THE LAW GOVERNING INTERNATIONAL INTELLECTUAL PROPERTY LICENSING AGREEMENTS (A CONFLICT OF LAWS ANALYSIS)

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Published in

Research Handbook on Intellectual Property Licensing
(edited by J. de Werra)

Cheltenham, Edward Elgar Publishing, 2013, pp. 312-336.

ISBN 978 1 84980 440 0

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The Law Governing International

Intellectual Property Licensing Agreements

(A Conflict of Laws Analysis)

Pedro A. DE MIGUEL ASENSIO*

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1. Introduction

As a result of the increasing internationalization of contracts relating to intellectual property (IP) rights it has become the norm that licenses involve a conflict of laws in circumstances that may raise complex issues concerning the applicable law.[1] The fact that IP license agreements are very diverse poses additional difficulties to the adoption and interpretation of Private International Law provisions in this area. Moreover, even the trend to draft very detailed contracts, including the use of model agreements, the incorporation by reference of certain rules or the use of standard terms and conditions do not exclude in

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[1] Zenhäusern, Urs (1), *Der internationale Lizenzvertrag*, Fribourg: Universitätsverlag [hereinafter Zenhäusern (1991); Hiestand, Martin (1993) *Die Anknüpfung internationaler Lizenzverträge*, Frankfurt: Peter Lang, [hereinafter Hiestand (1993)] ; De Miguel Asensio, Pedro Alberto (2000), *Contratos internacionales sobre propiedad industrial*, 2nd ed., Madrid: Civitas, , [hereinafter De Miguel Asensio (2000)]; and Ubertazzi, Benedetta (2008), 'La legge applicabile ai contratti di trasferimento di tecnologia', *Riv. dir ind*., **I**, pp. 118-150, [hereinafter Ubertazzi (2008].

practice the need to consider the conflict of laws implications of international IP licenses.

A careful and thorough drafting of international contracts may indeed provide significant legal certainty to the extent that it can lessen the role of the law applicable to the contract given the detailed content of the agreement. Also, the inclusion of a choice of law clause between the parties can prevent the difficult task of establishing the law applicable to the contract in the absence of choice. Moreover, a choice of forum (or an arbitration agreement) can exclude any doubts as to the available forum for litigation. Notwithstanding the aforementioned, the applicable law issues posed by international IP licenses involve other aspects whose practical relevance is not influenced to the same extent by the drafting of the relevant contract.

That is the case with regard to the scope of the law applicable to the IP rights that are the subject matter of the license. The territorial nature of these exclusive rights greatly influences the law applicable to them in sharp contrast to the content of the conflict of law rules on contracts. In this context the characterization of some issues relevant to IP licenses as either contractual or falling within the scope of application of the law that governs the IP right as such is key to determining the applicable law. An additional factor of complexity is that the globalization of commercial activity has increased the interest of right holders in exploiting IP rights simultaneously in many jurisdictions by means of multistate licenses. Since IP rights are exclusive rights with limited territorial scope, protection of the relevant subject matter for the territory of several countries presupposes the acquisition or recognition of parallel rights for each of the countries or territories covered by the contract. The fragmentation resulting from territoriality may eventually lead to the application of different national laws to the IP rights which are the subject matter of a multistate license.

Moreover, the public interests affected by IP licenses justify that overriding mandatory provisions may be of great importance when determining the application of certain rules to international licenses irrespective of the law applicable to the contract. In some legal systems the most detailed provisions on

certain IP contracts, such as transfer of technology agreements, belong to areas of the law whose norms have typically internationally mandatory character, as it is the case of antitrust laws. Also, as a result of the expansion of global digital networks it has become a common practice that consumers acting in the country of their own habitual residence conclude international contracts concerning the marketing of products including the licensing of IP rights in circumstances in which the applicability of specific conflict of laws rules and mandatory provisions protecting consumers as the weaker party may decisively influence its choice of law. Similar considerations may be relevant with respect to employment contracts to the extent that a creation or invention originates in the framework of a cross-border labour relation.

2. Characterization and scope of the law applicable to intellectual property rights

2.1. Industrial property rights

Conflict of law rules on contractual obligations are typically based on principles very different from those that inspire the conflict of law provisions on IP rights. From a comparative perspective it is widely accepted that the law applicable to the existence, validity and protection of industrial property rights is that of each country for which protection is sought or *lex loci protectionis*.[2] This criterion has been expressly adopted in a number of national legislations[3] and has also been traditionally applied in other systems in the absence of specific provisions. In EU legislation article 8 Regulation (EC) No 864/2007 (Rome II Regulation) establishes the *lex loci protectionis* criterion as mandatory with respect to the infringement of intellectual property rights.[4] Since the *lex loci protectionis* rule is

[2] Drexl, Josef (2010) 'Internationales Immaterialgüterrecht', *Münchener Kommentar zum Bürgerlichen Gesetzbuch*, 5th ed., Bd. 11, Munich: CH Beck, pp. 1437-1439.
[3] See, for example, article 110 Swiss PIL Act; § 34 Austrian PIL Act; articles 93 and 94 Belgian PIL Act; and article 54 Italian PIL Act.
[4] Regulation (EC) No 864/2007 of 17 June 2008 of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) (OJ L 199/40 31.7.2007); Boschiero, Nerina (2007)

based on the fact that one of the essential characteristics of industrial property rights is their limited territorial scope of protection, the traditional view is that the rule does not permit any exceptions. The widespread acceptance of the *lex loci protectionis* is related to the nature of industrial property rights that leaves States little room when establishing choice of law rules that meet the implications of territoriality and the principle of national treatment contained in international treaties such as the Paris Convention and the TRIPS Agreement. Therefore, the *lex loci protectionis* criterion determines the law applicable to the matters concerning the industrial property rights as such.

Given the existence of a specific rule on the law applicable to the subject matter of the contract, characterization becomes very important to determine the law applicable to international contracts relating to industrial property rights. Matters falling within the scope of application of the conflict of law rules on industrial property rights are governed by the law of the country of protection regardless of the law applicable to the contract that governs the contractual aspects of the transaction. With respect to industrial property licenses or transfers with a territorial scope covering more than one country, this leads to the application of the industrial property legislations of the several territories of protection covered by the contract with respect to the matters concerning the

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'Infringement of Intellectual Property Rights: A Commentary on Article 8 of the Rome II Regulation', *Yearbook PIL* **IX**, pp. 87-113; De Miguel Asensio, Pedro Alberto (2009) 'The Private International Law of Intellectual Property and of Unfair Commercial Practices: Coherence or Divergence?', Stefan Leible and Ansgar Ohly (eds.), *Intellectual Property and Private International Law*, Tubingen: Mohr Siebeck, pp. 137-190 [hereinafter De Miguel Asensio(2009), and Bariatti, Stefania (2010), 'The Law Applicable to the Infringement of IP Rights under the Rome II Regulation', S. Bariatti (ed.), *Litigating Intellectual Property Rights Disputes Cross-Border: EU Regulations, ALI Principles, CLIP Project*, Milan: CEDAM, pp. 63-88.

