

CHOICE OF LAW IN COPYRIGHT  
AND RELATED RIGHTS

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CHOICE OF LAW IN COPYRIGHT  
AND RELATED RIGHTS

Alternatives to the Lex Protectionis

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*Aan H.*



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# Chapter 1

## Introduction

### 1.1 Conflict of Laws Concerns in Intellectual Property

As Ricketson put it in his 1987 standard work on the 1886 Berne Convention for the protection of literary and artistic works: ‘words, sounds and pictures, like birds, fly over frontiers with the greatest ease’.<sup>1</sup> This observation was made when mobile telecommunication networks were accessible for just a happy few, when (commercial) satellite broadcasting was still in its infancy except in the US and when the Internet was primarily an affair of science communities.

These global communications networks have accelerated the growth of the production and cross-border distribution of information goods and services. Information and communication technology has also enabled the copying of ‘content’ –whether protected by intellectual property rights or not– on a previously unknown scale.

Although the volume and certainly the value of the current production and use of intellectual creations dwarfs the output in pre-electronic days, the exploitation of foreign works was, then as it is now, substantial and often quick.

The practices of Belgian publishers are a telling example of the liveliness of the European book trade in the 19th century. Despite (or more likely because of) the fact that they were widely criticised for pirating French works, Belgian printers are said to have wagered French publishers that they would have a pirate edition on sale before the French original was even printed.<sup>2</sup>

In the early 19th century, Dutch printers and publishers produced more translations of foreign titles than original local works.<sup>3</sup> Under Dutch law, authors of works that were first published abroad had no exclusive right to authorise translation of their work. Rather, a publisher could acquire the exclusive translation right on condition that he publicly announced his intention to market a translation and had a copy of the foreign work certified by the municipal

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1 Ricketson 1987, p. 590.

2 Kruseman 1886, pp. 534–536.

3 Kruseman 1889, pp. 375–391.

authorities. Competition was fierce and (would-be) publishers routinely resorted to artful schemes to be the first to obtain translation rights.

The successful French author Eugène Sue regularly sold the translation rights to his novels for various languages. Following the 1848 publication of *The Seven Capital Sins* (*Les sept péchés capitaux*), five Dutch parties laid claim to the translation rights for a Dutch edition. One publisher had a copy of the German translation (which had been published in Germany one day before the French original) certified. Another asserted the translation right was his since he had published a reprint of the French original in Holland. A third party claimed to have acquired the rights from the French publisher, while a fourth maintained he had paid the author himself for the translation rights. The claim of contestant number five appears to have been wholly frivolous. Amsterdam District Court eventually ruled that the publisher who had registered the German translation had acquired the exclusive right to translate the book into Dutch.<sup>4</sup>

The cross-border use of copyrighted works was one of the reasons why, from the middle of the 19th century onwards, states increasingly concluded treaties on the mutual protection of authors. Bilateral treaties have since given way to widely accepted multilateral agreements on the protection of authors (i.e., copyright) as well as performers, broadcasting organisations and record producers (i.e., related or neighbouring rights).

What is exceptional is that the treaty that is still the core instrument in international copyright today –the Berne Convention for the protection of literary and artistic works of 1886– was conceived at a time when modern copyright was not the well-defined, integral part of private law that it is today. Despite considerable differences of opinion on the nature, objectives and legal construction of copyright –not just within but also between legal communities– international agreement was reached. Since then copyright and related rights have evolved. The Berne Convention has been revised various times and has been supplemented by various treaties.

The focus of the international copyright community on substantive intellectual property law and the conventional wisdom that intellectual property law is territorial, have for a long time caused a somewhat disinterested attitude towards the conflicts of laws. As Wadlow observes: ‘what is remarkable about intellectual property law is that to all intents and purposes it has simply been assumed to have been outside the scope of private international law altogether...’<sup>5</sup>

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4 Kruseman 1886, pp. 335 et seq.

5 Wadlow 1998, p. 10. Where the US is concerned, Dinwoodie supposed that the (previous) lack of interest of conflicts law scholars in intellectual property law and vice versa is due in part to the fact that the focus of conflict of laws in the US is on interstate relations, whereas copyright law is federal (Dinwoodie 2001a, p. 433).

## INTRODUCTION

Despite continuous efforts which boil down to the harmonisation of domestic copyright and related rights law, differences in substantive law remain. Given these differences, the rules of private international law still have to be called upon to resolve questions involving ownership and the transfer of rights, the duration of copyright, the applicability of exemptions, etc.<sup>6</sup>

Private international law or the conflict of laws addresses three issues.<sup>7</sup> The first concerns *jurisdiction*: which national courts are qualified to adjudicate a case with foreign elements? To return to the example of the *Seven Capital Sins* case (above): should the disputes over who is the rightful owner of the translation right be adjudicated by a Dutch, French or maybe even German court? A pet example of jurisdiction problems in intellectual property cases is the posting of allegedly infringing materials on a website. Does the fact that a website may be accessed from anywhere in the world mean that any court anywhere has jurisdiction over the infringement claim?

The second issue and primary subject of this study, is *choice of law*. It addresses the question of which country's (substantive) law applies to the dispute or matter at hand. For example, if a German scientist, who has published an article in a London (UK) based journal that is distributed world-wide, feels his moral rights have been infringed by the editors, should the question of whether there is such an infringement be judged under German, English or some other law? Or, in the above case of the *Seven Capital Sins*, if Mr Sue claims he has sole authority to license translation rights, should this claim be tested against Dutch, French, German or some other law?

The third element of private international law concerns *the recognition and enforcement of foreign decisions*. Once a ruling has been handed down, say one in which the German scientist has been awarded damages for infringement of his moral rights, under which circumstances can this decision be enforced outside the forum state?

In the ambit of the Hague Conference for private international law, work on a convention that addresses both jurisdiction and enforcement in civil and

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6 There are those who doubt that agreement on conflict rules is attainable, and who see unification of substantive copyright law as the only way forward, e.g., Sterling 2002, pp. 281-282.

7 In Germany jurisdiction and recognition/enforcement of foreign judgments are called *Internationales Zivilprozeßrecht* or *Internationales Verfahrensrecht*. The term *internationales Privatrecht* is used to indicate choice of law only (also named *Kollisionsrecht*). In French law, *droit international privé* is a very broad term which comprises not only choice of law (*conflit des lois*), jurisdiction (*conflits des juridictions*) and the recognition and enforcement of foreign judgments (*jugements étrangers*), but also the law of nationality and the law of aliens (*condition des étrangers*). In the Netherlands, *internationaal privaatrecht* is the general term that comprises jurisdiction (*rechtsmacht*), choice of law (*toepasselijk recht* or *conflictenrecht*) and recognition and enforcement of foreign judgments (*erkenning en tenuitvoerlegging* or *executie*).

commercial matters is in progress. Intellectual property has turned out to be one of the most difficult matters to reach an agreement on.<sup>8</sup> Since this study deals with choice of law in copyright and related rights, issues of jurisdiction and enforcement of foreign decisions will only be touched upon.<sup>9</sup>

## 1.2 Subject-matter and Scope of this Study

This study concerns choice of law for copyright and related rights, or put differently: the question of which domestic copyright or related rights law governs a case with international elements.

### 1.2.1 CENTRAL RESEARCH QUESTION

For a long time, the international copyright and related rights system, with its provisions that guarantee foreigners a minimum level of protection and the obligation for contracting states not to discriminate against foreign owners of intellectual property (national treatment principle), seemed to provide a straightforward answer to the question of which state's law applies in an international case.

Infringements of copyright were only actionable as 'delicts', to which the courts applied their local law. The perceived territorial nature of intellectual property, combined with the national treatment principle, seemed to justify that questions such as whether exclusive rights existed in an intellectual creation, for how long, for whose benefit and with what scope, were governed by the law of the country where protection was wished for (the *Schutzland*). Thus the law of the *Schutzland* or *lex protectionis*, soon came to dominate the issue of applicable law in international copyright and related rights.

Like copyright and related rights, private international law is subject to continuous change. Its methods have been revised and more and more special conflict rules have developed for different areas of private law. For most of the 20th century, these developments in choice of law seem to have been more or less

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8 Lack of consensus on intellectual property issues was an important reason why the Diplomatic Conference of 2001 ended in failure. See: Hague Conference 2001 and 2002.

9 According to Austin 2000, pp. 594–595, private international law concerns in the area of intellectual property have focused on enforcement (both as regards jurisdiction and the execution of foreign judgments) rather than the applicable law. On enforcement see among others Fentiman 1999; Geller 1996; Ginsburg 1999 and 1997; Kur 2002; Wadlow 1998.



disregarded in intellectual property doctrine –the private international law of contracts and its implications for the cross-border exploitation of intellectual property excepted. Some modern statutes on private international law do contain conflict rules for intellectual property, but in other statutes the subject is left untouched.<sup>10</sup>

The advent of the ‘Information Society’ has awoken a fresh interest in choice of law for copyright and related rights, due to the fact that the production and use of information and information technologies have become of primary economic significance and the fact that modern communication technology offers new possibilities for massive and instantaneous distribution of information across geographic boundaries. By common admission, the arrival of the networked environment lays bare the shortcomings of the traditional territorial approach to copyright and related rights.<sup>11</sup>

The question can be raised whether conflict rules based on a territorial view of intellectual property are (or possibly ever were) adequate. Do they help to achieve the objectives of choice of law, namely the smooth operation of international commerce, without however disregarding demands of substantive justice? If choice-of-law rules based on territoriality are inadequate, which changes could be recommended? Is there a need for separate conflict rules for separate issues, i.e., does the question of who owns exclusive rights have to be subject to the same law as the question of what the scope of these rights is? These are the types of questions that will be addressed in this study.

In short, the objective of this study is to determine which conflict rules are suitable for contemporary copyright and related rights. This central question will be answered from the perspective of the objectives of choice-of-law and of the policies that underlie substantive copyright and related rights law. Which choice-of-law rule is suitable for which issue –i.e., the existence of an intellectual property right, ownership, transfer, infringement– will be examined on the basis of the four principles that –in Europe at least– can be said to underlie contemporary

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10 Conflict rules specifically for intellectual property are contained in e.g., Art. 54 Italian Private International Law Act of 1995 (*Legge 31 maggio 1995, n. 218, Riforma del sistema italiano di diritto internazionale privato* or *LDIP*), Art. 34 Austrian Private International Law Act 1978 (*Bundesgesetz vom 15. Juni 1978 über das internationale Privatrecht* or *IPRG*), Art. 110 Swiss Private International Law Act 1987 (*Loi Fédérale du 18 décembre 1987 sur le droit international privé* or *LDIP*). The subject does not however, appear in the Dutch pre-draft of a Private International Law Act (1992), nor in the Act on the Law Applicable to Torts (*Wet Conflictenrecht Onrechtmatige Daad* or *WCOD* 2001). In Germany, despite various plans, conflict rules for intellectual property were not incorporated into the Private International Law Act (*Einführungsgesetz zum Bürgerlichen Gesetzbuche* or *EGBGB*).

11 To name but a few: Bing 1998; Cruquenaire 2000; Dreier 1997; Fentiman 1995; Geller 1998; Ginsburg 1999; Goldstein 1994; Hugenholtz 1998; Novier 1995; Olsson 1998; Peinze 2002; Quaadvlieg 1998.

choice-of-law rules. What these principles are will be elaborated in Chapter 2 on the choice-of-law process.

Considering the predominant role that international conventions on intellectual property play, any inquiry made into suitable conflict rules should take account of the implications that these treaties have for choice-of-law issues. The most important preliminary question to be answered is therefore what the choice-of-law calibre of existing multilateral copyright and related rights conventions is.

