clause thus prevents parties to a copyright contract from circumventing their local law through a choice for foreign law when there are no international elements to the contractual relationship.

In Paragraph 6.3.3, the restriction on the parties’ freedom of disposition in the case of employment contracts to the benefit of creator-employees has been discussed. Apart from this clause, the Rome Convention contains no other limitation to the freedom of parties to choose the law applicable to an intellectual property contract. The application of the favour principle to the benefit of creators and performers as initial owners of copyright and related rights that I propose is discussed in Paragraph 6.4.3. It should, in my view, serve as a correction regardless of whether the applicable law is determined through a choice by the parties or by objective allocation.
6.4.1.2 Formal and Material Validity of the Intellectual Property Contract

An issue that can be raised before it is determined which laws governs the substance of the contractual obligations, is that of the validity of a contract or its clauses. Is there a valid contract or clause, i.e., which law governs the aspects of formation of the exploitation licence or assignment contract and which law governs the formal validity?

Where it concerns the existence and material validity of the contract or any of its clauses (aspects of formation), Article 8 Rome Convention prescribes that the law which the Convention designates as applicable if the contract or clause were valid, governs these issues.\(^{555}\) I agree with Fawcett & Torremans that this rule applies and should apply to intellectual property contracts.\(^{556}\) However, as I will elaborate in Paragraph 6.4.3, the protective streak of intellectual property laws towards initial owners justifies that they should be able to invoke the law of their country of habitual residence regardless of the otherwise applicable law. This favour-based correction should in my view also extend to the issue of material validity of an intellectual property licence or contract of assignment to which the initial right owner is a party.

The formal validity of a contract of assignment or a licence is subject to the limited favor negotii as enshrined in Articles 9(1) and (2) Rome Convention. According to the Giuliano/Lagarde report, the requirements of form include “every external manifestation required on the part of a person expressing the will to be legally bound and in the absence of which such expression of will would not be regarded as fully effective.”\(^{557}\)

In copyright and related rights, formal requirements, notably the provision that a contract of transfer must be in writing, have as primary objective the protection of the actual creator (author) or performer.\(^{558}\) It could therefore be argued that such mandatory requirements of form of the intellectual property law of the habitual residence of the creator or performer should be respected, if the creator or performer so wishes.

However, as Article 9 currently stands\(^{559}\) it can lead to application of any of four laws: that which governs the contract itself if it were valid, the law of the

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555 Note the exception in Art. 8(2) for consent: a party can invoke the law of its habitual residence if circumstances show that it would be unreasonable to subject the consequences of the party’s behaviour to the law of the contract.
557 Giuliano & Lagarde (1980), comment on Art. 9.
559 The European Group for Private International Law has proposed an amendment to Article 9, which strengthens the favor negotii. See Compte Rendu des Séances de Travail, Onzième Réunion, Lund, 21-23 septembre 2001.
country where both parties were when they concluded the contract, or—if the
contract was not concluded in one country—the laws of the respective countries
where the parties were when the contract was concluded. It is therefore by no
means certain that the actual author or performer who transfers his or her rights
can rely on the requirements of form that are enshrined in the copyright and
related rights law of his or her home-country.

Under Article 9(1) and 9(2), the contract is valid as to form if it conforms to
the law that governs the contract itself. As the right owner who transfers
intellectual property can often be said to effect the characteristic performance (see
Paragraph 6.4.1.3), the law of the country of his or her habitual residence will
govern the contract and thus also its formal validity.

Under Article 9(1), if the parties conclude the contract in one particular
country, the contract is also valid if it conforms to the law of that country. This
country is likely to be that of the habitual residence of the author, but not
necessarily so. For example, a contract may be entered into at an international book
fair, or the author or performer may travel to a foreign publisher’s or producer’s
place of business to conclude a deal. Also, an exploitation contract or assignment
may be concluded via fax, e-mail or other transborder means of communication.

Article 9(2) deals with such long-distance contracts, in which case the contract
is valid as to form if it either conforms to the law of the place where the author
was at the time of conclusion (normally his or her habitual residence), or if it
conforms to the law of the place where the publisher or producer was at the time
of conclusion (normally the principal place of business).

In European intellectual property laws, when a transfer of copyright or related
rights is not in writing, the consequence generally is relative nullity of the
contract. Typically it is the creator or performer who can raise this requirement of
form, as it is for the author’s and performer’s benefit that the requirement was
legislated.\textsuperscript{560} The author or performer may of course not be interested in
invalidating the (contract of) transfer. From that perspective, there is no reason to
always subject formal validity to the creator’s or performers’ law, i.e., to apply the
principle of functional allocation as is done with respect to the formal validity of
counter contracts under Article 9(5) Rome Convention. Rather, Article 9 may be
applied to transfers in principle, with the proviso that the creator or performer
should be able to invoke the mandatory requirements of form of the law of his or
her habitual residence. The \textit{favor negotii} then yields to the favour principle in the
‘better law’ meaning.

\textsuperscript{560} Guibault & Hugenholtz 2002, p. 32. As all copyright laws of EU countries prescribe that an
assignment of copyright must be in writing, the practical effect of my proposal would be limited
for contracts concluded in the EU or between parties resident in the EU.
6.4.1.3 Characteristic performance

According to Article 4 (2) of the Rome Convention 1980, the country most closely connected to the contract is presumed to be the country in which the party who is to effect the performance that is characteristic to the contract, has its habitual residence or principal place of business.

According to the Giuliano/Lagarde report: 'the characteristic performance defines the connecting factor of the contract from the inside and not from the outside by elements unrelated to the essence of the obligation such as the nationality of the contracting parties or the place where the contract was concluded. In addition it is possible to relate the concept of characteristic performance to an even more general idea, namely the idea that this performance refers to the function which the legal relationship involved fulfils in the economic and social life of any country. The concept of characteristic performance essentially links the contract to the social and economic environment of which it will form part.'

The latter part of the above quote seems to imply that policies of substantive law play a role in determining the characteristic performance and therefore in determining the law applicable to a contract. However, the doctrine of characteristic performance entails the categorisation of different types of contracts and the determination of a (standard) connecting factor for each, with little or no consideration for the actual social or economic function of the various contracts.

As in modern society the counter-performance in many contracts is the payment of a sum of money, such payment is not regarded as the characteristic performance. Jessurun d'Oliveira rightly notes that the fact that the obligation to pay a sum of money is a common one—and therefore is not the feature that distinguishes one type of contract from another—does not mean it is not the most important from a socio-economic perspective.

The fact that most contracts involve the payment of money does however allow for easy categorisation of types of contracts: it is the counter-performance that defines the category, e.g., contracts of sale, contracts of carriage, contracts of employment, etc. Identification of the characteristic performance then also becomes easy: this lies with the party that sells property, or takes on the obligation to do work, or transport goods, etc. While the characteristic-performance doctrine

561 Giuliani & Lagarde 1980, comment on Article 4 at 3.
562 De Boer 1990a, pp. 46–47.
may be criticised for not being theoretically sound.\textsuperscript{564} it does provide an expedient solution to the choice-of-law problem for many contractual obligations.\textsuperscript{565}

Unfortunately, the characteristic-performance criterion is not that easily applied to intellectual property contracts. For some contracts, such as those involving cross-licensing, there will be no characteristic performance because the mutual obligations of parties are similar.

There are three types of contracts that do seem to allow for relatively easy determination of the characteristic performance. The first are contracts aimed at the straightforward transfer of intellectual property rights. A second group consists of contracts that pertain to the exploitation of protected subject-matter. The third group are contracts related to the production of intellectual creations.

The first group mentioned, contracts of transfer, are easiest to deal with. In case of a simple assignment contract, involving the transfer of (part of) intellectual property against payment of a lump sum fee, the transferor (right owner) effectuates the characteristic performance.\textsuperscript{566} The same holds true when the copyright is not assigned, but transferred by way of an exclusive licence. Less far-reaching transfers can also constitute a characteristic performance, for example when a novelist authorises a playwright to base a play on the novel.

For the second group mentioned, exploitation contracts, it will often also be the right owner that effectuates the characteristic performance. Exploitation contracts come in many shapes and forms: a publishing agreement, a merchandising licence, etc. If in the exploitation contract, the intellectual property rights are assigned or licensed exclusively, the right owner, as licensor or assignor, typically effectuates the characteristic performance, certainly when the other party is under no obligation to actually use the rights granted.

This distinction is often made between exclusive and non-exclusive licences and between licences that oblige the intermediary to bring the work to market and those that do not. Some writers argue that if the licence is exclusive and the intermediary is obliged to exploit the work, the characteristic performance is deemed to be effected by the intermediary (publisher, producer).\textsuperscript{567}

I would argue that by itself, the exclusiveness of the licence does not point towards the licensee as characteristic performer. Quite the contrary: by granting an exclusive licence, the right owner (licensor) takes on broader obligations than the licensor who grants a non-exclusive licence. In case of an exclusive licence, the

\textsuperscript{564} For a fundamental critique, see Jessurun D’Oliveira 1977.
\textsuperscript{565} This is perhaps the only advantage of the characteristic performance doctrine, according to De Boer 1990a, p. 47.
\textsuperscript{566} Id. Ulmer 1978, p. 49; Fawcett & Torremans 1998, p. 576.
\textsuperscript{567} According to Hilty & Peuker (2002, p. 64) this is the generally accepted view in German doctrine. See also Brem 1987, p. 59 et seq.; Hoppe 1993; Ulmer 1978, p. 50.
licensee must be enabled to exercise the exploitation rights to the exclusion of others, which means the licensor takes on the obligation not to dispose of his intellectual property rights. The exclusive licence is very similar to the assignment of rights (‘sale’). Exclusivity is therefore no indication that the licensee is the characteristic performer.

As to the distinction between licences that oblige the intermediary to bring the work to market and those that do not, one could argue that if the publisher has an obligation to exploit this is indicative of a characteristic performance. However, the fact that such an obligation exist does not necessarily mean that the publisher effectuates the characteristic performance: that rather depends on the obligations resting with the owner of the intellectual property (licensor).