. The scope of application of Regulation 864/2007 and in particular of article 8 is limited to the non contractual obligations arising from an infringement of an IP right (Articles 1 and 8). The introduction of the *lex loci protectionis* in the Regulation leads in principle to the application of the same rule that usually applies to the IP right itself in national systems. However, the Regulation is not intended to cover all issues concerning IP rights. Article 8 comprises only some of the issues typically addressed by choice of law rules on IP rights in certain national legislations, such as article 34(1) Austrian PIL Act, article 10(4) Spanish Civil Code, article 110(1) Swiss PIL Act, Article 54 Italian PIL Act, and Article 93 Belgian PIL Act. Choice of law concerning issues such as initial ownership, registration, existence, validity, content, duration or transferability and effects against third parties of IP rights are not in principle covered by the unified rules.

rights as such. This fragmentation may in practice pose a significant burden on the parties.

Transferability of industrial property rights (including the issue of whether a license or transfer may be granted), conditions of validity of the transfer and license and issues concerning third party effects of these transactions - such as those related to their entry in public registries and the priority between transfers and licenses - are typically considered as elements inherent to the industrial property rights and hence falling within the scope of application of the conflict of law rule on the rights as such. Therefore these issues are governed by the respective law of protection regardless of the law applicable to the contract.[5] The law of protection is in this case the law of each country for which rights are licensed or transferred. The foregoing has very significant practical implications, since parties are not allowed to exclude the application to those issues of the respective *lex loci protectionis*. Application of the law of protection concerned to those questions remains unaffected by the choice between the parties of the law applicable to the contract.

By contrast, a contractual characterization prevails in particular with respect to the formation of the contract, its interpretation, its performance, the payment and royalties, the consequences of a breach of obligations, the ways of extinguishing obligations and the consequences of nullity of the contract. These are issues that typically fall within the scope of the law applicable to the contract as stated in article 12 Regulation (EC) No 593/2008 (Rome I Regulation).[6] The law applicable to the formal validity of the contract can be distinguished from the formalities or other requirements imposed as a prerequisite for the license of the

[5] De Miguel Asensio (2000), *supra* note 1 at 168-184; Metzger, Axel (2005), 'Transfer of Rights, License Agreements, and Conflict of Laws: Remarks on the Rome Convention of 1980 and the Current ALI Draft', Jürgen Basedow, Josef Drexl, Annette Kur and Axel Metzger (eds.), *Intellectual Property in the Conflict of Laws*, Tubingen, Mohr Siebeck, pp. 67-69[hereinafter Metzger (2005)]; Mankowski, Peter (2009), 'Contracts Relating to Intellectual or Industrial Property Rights under the Rome I Regulation', S. Leible and A. Ohly (eds.), *Intellectual Property and Private International Law*, Tubingen: Mohr Siebeck, pp. 42-47, [hereinafter Mankowski (2009)]; Nishitani, Yuko (2009), 'Contracts Concerning Intellectual Property Rights", in Franco Ferrari and Stefan Leible (eds.), *Rome I Regulation – The Law Applicable to Contractual Obligations in Europe*, Munich: Sellier, pp. 74-80, [hereinafter Nishtani (2009)]..

[6] Regulation (EC) No 593/2008 of 17 June 2008 on the law applicable to contractual obligations (Rome I) (L 177/6 4.7.2008).

industrial property rights; only the latter fall within the scope of application of the *lex loci protectionis.* However, the formal validity of a license is to be determined in accordance with the general provisions on the law applicable to the formal validity of contracts,[7] such as article 11 Rome I Regulation establishing that a contract is formally valid if it satisfies the formal requirements of the law which governs it in substance or of the law of the country where it is concluded.

2.2. Copyright and related rights

The need to distinguish between contractual issues and those falling within the scope of application of the law applicable to the exclusive right arises also in copyright licensing. Characterization between the relevant conflict of law rules leads to similar results to those already discussed, in particular the scope of the law applicable to the contract covers in principle the same issues mentioned in the discussion on contracts relating to industrial property rights. However, copyright licensing poses some additional challenges. Firstly, contracts are to a great extent influenced by the attributes of copyright and the content of substantive copyright law that protect authors by imposing significant restrictions to the freedom of contract. Secondly, it is noteworthy that from a comparative perspective choice of law provisions on certain copyright issues diverge to somewhat and hence the need may arise to determine the relevant connecting factor with respect to issues that cannot be characterized as contractual.

Characterization of transferability as an issue governed by the law applicable to the copyright itself has significant implications due to the fact that in most copyright legislations certain rights cannot be transferred or licensed. This is especially true for systems that recognize moral rights as inalienable rights which in principle cannot be waived. This is common in most continental European legislations, as well as in other systems in which the copyright regime includes certain restrictions to transferability aimed at protecting authors. At any rate, significant divergences are found in national legislations as to the possibility for

[7] Metzger (2005), *supra* note 5, at 64-65.

the author to waive his moral rights. These aspects have become very prominent in the context of the new models of licensing related to the Internet that allow for derivative works. For instance, the possibility of waiving moral rights and the potential scope of a waiver have been regarded as one of the most pressing questions for Creative Commons licenses.[8] These issues are determined by the scope of protection of moral rights under each copyright regime and hence fall within the scope of the choice of law rule on the copyright and as such cannot be characterized as contractual issues. Indeed the law applicable to the extent of moral rights and to determine if they are waivable by means of a license is the law applicable to each copyright and not the law applicable to the contract. As already noted this situation raises additional difficulties with respect to multistate licenses.

Furthermore, since limitations and exceptions to copyright are basic elements of the scope of protection of copyright that balance the different interests involved according to the policies of the respective copyright regime, these issues also fall within the scope of application of the conflict of law rule on copyright. The same rule also applies to the possibility of waiving those exceptions or limitations. This can be of great relevance to the position of certain licensees. All of the above mentioned issues are governed by the law applicable to the copyright itself.