### 1.2.2 EUROPEAN PERSPECTIVE

In principle, both intellectual property and private international law are national law. Each country legislates its own conflict rules and its own intellectual property law. However, as both intellectual property law and choice of law are areas with a strong international dimension, considering conflict rules for copyright and related rights from a purely national –i.e., Dutch– perspective does not seem a fruitful approach.

Intellectual property has in the past decades joined the many areas of law that for the largest part are regulated at the European level. ‘Brussels’ has initiated and prescribed the extension of copyright and related rights to new subject-matter such as software and databases, as well as new exploitation rights, such as lending and rental rights.<sup>12</sup>

It was not until much later, with the entry into force of Article 65 of the EC Treaty on 1 March 1999, that the EU legislature gained significant competence to harmonise or unify the private international law of Member States. An ambitious programme has been launched, which contains two instruments that are especially relevant to our subject.

One is the conception of choice-of-law rules in the area of non-contractual obligations (torts, unjust enrichment). Since infringement of intellectual property can be characterised as a tort, this proposed Regulation could become an instrument of major importance for cross-border infringement of copyright and related rights. The other relevant initiative concerns the European Convention on the Law Applicable to Contractual Obligations (Rome Convention 1980), which will be modified and transposed into a Regulation. Considering that the

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12 Harmonisation of intellectual property law at the European level can be called for to remove barriers to the establishment of the Internal Market, or once these are removed, to guarantee its proper functioning (Art. 14 EC Treaty). Arts. 94 (ex 100) and 95 (ex 100a) of the EC Treaty, which authorise the Council to issue Directives that harmonise legislation, are the usual legal basis for intellectual property rights Directives, sometimes supplemented by Arts. 55 (ex 66) and 47 (ex 57).

## INTRODUCTION

exploitation of intellectual property typically involves contractual arrangements, the Rome Convention and its proposed successor are of relevance to our enquiries as well.

From the above it is clear that although in principle Dutch law is the point of departure for this study (including European law, as incorporated into Dutch law), the enquiries into suitable conflict rules will be conducted with a keen eye on EU developments. Where case-law is concerned, the focus will be on the judgments of Dutch courts. Interesting judgments of foreign courts on the choice-of-law calibre of copyright and related rights treaties will however not be ignored.

### 1.2.3 DELINEATION OF ISSUES STUDIED

Choice of law deals with all areas of private law: from employment contracts to hereditary succession; from the international sale of goods and information services to matrimonial property. From the perspective of copyright and related rights, choice of law addresses questions as diverse as: Which law determines whether the employer owns the copyright in software created by its foreign employees? Which law governs the question of whether all or any of the (illegitimate) children of a Spanish painter who died in testate in Berlin can exercise the exploitation and moral rights in the artwork? Which law is applicable to the cross-border sale of a book or to the international subscription to an on-line database? Is the question whether the performer's rights of an Irish singer who lives with her American spouse in London part of the communal property subject to Irish, American, UK or some other law?

Although all of the above questions somehow involve copyright, they do not, from a choice-of-law perspective, belong to the same category of legal relationships for which choice of law gives different conflict rules. Given that there is no such thing as 'the' conflict rule for all 'copyright issues', it is important to properly determine what the relevant legal questions and the corresponding conflict rules are.<sup>13</sup>

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13 The need to characterise the issues raises the point which law should guide this process: e.g., if a newspaper has acquired a licence to use a photograph in its print edition and it also uses the photograph in its web-version of the newspaper, is this a matter of copyright infringement (tort) or breach of contract? Dutch private law may answer this question differently than, say, German law. It is widely accepted that characterisation takes place under the law of the forum (*lex fori*), but with an open mind towards legal definitions and institutes of foreign law. Strikwerda 2000a, p. 43. See also Fentiman 1995, p. 33 et seq. Lots more can be said about characterisation, i.e., the process by which the proper legal category for a legal relationship is determined. However, given the general nature of the problem and the limited space available, the problem of characterisation will not be dwelt upon in this study.

An enlightening example of how various (international) conflict rules can come together in a copyright infringement case, is found in one of the few published Dutch rulings in which explicit reference is made to applicable law issues. The facts of the *Carmina Burana* case are as follows:<sup>14</sup>

In 1992 the widow of German composer Carl Orff –he had died ten years earlier– assigned the moral rights in Orff’s work to Schott, the German music publisher with whom Orff had done business while still alive. In the same year, two Dutch companies released records with a ‘disco’ and a ‘house’ version of *O fortuna*, a part of Orff’s well-known composition, *Carmina Burana*.<sup>15</sup> Orff was named as the composer. The adaptations were distinctly un-classical and incidentally did very well in the pop charts.

The German publisher brought a claim for infringement of the author’s moral rights. One of the defendant record companies disputed Schott’s authority to exercise the moral rights of the composer. Since Orff had not transferred his moral rights to his widow in the manner that Article 25(2)<sup>16</sup> of the Dutch Copyright Act (*Auteurswet 1912*) prescribes,<sup>17</sup> the widow had not acquired these rights under Dutch law. Even if she had, German copyright law does not allow the assignment of copyright (only the granting of rights of use, i.e., a purely contractual construction whereby the intellectual property rights remain with the author) so the publisher could not have acquired them from the widow.

The President of the Amsterdam District Court ruled that under German law, Orff’s moral rights had devolved upon his widow. The plaintiffs had also shown that under German law, the widow could transfer the moral rights to the publisher, so that the latter had capacity to sue in the Netherlands.

As to the formal validity of the transfer of moral rights, the court reiterated that according to Dutch private international law, the *locus regit actum* rule is the normal conflict rule, i.e., the question of formal validity is subject to the law of the place where the transfer was concluded.<sup>18</sup> Consequently, whether the transfer was

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14 Pres. Rb. Amsterdam 24 February 1992 [1992] IER 38.

15 Orff’s composition was an adaptation, or rather, an interpretation of medieval lyrics which were set to Gregorian musical notation.

16 In the published case, the Article referred to is 25(4), which I assume is an error because it deals with the right of the author (or the person he has appointed to exercise his moral rights after his death) to make changes to the work even after having assigned the copyright. This was not an issue in the instant case.

17 Article 25(2) Aw has been revised by Art. VIII *Invoeringswet Boek 4 en Titel 3 van Boek 7 van het nieuwe Burgerlijk Wetboek, vierde gedeelte*. (Stb. 2002, 429). The ‘codicil’ as a legal instrument required to designate the successor in title is no longer mentioned. As the possibility to use a codicil is now provided for in Book 4 Civil Code on succession, no substantive change has taken place.

18 See also Seignette 1996, pp. 312–313.

## INTRODUCTION

valid as to form was judged solely under German law, not under the law of all the countries for which the rights were assigned. It would lead to an unjustified limitation on the protection that the Berne Convention –and following that, the Dutch Copyright Act– purports to give foreign authors and works if a copyright owner who wants to assign (part of) moral rights in a work must take into consideration the formal requirements of scores of legal systems and possibly draw up as many acts.<sup>19</sup>

The outcome of the case was that the German publisher could invoke moral rights in Orff's composition and that the house-version produced by the record companies did constitute an infringement of these moral rights under Dutch law.

Various questions, which do not necessarily fall under the same conflict rule, arise in this case:

- a) Is the *Carmina Burana* (still) a protected work?
- b) Was Orff the author of the work and/or initial owner of the copyright?
- c) Did Orff's widow inherit the copyright?
- d) Was the assignment of the (moral) rights to the publisher by the widow materially valid (e.g., can economic and/or moral rights be assigned)?
- e) Was the assignment valid as to form?
- f) Had the title to the copyright passed from Orff's widow to the publisher?<sup>20</sup>
- g) Was there an infringement of copyright?

Question c) is not specific to copyright and belongs to the realm of succession.<sup>21</sup> Since the Hague Convention on the Law Applicable to Succession to the Estates of Deceased Persons of 1989 has not yet entered into force, this question is decided under domestic choice of law for successions.<sup>22</sup> Had Orff made a will, its

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19 Verkade, in: Gielen & Verkade 1998, at Art. 25, aant. 4.6. finds it a valid point of view that Art. 25(2) *Auteurswet* should not apply to foreign authors, but that 'the exercise of moral rights would then depend on the particular legal system of their country' [my translation, mve].

20 Compare the sale of movable goods: the obligations of buyer and seller are governed by the law of the contract. However, the question of what legal act is necessary to effect the transfer of the property (is a contract of sale enough, or is a separate act of giving possession necessary?) is governed by the law of the place where the goods were at the moment when the legal act that envisaged the transfer of title took place. HR 3 September 1999 [2000] NIPR 22.

21 The economic rights usually devolve according to a country's general rules on succession; the question of who can exercise the moral rights (which in principle continue to exist after the author or performer has died) is sometimes regulated separately, such as in Art. L121-2 of the French Copyright Act (*Loi no 92-597 du 1er juillet 1992 relative au code de la propriété intellectuelle; CDPI*).

22 Convention on the Law Applicable to Succession to the Estates of Deceased Persons of 1 August 1989. From hereon: Hague Convention on Succession. The conflict rules of The Hague Convention do apply in the Netherlands, by way of the *Wet conflictenrecht erfopvolging* (Act on the Law Applicable to Succession), *Sib.* 1996, 457. In *Raedecker v. Nederlands Congresscentrum* (alleged infringement of moral rights of Dutch painter who died in France) the court recognised

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formal validity would have been judged under the Hague Convention on the Conflicts of Laws relating to the Form of Testamentary Dispositions.<sup>23</sup>

In theory, the widow could have invoked copyright not only because she was Orff's hereditary successor, but because the intellectual property may have been part of the marital community.<sup>24</sup> Whether that was the case depends on the law governing matrimonial property, which as far as international instruments are concerned, can be found in the Hague Convention of 1905 and its 1978 successor.<sup>25</sup> Neither issues of succession nor those relating to matrimonial property will be discussed in this study.

The remaining questions can be divided into three groups: those relating to contractual obligations (d, e); to non-contractual obligations (g); and to copyright as such, i.e., its 'proprietary' aspects (a, b, f) such as existence, scope, duration as well as assignment. The latter includes the question of which rights are assignable and how an assignment is to be effectuated. This transfer of the intellectual property itself can be distinguished from its exploitation through contracts, that is, by way of granting licences of use.

Questions relating to contractual obligations –whether exploitation licences or agreements on the assignment of intellectual property are concerned– are governed by the Rome Convention on the law applicable to contractual obligations of 1980,<sup>26</sup> a treaty that will be referred to throughout this study. For the transfer of intellectual property, by assignment, but particularly by the granting of exploitation licences, the Rome Convention 1980 will prove to be an important instrument.

As for infringement, since this can be characterised as a tort, the rules in the area of non-contractual obligations will be considered in this study. The

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the plaintiffs' standing to sue because under French law they were the author's sole heirs. Since the author had died in France in 1987, the old (unwritten) conflict rule for succession, i.e., the law of the country of which the deceased was a national at the time of death (the Netherlands) should in principle have been applied –domicile was sometimes used as the connecting factor in cases where the deceased had no real ties with the country of which he or she was a national (Rb. Den Haag 5 September 2001 [2001] AMI 6, nr. 18).

23 Convention of 5 October 1961; entry into force on 5 January 1964 (40 Contracting States according to the status report on <[www.hcch.net/e/index.html](http://www.hcch.net/e/index.html)> [last visited 1 November 2002]). From hereon: Hague Convention on Testamentary Dispositions.

24 In Dutch law, it is assumed that copyright is part of communal property: Gielen & Verkade 1998, Auteurswet, Art. 2, aant. 1.