In discussions on film contracts and publishing contracts especially, the argument is used that producers or publishers are the characteristic performers, because they carry the risk and responsibility for exploitation of the intellectual creation. The producer or publisher, it is argued, make the intellectual property ‘work’ for the author or performer. This implies that the producer exploits a work to generate money for the author, which is of course true. On the other hand, one may assume that a publishing house or other intermediary typically exploits the work in the first place to generate income for itself, rather than for the author. Whatever the licensee’s or acquirer’s motives, the obligation to pay a remuneration is not viewed as the characteristic performance.

More fundamentally, it would seem to me that the ‘producer makes intellectual property work’ argument is an interpretation of the characteristic performance criterion that is mistaken. That the producer plays an important role in the production of a film, phonogram or other information good by initiating and organising its creation is not in itself a relevant fact where the characteristic performance is concerned. The relevant question is which, if any, of the legal obligations stemming from the contract qualifies as the one most typical to the contract. This must be determined for each individual contract between the producer and each contributor.

In the case of film contracts, a distinction must be made between transfer or exploitation contracts on the one hand and production contracts on the other hand.

568 Fabiani 1998, p. 161; Ginsburg 1999, p. 365; Trolle 1952, pp. 220–221. Other arguments for using the place of establishment of the publisher as connecting factor are that the publisher has the larger interest in the application of the law of his place of business or residence because he runs the risk of unauthorised copying and because it is efficient for the publisher to have all the contracts he concludes with authors being subject to the same law (Walter 1976, pp. 61–62). Neither argument is valid in the context of characteristic performance.

In the latter category, any transfer of rights is secondary to the principal obligation by the right owner to contribute (creatively) to the production of the film.

This third group, production contracts,\(^{570}\) comprises those agreements whose principal aim is the production of a work, performance, broadcast or other protected subject-matter. It will typically be the party that takes on the obligation to create a work that effectuates the characteristic performance. Any licensing or assignment of the intellectual property rights in the work created will often be a secondary obligation.

For instance, when the performing artist takes on the obligation to contribute to, say, a film, he or she will also authorise the producer to use the contribution, i.e., license the intellectual property right. The obligation of the performer not to invoke his or her intellectual property against the producer is less central to the contract than the obligation to deliver the creative performance (act, dance, sing), even though it is necessary for the producer to have acquired the authorisation in order to be able to use the contribution without infringing the intellectual property in it. Consequently, the performing artist effectuates the characteristic performance, not by transferring rights, but by delivering creative work.

Production contracts like the film contract in the above example are in effect contracts to do work, whereby the party who takes on the obligation to deliver the work is the characteristic performer. Other examples are the commission to design a website or building, develop an advertising campaign, paint a portrait, etc. In all of these cases, it is the author who is the characteristic performer, but not in his or her capacity as (initial) owner of rights in the work created, but as the party commissioned to do work.

In contracts of transfer and exploitation contracts, the clauses pertaining to the transfer of intellectual property are either central to the contract or relatively important compared to the other clauses. There are, however, aside from the production contracts already mentioned, a host of contracts that contain clauses on intellectual property, that can be viewed as accessory to the principal obligations in a contract.

Take for example the case where an advertising agency asks a company that runs an Internet portal to post a certain advertisement on its website at regular intervals. The Internet company will take on—probably against payment—the obligation to do so. The authorisation to distribute the advertisement (i.e., the obligation on the part of the copyright owner) can be regarded as secondary to the obligation of the Internet portal. The authorisation to use the intellectual property

\(^{570}\) Co-production contracts, e.g., between two broadcasting organisations that jointly produce a tv-series, will typically have no characteristic obligation if there is not one party that has to deliver the clearly larger contribution.
may not even be explicitly mentioned in the contract. Here, the Internet portal could be considered the characteristic performer.

In sum, the characteristic-performance is most easily determined if the intellectual property contract is limited to a more or less straightforward transfer. The right owner will in those cases effect the characteristic performance. This means that the law of the habitual residence or principal place of business of the right owner governs the contractual aspects, absent a choice by parties.

In exploitation contracts that include an assignment of intellectual property or the exclusive right to use the intellectual property, the transferor (right owner) will typically effect the characteristic performance, certainly if the other party is not obliged to exploit the work.

Production contracts will often amount to contracts of commission in which the obligation to create—act, write, design— is the central obligation. As a result, the law governing the contract will be that of the law of habitual residence of the author, performer, or other commissionee.

In other types of contracts involving the transfer of intellectual property, it will not be possible to identify the characteristic performance (e.g., cross-licensing agreements). The law most closely connected must then be determined on the basis of the general closest-connection criterion of Article 4(1) and 4(5) Rome Convention.

6.4.2 PROPRIETARY ASPECTS OF ASSIGNMENT

An essential question is how to deal with the proprietary aspects of intellectual property in cases of transfer. As has been remarked, these aspects of transfer do not fall within the scope of the Rome Convention 1980.571 The assignment of copyright or other intellectual property has—as like the contractual aspects of assignment— aspects of form and of substance.

A requirement of form is, for instance, the provision that an assignment of copyright must be done by a written and signed document (e.g., Article 2(2) Dutch Copyright Act), or by public deed (Article 44 Portuguese Intellectual Property Code). Provisions of substance deal primarily with the assignability of intellectual property rights: for instance, those on the non-alienability of moral rights (e.g., Article 6bis BC), or of copyright in general as under German and Austrian law, or on the non-alienability of certain rights of remuneration (e.g., Article 4(2) Rental and Lending Directive).

571 See Giuliano & Lagarde 1980, comment on Article 1 at 2.
Why proprietary aspects of intellectual property are treated differently from contractual aspects may be best illustrated by a comparison with corporeal property. In the case of corporeal property, proprietary aspects such as the existence of the property right or its assignability, are subjected to the *lex rei sitae*. The formal aspects of the assignment, such as that a notarial deed for the transfer of real estate must be registered with a public registry, are also governed by the *lex rei sitae*. For intellectual property the generally accepted idea is that the same approach is to be followed, i.e., the *lex protectionis* governs proprietary aspects of the assignment.

An important reason to apply the *lex rei sitae* in cases of transfer of corporeal property concerns the interests of the community in which the property is located. This community has an interest in legal certainty as to the status of the property, which is best served by subjecting it to local law. It can be argued that in this respect, the case for intellectual property is different to that for corporeal property, because provisions on the assignability of intellectual property are primarily drafted for the protection of authors and performers and less so with a view to legal certainty for third parties.

From that perspective, the case can be made that the assignability, although it forms part of substantive intellectual property law, should nonetheless be governed by the law applicable to the contract of assignment or in the case of formal requirements of transfer, by the law governing the formal validity of the contract.

This approach would solve a number of problems that the application of the *lex protectionis* entails. First, it would no longer be necessary to characterise rules as belonging to contract law or to intellectual property law. Provisions in intellectual property law, both formal and substantive, often lay down limitations on the transfer of copyright or related rights. These provisions may pertain to both assignment and licences. In other cases, it is difficult to determine whether a provision belongs to copyright proper (relating to proprietary aspects) or contract law (relating to contractual aspects).

572 Strikwerda 2000a, p. 147 et seq.
573 The preference of doctrine and courts alike for the *lex protectionis* follows from the territorial approach to intellectual property as discussed in Chapter 3. See also Geller 2001, p. 100. For a discussion of proprietary aspects of transfer, see among others, Ulmer 1978, p. 46 et seq.; De Boer 1977, pp. 706-707; Fawcett & Torremans 1998, pp. 515-517.
An example of such a provision is the requirement of Article L131-3 of the French Intellectual Property Code. According to this Article, the 'transfer of authors' rights shall be subject to each of the assigned rights being separately mentioned in the instrument of assignment and the field of exploitation of the assigned rights being defined as to its scope and purpose, as to place and as to duration.'

If the requirement of Article L131-3 is not fulfilled in the contract of transfer, relative nullity of the contract results. One would expect that if it were a clause belonging to copyright law proper, the sanction attached to the failure to fulfil these requirements would be that the copyright remains with the transferor.

A possible explanation for the vagueness in the distinction between provisions relating to assignment and licences is that the limitations on the assignability of rights and the requirements for transfer do not follow so much from the nature of intellectual property itself, but are inspired by the desire to protect authors and performers as the structurally weaker party. Locher rightly argues that where both assignability and limits to the contractual freedom of disposition of authors are based on the desire to protect authors from intermediaries, for choice-of-law purposes there is no justification for subjecting these issues to different conflict rules.

Whatever the exact status of Article L131-3 and similar clauses, it illustrates that the distinction between contractual and proprietary aspects necessitates in-depth investigations of the intellectual property laws involved. This is all the more burdensome as proprietary aspects are commonly held to be governed by the lex protectionis. In case of an assignment of worldwide rights, for example, or of European rights, one must examine the laws of all the countries of the world or of Europe to determine which rights could have been and effectively have been transferred. For the assignor and assignee alike, this may lead to uncertainty about their legal position. Equally, third parties who are interested in acquiring (part) of the intellectual property rights will suffer uncertainty as they will have to anticipate the simultaneous application of numerous copyright laws.