The opposition between *lex loci protectionis* and *lex originis* which has become very relevant in the field of copyright is in practice limited to the choice of law rule on initial ownership or authorship.[9] In this vein, the idea that the law governing the original title or author of the works is divisible from the protection of the rights has obtained considerable acceptance. In contrast with the *lex loci protectionis* criterion, application of the *lex originis* favours a single location,[10] leading usually to the application of the law of the domicile of the creator or the

[8] Maracke, Catharina (2010), 'Creative Commons International. The International License Porting Project – Origins, Experiences, and Challenges', *JIPITEC*, **1**, p.7.
[9] Moura Vicente, Dário (2009), 'La propriété intellectuelle en droit international privé', *Recueil des cours*, 335 (2008), Leiden, Martinus Nijhoff, pp. 260-294.
[10] Schack, Haimo (2005), 'Internationally Mandatory Rules in Copyright Licensing Agreements', Jürgen Basedow, Josef Drexl, Annette Kur and Axel Metzger (eds.), *Intellectual Property in the Conflict of Laws*, Tubingen: Mohr Siebeck, p.115.

place of first publication. Although choice of law rules on copyright diverge to a considerable extent even within the EU, divergences are focused on the law applicable to the initial title or authorship seeing as it is widely accepted that the law applicable to the infringement and scope of protection of such rights is in general the *lex loci protectionis*.[11]

Also, in the field of copyright and related rights it is generally accepted that territoriality of exclusive rights leads to a system in which the *lex loci protectionis* is the basic conflict of law rule regarding scope of protection and infringement of rights, in accordance with the Berne Convention. Hence, the law applicable to the copyright itself that governs transferability, registration of contracts in public registries,[12] scope of protection, possibility of waiving moral rights, limitations and exceptions to copyright and the possibility to waive them is the law of the country for which protection is claimed. Whereas that with respect to contracts it is the law of the country for which rights are licensed or transferred.

3. Party autonomy

The basic principle that parties have the freedom to determine the law applicable to the contract is internationally acknowledged, although in some regimes certain restrictions apply as to the national laws that can be chosen and the scope of the choice. Parties to international license contracts should be advised to conclude an agreement choosing the law applicable to the contract. Such an agreement has

[11] A number of countries, such as Portugal, Greece and Romania follow, at least to certain extent, an approach based on the application of the law of the country of origin. Even though the relevant choice of law rules may be drafted in very broad terms, application of the law of origin is typically restricted to the issue of the initial entitlement or authorship. For instance, in Romania, although Article 60 PIL Act determines that copyright is governed by the law of origin, according to Article 62 the law applicable to infringements is the law of the place of infringement. Also in other countries in which a lex originis approach is followed by case-law, such as France, its application is also limited to the determination of initial entitlement or authorship of copyright. See De Miguel Asensio (2009), *supra* note 4 at 148-151, with references.

[12] See the decision of 28 May 2003 by the Tokyo High Court in the case of Salvador Dalí -Tokyo High Court 2000 (Ne) No. 4720, 1831 H.J. 136 [2006]- with respect to the applicability of Japanese law to a contract concerning the transfer of Japanese copyright between two Spanish parties, quoted by Kidana, Soichi (2009) 'Private International Law Principles on Intellectual Property (Recent Developments of Court Precedents in Japan and Current Characteristics)', *Japanese Yearbook of International Law*, **52**, 475-476.

great value as a source of legal certainty[13], especially because of the difficulties and uncertainties that appear when it is necessary to determine the applicable law in the absence of a choice of law. In the EU, article 3 Rome I Regulation codifies the principle of party autonomy in very broad terms, since it allows parties to choose the law of whatever country they agree even if it is a country that has no connection with the contract. Agreements to choose non-State bodies of law, such as the UNIDROIT Principles on international commercial contracts, are regarded as a mere incorporation by reference of the relevant rules into the contract and not as a choice of the law applicable to the contract which has to be a national legal system.

Furthermore, article 3 Rome I Regulation accepts not only express choice of law but also tacit choice, provided that it can be "clearly demonstrated by the terms of the contract or the circumstances of the case". In this connection, it is noteworthy that the Preamble to the Regulation states that by contrast to other regimes the inclusion in a contract of a choice of forum agreement is only one of the factors to be considered in determining whether a choice of law has been clearly demonstrated.

Although an important source of legal certainty, agreements between the parties choosing the law applicable to IP contracts cannot guarantee the application of a single law to the whole transaction. As already noted, relevant aspects such as transferability, the conditions of validity of the transfer or license and third party effects of these agreements shall be governed by the law applicable to the subject matter of the license. Hence, it is not the *lex contractus* but the *lex loci protectionis* (in principle as many different laws of protection as countries covered by the contract), the law applicable to all those issues governed by the law applicable to the IP right as such. Regulation of those issues remains independent from the *lex contractus* and in particular from a choice of law

[13] Torremans, Paul (2008), 'Licenses and Assignments of Intellectual Property Rights under the Rome I Regulation', *Journal of Private International Law*, **4**, p.420 [hereinafter Torremans (2008)].

agreement because of the mandatory nature of conflict of law rules on the law applicable to the IP right.

An additional factor of fragmentation and complexity in the treatment of contracts relating to IP rights that cannot be eliminated by reaching an agreement on the law applicable to the contract results from the importance of internationally mandatory provisions. Examples of such rules include provisions of antitrust or competition law, as well as certain restrictions on trade in dual-use technology. Hence, international license contracts may be subject to the application of certain internationally mandatory provisions of legal systems other than the law of the contract, as illustrated by article 9 Rome I Regulation on overriding mandatory provisions. Due to the interests involved, the application and effects of these provisions vary to a great extent.

In the framework of the Rome I Regulation it should also be noted that the principle of party autonomy is subject to certain restrictions and exceptions which may also be relevant to contracts relating to IP rights. In particular, with respect to certain consumer contracts Article 6 establishes that the application of the law chosen by the parties may not deprive the consumer of the protection afforded to him by provisions that cannot be derogated from by agreement by virtue of the law which, in the absence of choice, would have been applicable. A similar provision may be found for individual employment contracts in Article 8 Rome I Regulation.

4. Applicable law in the absence of choice

4.1. Typology of contracts and connecting factors

Contracts relating to IP rights are very diverse. Beyond simple licenses and transfers it is very common for these contracts to combine different subject matters, such as patents, trademarks, know-how etc. giving rise to so-called mixed agreements. All these agreements may combine a great diversity of clauses thus influencing decisively the rights and obligations of the parties. Business practice

has lead to the development of multiple types of contracts with very different structures as illustrated, for example, by the comparison between a typical license contract and reciprocal licenses. From an international perspective the territorial scope of these contracts also differs to a great extent as noted when comparing single state licenses to worldwide licenses. Additionally, IP licenses or transfers appear in agreements in different forms. Contracts such as distribution and franchising agreements usually include the licensing of certain IP rights. This is also common in certain engineering agreements or joint-venture deals. This diversity is one of the several factors which increase the difficulties that arise in the process of establishing the law applicable to IP contracts in the absence of choice by the parties.