25 Convention relating to conflicts of laws with regard to the effects of marriage on the rights and duties of the spouses in their personal relationship and with regard to their estates of 17 July 1905 (renounced by most signatories). Convention on the Law Applicable to Matrimonial Property Regimes of 14 March 1978 (5 signatories, see <[www.hcch.net/e/index.html](http://www.hcch.net/e/index.html)> [last visited 1 November 2002]).

26 The Rome Convention also applies to end-user licences, whether concluded with professional parties or consumers. Consumer contracts and other end-user contracts will not be considered in this study.

relationship between conflict rules for tort and conflict rules for copyright and related rights proper is complicated and will be examined in detail in the last part of the last chapter.

In sum, where the categories of legal relationships to be distinguished are concerned, this study will depart from three principal types of legal relationships as they are recognised in choice of law: contracts, torts and property. From the perspective of copyright and related rights, the principal questions are: which exclusive right exists in an intellectual creation and for how long (existence, scope and duration); who is considered to own such rights (initial ownership); how can these rights be transferred (transfer); and what constitutes infringement of copyright and related rights (infringement).

These four categories of issues will be distinguished throughout the study. Existence, scope and duration are, in choice-of-law terms, primarily matters of property. So is the question of who initially owns intellectual property, but here contracts may play a role, especially in work-for-hire situations. The transfer of rights has both proprietary and contractual aspects. Infringement of intellectual property essentially belongs in the tort category, but here proprietary aspects also play a role, since the question of whether there is infringement can of course not be viewed separately from the question of whether a copyright or related right exists to begin with, and particularly, what its scope is.

### 1.3 Some Words on Terminology

The fact that English has become the lingua franca in legal studies brings along some linguistic difficulties. Inspired as Dutch private law is by French and German law, the use of some English terms can prove particularly problematic. The transfer of property rights is one of them. The reader will understand that as a rule, the legal terms used refer to concepts of civil law (more particularly Dutch law), not common law.

Where the *transfer* of rights is used, it denotes a general term, covering both the assignment of the intellectual property rights and the granting of (exploitation) licences.

An *assignment* of right (*cession*, *overdracht*, *Übertragung*) is understood as the complete transfer of rights in the intellectual creation (work, performance, broadcast, phonogram, etc.) from one party to another. It confers on the assignee a real or absolute right and consequently, the assignor (e.g., initial copyright owner) loses all claims on these rights.<sup>27</sup>

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27 Guibault & Hugenholtz 2002, p. 29.

A *licence* (*concession, licentie, Einräumung von Nutzungsrechte*) is defined as a contractual permission to perform certain acts with respect to the protected intellectual creation. These acts would constitute infringement of intellectual property rights if they were performed without the authorisation of the right owner. The counterpart of the licensee's right of use is the licensor/right owner's contractual obligation not to enforce the intellectual property with respect to the acts permitted under the agreement.

On another note, this study concerns copyright and related rights. The latter are also called neighbouring rights. Both are sub-areas of intellectual property, a term which will mostly be used as a synonym for copyright and related rights. Where intellectual property is used to indicate the entire field (i.e., including patents, trademarks, etc.) it should be clear from the context. Another term used to denote copyright and related rights is simply 'exclusive rights.'

The term 'copyright' pertains to the rights of authors in their works of literature or art. 'Related rights' encompasses: the rights of performing artists in their performances, the rights of record producers in phonograms they produced, the rights of broadcasting organisations with respect to broadcasts and the rights of database producers with respect to databases they produced. In the latter case the *sui generis* database right should be distinguished from any copyright in the database, which may also be vested in the database producer. With the exception of the *sui generis* database right –this is a recognised statutory right throughout the EU– the exclusive rights mentioned feature in multilateral treaties on intellectual property.

To indicate the potential subject-matter of the different rights, the general terms 'information' and 'content' are used. General terms used to indicate the subject-matter of copyright and related rights are: '(protected) subject-matter' and 'intellectual creations'.

## 1.4 Plan

The structure of this study is as follows. The second Chapter is dedicated to providing a proper picture of the objectives and method of the contemporary choice-of-law process, including the structure of conflict rules and the principles on which they are based. Since the allocation method is the predominant choice-of-law method for identifying the applicable law in Europe and elsewhere, the focus will be on how copyright and related rights fit into that scheme.

Central to the third chapter is an enquiry into how the treatment of foreign authors and foreign intellectual creations has developed since the first bilateral treaties on intellectual property and how it has been given shape in the multilateral conventions of the present.

The analysis of Chapter 3 will enable the examination of the choice-of-law calibre of existing treaties in the area of copyright and related rights, which is the



subject of Chapter 4. The principal question to be answered in Chapter 4 is whether these treaties actually lay down conflict rules, or whether it is merely that the principles on which they are based have a natural affinity with certain connecting factors. It will be argued that –with one exception– intellectual property treaties do not prescribe clear conflict rules.

The next step in the quest for suitable conflict rules is to ascertain what the policies are that underlie copyright and related rights and whether they point towards the use of certain conflict rules. In addition, there are certain developments in the information industries that merit attention when considering the suitability of choice-of-law rules: the commodification of information; the possibilities that communication technologies offer for massive and instant cross-border distribution and use of works; the concentration of exclusive rights in multinational conglomerates; the apparent weakening of the position of the creators and users *vis-à-vis* publishers, producers and other intermediaries, etc. The policies of copyright and related rights as analysed in Chapter 5, combined with technological and economic developments, will serve as input for the analysis of Chapter 6.

In Chapter 6, it will be examined which of the four principles that are at the heart of modern choice-of-law rules are best suited for copyright and related rights. A major issue to be addressed is whether the fact that copyright and related rights law are increasingly based on utilitarian grounds rather than on justice-considerations should have any consequences for the applicable law.

Another important question is if and how the protective streak that most copyright and performer's rights law have towards the creator or performer – especially with regard to the ill-considered transfer of rights– should be accommodated in a conflict rule.

In Chapter 6 it will also be elaborated how the generally accepted choice-of-law rule for most copyright issues, namely the *lex protectionis*, can be given a basis in modern conflicts law without reverting to old-fashioned notions of territoriality. Finally, it will be considered how issues of infringement in the digital environment could be addressed.

The research for this book was completed on November 1st, 2002.



## Chapter 2

# Characteristics of the Choice-of-Law Process

### 2.1 Introduction

In a study devoted to appropriate choice-of-law rules for contemporary copyright and related rights, it helps to have a reminder of what the objectives of choice of law are and what the distinguishing features of the dominant method –the allocation method– are. More importantly, it will help to put in perspective common place notions about the applicable law for intellectual property. As we shall see in Chapter 3, these notions have developed simultaneously with, but largely outside, the allocation method. They have their basis in the territorial view of intellectual property, the awkward position of foreign authors in national copyright laws that results from it and the remedies developed by way of multilateral treaties against discrimination of foreign authors.

More often than not, the issue of the applicable law in copyright matters is treated exclusively within the framework of international conventions on copyright and related rights, from the 1886 Berne Convention to the 1996 WIPO treaties on copyright and performances and phonograms. But the basic characteristics of these conventions do not immediately bring to mind associations with choice-of-law rules. Their shared essentials, i.e., a minimum of protection by way of substantive provisions, coupled with national treatment of foreign creators or creations, are testimony to what was in the past (that is to say: well over a hundred years ago), the preferred solution in international intellectual property generally. This solution is in part harmonisation of national substantive copyright laws,<sup>28</sup> in part harmonisation of (domestic) laws on aliens as far as intellectual property is concerned.

A more detailed analysis of the position of foreign authors, both before and after the rise of international copyright instruments, is the subject of Chapter 3. That will be followed by a chapter devoted to the determination of the choice of

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28 Strictly speaking intellectual property treaties do not harmonise national laws, because contracting parties are not required to give their own creators/creations the minimum protection that the treaties provide for. But in practice the substantive provisions in international instruments also form the minimum protection provided for in domestic laws. See Chapter 3.

law calibre of the Berne Convention and subsequent copyright and neighbouring rights treaties.

This Chapter is dedicated largely to the objectives and development of choice of law (Paragraphs 2.2 and 2.3) and the characteristics of the allocation method (Paragraph 2.4). This is the dominant choice-of-law method in Europe and most other countries. The allocation method, as originally conceived by Savigny (1779-1861), is based on the premise that all legal relationships can be divided into categories, for example issues relating to property of immovables, or succession, or contractual obligations. The assignment of a suitable connecting factor for every category (e.g., the location of the property, nationality or last habitual residence of the deceased, place of performance of a contract or place of establishment of the characteristic performer) leads to identification of the jurisdiction whose law should be applied.

The allocation method has been substantially modified since its inception. However, the basic idea that one should take the legal relationships as a starting point and not the territorial scope of a (domestic) rule of law, still stands.

Because the principal traits of the international copyright system developed in the course of the 19th century, some attention will be given to Statutist theory, which was the dominant approach to choice of law in most countries for the better part of the 19th century (Paragraph 2.3). The Statutist approach is not to take a legal relationship and find the applicable law, rather it starts at the other end: it seeks to ascertain the spatial reach of a certain rule of law. As we shall see in Chapters 3 and 4, the Statutists' way of thinking is persistent in copyright, especially in the tenet that copyright is 'territorial'.

The focus on unilateral conflict rules as opposed to the allocation method's focus on multilateral conflict rules, has made a comeback in the shape of priority rules (see Paragraph 2.4.3). These rules – together with the public policy doctrine – serve as devices to adjust unwanted results of the application of normal multilateral conflict rules. These escape mechanisms will be discussed in Paragraph 2.4, after a review of the structure of multilateral conflict rules and their underlying principles. Paragraph 2.5 contains the conclusions of this Chapter.

## 2.2 Objectives of Choice of Law

In a very general sense, the function of choice of law is to provide an efficient and just solution for situations in which the law of more than one country would be eligible for application, due to the international aspects of the case at hand. Such a solution is needed to accommodate cross-border social and commercial intercourse. It should accommodate demands of utility, legal certainty and substantive justice.

Considerations of utility and legal certainty are incorporated in the quest for decisional harmony, or uniformity of result. This has always been the central

objective of the allocation method. That the choice-of-law process should also yield a result that is just, from the perspective of the individual parties involved, is a relatively novel idea.

### 2.2.1 DECISIONAL HARMONY

Traditionally, the goal of an efficient solution to choice-of-law problems is incorporated in the notion of decisional harmony. Simply put: if all states adhere to the same conflict rules or principles, every dispute will be subject to the same (substantive) law regardless of where a claim is brought or a dispute arises. This contributes to legal certainty for parties involved, because they will be able to predict which law governs their relationship. In theory at least, decisional harmony has two other important beneficial effects: it discourages forum shopping and prevents limping legal relationships.<sup>29</sup>

Of course these advantages only fully materialise in an ideal Savignian world. All jurisdictions involved must share the same conflict rules. These choice-of-law rules must address well-defined categories of relationships and have clear connecting factors. In addition, courts should have little or no opportunity to get round the outcome of the selection process by using an escape device such as public policy or priority rules.

#### 2.2.1.1 *Forum Shopping*

Plaintiffs may shop around for a court that they expect will apply a law favourable to their case. But if all fora were to apply the same choice-of-law rules, they would apply the same rules of substantive law and there would be decisional harmony. In theory it would not matter where a plaintiff brought the claim. In practice of course decisional harmony alone is unlikely to prevent forum shopping, since parties can favour particular courts for a number of reasons. The expectation that a certain law will be applied is only one of them.

For instance, in the past years Dutch courts have been a popular forum for patent-infringement claims brought by and against foreign companies, because local courts have been quite willing to issue cross-border injunctions, at least until recently.<sup>30</sup> These injunctions can be relatively easily enforced in most of Europe

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<sup>29</sup> De Boer 1996b, pp. 283–290.