This brings us to the second advantage of subjecting proprietary aspects of transfer to the law of the contract. Assignor and assignee will enjoy a much larger degree of legal certainty as to their respective positions. A third advantage is that it every assignment of rights will not be governed by a multitude of laws, but rather by a single law, cross-border transactions in intellectual property will be facilitated. Fourth, the somewhat artificial difference in treatment between a

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576 Locher 1993, pp. 47-49.
577 See Ginsburg 1999, pp. 366-368 for a discussion of the criticism that the application of the lex protectionis to assignability of copyright has evoked among scholars.
(global and) exclusive licence of intellectual property and (a global) assignment of rights will cease to exist.\textsuperscript{578}

A final advantage lies in the aversion of the danger that the realm of contracts (and with it, freedom of dispositions) is unduly restricted by an overzealous characterisation of rules as belonging to substantive intellectual property law rather than contract law. Locher correctly warns of the danger that when issues of transfer are not subject to the law of the contract, but to the \textit{lex protectionis}. European countries in particular (with their focus on moral rights and the personality rights angle of copyright) may be inclined to consider most provisions on transfer as belonging to copyright law proper instead of contract law.\textsuperscript{579}

6.4.3 APPLYING THE CREATOR’S OR PERFORMER’S LAW AS A FAVOUR RESTRICTION

In Paragraph 6.3 it was argued that the protective streak of domestic copyright and related rights law towards authors and performers warrants that initial ownership issues are subjected to functional allocation. In the case of works created by employees, or performances given by employees, this functional allocation is guaranteed by accessory allocation of the initial ownership question to the law that governs the employment contract, with a favour restriction in case the employer and employee choose the applicable law. For the formal validity of the contract of assignment or the licence. I have also argued that a favour restriction is in order in case of transfer of rights by the creator/performer who is the initial owner of copyright or performer’s rights.

The question to be answered still, is whether a similar rule is called for in case of a transfer of rights by the initial right owner, at least if that is the actual creator or performer. An argument in favour is that it is particularly in the provisions on the transfer of rights that the protective function of domestic intellectual property law is expressed. As we have seen in Chapter 3, many rules in national copyright law aim to protect the author or performer against an ill-considered transfer of rights. The primary aim is to protect creators against intermediaries, considering that the former typically have a weak bargaining position \textit{vis-à-vis} the latter.

To the extent that under the Rome Convention’s rules, the characteristic performance criterion leads to application of the contract law of the habitual

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\textsuperscript{578} This seems a reason for Dessemontet to subject both assignment and licence to the same law, whereby he considers that the licensor/transferor effectuates the characteristic performance 2000 at II B 1).

\textsuperscript{579} Locher 1993, p. 50.
residence of the author or performer, there is of course no problem. Since I have argued that proprietary aspects of transfer should be subject to the contract statute by way of accessory allocation, the author’s law will not only govern contractual aspects but also govern the question of which rights are assignable and how they must be assigned.

If the contract contains a choice for another law, or it is not the creator, but the intermediary resident outside the creator’s country of residence that effectuates the characteristic performance, the creator’s law will not be applicable. It can be argued that despite the applicable foreign law, the creator or performer should be allowed to invoke the mandatory protective provisions of the law of the country of his or her habitual residence. This means in effect that the favour principle would serve as a correction mechanism, both in case of objective and subjective allocation.

The favour-based correction to the benefit of the creator and performer has one drawback: it gives the creator or performer the benefit of what is from his or her perspective the better law, whereas the author or performer in a purely domestic situation has to make do with the protective provisions of domestic law.\textsuperscript{580} If one were to subject the transfer of intellectual property by the creator or performer to the functional allocation principle, i.e., always apply the law of habitual residence of the creator or performer, such inequalities in treatment would not occur.

6.5 Infringement

The infringement of intellectual property rights can be characterised as a tort. Traditionally, the conflict rule for torts is the \textit{lex loci delicti}. It is the law of the place of the wrong—in other words: where the harmful event, the infringement, occurs—that governs the question of whether an act or omission is unlawful and what the legal consequences are. This rule is based on the \textit{principle of the closest connection}.

Based on the same principle is the ‘common habitual residence’ rule. It is increasingly used as an alternative to the \textit{lex loci delicti} and provides that a tort is governed by the law of the common habitual residence of the tort feasor and the injured party. It features in, for instance, Article 3(2) of the Preliminary Draft Rome II regulation, Article 3(3) Dutch WCOD, Article 62(2) Italian Private International Law Act 1995\textsuperscript{581} and Article 133(1) Swiss IPRG.

\textsuperscript{580} This is a general problem with the favour principle, see De Boer note 549.

\textsuperscript{581} The Italian Act requires that the tort feasor and the injured party also share the same nationality.
The principle of party autonomy –as we have seen in Paragraph 2.4.2– is advancing in the area of torts. Article 11(1) of the Preliminary Draft Rome II regulation allows parties to choose the applicable law, as do a number of national laws.582

Rules that provide for a one-sided choice of the applicable law are based on the favour principle. As was elaborated in Paragraph 2.4.2, in some countries the injured party is given a choice between the laws of connected jurisdictions (e.g., the law of the habitual residence of the victim, the law of the place of the wrong, forum law).585 This favor laesi is also the basis of conflict rules that do not allow the injured party a choice, but rather prescribe the application of whichever law – the law of the place of habitual residence or the law of the place of the wrong – is the more advantageous for the victim.

Functional allocation in its narrow meaning –protecting the structurally weaker party– has a modest place in the choice of law for torts. The rule that a tort is governed by the law of the place of habitual residence584 of the injured party is sometimes585 based on the idea that the interests of the victim as the weaker party deserve more consideration than those of the tortfeasor.586

As with the approach to existence, ownership and transfer (above), the exercise to be undertaken in this Paragraph is to determine which allocation principles are most suited for questions of infringement of copyright and related rights.

In Paragraph 6.5.2, it will be elaborated that the principle of the closest connection –as expressed in the connecting factors, the place of the wrong and the place of common habitual residence– as well as party autonomy are most suited. In this respect, the infringement of intellectual property is to be treated as torts are in general. However, there are two problems specific to the infringement of copyright and related rights that call for special solutions.

The first problem stems from the fact that the issues of existence, scope and duration of copyright and related rights are governed by the law of the place of use (the lex protectionis). It has already been argued in Paragraph 6.2.5 that these three characteristics should be subjected to the same law and that this law should be that of the place of use. The question of whether the use of an intellectual

582 For example: §11 Austrian IPRG; §42 German EGBGB. Art. 6 Dutch WCOD.
583 Art. 40 (2) German EGBGB; Art. 62(1) Italian Private International Law Act 1995
584 The place of central administration or the principal place of business, in the case of bodies corporate or incorporate.
585 The habitual residence of the injured party is also used as connecting factor in case of bi-local torts, but there the closest connection rather than the protection of the victim as structurally weaker party is the basis for using habitual residence as the connecting factor; see the next Paragraph.
creation constitutes an infringing act cannot be viewed separately from the question of whether the creation is protected and what the scope of that protection is. Therefore, the issue of unlawfulness of the act must also be subjected to the lex protectionis. How this can be achieved will be examined in Paragraph 6.5.1.

The second problem is caused by the non-material nature of intellectual creations, combined with the all-pervasiveness of modern communication technologies. In many instances, this causes the use of protected subject-matter to take place in many countries simultaneously. A satellite broadcast may be initiated in one country and may be received in all places that are in the satellite’s footprint, regardless of whether the broadcast is destined for all of these places. The posting of a music-file on a web-server in one country in principle makes it accessible throughout the world. Copies will be made on cache-servers located elsewhere. During the transport of a file from A to B, routers determine through which countries (copies of) the data packets, into which the file is split, travels. One can wonder whether all places where a work or other intellectual creation is reproduced or communicated should be considered places of use for choice-of-law purposes.

In Paragraph 6.5.3 it will be argued that only effective places of use deserve consideration when determining the applicable law both where it concerns the question of unlawfulness and where it concerns the legal consequences of the infringement. This means, for instance, that not every country where a website on which a (allegedly) copyrighted work is accessible qualifies as a place of use.

The advantage of using an ‘effective use’ criterion is that the number of potentially applicable laws is reduced, which makes the court’s task in infringement disputes easier. Equally important, this criterion corresponds well to the reason for applying the lex protectionis to the issue of unlawfulness. If there is no effective use in its territory, a country cannot be said to have an interest in seeing its law applied because there is no danger that the local balance of interest that has been struck between exclusive rights and the public domain is upset.

Although the effective-use criterion can bring down the number of applicable laws, in a substantial number of cases, the number of jurisdictions where simultaneous effective use is made will still be large. This brings us to the

587 In substantive copyright law this is of course also a point of discussion. Art. 5(1) Copyright Directive, for instance, provides that the reproduction of a work is not an infringing act if it concerns an ephemeral copy with no independent economic value, which is made solely for the purpose of distribution in a network by an intermediary (e.g., a company that operates Internet routers, an access provider who operates a proxy-server) for third parties. Exactly which copies fall within the scope of Article 5 is disputed. See, for instance, the 21 September 2001 report on the implementation of the Directive into Dutch law by the Staatscommissie Informatiemaatschappij (Study Committee Information Society) of the Dutch ALAI Group (Vereniging voor Auteursrecht).
question of whether the legal consequences of an infringement should not be subjected to a single law, to be determined on the basis of party autonomy or in default of such a choice, on the basis of the closest connection.

One could argue that not only the unlawfulness of the act, but also its legal consequences should be governed by the law of the place of use, as in the choice of law for torts, the two are normally treated together. The application of the lex protectionis to all aspects of infringement will, however, often mean that a multitude of laws will not only govern –each for its own territory– the question of whether an infringement occurred, but also the question of which persons are liable, what the basis and extent of liability is, what the grounds for exemption from liability are, what damage exists and for which kinds of damage or injury compensation may be due, which persons can claim damages, etc. The justification for applying the lex protectionis to the unlawfulness of the act itself – which lies primarily in safeguarding the public domain in the country of use– in my view does not justify such a complication.

The choice not to submit the legal consequences to the lex protectionis per se, but rather to apply the ‘normal’ choice-of-law rules for torts, still leaves the question of how to determine which law is the most closely connected to these consequences. In default of a party-choice and a common habitual residence, there are three connecting factors to be considered: the habitual residence of the right owner, the habitual residence of the alleged infringer, or the place of the wrong.

In Paragraph 6.5.2, I will examine how these three factors can be incorporated in a semi-open conflict rule, which serves to determine one single law that governs the issue of legal consequences of infringement.

From the above, it may be seen that the allocation principles that should in my opinion govern infringement questions are functional allocation in the broad sense for the question of whether an act constitutes infringement, and party autonomy and the closest connection for the legal consequences of an infringement.