Other relevant aspects include the uncertainty of applying the connecting factors used by the general conflict of law rules on contracts relating to IP.This is the case with some well-known connecting factors in the field such as those based on the place of performance of the contract, those which relate to residence of the party who is to execute the characteristic performance of the contract, or those founded on the closest connection to the contract. Even between the few countries that have enacted specific conflict of laws rules on the law applicable to IP contracts significant differences which illustrate the uncertainties in this area may be found. For instance, under article 122 of the 1987 Swiss Private International Law Act, the law applicable to contracts relating to IP rights shall be the law of the habitual residence of the transferor or licensor; by contrast, under paragraph 43(1) of the 1978 Austrian Private International Act (later replaced by the Rome Convention), those contracts were governed by the law of the protecting country or, in the case of contracts for more than one country, the law of the habitual residence of the transferee or licensee.

Flexible approaches based on the application of the law of the country with the closest connection to the relevant contract have achieved significant acceptance. However, in practice this may lead to uncertainty as a result of the need to consider the specific circumstances of the contract, the difficult task of assessing the different connections with the several countries involved and the

important degree of discretion awarded to the courts when determining the applicable law. Therefore, the mere recourse to the principle of proximity may, in this context, not guarantee an appropriate level of predictability with respect to the law applicable to the contract and consequently, can foster litigation between the parties regarding the law applicable. Under these circumstances reference to the characteristic performance doctrine has become a usual mechanism to provide additional legal certainty. However, the debate about the existence of a characteristic performance and eventually the determination of the party who is to effect the characteristic performance have been traditionally subject to great controversy with respect to contracts relating to IP rights. The evolution of the conflict of laws rules on contracts in the EU and the controversy surrounding the application of those rules to contracts relating to IP rights provide a unique framework in assessing the difficulties and challenges inherent to the use of the characteristic performance doctrine and the principle of proximity with respect to those contracts.

4.2. License agreements under the Rome I Regulation

The EU rules on the law applicable to contracts in the absence of a choice by the parties are now contained in article 4 Rome I Regulation which includes significant changes when compared with its predecessor (i.e.article 4 Rome Convention), in particular with respect to the role of the characteristic performance and the closest connection test.[14] Those changes were mainly aimed at increasing legal certainty in the law-finding process. Article 4 Rome I Regulation begins with a new provision in paragraph 1 establishing the law

[14] Discussing the law applicable to international contracts relating to IP in the framework of article 4 Rome I Regulation, Torremans (2008), *supra* note 13, at pp. 397-420; De Miguel Asensio, Pedro Alberto (2008) 'Applicable Law in the Absence of Choice to Contracts Relating to Intellectual or Industrial Property Rights', *Yearbook PIL*, **X**, pp. 199-219; Boschiero, Nerina (2009) 'I contratti relativi alla proprietà intellettuale alla luce della nuova disciplina comunitaria di conflitto. Analisi critica e comparatistica', N. Boschiero (coord.), *La nuova disciplina comunitaria della legge applicabile ai contratti (Roma I)*, Turín: G.Giappichelli Editore, pp. 463-538; Nishitani (2009), *supra* note 5, at pp. 51-84; Mankowski (2009), *supra* note 5, at pp. 31-78; and Stimmel, Ulrike (2010), 'Die Beurteilung von Lizenzverträgen unter der Rom I-Verordnung', *GRURInt*,, pp. 783-788.

applicable to certain categories of contracts by means of fixed and direct rules which may be disregarded only in exceptional circumstances. These rules establish fixed connecting factors that are considered to be the relevant elements in locating each group of contracts in the country where its centre of gravity is situated. Article 4 Rome I Regulation only requires identification of the characteristic performance to determine the governing law in those cases where the contract cannot be categorised as being one of the specified types listed in its paragraph 1 or where the elements of the contract fall within more than one of those types as provided for in paragraph 2. Furthermore, the escape clause contained in paragraph 3 of article 4 makes it clear that it is an exceptional device that is only to be applied in cases in which the contract is 'manifestly more closely connected with a country other than that indicated in paragraphs 1 or 2.'[15] Additionally, paragraphs 1 and 2 are not drafted as presumptions, although their rules may be disregarded when the conditions of application of the escape clause are met.

To the extent that a contract may be characterised as falling within one of the categories of article 4 paragraph 1, the existence of conflicting views about which is the characteristic performance in those contracts loses its previous significance. The categories of contracts listed in paragraph 1 include: sale of goods; contracts for the provision of services; contracts relating to a right *in rem* in immovable property or to a tenancy of immovable property; franchise contracts; distribution contracts; sale of goods by auction; and contracts concluded within regulated markets in financial instruments. The introduction of fixed rules to establish which is the governing law increases legal certainty especially with certain categories of contracts now listed in Article 4(1). This is the case with those contracts in which the determination of the characteristic performance is controversial such as distribution and franchise contracts.

Concerning the treatment of license contracts it is noteworthy that one of the categories of contracts listed in Article 4.1 of the Proposal of the Rome I

[15] In line with the restrictive interpretation of the escape clause of article 4(5) Rome Convention advocated by the Court of Justice in its judgment of 6 October 2009, C−133/08, *ICF*.

Regulation presented by the Commission in 2005[16] referred to contracts relating to intellectual or industrial property rights. According to Article 4.1(f) of the Proposal, those contracts should be governed by the law of the country in which the person who transfers or assigns the rights has his habitual residence. Such a provision was intended to establish a fixed criterion common to all contracts having as their main object the transfer or license of IP rights. The suppression during the legislative process of this provision was mainly due to the impossibility of finding a fixed rule capable of providing an adequate response to the diverse typology of IP contracts that have been developed in business practice.

However, several categories of contracts listed in Article 4(1) may be relevant when determining the law applicable to contracts having as their subject matter IP rights. In particular, franchise agreements are complex contracts which typically include in their object the licensing of certain exclusive rights (such as trademarks or copyrights) and know-how. The inclusion of a special rule on franchise contracts in Article 4.1(e) and the lack of a rule on IP contracts determine the applicability of the special provision to all franchise contracts, irrespective of the presence of IP rights in the object of the contract. Under the fixed rule of paragraph (e), the law applicable shall be that of the country where the franchisee has his habitual residence. Other types of contracts listed in Article 4.1 may in practice contain provisions relating to IP rights. In particular, distribution contracts may include trademark licenses. Inasmuch as an agreement falls within the category of a distribution contract in the terms of Article 4.1(f) Rome I Regulation, the criterion that the contract shall be governed by the law of the country where the distributor has his habitual residence applies irrespective of the presence of IP rights in its subject matter.