<sup>30</sup> The Hague Court –which on the basis of Art. 80 Rijksoctrooiwet 1995 (Dutch Patent Act) has exclusive jurisdiction over most patent litigation involving Dutch or European patents within the

on the basis of the Regulation on Jurisdiction,<sup>31</sup> which replaced the Brussels Convention 1968,<sup>32</sup> and the Lugano Convention on Jurisdiction and Enforcement of Judgements. In product liability cases, the willingness of American juries to award large amounts of damages combined with local attorneys' ability and willingness to work on a no cure no pay basis, makes US courts attractive fora.<sup>33</sup>

Other reasons to favour one forum over the other may be the expediency of proceedings, the cost of litigation, language and advantages in procedural law (since the forum applies its domestic rules of procedure to a case).

In short, decisional harmony in choice of law does not necessarily have a significant effect on the practice of forum shopping. A more direct way to reduce forum shopping would probably be to limit the number of courts that have jurisdiction.

#### 2.2.1.2 *Limping Legal Relationships*

Decisional harmony can help prevent so-called limping legal relationships. Relationships 'limp' whenever the legal position of parties varies when considered from the viewpoint of different legal systems. For example, under the law of one country an author's illegitimate child may be the heir (and inherit copyright upon the author's death) while under the law of another State off-spring born out of wedlock do not inherit. If all states were to use the same criterion to determine the law that governs the question of capacity to inherit –for example, the law of the country where the deceased had her or his last domicile– the late author's child would not find that in one country he or she can exploit the copyright in the parent's works, while in another country another person is recognised as copyright owner.

Another example concerns ownership of works made for hire, an increasingly important issue as more and more works such as databases and software are produced by companies (more precisely: their employees) and exploited

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Netherlands– has restricted this practice, in the Court of Appeals ruling of 23 April 1998 [1998] IER 30 (*Expandable Grafts Partnership et al. v. Boston Scientific et al*); see also Pres. Rb. Den Haag 26 August 1998 [1999] BIE 16 (*Searle et al. v. MSD et. al*). On jurisdiction and cross-border injunctions, see: Brinkhof 2000 and 1995; Hoyng 2000; Meybom & Pitz 1998; Van Nispen 2000 and 1998.

31 Council Regulation 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ EC 2001, L12. Referred to as 'Regulation on Jurisdiction' from hereon.

32 Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, Brussels 27 September 1968. Of the EU Member States, Denmark is not bound by the Regulation, but only by the Brussels Convention.

33 Juenger 1999, p. 7.

internationally. Under Dutch and US copyright law the employer is invested with copyright in works made by employees in the course of their duties.<sup>34</sup> As a result, corporate persons in their capacity as employers, can be owners of initial copyright. In Germany<sup>35</sup> and in many other countries however, the initial copyright owner must by definition be a physical person, since only a physical person can actually create a work and thus be an author. A corporation or other legal person cannot, therefore, own the initial copyright in works created by employees.

From an international perspective, an employer and his employees may find a shift in their position as copyright owner(s) with regard to the same work; in this respect their relationship is ‘limping’. A Dutch company that wants to exploit the intellectual property in works created by its employees could assume that it owns the rights world-wide, but it may find that under German law it cannot exploit the intellectual property as it wishes without the employee’s consent.

If all countries were to follow a common rule, e.g., that the law of the country where the employee habitually carries out his duties governs the question whether the employer or employee has initial ownership of copyright, the problem appears to be solved. Such a uniform rule would not only create more certainty for employers and employees, but also for subsequent acquirers downstream from the initial copyright owner.

One might argue that, in practice, employers will have secured copyright through clauses in employment contracts, so that there is no ‘limp’ to speak of. But of course the question of exactly which rights have been acquired by the employer depends on whether the contract is valid to begin with, on which rights can be and have been assigned, etc. The applicable law for these issues may not be the same under national choice-of-law rules. Decisional harmony –this time achieved through uniform acceptance and application of a conflict rule, for example, for the validity and scope of (copyright) transfers alike– would ensure employer and employees stable positions and advance legal certainty for third parties who seek authorisation for the use of the work involved.

The quest for decisional harmony has not been very successful because it not only requires that all states adopt the same conflict rules, but also that their courts apply them in a uniform manner. Even though decisional harmony has been a primary objective of choice of law for at least a century and a half, there is little

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34 Unless employer and employee have agreed otherwise: Art. 7 *Auteurswet*, Sec. 201 sub b US Copyright Act (17 USC §§ 101–810).

35 Fromm & Nordemann 1998 at §7.

reason to assume that it will ever be attained at a substantial level.<sup>36</sup> The relatively small numbers of parties to the various Hague Conference treaties are indicative in this respect.<sup>37</sup>

It is unlikely that all states will ever agree on conflict rules for all areas of private law, if only because notions of what belongs to the realm of private or public law differ. Even if states were to agree, one can hardly expect that such conflict rules will be interpreted and applied in a uniform manner, particularly if – as is the case with most choice-of-law treaties – there is no single body that has the ultimate authority to interpret its provisions.<sup>38</sup>

Another factor that complicates the quest for decisional harmony is that the allocation method has never become the sole choice-of-law method practised. Particularly in the United States, where conflict of laws is a state rather than federal matter, there is a plurality of methods. Since the 1960's, governmental interest analysis has been especially influential and has caused major changes to classic American choice of law and in a few states has virtually replaced it.<sup>39</sup>

### 2.2.1.3 *European Developments*

Even among countries sharing the same method, such as the Member States of the European Union, achieving decisional harmony is a formidable task. Since the 1997 Treaty of Amsterdam came into effect 1 May 1999, a new Article 65 of the EC Treaty explicitly mentions the task of the EU in harmonisation of private international law.<sup>40</sup> Before the Treaty of Amsterdam, harmonisation of private international law at the EU level took place through conventions on the basis of Article 293 (ex 220) EC Treaty. Since then, the EU institutions have an

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36 Symeonides in his General report of the 1998 International Congress of Comparative Law 2000, gives an overview of the recurrent tug of war between legal certainty (served by decisional harmony) and flexibility (necessary among other things to achieve substantive justice).

37 Cf. De Boer 1993b, pp. 1–13. Of the 18 Hague Conventions on applicable law concluded since the Second World War, 6 are not yet in force. Most others have between 3 and 19 signatories. The Convention on the Conflicts of Laws relating to the Form of Testamentary Dispositions of 1961 is relatively successful, with 40 contracting states. See <[www.hcch.net/e/conventions/index.html](http://www.hcch.net/e/conventions/index.html)> [last visited 1 November 2002].

38 The Brussels Convention 1968 is an exception, since the European Court of Justice rules on its interpretation. In the near future European instruments will increasingly be in the form of EU regulations (like the recent Regulation on Jurisdiction) and thus automatically be subject to the European Court of Justice's jurisdiction.

39 For a recent review of changes in conflicts law in the US, see Peterson 2000, pp. 413–444.

40 *Trb.* 1998, 11. Article 73 M (currently Art. 65 EC) juncto Art. 73 O Treaty of Amsterdam provides that any private international law-harmonisation proposal voted upon before May 1st 2004 requires a unanimity vote in the Council; after that date a qualified majority suffices.



independent, more broadly defined role to play. They can further unification and harmonisation of national private international law using regulations or directives, or other Community instruments (recommendations, resolutions).<sup>41</sup>

Recent EU regulation tends to deal with jurisdiction and recognition rather than applicable law. New instruments include the Regulation on jurisdiction and enforcement in matters of matrimony and parental responsibility (in force since March 1, 2001)<sup>42</sup> and –based on the Brussels Convention 1968– the already mentioned Regulation on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (in force since 1 March 2002).

In its fifty odd years of existence, the EU has not been able to produce a coherent set of choice-of-law rules for an important area such as non-contractual obligations (torts, unjust enrichment). This area of conflicts law is particularly relevant for copyright and related rights, because an infringing act could be categorised as a tort. Initially planned to be incorporated in what became the Rome Convention of 1980, the drafting of conflict rules for non-contractual obligations ('Rome II') has been a work in progress since the late 1960's. The *Groupe européen de Droit International Privé* (GEDIP; European Group for Private International Law) presented a draft in 1998 for a European Convention on the law applicable to non-contractual obligations.<sup>43</sup> This proposal has been considered by the European Commission in its 'preliminary draft proposal' for a Rome II Regulation.<sup>44</sup>

The proposed draft attracted mixed criticism during a first consultation round in the autumn of 2002. The business community especially, argued that the Rome II Regulation should not extend to intellectual property.<sup>45</sup> When the EU will have harmonised rules on choice of law for torts is still uncertain, even though Rome II

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41 The precise extent of the EU's authority in the area of private international law, particularly as to the instruments that can be used, is still debated, see: Basedow 2000; Boele-Woelki 2000 and 1999; Fallon & Francq 2000, pp. 172–177; Kessedjian 2000, pp. 331–335; Remien 2001; Thoma 2002.

42 Regulation 1347/2000, OJ EC 2000 L160 pp. 19–36.

43 For a discussion of the proposal, see Fallon 1999. From hereon the proposal will be referred to as: GEDIP Rome II proposal.

44 Preliminary Draft proposal for a Council Regulation on the law applicable to non-contractual obligations of May 2002, available at: <europa.eu.int/comm/justice\_home/unitcivil/consultation/index\_en.htm> [last visited 1 November 2002]. From hereon cited as 'Preliminary Draft Rome II regulation'.

45 See the 'Follow-up of the consultation on a preliminary draft proposal for a Council Regulation on the law applicable to non-contractual obligations ("Rome II")' and comments at <www.europa.eu.int/comm/justice\_home/index\_en.htm> [last visited 1 November 2002].

should have been completed before 1 May 2001.<sup>46</sup> The Commission plans to present a revised proposal in the course of 2003.

The EU difficulties in drafting common choice-of-law rules for torts illustrate the difficulty of achieving decisional harmony. If the Member States of the EU, despite their longstanding co-operation in economic, social and political matters, their considerable common legal roots and their mutual interest in harmonisation, require such a lengthy process to agree on choice-of-law rules for an area as important as non-contractual obligations, it is unrealistic to think that decisional harmony will be achieved at the global level any time soon.<sup>47</sup> Of course, this is not to say it is not a goal worth striving for, especially since modern communication technologies have allowed for such a substantial increase of cross-border activity in the supply and use of information services and goods. This in turn means a rise in the potential number of cross-border torts, not only in the area of intellectual property, but also with regard to advertising law, unfair competition etc.

## 2.2.2 SUBSTANTIVE JUSTICE

In Europe, the call to accommodate substantive values in choice of law became loudest in the 1960's and 1970's, following earlier and more radical objections in the US against the neutral, hard and fast choice-of-law rules that the goal of decisional harmony required.<sup>48</sup>

Traditionally, the allocation method, with its orientation towards selecting a jurisdiction rather than on the result a choice produces, was considered as serving justice at an abstract level (so-called *conflicts justice*).<sup>49</sup> Following its basic assumption that all legal systems are equal, domestic conceptions of material or substantive justice must be regarded as equally valid. That in turn means that a choice between jurisdictions cannot be based on considerations of substantive

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46 According to the 'Vienna Action plan': 'Council and Commission Action Plan on the implementation of the provisions of the Treaty of Amsterdam with regard to an area of freedom, security and justice of 3 December 1998'. OJ EC 1999 C19/1.

47 The European Group on Private International Law, at its 1999 Oslo meeting, called upon the EC to favour a solution developed in a wider international framework and to adopt appropriate procedures to ensure the realisation of this objective, when considering action in the field of choice of law or jurisdiction. <[www.drt.ucl.ac.be/gedip/gedip-reunions-9t.htm](http://www.drt.ucl.ac.be/gedip/gedip-reunions-9t.htm)> [last visited 1 November 2002].