As for functional allocation in the narrow sense and the favour principle, it is submitted that the policies underlying copyright and related rights law do not a priori warrant that right owners of intellectual property are given preferential treatment to alleged infringers. There appears to be no reason to favour right
owners (or the licensees in case they suffer from infringement) in intellectual property disputes. A one-sided choice of the applicable law by the right owner should in my view not be possible, nor should the habitual residence of the right owner serve as connecting factor because he or she is supposedly the structurally weaker party.

After all, where copyright and performers' rights law have a protective streak, it is towards the actual creators and performers in their relationship with intermediaries (assignment of rights, etc.). It has been argued that such a protective function should be recognised through special conflict rules for transfer of copyright and related rights by the initial owners, but it is quite another matter to extend them to infringement questions.

6.5.1 **Lex Protectionis for the Issue of Unlawfulness**

It has been elaborated in Chapter 5 and in Paragraph 6.2, above, that where it concerns existence, scope and duration of copyright, intellectual property law strongly reflects the balance that each country strikes between the (economic and moral) interests of creators and the public interest in the optimal production and dissemination of information goods and services, not just from the perspective of economic efficiency, but also from the perspective of freedom of speech, the advancement of knowledge and culture and other local interests. Given the nature of the subject-matter it protects, it could be argued that copyright and related rights law have a stronger public-interest side than, for instance, the law of corporeal property. That is why the *lex protectionis* should govern questions of existence, scope and duration.

In Paragraph 6.2, it was also argued that the existence, scope and duration of copyright and related rights should be treated together, as they are communicating vessels. Since the question of whether an act of use constitutes infringement of copyright or related rights depends on whether a right (still) exists and on what the scope of the right is, the (un)lawfulness of an act of use must also be subjected to the *lex protectionis*. There are essentially four choice-of-law techniques by which this could be achieved, apart, of course, from using the *lex protectionis* for both the issue of unlawfulness and for its consequences.

The first way is to treat the questions of existence, scope and duration as incidental questions, to be governed by the *lex protectionis*. Incidental questions are questions that belong to a different category of issues than the principal,

589 Stein (1998) seems to favor this possibility
590 Schack 2000, pp. 60–61 seems to favor this approach.
choice-of-law issue at stake, but need to be answered in order to be able to address the principal issue. An example of an incidental question is whether the party that complains of copyright infringement is the owner of copyright and therefore has standing to sue. Copyright infringement is characterised as a tort, but the ownership issue does not belong to the category 'tort'.

If in matters of infringement the question of existence, duration and scope of the intellectual property right involved were to be treated as an incidental question, what would happen in effect is that the question of unlawfulness of the act is brought under the incidental question. It may be that under the law of the place of use there exists no copyright at all, for example because the term of protection has lapsed, or because the work is not original. Also, the scope of the right may not extend to the allegedly infringing acts (e.g., copy for private use, quotation). In these cases, there can be no unlawful act that infringes the copyright.

This solution has the disadvantage that it gives the incidental question a very dominant position compared to the principal question involved. The law applicable to the incidental question absorbs the issue of unlawfulness, where normally, of course, the unlawfulness of an act is a core element of the legal category 'tort'.

A second solution is to apply the rules of the country of use (lex protectionis) as priority rules. This is not to be encouraged, as the doctrine of priority rules is designed to be applied as an exception which adjusts an unwanted outcome of the normal choice-of-law process (see Paragraph 2.4.3). If one were to regard provisions on existence, scope and duration as priority rules, they would be applied routinely, given the frequency and intensity of the use of foreign works in most countries.

On a more practical level, it would seem that there is still too much controversy surrounding the doctrine of third-country priority rules for it to be suitable for our purposes. Contrary to the Rome Convention 1980, the Preliminary Draft Rome II regulation only provides for the application of priority rules of the forum (Art. 12). That means that the court seized in an infringement claim pertaining to use in various countries apart from the forum state, cannot apply the laws of those countries to the question of unlawfulness. Even in treaties and national laws that do allow for the application of mandatory rules of third countries as priority rules, the courts are mostly not obliged to apply them, but have been given discretionary powers to do so.

591 A number of countries have opted out of Article 7(2): Germany, Ireland, Luxembourg and the United Kingdom. In Germany, the initial proposal to incorporate a third-country priority rules provision for contracts in the EGBGB was rejected. According to Schurg 1990, pp. 234–235, this does not mean that a German court cannot apply the law of a third country as priority rules.
The third way in which the intellectual property law of the place of use can be applied in a case of infringement, is by considering that law as ‘data’ to be used in determining whether an intellectual property right exists and what its scope is.

This ‘data-effect’ doctrine592 plays a role in various torts, such as traffic accidents and product liability. There the question of unlawfulness of the act is judged (partly) by taking account of the law of the place where the tortfeasor acted, even though another law governs the tort. The rules of conduct and safety (traffic rules, fire hazard rules, etc.) which were in force at the place and time of the traffic accident or other harmful event are used as ‘data593 when determining the unlawfulness of the act.

Article 13 of the Preliminary Draft Rome II regulation provides that ‘whatever may be the applicable law, in determining liability account shall be taken of the rules of conduct and safety which were in force at the place and time of the act giving rise to non-contractual liability.’

This Article 13 is illustrative of the areas in which data-effect provisions appear: they seem limited to the consideration of rules which are aimed at protecting persons and goods. The argument for taking account of the law of the place of use of a work in case of copyright infringement lies in the preservation of the balance of interest that has been struck locally, not in protecting the physical integrity of persons or goods. From that perspective, the application of the data-effect doctrine to questions of existence, scope and duration of intellectual property seems out of place.

Fourth and finally, one could opt for a separate characterisation of the infringement issue and the legal consequences issue. Each would be subjected to its own conflict rules (dépeçage). This separation of issues is not uncommon. In fact, in Dutch law it was the unwritten rule before the 2001 Act on the law applicable to torts came into force.594 In our case, the lex protectionis would govern the unlawfulness of the act, while another law (that of the country most closely connected to the relationship between the tortfeasor and the injured party) governs the obligations resulting from it.595

592 On the data-effect doctrine in general, see De Boer 1999b, pp. 372-373; Schurig 1990, pp. 241-244


594 See Pontier 2001 at 133. On the situation in Germany since the 1999 revision of the EGBGB, see Spickhoff 2001, p.3.

595 This solution has been proposed in Germany in the then draft revision of the EGBGB in 1984, but was abandoned after fierce criticism from intellectual property scholars (Beier et al. 1985, Schack 1985).
Each of the four alternatives described above has its drawbacks, but if it is maintained that the law of the place of use governs the existence, scope and duration of a copyright or related rights and with that also determines whether an act of use infringes such a right, one of the alternatives will have to be accepted. The last option - introducing a dual conflict rule - has my preference, given the disadvantages of the other options.

The law applicable to torts covers many different aspects and in the case of a split conflict rule, it will have to be decided which of these aspects are brought under the lex protectionis or the law most closely connected to the consequences.

Among the aspects governed by either of the laws would be, under the Preliminary Draft Rome II regulation (Art. 9): the basis, conditions and extent of liability, including the determination of persons who are liable for acts performed by them; the grounds for exemption from liability, any limitation of liability and any division of liability; the existence and kinds of injury or damage for which compensation may be due; the measures which a court has power to take under its procedural law to prevent or terminate injury or damage or to ensure the provision of compensation: the measure of damages in so far as prescribed by law; the question whether a right to compensation may be assigned or inherited; and liability for the acts of another person.

In my view, the lex protectionis should only cover those aspects of the question of unlawfulness that are almost the exact mirror image of the existence, scope and duration of the right involved. The focus should be on the act, i.e., does the act pertain to a protected work, does it constitute (unauthorised) reproduction or communication to the public within the meaning of the lex protectionis, is the act covered by a fair use provision or other exemption? In other words, only the basis and conditions of liability are to be governed by the lex protectionis. Aspects that are not directly related to the act itself, for instance, which persons are liable for the act, what damage has been caused by the act, should be subjected to the law that governs the consequences.

6.5.2 Law Governing the Consequences of Infringing Acts

Where the legal consequences of an unlawful act are concerned, it is primarily the interests of the injured party and tortfeasor that are involved. From that perspective it should be possible for the parties to choose the law that governs these legal consequences. Under the proposed Rome II regulation, parties are
given the opportunity to designate the law applicable to a tort, on condition that the choice be made expressly and not adversely affect the rights of third parties.596

The major advantage of party autonomy is of course that it provides the tortfeasor and the injured party with legal certainty as to the law that governs any obligations resulting from an act of use. Since it has been argued that the question of unlawfulness should be treated separately from the question of the legal consequences, the relative benefits of party autonomy can be enjoyed without its potential negative effect on the public domain, as the law chosen only governs the liability for and consequences of the infringement but not the unlawfulness of the act itself.597

In default of a choice, an objective conflict rule must be used. An appropriate choice-of-law rule is the ‘common habitual residence’ rule.598 It provides that if victim and tortfeasor are habitually resident in the same country, the law of that country applies.599 The reason is that this law is deemed to be more closely connected to the relationship between the tortfeasor and the injured party than the law of the place of the wrong, because the legal consequences of the act that took place abroad are felt in the country of the parties’ common residence.600 As these consequences are exactly the issue for which we seek to identify a rule, in my view, the ‘common habitual residence’ rule should be the first in line for application in default of a choice by parties.

If neither party autonomy nor the ‘common habitual residence’ rule provide a solution, the law most closely connected may be identified by using a semi-open

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596 Some laws require that the choice be made after the tort has arisen (§ 11 Austrian IPRG; § 42 German EGBGB, id. Art. 8 GEDIP Rome II Proposal). Art. 6 Dutch WCOD allows for a choice before the tort occurred (see Kumersstukken II 1998-99, 26 608, nr. 3, p. 9), it can even follow implicitly from a previous legal relationship between parties (e.g., in the case of a tort linked to a contractual relationship). The Preliminary Draft Rome II regulation does not seem to exclude a choice made before the tort occurred either.