The possible classification of contracts relating to IP rights as contracts for the provision of services in the terms of article 4.1(b) Rome I Regulation deserves special attention. Under that rule, a contract for the provision of services shall be governed by the law of the country where the service provider has his habitual residence. The Preamble of the Rome I Regulation stresses that the concept of

[16] COM (2005) 650 final.

provision of services should be interpreted in the same way as when applying article 5.1(b) Regulation 44/2001.[17] In this vein, the Court of Justice in its judgment of 23 April 2009 in the *Falco* case[18] ruled that "a contract under which the owner of an intellectual property right grants its contractual partner the right to use that right in return for remuneration is not a contract for the provision of services". The basic idea that license agreements are not to be characterized as contracts for the provision of services for the purposes of article 4.1 Rome I Regulation should be combined with the fact that the typology of contracts relating to IP rights is so diverse that it could still encompass agreements that may be classified as contracts for the provision of services in the terms of article 5.1(b) Regulation 44/2001 and article 4.1(b) Rome I Regulation. This should be the case for agreements where the permission for use granted to the licensee by the owner of the IP right is functionally subordinated to the main obligation of one of the parties to provide certain services to the other party. For instance, it may be that a contract combines a patent license with the obligation of the licensor to provide technical assistance and train the licensee's personnel in a much broader technological area so that in fact the obligations relating to the patent license are economically and functionally less significant than the promise to provide services to the other party. Such characterization may also be appropriate for some categories of research and development agreements in which the researcher or developer is granted the right to use technology owned by the other party but the research or development obligations are envisaged as the main object of the contract. Notwithstanding the relevant differences as to the structure and contents of the agreements, the same result may be appropriate with respect to certain software development agreements. To the extent that the relevant contract may be classified as a contract for the provision of services under Article 4(1), the law applicable should be the law of the country where the service provider has his habitual residence.

[17] Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (OJ L 12/1 16.1.2001).
[18] Case C‑533/07, *Falco Privatstiftung*.

Certain categories of licenses may also fall simultaneously within both the category of contracts for the provision of services and the category of other types of contracts listed in article 4(1) of the Rome I Regulation. This may be the case with a so-called production and supply contract with respect to patented products. This kind of contract is characterized as a production license without a marketing and sales license within the framework of a supply contract. The licensee is obliged to produce certain products using the technology of the licensor and to supply the products to the licensor who in turn promises to buy all of the products made by the licensee who is not visible in the market as an independent supplier. Although such an agreement comprises a license in the framework of article 4(1) Rome I Regulation, it seems to fall in part within the contract for the sale of goods classification – regarding the obligation to supply the goods– and in part a contract for the provision of services – concerning the production of the goods by the licensee. Nevertheless, the fact that both paragraph (a) – sale of goods – and paragraph (b) – provision of services – of article 4.1 Rome I Regulation lead to the application of the law of the country of the habitual residence of the same party –the producer or supplier who is also the licensee– makes it possible to identify that party as the one who is to effect the characteristic performance in such a contract.

4.3. Characteristic performance

Under article 4.2 Rome I Regulation, when the contract is not covered by paragraph 1 or the elements of the contract are covered by more than one of points (a) to (h) of paragraph 1, the contract shall be governed by the law of the country where the party required to effect the characteristic performance of the contract has his habitual residence. Determination of the characteristic performance with respect to contracts relating to IP rights remains controversial due to the diversity and complexity of these contracts.

The prevailing opinion is that the party who is to effect the characteristic performance in a typical assignment or a transfer of rights contracts is the assignor

or transferor. This view seems to be in line with the main features of the characteristic performance doctrine as stated by its creators. Additionally, article 4 Rome Regulation has to be interpreted in such a way as to ensure the basic aim of the Regulation that the conflict of laws rules are highly predictable. Ceding the exclusive right to which the legal protection is bound is characteristic. It is also widely accepted that the characteristic performance in basic license contracts consists of the permission granted by the owner of the IP right (or know-how) in return for payment so that the characteristic performance is made by the licensor. With regards to authors' rights this criterion has the advantage of referring to the law of the country in which the author has his residence and hence leads typically to the application of the law of the country of residence of the party who is considered to be the weaker party. The rule according to which the licensor or transferor is the party who effects the characteristic performance has been countered by arguing that in most license agreements the licensee's obligations go far beyond the payment of money, and hence, the licensee is the characteristic performer. Usually licensor and licensee enter into additional obligations including but not limited to issues such as registration of the license, technical assistance, warranties and guarantees, obligation to use, infringement reports and actions, quality control, changes and improvements, sublicenses, supply of goods, marking, marketing and confidentiality. In this context, the view that, to the extent that the license is exclusive or the licensee assumes the obligation to exploit the subject matter of the contract (patent, trademark, know-how, copyright, etc.), the licensee is the party who effects the characteristic performance, has gained acceptance[19]

The idea that if the license is exclusive or the licensee is obliged to exploit the licensed rights, he should always be considered under article 4(2) Rome I Regulation as being the party who executes the characteristic performance raises significant difficulties.[20] For instance, the criterion based on the exclusive character of the license does not seem reliable and in certain cases it is not

[19] See Nishtani (2009) at p. 66, with further references.
[20] For a different approach, see Mankowski (2009),*supra* note 5, at 54.

possible to determine if a contract is exclusive without consulting the law of the contract. As for the obligation to exploit, it is noteworthy that the existence of such an obligation is basically linked to the way in which the price is determined. Such an obligation may or may not be included in the contract simply depending on the drafting of other clauses that may ensure the licensor a minimum payment regardless of the effective exploitation by the licensee. A significant disadvantage of making the law of the contract dependent on the obligation to exploit is that the governing law –the *lex contractus* but also in some situations the *lex loci protectionis* applicable to determine the transferability of the IP rights and the conditions under which a license can be granted– may be decisive in order to determine if such an obligation exists. Hence, that criterion may prove to be a source of uncertainty inasmuch as the law applicable to the contract depends on an issue that is to be decided under that law. Additionally, such a view seems to contradict the basic idea –stated, for instance, in the report to the 1980 Rome Convention[21]– that under the characteristic performance doctrine in a bilateral contract in which the main obligation of one party is to grant the right to make use of an item of property it is the grantor who effects the characteristic performance. Furthermore, although the traditional patent licensing contract refers to the permission given by the licensor to use or exploit the rights and the obligation not to assert infringement claims based on those rights against the licensee, the licensor usually has to provide the licensee every assistance in the exercise of the right to use he has provided. The licensor additionally usually has to provide guarantees as to the IP rights. This result also seems particularly clear in the case of agreements aimed at providing technical assistance to the licensee because they typically include obligations such as training of technicians and production counselling. Further, concerning know-how license agreements, the view of a mere waiver by the licensor of (unfair competition) claims is not appropriate due to the secret nature of the knowledge. Even if understood broadly as covering non-secret technology, these contracts focus on the transfer of technical

[21] "Rapport concernant la convention sur la loi applicable aux obligations contractuelles" (Mario Giulano and Paul Lagarde), *JOCE* 1980 C 282/1.

knowledge and skills because the licensee is not able to use the technology without assistance.