48 De Boer 1990b, pp. 3–5. For accounts of the increased accommodation of substantive justice in choice of law see: Audit 1998; De Boer 1996b, id. 1994 and 1993c; Juenger 1999; Pocar & Honorati 2000, pp. 284 et seq.; Symeonides 2000, pp. 22 et seq. On law and economics in private international law, see: Guzman 2000.

49 Conflicts justice is a notion elaborated upon particularly by Kegel 1995, pp. 106–108.

justice in individual cases. Justice in the abstract is served because the neutral conflict rule identifies the proper jurisdiction in the standard case, particularly through the use of the appropriate connecting factor for each type of legal relationship.

The widely accepted contemporary view is, as Symeonides aptly summarises, that ‘a judge’s duty to resolve disputes justly and fairly does not disappear the moment the judge encounters a case with foreign elements. Resolving such disputes in a manner that is substantively fair and equitable to the litigants should be an objective of PIL as much as it is of internal law.’<sup>50</sup>

Sure enough, in practice the judiciary do strive for a result that is just in their (particular) view. As traditional conflict rules in theory leave little room for considerations of substantive justice, courts have been creative in their application and interpretation of choice-of-law rules. This includes the use of escape devices such as the public policy exception.

The call for the accommodation of substantive justice and the corresponding level of flexibility that choice-of-law rules need, has not gone unheeded. Increasingly, traditional multilateral conflict rules are revised or replaced by ones that do reflect the need to achieve substantive justice.<sup>51</sup> This change is particularly clear in areas of private law that have undergone the most profound process of socialisation (*Sozialbindung, vermaatschappelijking*).

In substantive private law, it has become a matter of legislative policy to protect people who are relatively vulnerable in their relationship to (contractual) counterparts, such as children, consumers and employees. This has led to restrictions on the freedom of disposition in contractual matters,<sup>52</sup> e.g., in the black- or grey listing of (potentially) onerous conditions of sale of goods and services to consumers. Or, to give an example from the copyright field, in the author and performing artist’s unalienable right to equitable remuneration for exploitation of their creative efforts through the rental of films or sound recordings, in case they have assigned their rental right to a film- or record producer (Art. 4 Rental and Lending directive).<sup>53</sup>

This type of ‘interference’ of public policy goals in private law has left corresponding marks on private international law. For instance, where the contractual freedom of disposition has been curbed (e.g., in employment and consumer contracts), so has the freedom to choose the applicable law. In addition,

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50 Symeonides 2000, p. 45.

51 De Boer 1996b, pp. 290–296; Symeonides 2000, pp. 46–60.

52 Conversely, in areas of (substantive and procedural) private law where freedom of disposition has increased, persons concerned tend to gain a corresponding right to choose the applicable law. See Paragraph 2.4.2.2 on party autonomy.

53 Directive 92/100/EEC, OJ EC 1992 L346/15.

special allocation rules have been developed that accommodate the protective function of, for example, labour and consumer law (so-called functional allocation, see Paragraph 2.4.2).

### 2.3 The Development of Choice of Law

The history of the conflict of laws predates the invention of the printing-press. Roughly speaking, from the late Middle Ages to the late 19th century the prevailing doctrine in continental Europe was the so-called *Statutist theory*. Statutists endeavoured to find rules that would determine the (extra)territorial scope of domestic rules of law, which in essence was a unilateralist method of determining the applicable law.

In the second half of the 19th century a shift of paradigm took place under the influence of the German scholar Savigny. His *allocation method* is a multilateral approach. The starting point in the allocation method is not the territorial scope of domestic rules of law, but the nature of a legal relationship. As has been said above, this method has come under fierce criticism mainly because it cannot deliver the uniformity of result it promises and does not allow for considerations of substantive justice. Neither does the allocation method take account of the particular interests states may have in seeing their law applied.<sup>54</sup>

In the first decades of the 20th century, a multilateral method based on Beale's *vested rights theory* was dominant in the United States, which like the European allocation method had as its principal objective decisional harmony. The vested rights theory shone through in the hard and fast choice-of-law rules of the (first) *Restatement of the Law of the Conflict of laws* (1934). The inflexibility of these rules, combined with the influence of Legal Realism, caused a more extreme reaction against the multilateral approach in the US than elsewhere. Especially from the 1950's onwards different alternatives were put forward,<sup>55</sup> of which *governmental interest analysis* gained the most influence. Interest analysis, first elaborated by Brainerd Currie, starts with the assumption that every court has a duty to implement the policies of the forum state. There is only room for the application of the law of a foreign state if that state has an interest in having its

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54 On the history of private international law up to the late 19th century, see Kollewyn 1937, on subsequent developments, see Steenhoff 1994.

55 Consistent with the anti-rule attitude that flowed from Legal Realism, alternatives put forward were mainly 'approaches', i.e., a set of principles or preferences that the judiciary is supposed to use when deciding an international case. For a short history see: Symeonides 2000, pp. 23–24; Peterson 2000, pp. 418–423.

policies upheld in the dispute at hand while the forum state does not.<sup>56</sup> It shares with Statutist theory the unilateral approach, i.e., the focus is on determining the (extra)territorial scope of domestic rules of law.

Even though in most American States, interest analysis has not replaced the multilateral method, it has been very influential and is reflected in the *Restatement of the Law of the Conflict of Laws (Second, 1971)*. In the general principles of the Restatement, factors listed as relevant to the choice of the applicable law include the relevant policies of the forum state and of other interested states and the basic policies that underlie a particular field of law.

The specific choice-of-law rules that the Second Restatement contains for various issues (torts, contracts, etc.) are based on the idea that the choice-of-law process must identify the state with the most significant relationship to the issue at hand. This is done through a number of rebuttable presumptions, e.g., that the state where a (personal) injury occurred has the most significant relationship with the case.

While various choice-of-law methods co-exist in the United States today (some states adhere to governmental interest analysis, some to the Restatement Second, a few still cling to the Restatement First, others have adopted a mix),<sup>57</sup> in Europe the allocation method predominates, albeit in variations that reflect local colours and taste.

In the following paragraphs, a closer examination will be mounted of both the Statutist theory and the allocation method, since the international copyright system formed against the backdrop of the transitional phase from Statutism to the allocation method in the second half of the 19th century.

### 2.3.1 STATUTIST THEORY

The term ‘Statutist theory’ does not refer to one particular theory of the conflict of laws, but to methods and solutions that were mostly developed in medieval Italy, sixteenth century France and seventeenth century Netherlands. What Statutists shared is the concept that the applicable law must be determined by looking at the spatial reach of a certain rule of substantive law: over which (cross-border) legal situations does it claim application? The legal rule, not the legal relationship, is the point of departure in Statutist theories.

The lively flow of persons and goods between medieval Italian city-states caused Italian scholars to address the question of if and when the law of one city-

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<sup>56</sup> Peterson 2000, pp. 418–420.

<sup>57</sup> Peterson 2000, pp. 422–423.

state had cross-border effects and whether a particular law of a city-state applied to foreigners that found themselves within its territory. For answers to these questions, scholars looked to the *corpus iuris civilis*, since this 6th century collection of Roman law was shared by the city-states.<sup>58</sup>

Although the Italian scholars did not construct a comprehensive choice-of-law method, a number of the principles they developed have had a long-lasting effect on private international law. The notion that the law of the state whose court adjudicates a case (*lex fori*) governs rules of procedure, for instance, was accepted then as it is now. Equally, the *lex rei sitae*, i.e., the law of the place where an object is situated, continues to be a common choice-of-law rule. The *locus regit actum* principle, i.e., that the form of a legal act is to be judged by the law of the place where it took place, was also known to Statutists and has remained an important principle in later centuries.<sup>59</sup>

16th century French jurists, such as Dumoulin and D'Argentré, re-organised and systemised the Italian accomplishments. A well-known French doctrine is that which classifies rules of private law into three categories:<sup>60</sup>

- *Real statutes*, i.e., laws relating to objects (e.g., immovables). These were deemed territorial in scope and thus governed any issue concerning objects situated within the territory.
- *Personal statutes*, i.e., laws that deal with the state and capacity of persons. These included rules defining someone's legal capacity and rights and obligations as a parent, child, spouse, etc. Issues in these areas were governed by the law of the person's domicile, i.e., the place where someone stays on a regular basis and which is the centre of his or her social and economic activities.
- *Mixed statutes*: as its name suggests this category contains laws that address both persons and objects.

Since it was a residual category, it was the most problematic of the three. There was no general consensus on whether all mixed statutes should be governed by the principle of territoriality. The French scholar d'Argentré –whose work was popular in the Lowlands, but not so much in his native France<sup>61</sup>– seems to have

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58 Van Brakel 1950, pp. 18–19; Kusters 1917, pp. 7–8.

59 Nußbaum 1932, pp. 86–87.

60 Considering that the Statutist method was developed over a period of centuries in different countries, the description given here is evidently a considerable simplification.

61 Bardin 1935, pp. 143–144.

favoured the territorial approach.<sup>62</sup> Others argued that mixed statutes that predominantly addressed persons, should in their application follow the person.<sup>63</sup>

Examples of all three types of statutes can be found in the Dutch *Wet Algemene Bepalingen* of 1829 (General Provisions Act, or *Wet AB*), which is still in effect. Articles 6, 7 and 10 of the *Wet AB* are inspired by Article 3 of the French *Code Civil*, which is also still in effect. Article 6 *Wet AB* prescribes that Dutch law is binding upon Dutch nationals at home and abroad where the legal capacity and status are concerned (personal statute). Article 7 states that in respect of real property, the law of the country where the property is situated is the applicable law (*lex rei sitae*, real statute). Article 10, which states that the form of acts shall be governed by the laws of the country or place where the act takes place, can be traced back to the Statutist criterion with respect to mixed statutes.

The next stage in the development of Statutist theory took place in the Netherlands. Whereas the Italians had focused on conflicts of laws between city-states and the French on conflicts of laws between provinces, the Dutch addressed conflicts of law at the international level.<sup>64</sup> The most renowned of the seventeenth century Dutch school were Voet the elder and the younger and Huber. They showed a profound interest in the (territorial) scope of rules of substantive private law in relation to the sovereign state. In short, they asked themselves *on what grounds* foreign law was to be applied. The Dutch school held that a state's sovereignty entails that all persons and objects within a state's territory are subject to its laws. A sovereign state cannot be under any obligation to apply foreign law in its own territory.

Recognising that international traffic and commerce can call for the application of foreign law, Voet Sr. argued that the basis for doing so must be found in courtesy (comity) that States observe towards each other.<sup>65</sup> This 'comity doctrine' lost its significance in 19th century Europe, particularly as Savigny's theory gained influence.<sup>66</sup> In the United States, it influenced conflicts of laws for a longer period, largely through the work of Story (1834).<sup>67</sup>

The notion that conflict of laws is national law, was accepted by many in the late 19th century and is commonplace today. This is not to everyone's liking. Frankenstein exclaimed after having established that 19th century choice of law is national law: '*On avait substitué à la territorialité du droit matériel la*

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62 Strikwerda 2000a, pp. 35. Compare with Nußbaum (1932, p. 303) who argues that d'Argenté supported domicile of the owner for movables and Kosters 1917, pp. 704–705.

63 Bar 1862, pp. 20–40; Kosters/Dubbink 1962, pp. 17–43.

64 Battifol 1949, p. 17.

65 Kosters 1917, pp. 9–11.

66 Kosters 1917, pp. 12–13; Nußbaum 1932, pp. 23–24.

67 Pontier 1997, pp. 134–140.

*territorialité des normes de conflit, résultat bien maigre de 600 ans de travail et de dévotion de tant d'hommes illustres.*<sup>68</sup>

In the past decades, Statutism has made a comeback of sorts, not only in the United States with the advent of governmental interest analysis (see Paragraph 2.3), but also in States following the allocation method. There, so-called 'neo-statutism' is reflected in scope rules and in priority rules (see Paragraphs 2.4.1 and 2.4.3 respectively).