597 The Swiss IPRG in Art. 110 in effect contains this solution: intellectual property rights are governed by the lex protectionis, but where it concerns infringement, parties can choose the application of the lex fori to govern the legal consequences of the infringement. Whether the parties’ choice should be limited to the law of the forum—as the Swiss statute prescribes—is debatable.

598 Pontier 2001 at 173. argues that the interest in treating infringements of intellectual property in one territory equally is a reason for not applying the ‘common habitual residence’ exception. The absolute character of intellectual property is another. This argument seems valid to me in relation to the question of unlawfulness.

599 Art. 3(2) GEDIP proposal provides for the ‘common habitual residence’ rule by way of presumption. As is the case in Dutch law (Art. 3(3) WCOD) and the Explanatory Memorandum in Kumersstukken II 1998-1999, 26 608, nr. 3, p. 7, the law of common residence governs both the unlawfulness of the acts and its consequences, i.e., it replaces the lex loci delicti entirely.

600 Art. 3(3) Dutch WCOD. Art. 62(2) Italian Private International Law Act (if parties share both nationality and habitual residence). Art. 133(1) Swiss IPRG.
conflict rule. Connecting factors that may be indicative of a close connection are again the habitual residence or principal place of business of the user (tortfeasor) or of the right owner (injured party), in addition to the place of the use (place of the wrong). In the next Paragraphs, the arguments in favour and against the use of these respective connecting factors will be discussed.

6.5.2.1 Place of the Wrong (Place of Use)

As has been stated above, traditionally, the place of the wrong is deemed to reflect the closest connection. The place of the wrong was initially meant to serve in cases of torts that concern physical damage to corporeal property and (physical) injury to a person. Using it for torts that involve damage to non-material interests, such as reputation, patrimonial rights and intellectual property, gives rise to some difficulty in determining where the place of the wrong is.

Still, this connecting factor will work for many types of uses of (allegedly) copyrighted subject-matter, such as the unauthorised public performance of a play in a theatre, or the broadcast of a song in a football stadium, or the adaptation of an article that is reproduced in a locally distributed newspaper. In those cases, there is only one place of use, or wrong.

Problems arise if the infringing act is not limited to one territory, but takes place across borders or has cross-border effects. Such bi-local torts—or in the case of intellectual property torts, more likely, multi-local torts—are of course an old and well-known phenomenon, which are not limited to intellectual property. A classic example is the fraudulent letter sent across borders and a more modern example is environmental pollution (e.g., when the emission of pollutants in one country results in pollution damage to crops or water-supplies in another country).

A multi-local tort occurs when an act takes place in one country, while the harmful effect of it materialises in another country or countries. Handlungs- and Erfolgsort diverge in these cases. For instance, a newspaper article is adapted and

\[\text{Handlungs-}^601\text{ and Erfolgsort}\]

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601 Handlungsort is the place where the principal act(s) take place; preparatory acts should not be considered. The Erfolgsort is the place where the right or interest is actually first affected/damaged; places where subsequent damage is sustained do not qualify. The European Court of Justice, in judgments concerning Art. 5(3) of the Brussels Convention on Jurisdiction, clarified that the definition of Erfolgsort is not so wide as to include any place where damages are sustained (e.g., at the habitual residence of the injured party) which result from an event that has already caused real damage elsewhere: ECJ 19 September 1995 case C-364/93, OJ EC 1995 C299/44 (Marinari v. Lloyd's), elaborated in ECJ 27 October 1998, case C-51/97, [1998] ECR 1-6511 (Réunion Européenne v. Spleithoff's Bevrachtingskantoor).
reproduced (printed) in the Netherlands without authorisation by the right owner, and the newspaper is subsequently distributed in Germany and other countries.\footnote{602}

To complicate matters further, we can see that in intellectual property, this type of situation can often be regarded as a multi-local tort, but also as a potential multiple tort. This is the case if the elements that took place in the Netherlands in themselves constitute a separate infringement, and/or the elements that took place in Germany constitute an infringement, e.g., if there is unauthorised reproduction in one country and unauthorised distribution in the other, this will make two separate torts. In effect, in our example the adaptation/reproduction takes place completely in the Netherlands, but the distribution is initiated in the Netherlands and completed in Germany. The act of distribution is a multi-local tort and a choice will have to be made between the Handlungs- and Erfolgsort.\footnote{603}

The question is not only which of the two connecting factors should be given preference (if either), but also how they should be defined in a digitally networked environment.

In the context of satellite transmissions and the Internet, a technical definition is often used for the Handlungsort, whereby the initiation of the act of

\footnote{602} Compare the Shevilli case, which involved a French newspaper that published an allegedly defamatory article about an English temporary employee of a French exchange office. The newspaper (France-Soir) was distributed primarily in France (237,000 issues sold), but also in other countries (230 sold in England and Wales). Shevilli sued for damages in England. The ECJ was called upon to answer the question of whether an English court had jurisdiction on the basis of Art. 5(3) Brussels Convention 1968, as court of the Erfolgsort. The House of Lords asked which of the three places - the place where the newspaper was printed and put into circulation; the place where the newspaper was read by the public; the place where the plaintiff has a reputation qualified as Erfolgsort. The ECJ ruled that only the place where the publisher was established, was considered to be the Handlungsort since that was where the harmful event originated and where the defamatory statements were expressed and put into circulation. The places where issues of the newspaper were distributed and where the plaintiff was considered to be the Erfolgsort, as it was there that the damage to the plaintiff's reputation resulted. ECJ 7 March 1995 case C-68/93, [1995] ECR 471 (Shevilli v. Presse Alliance). The ECJ first ruled that the place of infringement can be the place where the tortfeasor acts or where the harmful event causes damage in ECJ 30 November 1976 case 21/76, [1976] ECR III-1735 (Bier v. Mines de Potasse d'Alsace).

\footnote{603} In a strict territorial interpretation of intellectual property, the debate over Handlungs- and Erfolgsort, multiple or multi-local torts, is of course superfluous. Strict territoriality means that an act in country A can by definition only infringe 'copyright A'. Hoeren (1993, p. 131) seems to reject the lex loci delicti and its distinction between Handlungsort and Erfolgsort for copyright infringement on this ground. Id. Mäger 1995, p. 43 et seq. Compare Bühler 1999, p. 327 et seq. In practice, courts do not apply strict territoriality: see, for instance, Hof Arnhem 29 June 1993, [1995] BIF 44 (Relo v. Fumitex) which ruled that the order to refrain from any acts that infringe Fumitex's Dutch intellectual property, included acts of reproduction and storage of reproductions outside the Netherlands, to the extent that these acts were directed at the Dutch market. See Ginsburg for a discussion of the 'root copy' approach as it is practiced by US courts 1999, pp. 338-346.
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reproduction or communication of the protected work, performance, broadcast, etc., is the relevant act to be localised. For example, the place of initiation of a broadcast via satellite is in terms of the Satellite and Cable Directive Article 1(2)b: ‘...the place where the programme-carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth.’ In Internet terms, the place of the upload is often considered to be the place from where the protected subject-matter was introduced into a network for the purpose of further distributing it via servers. Alternatively, the place where the server itself is located and on which the content was first hosted is viewed as the relevant place.

The drawback of a technical definition of the Handlungsort is that in an era of rapid technological change, it will be difficult to come up with an appropriate definition that can be applied to various acts. Also, as has often been remarked in the Internet context especially, a technical definition of the Handlungsort could lead to manipulation of the connecting factor. In the networked world, one can easily direct files to a server in the place of one’s choice. Another problem with using the place where the server is located or where the communication was initiated as connecting factor is that the place of the server can be accidental and therefore does not lead to the determination of the law most closely connected.

The better option seems to be to consider the Handlungsort from an ‘organisational’ perspective, i.e., as the place where the initiative for using the work and the organisation of exploitation of it originates. Ginsburg proposes exactly such an interpretation: the place of the upload is the place of initiation of the infringement, which should be understood as the place where the alleged infringer ‘devised its plan to make the work available over digital media...Most often, in the case of a juridical person, that place will correspond to its headquarters.’

The Erfolgsort is the place where the actual damage for the right owner materialises. This damage occurs in the country where the possibilities for the right owner to exploit his or her intellectual property are diminished, i.e., where the unauthorised reproduction of a work, performance, broadcast, etc. reaches an audience. The Erfolgsort is not the place of habitual residence of the right owner.

604 Among others by Hähler 1999, p. 400 and Lucas 1998 at 85.
605 For a critique of the place of initiation or injection, see for instance Lucas 1998, at 81–88.
606 Ginsburg 1999, p. 329; Dessemontet similarly regards the country of upload (pays de changement) as the country where the entity that uses the allegedly protected subject-matter has its effective seat (1998b, pp. 54–55).
607 This interpretation is reminiscent of the Market Rule as used for the tort of unfair competition. On the Market Rule, see Kabel 1993.
Neither do places where subsequent damage is sustained as a result of the infringing act qualify as Erfolgsort (in German Folgschaden, vervolgschade in Dutch). 608

The problem with the place of receipt as connecting factor is that it will hardly ever point to a single law. It therefore appears unsuitable to determine the country with the closest connection. The Handlungsort, on the other hand points more easily towards a single country, which will often also be the country in which the tortfeasor has its principal place of business or habitual residence. It is to that connecting factor that we shall turn next.

6.5.2.2 Habitual Residence or Place of Business of the Tortfeasor

As a connecting factor in its own right, the habitual residence of the tortfeasor does not seem to be used for torts in European choice-of-law statutes. Some laws show – in the case of multi-local torts – a preference for the Handlungsort606 and this will often coincide with the place where the tortfeasor is located, but this is of course different from a straightforward application of the law of the tortfeasor.