Notwithstanding the idea that the transferor or the licensor is in principle the party that effects the characteristic performance in a contract having as its main subject matter the assignment or license of an IP right, it is important to note that the typology of contracts relating to IP rights is very diverse. In practice, these contracts include categories of agreements in which the characteristic performance is accomplished by the other party, contracts in which no characteristic performance can be determined, and contracts that are manifestly more closely connected with a country other than that of the habitual residence of the transferor or licensor.

When making the determination of the characteristic performance, it may be that the licensing or even the transfer of rights is functionally subordinate to activities or obligations that the other party has to effect under the terms of the contract. Under those circumstances, typically it will be possible to establish that the other party is the characteristic performer. This may be the case with development contracts or production and supply contracts. As noted earlier in the framework of article 4(1) Rome I Regulation those contracts may qualify as contracts for the provision of services or supply of goods and as such may be covered by paragraph 1. This may also be the case with certain adaptation or translation agreements in which the author is the party who authorises the adaptation but the other party is the one who effects the characteristic performance. Additionally, in the case of publishing agreements under the relevant national provisions, they constitute a different type of contract from licensing contracts and have their own essential characteristics. The publishing house organizes the reproduction and distribution of the work. Usually, the publisher is the only party acting in the course of his trade or profession and his performances are the most relevant when considering the function which the legal relationship involved fulfils in the economic and social life of any country. In typical situations, the performance of the publisher is the economic purpose of the contract. Therefore, it seems reasonable to conclude that under those

circumstances the publisher is the executing party of the characteristic performance[22].

Furthermore, given the complex nature of certain agreements the best way to avoid arbitrary or forced solutions is to accept the limitations of the characteristic performance doctrine. Indeed, in very complex contracts whose structure and content have little in common with typical transfer or license agreements, it seems appropriate to conclude that it is not possible to determine the party who is to effect the characteristic performance. This may be the case, for instance, in certain agreements which are common in the software industry, such as joint development agreements or developer-publisher license agreements involving close cooperation between the developer and the publisher even before the development begins.

4.4. Closest connection

The closest connection test is the basic approach in many systems concerning the determination of the law applicable to contracts in the absence of a choice by the parties. Within the framework of the Rome I Regulation, article 4(3) provides that the law indicated in Article 4 paragraphs 1 and 2 shall not apply if the contract manifestly exhibits a closer connection with another country. Although the functioning of the escape clause requires restraint to ensure reasonable certainty, such a clause may be relevant in an important number of situations concerning contracts relating to IP rights.

With a view to determining if such a manifest closer connection exists, a relevant factor is the existence of a very close relationship of the contract in question with another contract or contracts, as stated in the Preamble to the Rome I Regulation (paragraph 20). This element may be relevant in situations where

[22] Josselin-Gall, Muriel (1995) *Les contrats d'exploitation du droit de propriété littéraire et artistique*, Paris, GLN Joly núms. 310 et seq; Obergfell, Eva. Inés, (2004), 'Verlags- und Filmverträge', in Christoph Reithmann and Dieter Martiny (Hrsg.), *Internationales Vertragsrecht*, 6th ed., Köln: Otto Schmidt, pp. 1294-1297.

international transfer or license of IP rights are a part of a broader and more complex project arranged through a number of contracts. For instance, it may be that a license agreement appears as functionally subordinate or accessory to the main agreement that covers the central aspects of the cooperation project, such as a joint-venture. Under those circumstances, it is possible that there are good practical reasons to appreciate that a manifest closer connection exists with the law applicable to the other contract(s) concerning the project and hence to decide that the various contracts arising out of the project are to be governed by the law of the same country, provided that a choice of law has not been made by the parties in the license agreement.

With respect to agreements whose main object is the transfer or license of an IP right, it should be noted that the specific nature of their subject matter may decisively affect the existence of special links between the contract and a given country. The view that a contract whose object is IP rights of a given country is clearly most closely connected with that country (country of protection) has found significant acceptance. These exclusive rights are limited to specific territories and to the extent that a contract only refers to the rights of a single country, it is certain that most facts and activities relevant to the performance of the contract shall always take place in the country of protection. The scope and effects of those rights are limited to the territory of the state that grants them, and hence, they can only be exploited within the country of protection. The performance of the contract requires that both parties perform continuous obligations in that territory.

Additionally, the law of protection, as a result of the mandatory conflict of law rules on IP rights, shall govern certain issues relevant to the contract regardless of the law of the contract. As already noted, those issues usually cover, in particular: the existence, validity, duration, scope and contents of the exclusive rights; whether and under what conditions a right may be transferred; the conditions under which licenses can be granted and whether and under what conditions a transfer or license is effective against third parties. Given that a breach of contract may take the licensee's activity into the area of infringement, there is significant interplay between the law of the contract and the law

applicable to non-contractual obligations. Furthermore, because the main obligations arising out of the contract have to be performed in the country of protection, overriding mandatory provisions of that country such as antitrust laws are normally applicable to the contract due to its close connection with that country. In the case of agreements on copyright, specific rules establishing limits on transferability and the extent and conditions of transfers and licenses are an important part of national copyright legislation aimed at protecting the author as the weaker party in typical contractual situations. Such provisions usually fall under the scope of application of the *lex loci protectionis* as a result of the conflict of law rules on IP rights and therefore apply regardless of the law applicable to the contract. That approach ensures the protection of authors in international contracts. Given this situation, it can be concluded that the contract is to a great extent integrated in the sphere of the country of protection[23]. Although this approach leads to different solutions for one-country and multicountry license agreements, such diverse treatment seems reasonable to the extent that only in the case of one-country IP contracts a manifest more closely connection with the sole country of protection can typically be established.

Article 4(4) Rome I Regulation provides the formula to determine the law of the contract in the absence of choice, where the applicable law cannot be determined under Article 4(1) of the Regulation, since the contract cannot be categorised as one of the specified types nor under paragraph 2 because it is not possible to determine the country of habitual residence of the party required to effect the characteristic performance. In these situations the governing law shall be the law of the country with which the contract is most closely connected. Such situations may be frequent with respect to contracts relating to IP rights to the

[23] The idea that transfer and license contracts whose subject matter is IP rights of only one country are manifestly more closely connected with the country of protection may to a certain extent be founded on the same rationale as the special rule on contracts to a right *in rem* in immovable property or to a tenancy of immovable property of article 4(1)(c) Rome I Regulation, that is based on the idea that, given its subject matter, the centre of gravity of those contracts is located in that country. A clearly closest connection with the sole country of protection cannot be established under Article 4(3) in situations where the contract has special links with another country. For instance, this may be the case when licensor and licensee have their common habitual residence in a country other than the country of protection of the licensed rights.

extent that in some of these contracts the characteristic performance may be impossible to determine.