### 2.3.2 THE ALLOCATION METHOD

By the late 19th century, the Statutist system in Europe had begun to give way to Savigny's allocation method. In the second half of the 19th century, it had to compete with the conflict-of-laws doctrine that has become known as the Romanist School, of which Italian scholar and politician Mancini was the central figure.

The Romanist approach was based on a distinction between personal and territorial laws. The former category was closely associated with a person as citizen of a nation, the latter was composed of laws aimed at guaranteeing public order and decency and did not warrant application outside a nation's borders. According to Mancini, choice of law was part of international law, so states were obliged to respect a person's national law (for most family matters, succession, etc.). The Romanist school remained influential particularly in Italy and France into the 20th century, but by the end of the 19th century Savigny's ideas had become dominant in Germany, Austria-Hungary and elsewhere in Europe.<sup>69</sup>

Savigny belonged to the school of jurists who felt that (private) law is not 'made' by the legislature, but emanates from the *Volksgeist*. It is merely to be elaborated and shaped in positive law.<sup>70</sup> His 1849 theory is based on the assumption that all Christian order societies share a common legal foundation (i.e., the reception of Roman law) and that this enables the solution of conflict of laws issues through uniform rules at the regional and international level.

Savigny held that every legal relationship has a 'Sitz' (a sort of natural seat). The objective of his method was to direct every (international) legal relationship 'home' to where it has its natural seat, i.e., to the legal system with which it is deemed to have the closest connection.

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68 Frankenstein 1950, p. 1.

69 Gutzwiller 1932, p. 49, 73; Weiss 1925, pp. 381–383; Bartin 1935, pp. 156 et seq.; Strikwerda 2000a, p. 20.

70 Strikwerda 2000a, pp. 18–19.



To achieve this, legal relationships are divided into major categories, e.g., those that deal with family relations, real property, or contractual obligations. For each (sub)category a connecting factor is selected that is thought to refer to the national legal system with which in a normal typical case the relationship may be deemed to be the most closely connected.

For matters dealing with the status and capacity of persons, Savigny claimed that the domicile of a person would typically indicate the legal system most closely connected, since by choosing his domicile a person expresses the will to comply with local law.

For all relationships that involve more than one person, he proposed that the closest connection may be established through one of four connecting factors: domicile of parties involved, place where an object is situated, place where an event or legal act took place, or place of the forum. For instance, in matters of inheritance the domicile of the testator at the time of death was to be the connecting factor. For movable and immovable property the law of the place where the property is situated is viewed to be the most closely connected (which corresponds to the Statutist's *lex rei sitae*). For contractual obligations, Savigny argued that the place of performance should be the connecting factor.<sup>71</sup> Cases of tort were to be governed by the law of the forum. (In Savigny's day a tort usually corresponded with a delict, i.e., a criminal offence, and since the courts can only apply their own criminal law, it follows that if the case concerns a tort, they should do the same).<sup>72</sup>

Savigny's conflict rules are neutral and abstract. Abstract, because the 'centre of gravity' of an individual case is decided beforehand with the aid of objective connecting factors. Whether an actual case is, in reality, most closely connected with the law indicated by the connecting factor is not relevant. His rules are also neutral, because they can in principle result in the selection of any local law, regardless of its content. Thus, in the traditional theory, uniformity of result and legal certainty come before substantive values. The orientation of the selection process is on jurisdictions, not on the content of laws.

## 2.4 Characteristics of the Present Day Allocation Method

Since the days of Savigny, the allocation method has undergone significant changes. The point of departure –identifying the legal system with which a legal relationship has the closest connection– remains, but less abstract conflict rules

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<sup>71</sup> Kusters 1917, p. 743.

<sup>72</sup> Kusters 1917, p. 791.

have been developed and considerations of policy and substantive justice are now explicitly recognised. In this Paragraph, the main features of the contemporary allocation method will be described: the structure of conflict rules, the principles underlying them and the instruments used to adjust the outcome of the selection process.

#### 2.4.1 TYPES OF CONFLICT RULES

A difference that has already been referred to above is between *multilateral* and *unilateral* conflict rules. The former are the essence of the allocation method and identify the applicable law from among a(ny) number of legal systems. The latter –also called scope rules– only reflect the claim to application of a specific (rule of) law, e.g., Article 6:247 of the Dutch civil code for instance, states *inter alia* that the Civil Code’s rules on general terms and conditions apply in case of contracts concluded with consumers that are resident in the Netherlands, regardless of the otherwise applicable law of the contract.

The traditional, multilateral *abstract conflict rule* consists of three elements. It delineates the subject-matter of the rule, i.e., the type of legal relationship with which it deals (e.g., tort, matrimonial property, contractual obligations). The second element is the connecting factor, which points to the law with which the legal relationship is deemed to have the closest connection, or where its centre of gravity is supposed to be (e.g., ‘the law of the country where the harmful event took place...’). The third element links the issue and the connecting factor by designating the applicable law.

The connecting factor often is factual or geographical in nature: the place where a harmful event occurred, the place where a legal act was done; the place where a contractual obligation has to be performed; the place where an object is situated; the habitual residence, domicile<sup>73</sup> or nationality of persons involved. If we were to accept that for copyright the *lex protectionis* is the conflict rule, its structure would be for instance: ‘the subsistence, initial ownership, scope and duration of copyright is governed by the law of the country for whose territory protection is sought.’

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73 Savigny gave preference to domicile as a connecting factor, but nationality became a much used allocation factor instead due to the influence of Savigny’s Italian contemporary Mancini and his Romanist/Italian school. Since every person that belongs to a nation has a natural right to ‘share’ that nation’s laws, they in principle should follow a person in international relationships. Strikwerda 2000a, p. 39. In recent decades habitual residence has increasingly replaced nationality as a connecting factor, since the former often reflects a person’s connection to a legal system more accurately.

The attraction of the traditional conflict rule is that it is objective and easily identifies the applicable law. It can, however, also yield strange results. Notably, it can designate the law of a certain country as applicable even though this country has very few real ties to the case, e.g., if the issue whether moral rights can be exercised by the heirs of the copyright owner were to be governed by the national law of the copyright owner, even though he or she has never lived or published in the country of which he or she is a national. To ensure that there is a real connection between the applicable law and the relationship it governs, abstract conflict rules are increasingly replaced by two other types of conflict rules.

One is the ‘open’ or ‘proper law’ conflict rule, the other the ‘semi-open’ conflict rule. An *open conflict rule* simply states that the applicable law is the law with which the case has the closest connection, all circumstances considered. What it provides in flexibility it lacks in furthering legal certainty.

Open conflict rules that are combined with an abstract criterion allow for more legal certainty. Such *semi-open conflict rules* feature in important conventions like the Rome Convention 1980. Article 4(1) of the Rome Convention states that the law applicable to contractual obligations is that of the country with which the contract is most closely connected. Article 4(2) contains the presumption that this is the country in which the party who has to carry out the characteristic performance has his habitual residence or principal place of business.

Modern choice-of-law rules often contain more than one connecting factor. These can be alternatives, tiered or cumulative. An example of a conflict rule with *alternative connecting factors* is Article 1 of the Hague Convention on Testamentary Dispositions. The validity of wills is governed by the law of the country where the will was made, but the will is also valid if it conforms to the demands of *either* the law of the country of which the testator is a national, *or* to the law of the country where he had his domicile or habitual residence (in case of immovable property: the law of the country where the property is situated). This type of rule often reflects the desire to achieve a certain result, in the example given: that a will is considered formally valid (see Paragraph 2.4.2.4 on the favour principle below).

An example of the use of *cumulative connecting factors* is the Hague Convention on the Law Applicable to Succession (1989): according to Article 3(1) the applicable law is that of the country where the deceased had his habitual residence *and* of which he was a national at the time of death.

Conflict rules with *tiered connecting factors* have an ‘if not... then...’ structure. The Dutch conflict rule for divorce, for instance, states that the question if and on what grounds divorce can be requested, is governed by the law of the country of which the spouses are both nationals. If the spouses do not share a

common nationality, the applicable law is that of the country of their common habitual residence. Dutch law applies if the spouses share neither a common nationality nor a habitual residence (Art. 1 *Wet Conflictenrecht Echtscheiding 1981*).<sup>74</sup>

## 2.4.2 PRINCIPLES UNDERLYING CONNECTING FACTORS

While the ‘closest connection’ –to be determined by the use of factual-geographical connecting factors– may be the central principle of choice of law, it is not the only principle underlying conflict rules. *Party autonomy* is one of the oldest, while the *favour principle* and *functional allocation* are relatively new and reflect the growing influence of (substantive) justice and policy considerations on the modern allocation method.

### 2.4.2.1 *Closest Connection*

The allocation method traditionally shows a preference for the use of connecting factors that relate to a place where an event or fact occurs: the place where an object is situated, where an obligation must be performed, or where a (legal) act takes place. These places are supposed to reflect the legal system with which a legal relationship has the closest connection.

In modern choice of law, the place of habitual residence or the principal place of business of the parties to a legal relationship have become important connecting factors, equally because these factors generally reflect the closest connection from a factual-geographical perspective. For example, in the traditional conflict rule for contracts, the place of performance or place where the contract was concluded were used as connecting factors, whereas modern rules use the place of habitual residence or establishment of the party that has to deliver the characteristic performance as connecting factor (e.g., Art. 4(2) Rome Convention 1980; similarly §28(2) German *EGBGB*, §36 Austrian *IPRG*). Nationality as a connecting factor became popular in the 19th century particularly under the influence of the Romanist School (see Paragraph 2.3.2), but has since been increasingly replaced by habitual residence.

In the area of torts, the place where a harmful event occurred is still the predominant connecting factor used to determine the applicable law (*lex loci delicti commissi*). In the case of bi-local torts, i.e., if the place of the harmful event

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<sup>74</sup> *Stb.* 1991, 166.

occurred (*Handlungsort*) and the place where the effects of the harmful event are felt (*Erfolgsort*) do not coincide, or if one harmful act produces damage in various countries, it is more difficult to establish which country is most closely connected. In some countries the *Erfolgsort* is presumed to indicate the closer connection,<sup>75</sup> in others *Handlungs-* and *Erfolgsort* are considered as equals, while in further countries the *Handlungsort* is predominant.<sup>76</sup>

The use of the connecting factor ‘place where a tort was committed or resulted in damage’ does not necessarily lead to the identification of the country with which the case at hand has the closest connection. Some laws contain a general proper law escape (*Ausweichklausel*), which allows for the application of the law of another country if it is more closely connected to the case. For example, Article 3(4) of the GEDIP Rome II proposal, states that the presumption of Article 3(3) that the place where the harmful event occurred (or threatens to occur) or where the damage materialised reflects the closest connection, is set aside if, all circumstances considered, the non-contractual obligation at issue has a closer connection to another country. The preliminary draft Rome II Regulation lays down a more strict proper-law escape. Article 3(3) of the draft states: ‘... if it appears from the circumstances as a whole that there is a substantially closer connection with another country and there is no significant connection between the non-contractual obligation and the country whose law would be the applicable law under Paragraphs 1 [country in which the loss is sustained, i.e., *Erfolgort*, mve] and 2 [common habitual residence exception, mve], the law of that other country shall be applicable.’

The German *EGBGB* states in §40(1) that torts are governed by the law of the country where the unlawful act took place, but §41 allows for this law to be replaced by the law of another country with which the case has a significantly closer connection.