A much-voiced objection to the use of habitual residence of the tortfeasor/user (or of the Handlungsort, as it often amounts to the same place) is that it will stimulate exploiters of digital media to relocate in countries with low levels of copyright protection, the so-called copyright havens.611

Undoubtedly, there are a number of countries where the piracy of copyrighted works is rampant and where the unauthorised use of intellectual property also has a cross-border dimension. However, in my view, one should not overestimate the danger that droves of companies would relocate in countries with low levels of protection or little possibilities for effective enforcement.612

608 Dessemondet 1996, p. 291 and 2000, localises the place where the infringement on the Internet has its effects in the place where the diminution in value of the intellectual property is situated, which he poses is not the market or place where the audience is, but rather the habitual residence of the author, or for companies, the 'siège social'. Ginsburg 1999, pp. 322–323 is inclined to find this solution too simple (mainly for reasons to do with jurisdiction).
609 Art. 3 WCOD: Staatscommissie voor het Internationaal Privaatrecht (1996 at 7); Von Hinden 1999, p. 87. See also the ECJ’s ruling in Mannari v. Lloyd’s mentioned in note 601.
610 E.g., Art. 40 German EGBGB.
612 One should also bear in mind that much of the piracy (e.g., unauthorised copying of music, software, etc.) takes place in Western countries, i.e., those with the highest level of intellectual property protection.
For a start, the vast majority of countries are party to the Berne Convention and TRIPs, there is a minimum level of protection (which some consider too high to begin with) that is almost universally accepted. The political reality is that the developed countries with relatively high levels of protection have considerable influence on the level of protection, as enshrined in international conventions. Under TRIPs and subsequent intellectual property treaties, countries are also obliged to ensure the effective enforcement of intellectual property rights.613

Both the production and use of information take place predominantly in the developed world. For a company to conduct a profitable business on the Internet, an adequate infrastructure is needed (skilled personnel, computer equipment, marketing tools, financial services, etc.) which it is probably unlikely to find in the occasional corners of the world where substantive copyright law falls short of international standards.

Furthermore, the copyright haven problem is not really a problem that can be solved by adopting or rejecting certain choice-of-law rules. Most countries have intellectual property laws that are in accordance with international minimum standards. Courts in other countries can apply these laws.

The problem with copyright havens is often not so much that their laws are inadequate, but that they do not have the legal infrastructure or culture for adequate enforcement by Western standards. This may have consequences for those private international law rules that deal with jurisdiction over infringement claims. For instance, the right owner may have to be given the opportunity to bring his infringement claim before the court of his habitual residence if legal redress is difficult to come by in the country where the tortfeasor resides. These kinds of solutions are however not concerned with the applicable law.

Lastly, it should be pointed out that if one were to subject the question of the unlawfulness of the act to the lex protectionis—as I propose one should do—a low standard of protection of the tortfeasor’s law is not really a valid argument against applying the tortfeasor’s law to the legal consequences of infringement.

In short, if one were to use the place of principal business or habitual residence of the tortfeasor as connecting factor, the drawback of the danger of ‘applicable law’ shopping does not seem too great. An advantage of using this connecting factor is that typically the court of the tortfeasor’s residence will have jurisdiction over an infringement claim. As the forum rei is most likely to be the place where the tortfeasor has assets, it may be an attractive forum for the right owner to bring his or her claim. For the courts it is efficient to be able to apply its own law. On the other hand—assets of the tortfeasor left aside—in the case of

613 A country like China for instance, has revised its intellectual property law so as to bring it more into line with the standards of the WIPO 'Internet Treaties' (WCT and WPPT), even though it has not adhered to them. See Feng 2002.
Internet infringement, one could normally make the same case for the victim’s habitual residence. If that place is also a place of use, the local court will have jurisdiction on the basis of Article 5(3) of the Regulation on Jurisdiction or a similar national provision.

6.5.2.3 Habitual Residence of the Injured Party (Right Owner)

The place of habitual residence of the injured party is more commonly used as connecting factor for torts than the place of habitual residence of the tortfeasor. Notably, the infringement of personality rights is subjected to the law of the place of habitual residence of the victim.

For instance, Article 139 Swiss IPRG gives the victim of defamation or another type of infringement of personality rights the opportunity to choose for application of his or her own law. The GEDIP Rome II proposal contains the presumption that the law most closely connected to an infringement of personality rights is that of the habitual residence of the injured party.614 The Preliminary Draft Rome II regulation goes further by providing directly that ‘the law applicable to a non-contractual obligation arising from a violation of private or personal rights or from defamation shall be the law of the country where the victim is habitually resident at the time of the tort or delict’ (Art. 7).

Should this trend be followed for intellectual property? Given the parallels between moral rights and personality rights in general, it may be tempting. On the other hand it has been submitted that the right owner is – compared to the user – not to be regarded a priori as the weaker party deserving more consideration. Still, if there are multiple places of use and one wants to identify a single law to govern the legal consequences of infringement, either the user’s or right owner’s habitual residence will have to be given preference.

The user’s habitual residence has the advantage that it will normally coincide with the place of the wrong, i.e., the Handlungsort in the organisational sense. On the other hand in Internet cases especially, the right owner’s habitual residence will typically coincide with an Erfolgsort. That even the score in factors pointing to either habitual residence. Considering that the injured party’s residence is a more commonly used (and proposed) connecting factor, on balance I am inclined to give it preference over the tortfeasor’s habitual residence.

614 Art. 3(3), it should be noted that this article was conceived for bi-local torts, which under the GEDIP proposal are in principle subjected to the law of the Erfolgsort, it introduces the presumption that the habitual residence of the victim is the Erfolgsort for personality rights infringements.
In sum, the legal consequences of an infringement of copyright or related rights should therefore in my view be governed by:

1) the law chosen expressly by the parties.
2) in default of a choice: the law of the parties' common habitual residence or place of business.
3) in default of a common habitual residence, by the law most closely connected to the relationship between tortfeasor and injured party, which is presumed to be:
   - where there is one place of use, the law the country of the place of use.
   - where there are several places of use in different countries, the law of the country in which the injured party (right owner) has his place of habitual residence or principal place of business, if that is also an effective place of use.
   or, if this is not the case:
   - the law of the country where the tortfeasor (user) has his habitual residence or principal place of business, if that is also an effective place of use.

The place of use corresponds to the place where the infringing act occurred. In the case of multi-local infringement, the places that qualify as places of use are: the place where the initiative for using the work and the organisation of exploitation of it originates and the place(s) where the possibilities for the right owner to exploit his or her intellectual property are diminished, i.e., where the unauthorised reproduction of a work, performance, broadcast, etc. reaches an audience.

In order to reduce the number of potential places of use, only the places that have an effective connection to the use of the intellectual property should be considered. What constitutes such an effective connection will be examined in the following Paragraph.

6.5.3 IDENTIFYING COUNTRIES WITH AN EFFECTIVE CONNECTION TO INFRINGEMENT

So far, little attention has been paid to the question of whether application of the lex protectionis is feasible in a networked world. We have concentrated above on constructing a rule that allows for the identification of the law most closely connected to the tort of infringement, but only with a view to applying it to the legal consequences of the infringement.

The application of the lex protectionis to the question of whether an act constitutes an infringement of intellectual property will in many cases not be problematic. Even where there are multiple countries of use, as would be the case if a book with an (unauthorised) reproduction of an essay is distributed in several countries, it is relatively easy to adapt activities so that local standards are met (e.g., if the distribution is an infringement in France but not in Belgium, one ceases to distribute the book in France).
On the Internet, however, it may not be so easy to conform to all the laws of the countries in which use of a work is (potentially) made. To conclude our deliberations on infringement, I will discuss how the number of laws that qualify as lex protectionis may be narrowed down.

As stated before, the most frequently mentioned problem of copyright infringement on the Internet must be that given the territorial nature of copyright and the worldwide reach of the Internet, the posting of information is potentially an infringing act in as many countries as where the information can be downloaded. This could lead to a situation where a large number of laws would apply simultaneously, each for its own territory.

This so-called ‘mosaic approach’ is commonly accepted for intellectual property rights such as patents, which are even more territorial than copyright and related rights because of registration requirements, etc. It is also a well-known doctrine in conflicts law, especially in the area of jurisdiction over torts such as infringement of personality rights (privacy, defamation) through the media.\(^{615}\) One disadvantage of the mosaic approach where the applicable law is concerned, is that the actual application of a multitude of governing laws to a case puts a considerable strain on the judicial process.

A much more serious disadvantage of applying the laws of all the countries that qualify as places of use simultaneously but for different territories, is the danger that the strictest law will eventually come to dominate. When all the domestic laws connected to the case consider a disputed act an infringement, there is no particular problem. More likely, however, some do and some do not.

If there is no way to abide by the contradictory standards simultaneously, for instance by using IP mapping to block access to a website for users from a certain country, there is a danger that the country with the highest level of protection will export its standards to jurisdictions that have struck a different balance between the public interest, authors’ interests and users’ interests. Even if abiding by different standards is technically possible, it may be overly burdensome financially to organise one’s activities in such a way that all laws involved are respected.

Von Hinden argues that a court will not be inclined to prohibit, for each separate country, the acts that are not allowed under the law of that country.

\(^{615}\) Von Hinden 1999, p. 154 et seq. The ECJ has adopted the mosaic approach for jurisdiction over defamation claims in *Shevill v. Press Alliance* (see note 602: a court of the *Erfolgsort* can only adjudicate a claim for damages sustained in the *Erfolgsort* (the court in the *Handlungsart* has jurisdiction over the totality of the damage in *Handlungsart* and *Erfolgsort*). Peinze 2002, p. 74 et seq., argues against applying the Shevill approach to copyright.
Rather, courts will tend to apply the strictest law, because in that way the
defendant will conform to all the laws involved.\textsuperscript{616}

With Von Hinden, I am not in favour—as some writers are—of applying the
most stringent intellectual property law. Since every domestic copyright law
reflects a balance of interest between the private rights of the owners and the
public domain, I do not see why the copyright owner should be structurally
advantaged over the user of information. The entire point of subjecting the
infringement question to the \textit{lex protectionis} is to uphold this local balance as
much as possible. Furthermore, the fact that there is a growing body of substantive
norms that the international community has agreed to in the form of international
copyright and related rights treaties, is an argument to apply the least protective
law rather than the most protective.