That is the case with so-called reciprocal agreements or license exchange contracts. These agreements are usually concluded between parties who mutually waive their industrial property rights because they cannot perform their activities without infringing on each other's rights. Therefore, the two parties grant each other a license; usually, these licenses concern similar IP rights. It is thus impossible to single out the main performance of one of the parties as characteristic. Additionally, transfer and licenses of IP rights take place many times as part of the subject matter of a complex agreement that combines in a single contract a bundle of rights and obligations typical of different categories of contracts. This may be the case in certain cooperation contracts. As noted earlier, in complex contracts whose structure and content has little in common with typical transfer or license agreements, it is usually not possible to determine the party who is to effect the characteristic performance.

To establish the country with the closest relationship to the contract a wide range of factors must be taken into consideration. The ideas on which article 4 paragraphs 1 and 2 are based should play a significant role since they include the relevant elements indicating the centre of gravity of certain international contracts. Therefore, the most significant factors include the place of residence or business of the parties and their nationality, which may be decisive if both are residents of the same country or are of the same nationality. It may also be very important to consider the subject-matter of the contract and the place of performance in order to establish if the contract is more integrated in the social and economic sphere of one country. These factors may be decisive if the contract only covers IP rights of one country or if it possible to determine a so-called primary country of protection. Other relevant factors to be considered include the structure and content of the contract, the place where the negotiations have been held and the location of contracting.

4.5. Model provisions and future perspectives

The last decade has witnessed the development of academic projects in different regions of the world focusing on the Private International Law aspects of IP with a view to developing internationally accepted rules on jurisdiction, choice of law and enforcement of judgments and to enabling a more efficient adjudication of IP disputes. These projects have gained significant influence in academic circles, law reform debates and even judicial practice in this area. The first project to be completed was developed in the framework of the American Law Institute. The ALI Principles Governing Jurisdiction, Choice of Law and Judgments in Intellectual Property in Transnational Disputes were published in August 2008 as a set of non-binding Principles which can be helpful to the courts, the practitioners and the scholars and may be used as a model for legislators.[24] On the other side of the Atlantic a group of scholars known as CLIP was established in 2004 by the Max Planck Institutes for Intellectual Property (Munich) and Private International Law (Hamburg) with the primary goal of drafting a set of principles on international jurisdiction, applicable law and recognition and enforcement in the field of IP.[25] The final text of the CLIP Principles was published on 1 December 2011, after three preliminary drafts and a draft .[26]

Other sets of model provisions covering international jurisdiction, applicable law and recognition and enforcement of judgments in IP litigation have been developed in Asia. One such groups is the Transparency of Japanese Law

[24] Dessemontet, François (2005) 'A European Point of View on the ALI Principles – Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes', *Brook. J. Int'l L.*, **30,** 849.

[25] The Group is called European Max Planck Group for Conflict of Laws in Intellectual Property (CLIP) *http://www.cl-ip.eu*, see Basedow, Jürgen, Kono, Toshiyuki and Metzger, Axel (eds.) (2010), *Intellectual Property in the Global Arena - Jurisdiction, Applicable Law, and the Recognition of Judgments in Europe, Japan and the US*, Tubingen: Mohr Siebeck, [hereinafter Basedow, Kono and Metzger (eds.) (2010).; and Kur, Annette and Ubertazzi, Benedetta (2010), 'The ALI Principles and the CLIP Project – a Comparison', in Stefania Bariatti (ed.), *Litigating Intellectual Property Rights Disputes Cross-Border: EU Regulations, ALI Principles, CLIP Project*, Milan:CEDAM, pp. 89-147. The author is member of CLIP.

[26] The text is available under <*http://www.cl-ip.eu*>. The CLIP Principles are intended to serve as a model for legislators, to be used to interpret or supplement international and domestic law, and to assist parties in shaping their contractual and extra-contractual dealings including the resolution of disputes.

Project.[27] Also in Japan, the "Principles on Private International Law on Intellectual Property" drafted in the framework of the Waseda University Global-COE Project of 2008[28] should be mentioned. Furthermore, the Korean Private International Association (KOPILA) approved on 26 March 2010 a set of "Principles on International Intellectual Property Litigation".

All of these projects include specific provisions on the law applicable to IP contracts in the absence of choice by the parties. Because of the uncertainties and complexity surrounding this issue from an international perspective, reference to the approaches adopted in these proposals seem to be of special interest for a prospective analysis on the potential evolution of this area of the law in a comparative setting. A common feature of these projects is that they all base their provisions on applicable law to IP contracts on the closest connection test, as expressly acknowledged in § 315(2) ALI Principles, article 3:502(1) CLIP Principles, article 306(3) Transparency Proposal, article 20.2 Waseda Principles and article 23.1 Kopila Principles. Notwithstanding this common approach, the proposals vary widely.

For example, under § 315(2) ALI Principles it is presumed that the contract is most closely connected "to the State in which the assignor or the licensor resided at the time of the execution of the contract". A similar proposal may be found in article 20 Waseda Principles, that provides additional indications as to the factors to be considered in order to determine if the contract has a closer connection with another law: the obligations of the parties to use the IP rights; the relationship between the place of use of the IP right and the party's habitual residence or place of business; and the nature of the license. By contrast, in accordance with article 23.1 Kopila Principles "The law of the State of the habitual residence of the assignee, security holder, or licensee is presumed to be the law of the State with the closest connection". Furthermore, under article

[27] The "Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property" (October, 2009) may be found in Basedow, Kono and Metzger (eds.) (2010), *supra* note 23, at 394-402.
[28] The Principles may be found in *The Quarterly Review of Corporation Law and Society*, 2009, pp. 250-257.

306(2) Japanese Transparency Principles the closest connection test leads to the application of the law of the country granting the right provided that the subject matter of the contract includes IP rights of only one country. If the subject matter of the contract encompasses IP rights of more than one country, the Transparency Proposal establishes that the law of the contract will be the law of the place of the habitual residence of the right holder, provided that there is no other country with a closer connection.