Another important exception to the traditional *lex loci delicti* rule is that if the parties involved share a place of habitual residence, this factor is considered to reflect the closer connection. The reason is that the (legal) consequences of the tort –particularly the claim for restitution of damages by the victim and the liability for damages of the tortfeasor– will (mostly) be felt in the country where the parties reside, more so than in the place where the event occurred.<sup>77</sup> This ‘common

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75 E.g., in Italy, see Pocar 1996, pp. 59–61, the Netherlands, see Pontier 2001 at 159.

76 Germany and Austria, see Sonnenberger 1999, pp. 647–648 and Von Hein 1999, pp. 13–20.

77 See on the justification of the ‘common habitual residence’ exception and its role in national private international law acts: De Boer 2002 at 4 and 1998, p. 39; Pontier 2000, pp. 373 et seq. and 2001, at 132–135; Strikwerda 2000a, pp. 176 et seq.; Sonnenberger 1999, p. 647 et seq.; Pocar 1996, p. 59 et seq. In its *Kusters v. ABP* ruling the Dutch Hoge Raad confirmed that application of the common–habitual–residence exception (*Gevolgenuitzondering* in Dutch) does not require that victim and tortfeasor themselves are parties to the proceedings (i.e., the plaintiff and defendant,

habitual residence' exception is enshrined for instance in Article 3(3) Dutch *WCOD*, § 40(2) German *EGBGB*,<sup>78</sup> and Article 62 Italian PIL Act 1995.<sup>79</sup> It also features in Article 3(2) of the GEDIP Rome II proposal and has been retained in Article 3(2) of the draft Rome II Regulation.

#### 2.4.2.2 *Party Autonomy*

The principle of party autonomy played a role in private international law long before the allocation method was developed. That parties to a contract are free to decide which law should govern their mutual rights and obligations was already recognised by 17th century Statutists.<sup>80</sup> This freedom of disposition in choice of law matters mirrors the freedom of disposition that parties have in substantive law, mainly in the area of contracts. The opportunity to choose the applicable law increases legal certainty in international legal transactions, because if parties know what law governs their contractual relationship they are of course better informed of their legal position.

That parties do, through their choice of the law of a given country, also set aside mandatory rules of the law that would be applicable had they not made a choice, is not a foregone conclusion everywhere. According to Fromm & Nordemann, German conflicts law does not allow parties to override mandatory rules of German copyright through their choice of law. Among these mandatory rules are the right of the author to renegotiate a publishing contract, the transferability of exploitation rights and some moral rights.<sup>81</sup>

Suppose for instance that a novelist who is domiciled in Germany enters into an agreement with a Dutch publisher, who, in exchange for a lump-sum and royalties, acquires the exclusive rights to publish the work. According to Fromm & Nordemann, a choice by the parties for Dutch law would not affect the author's right to renegotiate the contract even though Dutch law does not provide for such a right. Assuming that the author is the characteristic performer, German (contract) law would be the law governing the publishing agreement following Article 4(2) of the Rome Convention 1980, had parties not made a choice for Dutch law.

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for example the tortfeasor's insurance company, need not share the same habitual residence). HR 23 November 2001 [2002] NJ 181 (with comment De Boer), at 3.7.2.

78 See Spickhoff 2000, p. 3.

79 Art. 62 of the Italian *LDIP* requires that tortfeasor and victim share both habitual residence and nationality.

80 Kusters 1917, pp. 733–734.

81 Fromm & Nordemann 1998, at Vor §§120 rnd 8.

Under Article 3(1) of the Rome Convention, however, the law chosen by parties does set aside mandatory provisions of the otherwise applicable law. If the German right to renegotiate a publishing contract is to be seen as a rule belonging to contract law rather than to copyright law proper, the author would not retain his renegotiation right. If, however, the renegotiation right is viewed as a copyright rule (this seems to be Fromm & Nordemann's position), the issue if and to what extent the author has a renegotiation right would of course depend on whether the conflict rule for copyright issues designates German copyright law as applicable.<sup>82</sup>

Dutch courts have long displayed a liberal attitude towards party autonomy and this case-law has influenced the 1980 Rome Convention on the Law Applicable to Contractual Obligations (which did not enter into force until 1991).

In its *Alnati* decision, the Dutch Supreme Court ruled that in principle, parties to an international contract can agree to have their contract governed by the legal system of their choice, to the exclusion of mandatory rules of other legal systems.<sup>83</sup>

The Rome Convention 1980 allows parties to a contract the same choice, with some exceptions for consumer and employment contracts. As a rule, the consumer cannot be denied the mandatory protective rights of his 'home country', i.e., the place of habitual residence (Art. 5(2) Rome Convention 1980). Likewise, the employee is entitled to the (mandatory) protection of the law that would be applicable if no choice was made, usually this will be the law of the country where he habitually carries out his duties (Art. 6(1) Rome Convention 1980, see Paragraph 2.4.2.3). The restrictions on the freedom to choose the applicable law could have consequences for clauses in employment contracts that deal with the transfer or licensing of exploitation and moral rights of works created by employees. These consequences are to be explored in later chapters.

The trend towards more freedom of disposition in areas of private law besides contracts, is mirrored in modern choice of law. Article 5 of the Hague Convention on the Law Applicable to Succession (1989) allows the testator to make a choice for either the law of the country where he or she had his or her habitual residence or of which he or she was a national (either at the time the choice was made or at the time of death).

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82 On the characterisation of new German copyright contract rules (*Urhebervertragsrecht*), see Hilty & Peukert 2002. In published Dutch case-law I have found no cases where party choice and the status of mandatory rules of copyright were at issue.

83 HR 13 May 1966 [1967] NJ 3 (already similarly decided, but less unequivocal, in HR 12 December 1947 [1948] NJ 608). The application of the (substantive) law chosen can however be frustrated by means of the public policy doctrine or priority rules, see Paragraph 2.4.3.

The Dutch Supreme Court recognised in its COVA ruling<sup>84</sup> that parties<sup>85</sup> involved in a dispute over a tort are free to choose the applicable law. This rule has been incorporated in the Dutch *WCOD*. In the recently introduced §42 of the *EGBGB*, the German legislator also acknowledged a party choice. There are however some restrictions:<sup>86</sup> the choice can be made only after the injury has occurred and does not affect the rights of third parties.<sup>87</sup> The latter restrictions are also advocated by the European Group for Private International Law, in Article 8 of its Rome II Proposal. The EC has adopted the GEDIP approach in Article 11(1) of the Preliminary Draft Rome II regulation. Some states restrict the jurisdictions which parties can choose: Swiss law, for instance, only allows a choice of forum law (Art. 132 *LDIP*).<sup>88</sup>

Other areas in which Dutch private international law recognises (a restricted) freedom for parties to choose the applicable law are matrimonial property, divorce and maintenance obligations between adults. In the area of property rights party autonomy is also on the rise, albeit modestly. Some freedom of disposition with regard to proprietary aspects can be called for, especially in situations where there is a close relationship between contractual rights and obligations on the one hand and property rights on the other (e.g., reservation of title made in the sale of goods).<sup>89</sup>

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84 HR 19 November 1993 [1994] NJ 662 and [1994] AA 3, 165 (*COVA v. BGL*).

85 In the COVA-ruling the Supreme Court did not specify whether ‘parties’ refers to the tortfeasor and the injured party, or to parties to the proceedings. According to the Explanatory Memorandum to the *WCOD* (*Kamerstukken II* 1998–99, 26 808, nr. 3, p. 9) not just the tortfeasor and injured party can choose the applicable law, but also plaintiff and defendant (e.g., the insurance company as subrogee of the victim). *Id.*: Pontier 2001 at 153; Vlas 1998, p. 24.

86 Under Dutch law, it seems a choice made before the tort has occurred is possible: see Vlas 1998 at pp. 19–20; Strikwerda 2000a, p. 180, who notes in 2000b, p. 776 that the *WCOD* does not exclude the possibility.

87 Heini 2000, p. 252.

88 For some torts, such as the infringement of personality rights, the victim has a (limited) choice (Art. 139 *LDIP*), but this type of provision does not so much reflect the principle of party autonomy as the favour principle, discussed in Par. 2.4.2.4 below.

89 In the Dutch draft proposal for an Act on the applicable law for property (ontwerp *Wet Conflictenrecht Goederen*), the Dutch *Staatscommissie voor het Internationaal Privaatrecht* has advised the government that parties to a contract should be able to designate that the law of the country of destination of goods in transit governs the issue of reservation of title (*Rapport Internationaal Goederenrecht*, 1998, Article 3(2)). Rules on reservation of title under Dutch law are considered as forming part of property law, not contract law. The draft Act is still in its preparatory stages and has not been introduced to Parliament yet (*Kamerstukken II* 1999–2000, 26 800 VI nr. 3, p. 13).



### 2.4.2.3 Functional Allocation

The principle of *functional allocation*, that underlies quite a number of modern choice-of-law rules, reflects the social policy interests of states. As stated above (Paragraph 2.2.2), the socialisation of private law has been an important factor in the advent of functional allocation. As the term suggests, a choice-of-law rule based on this principle takes account of the function of the particular field of law to which it relates.<sup>90</sup>

Cases of functional allocation typically involve areas of substantive law whose objective it is to protect weaker parties (children, consumers, employers). There functional allocation is used to guarantee that the 'weaker' party is protected to the extent that the legislator of the country in which the party is habitually resident intended.

Thus, the European rule for the law applicable to employment contracts is that of the country where the employee habitually carries out his duties (Art. 6(2) sub a Rome Convention 1980).<sup>91</sup> For consumer contracts the Rome Convention contains a similar provision in Article 5(3): the law of the country where the consumer has his habitual residence governs certain consumer contracts.<sup>92</sup> Article 4 of the Hague Convention on the Law Applicable to Maintenance Obligations (1973) is yet another example of functional allocation. It prescribes that the law applicable to maintenance obligations among relatives or between parents and illegitimate children, is that of the country where the maintenance creditor has his or her habitual residence.

In practice the principle of functional allocation plays its role in areas of law that have a particular protective function towards what are normally the weaker parties. One could however imagine functional allocation not just in this narrow sense, but in the broader sense, where there is not a weaker party to protect, but a more general policy interest (e.g., the public's interest in a public domain of information and knowledge).

As regards functional allocation in the narrow sense, it should be borne in mind that even though functional allocation reflects the protective function of an area of law, the outcome is by no means the 'best' from the weaker party's point

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90 Compare §6 at 2e of the American Law Institute's Restatement of the Law on the Conflict of Laws (Second), which provides that where there is no statutory conflict rule, one of the factors in the selection process to be considered are 'the basic policies underlying the particular field of law.'

91 The Convention also contains conflict rules for employment contracts in situations where the employee does not habitually work in one country; these are based on factual allocation.

92 E.g., Article 5 Rome Convention 1980 does not apply to conditions for the carriage of goods, or the sale of immovables. There also must have been some activity in the consumer's country of residence (advertising by the seller, or order received there, etc.)

of view. If an employee works in a country with relatively low levels of worker protection, it is not functional allocation that gives him an opportunity to benefit from higher standards, but the freedom of disposition he and his employer have to choose a more advantageous law. The favour principle also, may provide the best of both worlds for the weaker party.

#### 2.4.2.4 *Favour Principle*

More so than is the case with functional allocation, conflict rules whose underlying principle is the favour principle are geared towards achieving a preconceived result.<sup>93</sup> The two main groups are rules that favour the validation of legal acts and rules that give one of the parties to a relationship preferential treatment.