To somewhat relieve the problems of application of the \textit{lex protectionis} in a
networked world, one could however narrow down the place of use in an attempt
to exclude the laws of countries that are only remotely connected to the case. Use
of the Internet, especially, causes large numbers of countries to be somehow
connected to any infringement case, as protected subject-matter once posted on a
computer connected to the Internet can be downloaded across the globe and many
intermediate copies of it are made on servers in many countries on its packet-
switched route from sender to receiver. Obviously, not all the territories that the
information passes \textit{en route} can be regarded as being significantly connected to
the act of sending or receiving.

The number of laws \textit{theoretically} involved could be brought down by only
considering those with which the case has an \textit{effective} connection.\textsuperscript{617} In reality, the
places of use that matter are where the right owner's effective capacity to exploit
the copyright or related rights are injured, or—in the case of moral rights—where
the reputation of the author is harmed.

Suppose, for instance, the case where an unauthorised Icelandic translation of
an English novel is posted on a website that contains only information in
Icelandic, is hosted by a server located in Iceland which is operated by a service
provider established in Iceland. Should the communication of the translation be
viewed as a tort that is connected to all countries where the website can be
accessed? Or are the effectively connected countries Iceland and possibly a
number of countries with relatively large communities of Icelandic persons, i.e., a
realistic potential readership that will use the work?

\textsuperscript{616} Von Hinden 1999, p. 165.

\textsuperscript{617} A similar discussion is taking place with regard to jurisdiction over infringement claims. Since the
place of infringement is a commonly accepted ground for courts to assume jurisdiction,
distribution via the Internet in theory makes any court anywhere in the world competent. For this
problem in respect of the Brussels Convention’s Article 5(3), see note 602 above.
As Von Hinden rightly observes, the connecting factor used to determine the applicable law should be suitable to discriminate between countries with which the alleged infringement does and does not have a close connection. After all, the primary objective of choice of law for torts is to identify the law most closely connected. Among the factors used to determine which law is applicable, one should take into account the place of (potential) receipt, which is a place of use as much as the place of the upload, at first glance lacks such an ability to discriminate.

One could, however, interpret the place of receipt not as any place where a download could potentially occur, but rather as the place where the tortfeasor intends others to access the information. A comparable solution is often defended for defamation torts in the press to determine which countries qualify as Erfolgsort, the places where the press (through distribution of copies) or broadcaster intends to reach the public are relevant, instead of any place where a copy surfaces occasionally.

A number of factors can be taken into account to determine who this intended audience is. The language used and the nature of the information offered (e.g., local news) are often good indicators of where the target audience is located. The possibilities offered by a website for ordering/paying from different countries is another indication. Technical measures taken could also be used to establish what the intended country or countries of receipt are: users may need passwords to access information and be asked to state their place of habitual residence in order to allow the provider to give access to users from certain territories only. Probably more common in the future will be the use of IP mapping techniques to restrict access to users from certain countries.

If it turns out that the intended audience (i.e., the effective places of receipt) is located in one, or maybe two or three countries, the law(s) of these countries can be applied. For the tortfeasor, this outcome cannot be said to be unforeseen. For the courts, it is still a laborious task—especially when foreign law has to be applied ex officio—but it is not practically impossible, as application of a large number of laws would be.

Courts could also take greater cognisance of the nature of the Internet when drafting their injunctions or determining the level of damages sustained (e.g., if an

618 Von Hinden 1999, p. 142.
619 Von Hinden 1999, p. 174 et seq. supports this ‘target audience’ approach for infringement of personality rights on the Internet.
621 For users of protected subject-matter, Bühler 1999, p. 410 argues that the lex protectionis (in the sense that the user can rely on his local law) should prevail because it makes the risks the user runs relatively predictable. Compare Pleiner 2001, p. 314, who seems, however, to assume that Internet users only download material, not post or fileshare it.
alleged infringer manages to exclude 90 per cent of users in a certain area from accessing his website, that would be sufficient). The realities of how the Internet works must not be disregarded.

Even though in many cases the search for places of use with an effective connection will result in the determination of a single (or couple of) governing law(s), there will always be cases where large numbers of places of use have an effective connection, e.g., the websites of international organisations, or of suppliers of information on the financial markets. The question is whether one should try to narrow down the number of connected countries any further, by considering their relative position.

Once it has been established that a country has an effective connection with the case at hand it would be odd to completely disregard the law of that country, for instance on the basis that only 200,000 persons have downloaded the allegedly infringing material or are expected to do so, whereas in another country the number is 500,000. If one were to select the law of the largest market, countries with smaller markets (due to numbers of inhabitants, language, culture) will find that the supply of information is influenced by the intellectual property standards of the larger markets. From the viewpoint of the degree to which a particular country is connected to an infringement case, this cannot be justified. It must therefore be accepted that users of protected subject-matter who direct their activities at a large number of countries, will have to abide by a large number of laws. Unfortunately, in practice this may mean that they will adhere to the strictest norms.

6.6 Conclusions

In this Chapter, it has been examined which conflict rules are appropriate for different issues in the areas of copyright and related rights. The point of departure was, for each issue, an enquiry into which of the four allocation principles used in contemporary choice of law is best suited.

An important, possibly still the predominant, approach to selecting the applicable law in an international case is to determine with which legal system the issue at hand has the closest connection from a factual-geographical point of view. For the existence, scope and duration of intellectual property some authors argue that the lex protectionis is the law most closely connected.

In my view however, application of the lex protectionis to existence, scope and duration (i.e., to the proprietary aspects of copyright and related rights) is better based on the functional allocation principle in its broad meaning. The rules of the Rome Convention 1980 which seek to determine the law most closely connected to a contract, are in principle well suited to copyright and related rights contracts. However, the liberal approach to party autonomy that characterises the
Rome Convention may not be adequate where the transfer of rights by the actual creator or performer is involved.

Conflict rules may also reflect policies that underlie the substantive law. Rules based on functional allocation in its narrow meaning and the favor principle, in particular, can be instruments to safeguard the protective streak that copyright and related rights law generally has towards the actual creators or performers (i.e., natural persons rather than legal persons).

6.6.1 Existence, Scope and Duration

The widely held view is that the lex protectionis, or law of the country for which protection is sought (Schutzland), is the appropriate conflict rule for copyright and related rights. Much more than from a centre-of-gravity analysis, this view stems from the conventional wisdom that intellectual property is territorial and from the duty that states have taken upon themselves to grant foreign works or foreign authors the same rights as nationals.

Even though there is much to be said against the traditional arguments (legislative sovereignty, intellectual property as an artificial construction granted by the state) for the lex protectionis, it is the proper conflict rule for issues of existence, scope and duration of intellectual property. Instead of describing the lex protectionis in terms derived from the Berne Convention’s Article 5(2)—which, as was argued earlier, does not contain conflict rules—it is preferable to describe the lex protectionis as the law of the country where an intellectual creation is used.

The reason why the lex protectionis should be regarded as the proper choice-of-law rule for existence, scope and duration lies primarily in the instrumental rationale of copyright and related rights law. Intellectual property laws each strike a balance between what is and what is not in the public domain, in an attempt to do justice both to the individual creators and to the interest of the community in an optimal climate for the production and dissemination of information goods and services. The interests of those who claim rights in information and those who wish to use it meet at the place where the use of information is made.

If the applicable law would be based on, for instance, the place where a work originated, or any other law that does not coincide with the place of use, the coherence of the local intellectual property system would be in danger of being shattered. The transborder use of information products and services has become so all-pervasive (e.g., the vast majority of PC’s that run on the same American operation system, worldwide news, etc.) that with respect to local use, foreign copyright and related rights norms would be applied not now and then, but systematically and in a large number of cases. To maintain the balance that has been struck locally, one needs to allow the lex protectionis to reign. The question of which intellectual property rights exist, for how long and what there scope is, should therefore be governed by the law of the place of use.
6.6.2 INITIAL OWNERSHIP

As regards the determination of initial ownership of copyright, it is in the interest of legal certainty and predictability, but also in accordance with the objective of copyright and related rights law—reward and the stimulation of the actual creators of information goods—that the law of the habitual residence (for natural persons) or the law of the principal place of business (for legal persons) of those who actually create the work, performance, etc., governs the question of who qualifies as the initial owner of copyright or related rights. In case of works or performances made by employees, accessory allocation of the initial ownership issue to the employment contract is to be preferred, with the proviso that the actual creators cannot be robbed of the protection that is afforded to them under the law of the place where they normally work.

In the case of collective works, common habitual residence, or a choice by the co-contributors determines initial ownership. In default of a party choice and lacking a common habitual residence, a semi-open conflict rule must be used to determine the country most closely connected. Possible factors to be considered are:

- the common habitual residence or principal place of business of the large majority of the co-contributors.
- the habitual residence or principal place of business of the initiators or primary contributors.
- the (principal) place of creation of the work.

6.6.3 TRANSFER OF COPYRIGHT AND RELATED RIGHTS

For contractual aspects of intellectual property, whether it be the assignment of rights or the granting of exploitation licences, party autonomy and the principle of the closest connection—including its characteristic performance criterion— are the predominant allocation principles used in the Rome Convention 1980. The Rome Convention covers contracts that pertain to the transfer or exploitation of intellectual property and its rules are in my view to a large extent adequate for intellectual property contracts.

Determining the applicable law on the basis of the characteristic performance criterion will often result in the application of the law of the country of the residence or the principal place of business of the transferor, i.e., the owner of the intellectual property. This is the case when the contract pertains to a simple transfer of rights, such as the assignment of copyright against payment of a lump-sum or royalties, or the granting of an (exclusive) licence without any obligation on the part of the licensee to exploit the intellectual property.
In cases where the assignee or licensee is the characteristic performer, the initial owner of copyright, if this is the actual creator or performer, should be able to invoke the mandatory provisions on transfer of the copyright and related rights law of his or her country of habitual residence. The reason is that—as has been defended for initial ownership—where it concerns a transfer of rights, the protection of actual creators and performers as the weaker party against intermediaries such as publishers is an important function of intellectual property law.