The approach adopted by the CLIP Group and the content of its proposal in this field have evolved significantly from its First Preliminary Draft of April 2009 to the final text of 1 December 2011. The result is a highly developed and balanced model. The basic principle remains that in the absence of a choice of law the contract shall be governed by the law of the State with which the contract is most closely connected. For contracts having as their main object the creation of protectable subject matter or the transfer or license of IP rights, 3:502(2) CLIP Principles provides that, depending on the circumstances, either the state of the habitual residence of the licensor or transferor or the state of the habitual residence of the licensee or transferee is most closely connected to the contract. This provision contains two lists of factors that should be considered by the courts under the relevant circumstances when determining the country with the closest connection to the contract in the absence of a choice of law. The catalogue of factors tending to the law of the State in which the transferee or licensee has its habitual residence at the time of conclusion of the contract are: the contract concerns IP property rights granted for the State of the transferee's or licensee's habitual residence or place of business; the transferee or licensee has the explicit or implicit duty to exploit the right; the royalties or other form of money consideration is expressed as a percentage of the sales price; and the licensee or transferee has a duty to report about his efforts to exploit the rights. The factors listed as tending to the law of the State in which the creator, transferor or licensor has its habitual residence at the time of conclusion of the contract include: the contract concerns IP rights granted for the State of the transferor's or licensor's habitual residence or place of business; the transferee or licensee has no other

explicit or implicit duty but to pay a flat sum as money consideration; the license is for a single use; and the creator of the protectable subject matter has the duty to create that matter.

Additionally, if after analysing the contract in the light of those factors no clear decision can be made as to the closest connection to the contract, article 3:502 CLIP Principles provides that for contracts concerning IP right for only one country, it shall be presumed that the contract is most closely connected with that country. If the transfer or license concerns IP rights for multiple States, under the CLIP Principles it is presumed that the State with which the contract is most closely connected shall be the State in which the creator, transferor or licensor has its habitual residence at the time of conclusion of the contract. These presumptions apply only to those situations in which the lists of factors included in 3:502(2) do not provide a clear outcome as to the country with the closest connection.

5. Overriding mandatory provisions

With regard to certain categories of contracts relating to IP rights the application of overriding mandatory provisions becomes of great importance, since among the regulations covering these contracts some are aimed at safeguarding certain public or social interests in circumstances that affect their application to international contracts, prevailing over the law applicable to the contract. In the terms of article 9.1 Rome I Regulation: "Overriding mandatory provisions are provisions the respect for which is regarded as crucial by a country for safeguarding its public interests, such as its political, social or economic organisation, to such an extent that they are applicable to any situation falling within their scope, irrespective of the law otherwise applicable to the contract under this Regulation". Therefore, to the extent that the contract falls under the scope of application of the overriding mandatory provisions of the law of the forum these provisions prevail over the law of the contract. Moreover, under certain circumstances overriding mandatory provisions of third countries may also prevail over the law of the contract, as

established in article 9.3 Rome I Regulation. Application or recourse to such provisions of legal systems connected to the contract may be necessary to reach an appropriate balance of the interests involved given the freedom of the parties under the Rome I Regulation to choose as the law of the contract the law of the country they prefer even if such a country has no connection with the relevant contract.

Among the norms that may be characterized as overriding mandatory provisions and are of special relevance for the regulation of contracts related to IP rights, are antitrust law and laws restricting trade in technology are included. Application of antitrust law offers a good example of how the scope of application of these overriding mandatory provisions is not related to the law applicable to the contract. Antitrust law prohibitions on certain agreements or contractual clauses between undertakings may result in the agreement or clause being automatically void (as established in article 101.2 Treaty on the Functioning of the European Union). Antitrust regulations in this area are of special interest due to the possible anti-competitive consequences resulting from restrictions contained in technology transfer agreements[29] and other contracts including provisions on use of IP rights such as certain distribution agreements[30]. Such prohibitions may apply to international contracts regardless of the law applicable to the contract, because the interests involved in antitrust law demand that the law applicable concerning antitrust prohibitions is the law of the country where the market is, or is likely to be, affected by the relevant contract that in practice tends to be the law of each country for which rights are licensed or transferred. Therefore, with regard to international contracts that relate to the license or transfer of IP rights in several countries, application of the antitrust provisions of the affected markets may lead to an additional fragmentation. Moreover, the specific provisions establishing restrictions on trade of dual-use goods and technologies, such as the EU Regulation establishing a common regime for the control of exports and transfer

[29] See Regulation (EC) No 772/2004 of 27 April 2004 on the application of Article 81(3) of the Treaty to categories of technology transfer agreements (OJ L 123/11 27.4.2004).
[30] See Regulation (EU) No 330/2010 of 20 April 2010 on the application of Article 101(3) of the TFEU to categories of vertical agreements and concerted practices (OJ L 102/1 23.4.2010).

of dual-use items including software and technology[31] also offer a good example of overriding mandatory provisions that apply regardless of the law of the contract to contracts having certain connections with the EU. For instance, provisions of competition law are in principle applicable to contracts producing substantial effects within the EU.

Beyond antitrust law and regulations restricting international trade in technology, mandatory norms are common in other areas of the law that may also affect contracts relating to IP rights, including certain provisions protecting franchisees. In the framework of Article 9 Rome I Regulation it has become especially controversial if certain mandatory norms which may be aimed, among other social goals, at protecting a weaker party are covered by the definition of overriding mandatory provisions contained in article 9.1. Although the reference in the definition to the safeguarding of public interests may be invoked to limit the concept of overriding mandatory provisions in line with the restrictive German concept of *Eingriffsnormen*, the foundations of article 7 Rome Convention as predecessor of Article 9 Rome I Regulation, the origin of the definition used in article 9 that is to be found in the *Arblade* decision of the Court of Justice dealing with the protection of employees[32] and the subsequent case law concerning the protection of agents[33] and consumers[34] may be invoked in favour of a broader interpretation of the term overriding mandatory provisions so that it shall encompass provisions that may protect a weaker party. Such an interpretation can also be considered as crucial by a country for safeguarding its political, social or economic organisation in the terms of article 9.1 Rome I Regulation. This debate may be of interest with respect to the application of certain mandatory provisions relevant to international contracts relating to IP rights, such as rules on the protection of authors, consumers or even other parties such as employees, agents or distributors.

[31] See Regulation (EC) No 428/2009 of 5 May 2009 setting up a Community regime for the control of exports, transfer, brokering and transit of dual-use items (OJ L 134/1 29.5.2009).
[32] Judgment of 23 November 1999, C-369/96 and C-376/96, *Arblade*.
[33] Judgment of 9 November 2000, C-381/98, *Ingmar*.
[34] Judgments of 26 October 2006, C-168/05, *Mostaza Claro*; and 6 October 2009, C-40/08, *Asturcom*.

However, as far as provisions of copyright law protecting authors that restrict copyright transfers or licenses are concerned, the debate on the scope of the definition of overriding mandatory provisions in article 9.1 Rome I Regulation seems to be of a lesser relevance. As noted above, the prevailing criterion is that the mandatory application of such provisions to international contracts results typically from the characterization of the rules on transferability and the copyright provisions that impose certain restrictions to contracts as rules governed by the law applicable to the IP right as such. Additionally, with respect to the protection of consumers and employees in international contracts, it is noteworthy that specific conflict of laws provisions have been adopted in articles 6 and 8 Rome I Regulation which restrict the practical significance of the specific article on overriding mandatory provisions.

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