If parties have chosen the applicable law, the actual creator and performer should likewise be allowed to invoke the said provisions. Both exceptions are not currently provided for in the Rome Convention 1980. In effect, what is being proposed is a creator/performer oriented favour-restriction on the freedom of parties to choose the applicable law in the case of contracts in which the initial owner transfers rights, as well as a favour-oriented correction in the case of objective allocation.

Where the formal validity of a contract (assignment or licence) in which the creator or performer transfers rights of which he or she is the initial owner is concerned, the favo negotti of Article 9(1) and (2) Rome Convention 1980 should not be applied unreservedly. Rather, a favour-restriction for the benefit of the creator or performer is called for, who can thus invoke the provisions on formal validity of his or her own law. The same allocation is proposed for requirements of form that relate to the assignment of copyright or performer’s rights (i.e., proprietary aspects).

Where proprietary aspects of assignment of rights are concerned, such as the question of which rights are assignable, it is proposed that these issues are not subjected to the lex protectionis as the law applicable to substantive copyright, but that they be subjected instead to the law of the contract of assignment. This approach, although it does signify a major deviation from the traditional view, has various advantages.

An important advantage is that the characterisation problems that exist with respect to the nature of provisions on transfer, are avoided. It will no longer be necessary to determine whether a provision belongs to contract law or substantive intellectual property law, or to both, depending on the type of transfer involved.

Also, legal certainty and with it international transactions in intellectual property will be facilitated as the assignment of copyright and related rights is no longer subject to myriad laws but to a single governing law. At the same time, the protection that copyright and related rights law aims to provide to authors and performers in the local community is safeguarded by the application of functional allocation and the favour principle with respect to the transfer of rights, i.e., the area of intellectual property law which contains the most provisions that aim to protect the author and performer as the weaker party.
6.6.4 INFRINGEMENT

The classic rule by which a tort, such as a copyright infringement, is to be governed by the law of the place of the wrong, is perfectly suitable for intellectual property as long as the infringement can be localised in one place (a single locus tort). In that case, *lex loci delicti* and *lex protections* — as the law of the country where use is made of the intellectual creation — coincide. As soon however as the act of infringement acquires a cross-border dimension, the *lex loci delicti* becomes impracticable.

More importantly, the question of infringement, or more precisely: the question of which acts constitute copyright or related rights infringement, cannot be separated from the question of whether a copyright exists, for which duration and what its scope is. Since existence, scope and duration are subjected to the *lex protectionis*, so too must the question of what constitutes infringement. The justification for doing so lies in the preservation of the local balance that has been struck between the interests of information producers and the public’s interest in the promotion of the production and dissemination of information, while maintaining a meaningful public domain.

On that basis, there is no reason to also subject the legal consequences of infringement to the *lex protectionis*. These legal consequences include issues such as who is liable for infringement, the grounds for exemption from liability, any limitation of liability and any division of liability and the existence and kinds of injury or damage for which compensation may be due.

The legal consequences of the infringement can be governed by either the law chosen by the parties, or be subjected to the ‘common habitual residence’ rule. Under the latter, if the party with an interest in the copyright or related right and the tortfeasor (infringer) are habitually resident in the same country, or have their principal place of business there, the law of that country is applied.

In default of a party choice and if the common habitual residence rule does not apply, it must be established which country has the closest connection to the case. It is proposed that a semi-open conflict rule be used for this purpose. This rule would provide that the law of the country with the closest connection to the legal consequences of an act of infringement is applicable, subject to the following presumptions that the law of the country most closely connected is:

a) where there is one place of use, the law the country of the place of use.

b) where there are several places of use in different countries.
   - the law of the country in which the injured party (right owner) has his place of habitual residence or principal place of business, if that is also an effective place of use, or, if this is not the case:
   - the law of the country where the tortfeasor (user) has his habitual residence or principal place of business, if that is also an effective place of use.

In order to establish whether in a particular country an intellectual creation is effectively used, one should determine whether its inhabitants are a target
audience of a communication or act of making available. Factors to be considered are, *inter alia*:
- the use of access-controlling techniques such as passwords on websites, encryption of signals, or IP-mapping;
- the nature of the information offered (i.e., locally-oriented or not);
- the language in which the communication takes place.
The same criteria should be used to determine whether—for the purpose of establishing whether an act constitutes an infringement under the *lex protectionis*—the country of use has an effective connection to the case.

### 6.7 Effectuating Alternatives to the Lex Protectionis

Given the predominance of the *lex protectionis* as the conflict rule for copyright and related rights issues, this study has in a way assumed the character of an enquiry into alternatives to the *lex protectionis*. The question is how the alternatives elaborated above, both with regard to infringement, initial ownership and transfer, could be effectuated.

From Chapters 1 and 2 it may be clear that at the European level, two initiatives offer the opportunity for at least partial effectuation. The planned transformation of the Rome Convention on the Law Applicable to Contractual Obligations into a Regulation, provides a chance to incorporate some of the conflict rules that have been proposed in the area of transfer of intellectual property to the benefit of the creator and performer. Where infringement of copyright and related rights is concerned, the proposals in this area could be considered in the context of the proposed Rome II Regulation on the Law Applicable to Non-Contractual Obligations.

It has been elaborated above that the *lex protectionis* is the appropriate conflict rule for issues of existence, duration and scope of copyright and related rights. Since this view conforms to the law as it stands, no changes are required. That is different where initial ownership is concerned, as I propose not to subject the issue to the *lex protectionis*, but to a single governing law.

The most prudent solution would be to wait and see whether the trend in case-law to follow such a ‘single governing law’ approach develops further. It is doubtful however, that courts will, where actual creators and performers are concerned, apply the law of the place of the habitual residence of the creator or performer, instead of the law of the place of creation or that of the place of first publication/performance.
6.7.1 Preliminary Draft Rome II Regulation

Whether a particular act with respect to an intellectual creation is unlawful, is a question that cannot be viewed separately from the issue of whether intellectual property rights exists in the creation and what the scope of the rights is. Therefore, where infringement is concerned the lex protectionis should also govern the question of unlawfulness of the act.

This is a deviation of the normal choice-of-law rules for torts, which are based on the notion that in principle the unlawfulness of the act and its consequences are treated together. If one were to do so in case of infringement, however, an unnecessary measure of legal uncertainty for both right owners and users would be the result. The extent of their respective claims and liabilities would—especially in a digitally networked world—be governed by myriad laws. Rather than subjecting the legal consequences of an infringement to the lex protectionis, using the 'normal' conflict rules for torts is therefore to be preferred.

To achieve this separation between unlawfulness and consequences, the future Rome II regulation would have to allow for a deviation from the general rules on two points. First, the applicable law that the parties to an infringement are allowed to choose (Art. 11(1) Preliminary Draft Rome II regulation) should not govern the issue of unlawfulness of the act, but only the legal consequences. Second, the 'common habitual residence' rule (Art. 3(2) Preliminary Draft Rome II regulation) should not be applied to the issue of unlawfulness of the act either.

Two questions then remain. The first is whether the closest connection criterion of Article 3(1) and 3(3) yields a result that corresponds to the lex protectionis (for unlawfulness of the act). The second question is whether the closest connection criterion yields a result that corresponds to the solution I have offered for cases where there is not common habitual residence or parties have not made a choice (for legal consequences of the infringement).

As to the first question, the criterion of the closest connection in the draft Regulation is 'the law of the country in which the loss is sustained'. If there is only a single place of use, according to both the Draft Regulation and my proposal, the lex protectionis applies to the question of unlawfulness of the act.

In practice, especially where broadcasting and the Internet are concerned, there will often be several countries of use, i.e., more places where the loss is sustained. I have proposed that the unlawfulness of the act(s) should for each territory in which effective use occurs be judged by the local intellectual property law.

The general rules for torts in the Preliminary Draft Rome II Regulation do not really contain a solution in cases of loss sustained in multiple places. Article 3(3) provides a general exception to the application of the law of the common habitual residence of right owner and user, or of the place where loss is sustained (place of use). It provides that if there is no significant connection between the non-contractual obligation and the above mentioned countries and all circumstances
considered there is a substantially closer connection with another country, the law of that other country shall be applicable. It would seem to me that any country that qualifies as a place where effective use is made of an intellectual creation, has a significant connection within the meaning of Article 3(3).

As to the second question, where the legal consequences of the unlawful act are concerned, if there is one place of use only, my solution corresponds to the closest connection criterion of Article 3(1). If there are several places of use (i.e., where loss is sustained), the legal consequences of infringement should in my view be subject to the law of the habitual residence of the victim (right owner). This solution corresponds more or less to Article 7 of the Preliminary Draft Rome II regulation. For defamation and (other) infringements of personality rights, Article 7 provides that the applicable law is that of the country where the victim is habitually resident at the time of the tort or delict. It does not specifically require that the loss is (also) sustained in the victim’s country of habitual residence, but it is not unlikely that the drafters assumed that in the normal case the place of habitual residence of the injured party is also (one of) the place(s) where damage results.

6.7.2 REVISION OF THE ROME CONVENTION 1980

The Rome Convention in Article 9 lays down the favor negotii with respect to the formal validity of contracts or clauses therein. To accommodate the creator and performer oriented restriction on this favor negotii that I propose, a clause could be added to Article 9 with respect to contracts involving the transfer of intellectual property by actual creators or performers in their capacity as initial owners of copyright or related right. It would state that Article 9 paragraphs (1) and (2) apply to the formal validity of transfer clauses, notwithstanding the possibility for the creator or performer to invoke the mandatory provisions on form of the law of his or her habitual residence.

Where the law applicable to the contract is concerned, a new exception to the freedom of choice of parties could be introduced along the lines of Articles 5(2) for consumer contracts and 6(1) for employment contracts. Like consumers and employers, creators and performer could then benefit from the mandatory rules concerning the transfer of intellectual property that the law of their country of habitual residence prescribes.

A similar exception could be introduced for cases where the criteria of Article 4 for the determination of the closest connection do not lead to application of the law of the country of habitual residence of the creator or performer to the contract. Finally, where it concerns the material validity of the contract or any of its clauses that pertain to the transfer of rights, a favor-restriction could also be incorporated in a ‘Rome I’ Regulation.