Rules in the first group have a long history. They contain alternative connecting factors ('or' constructions) to ensure that certain juridical acts are considered valid. The *favor negotii* is possibly the oldest and is designed to validate legal acts as to form. Article 9 of the Rome Convention 1980 contains a contemporary version for contracts and one-sided legal acts relating to contracts. The *favor testamenti* does the same for wills (Art. 1 of the Hague Convention on Testamentary Dispositions, mentioned earlier). In the area of family law, i.e., for issues such as the validity of a marriage, or divorce, or the legitimacy of children, the favour principle is also advancing.<sup>94</sup>

The most far-reaching application of the favour principle is in a second group of conflict rules, that are designed to benefit one particular party. An example of such an alternative reference rule is contained in the Hague Convention on the Law Applicable to Maintenance Obligations (1973). If the maintenance creditor (e.g., child) has no claim on the basis of the law of its habitual residence (Art. 4), the claim is governed by the law of the country of which it and the alleged debtor are nationals (Art. 5). If that still does not result in a right to support, the maintenance law of the forum seized is applicable (Art. 6). In this way, the conflict rules are geared towards a preconceived substantive result: that the maintenance creditor does receive financial support, however little.

Other rules that favour weaker parties are the Rome Convention's provisions on consumer contracts (Art. 5(2)) and on employment contracts (Art. 6(1)). They provide that if a choice for the applicable law has been made, this cannot override mandatory provisions of the law of the habitual residence of the consumer, or the

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93 De Boer 1998, pp. 290–296; Strikwerda 2000a, p. 39.

94 See the country reports in Symeonides 2000.

law that is objectively applicable to the employment contract (usually the law of the place where the employee works) respectively.<sup>95</sup>

In a number of countries, preferential treatment is also given to victims of tort (*favor laesi*).<sup>96</sup> Under certain conditions, tort victims are allowed to choose the applicable law from a number of connected jurisdictions. For example, the Swiss federal law on private international law (*LDIP*) gives the victim a choice in the case of certain infringements of personality rights. Thus in the case of defamation through the media, the victim has a choice between the law of his habitual residence, the habitual residence of the tortfeasor, or the law of the place where the damage resulted if this was foreseeable for the tortfeasor (Art. 139 *LDIP*).

In the area of product liability, where national conflict rules give the victim a choice, it is typically between the (principal) place of business of the tortfeasor, or the place where the product was acquired. The Hague Convention on the law applicable to products liability of 1973 allows the victim to choose the law of the state of the place of injury (Art. 6).<sup>97</sup> In other torts a choice exists between the place where injury occurred and where damage resulted (e.g., § 40(1) German *EGBGB*). Alternatively, some national laws instruct courts to make the choice for the victim's benefit.<sup>98</sup>

In keeping with the general international trend, the European Group for Private International Law, in its 1998 Rome II proposal, does not support the *favor laesi* as a general rule. Instead, the Group promotes the use of special rules for a limited number of torts, such as a presumption that the injury to personality rights occurs in the country of habitual residence of the victim (Art. 4a Proposal).<sup>99</sup> The Commission's Preliminary Draft Rome II regulation goes further than a mere presumption: Article 7 designates the law of the habitual residence of the victim as applicable in the case of infringement of personality rights.<sup>100</sup> Both proposed

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95 One could also view this type of rule as reflecting functional allocation, not the favour principle. See Strikwerda 2000a, pp. 168–169.

96 See Pocar 1996 on the 1995 Italian rules in this respect, on the German rules introduced in 1999, Spickhoff 2000 and extensively: Von Hein 1999.

97 The tort victim is given this choice only if the objective allocation as prescribed by Articles 4 and 5 does not identify the applicable law. Both articles contain cumulative connecting factors, with the place of injury and the place of establishment of the tortfeasor as principal connecting factors.

98 Symeonides 2000, pp. 56–59.

99 Proposal for a European Convention on the law applicable to non-contractual obligations (text adopted at the Luxembourg Meeting of 25–27 September 1998); see also European Group for Private International Law 1996 and 1997.

100 Much to the dismay of the publishing industry, who would much rather see a 'country of origin' approach whereby the law of the place where a publisher is established governs the question whether the tortious character of a publication. See the 'Follow-up of the consultation on a preliminary draft proposal for a Council Regulation on the law applicable to non-contractual

Articles seem to reflect functional allocation, not the favour principle. The place of habitual residence of the victim should be the connecting factor because these days the settlement of damages rather than the prevention of illicit acts is considered to be the primary objective of civil liability.<sup>101</sup> Unlike rules based on the favour principle, rules based on functional allocation do not give the victim the best protection of alternative laws (e.g., law of the place where the harmful event occurred or law of the place of habitual residence of the injured party).

#### 2.4.3 ADJUSTMENT OF THE RESULT OF ALLOCATION

The ‘normal’ selection process through which the applicable law is determined, may yield a result that is unwanted. This may be the case if, for instance, standards of the applicable law are deemed unacceptable by the forum, or because the forum (or even another country) has a strong claim to have certain of its own rules applied regardless of the ‘normal’ applicable law. There are two ways in which the applicable law can be set aside: through the operation of the public policy doctrine, or the use of priority rules.

##### 2.4.3.1 Public Policy

The public policy exception has long been present in private international law in one form or another.<sup>102</sup> It can be distinguished in two functions, positive and negative.

In its positive function, the rules of the forum are deemed so important that they must always take precedence over the application of foreign law. Theory about which part of domestic law is of ‘ordre public’ has developed in broad lines from the notion that any (mandatory) rule that serves the public interest must take precedence over foreign law, to the idea that only ‘super mandatory’ rules must take precedence (so-called *règles d’ordre public international*).

In recent years the public policy exception in the positive sense has been replaced by the doctrine of priority rules, in the Netherlands and elsewhere (see

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obligations (“Rome II”) with comments at <[www.europa.eu.int/comm/justice\\_home/index\\_en.htm](http://www.europa.eu.int/comm/justice_home/index_en.htm)> [last visited 1 November 2002].

101 Pontier 2000, at p. 371, notes that it is strange that this argument is used to defend using the *Erfolgsort* rather than the *Handlungsort* as the connecting factor in the case of a tort with multiple locus, instead of using it for all torts (and making the habitual residence of the victim the connecting factor). See also De Boer 1998, pp. 40–43.

102 Pontier 1997 at pp. 339–345 recapitulates some historical developments in the area of public policy exceptions.

Paragraph 2.4.3.2 below).<sup>103</sup> It has, however, not lost its significance everywhere: in the (in)famous *Huston* case concerning moral rights and the colourisation of films, the French Supreme Court seems to have qualified moral rights as a matter of public policy.<sup>104</sup>

Another side to the public policy exception is ‘negative’: application of a certain rule of foreign law can be refused because it goes squarely against fundamental values of the law of the forum.<sup>105</sup> It is these fundamental values that make up the public policy. The meaning of the term ‘public policy’ or ‘ordre public’ in private international law is therefore not the same as its meaning in other areas of law. To illustrate: the fundamental right to freedom of expression as laid down in Article 10 of the European Convention on Human Rights (ECHR),<sup>106</sup> can be restricted if such a restriction is prescribed by law and is necessary in a democratic society for the *protection of public order*. That is not the ‘ordre public’ that the public policy exception envisages.

Since the 1930’s the Dutch Supreme Court has developed a two-step test to determine which rules of foreign law are not to be applied on public policy grounds. The first criterion is whether in making the rule at hand the foreign lawmaker has done what a reasonable legislator would be authorised to do. If this criterion is not met (which is very rarely the case), the foreign rule is not applied.<sup>107</sup> If it is met, the next step is to determine whether, considering all the circumstances of the case at hand, the effect of applying the foreign rule produces

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<sup>103</sup> Strikwerda 2000a, pp. 55–56; Boschiero 1996, p. 148 et seq.

<sup>104</sup> Cass. 28 May 1991 [1991] RIDA 149, pp. 197–199 (*Huston v. TV5*). Huston’s heirs successfully claimed moral rights, even though the film in question was made by the American director Huston in America, in the course of his duties as an employee of an American film company which under American copyright law owned the initial copyright on the basis of the work-for-hire clause in the US Copyright Act. American copyright law did not include moral rights at the time. In addition, the employment contract –governed by American law– contained provisions which ensured that any (residual) rights Huston may have had were assigned to the filmproducer. When the action was brought the Berne Convention was not in force for the US. Critical comments among others: Bertrand 1991, De Boer 1993a; Farchy & Rochelandet 2000, p. 37; Ginsburg & Sirinelli 1991, pp. 135–159; Seignette 1990b, pp. 221–222. Françon argued against the use of the *ordre public* exception in this case, in his comment on the earlier appellate court’s decision of 6 July 1989 [1990] RIDA 143, p. 329; id. De Boer 1993a, p. 6; see also the discussion of the Court of Appeal’s ruling by Seignette 1990a. Locher 1993, pp. 42–44 is of the opinion that the *Cour de Cassation* did not apply the *ordre public* exception, but considered the moral rights provisions of the French copyright act as priority rules (see next Paragraph).

<sup>105</sup> See e.g., Boschiero 1996, pp. 149–151 on the public policy exception (negative function) and priority rules in the 1995 Italian Private International Law Act.

<sup>106</sup> Convention for the Protection of Human Rights and Fundamental Freedoms signed at Rome on 4 November 1950.

<sup>107</sup> A gap that is caused by non-application of a foreign rule of law must be filled either by adapting the (interpretation of the) foreign rule, or applying the corresponding rule of the *lex fori*, see HR 9 November 2001 (*Marokkaanse echtscheiding*) [2001] RvdW 135.

an intolerable result. If that is not the case, the foreign rule is applied. As a rule of thumb, the weaker the connection of the case with the Netherlands, the less likely it is that the effect of applying a foreign rule of law will be judged contrary to public policy.<sup>108</sup>

The fundamental rights<sup>109</sup> of the ECHR, as incorporated and developed in Dutch constitutional law, are the most obvious candidates to serve as a shield against unacceptable foreign law, but the test as laid down in case-law is rather strict. As Advocate-General Franx put it in his opinion in the landmark *Saudi Independence* case: ‘invoking the public policy exception must remain an ultimate remedy, reserved for striking cases where on essential points foreign law deviates profoundly from Dutch law: the gap between both legal systems must be deep and wide.’[my translation, mve]<sup>110</sup>

The chances of such a gap existing are not very big, especially where states are concerned that recognise the fundamental rights of the Universal Declaration on Human Rights of 1948 (UDHR), the ECHR or other treaties. *A fortiori*, the Supreme Court’s test seems to leave precious little room for labelling provisions of foreign copyright law rules that contravene the forum’s public policy, certainly not if the foreign law involved respects the standards of international copyright treaties such as the Berne Convention and the TRIPs Agreement.<sup>111</sup>

The public policy exception (in its negative function) can be found in various formulations in all modern choice-of-law treaties, such as the 1973 Convention on the Law Applicable to Liability for Products (Art. 10), the Hague Convention on the Law Applicable to Traffic Accidents 1971 (Art. 10), the Hague Convention on the Law Applicable to International Sale of Goods 1986 (Art. 18) and the Rome

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108 Strikwerda 2000a, pp. 76–78.

109 In the area of recognition and execution of foreign judgments, the Dutch Supreme Court recently ruled that it can be against public policy to enforce a foreign judgment if this has been given with evident disregard for the fundamental principles of due process, especially that of hearing both sides (compare Art. 6 ECHR). HR 10 September 1999 [2000] NIPR 38 (*Triumph v. Cabana*). If the litigants did not appeal the decision, thereby having allowed the opportunity to have the foreign court’s disregard repaired pass, the public policy exception cannot be successfully invoked before a Dutch court in enforcement proceedings. (HR 5 April 2002, [2002] RvdW 265 (*LBIO v. W*)).

110 ‘Het beroep op de openbare orde moet een ultimum remedium blijven, gereserveerd voor sprekende gevallen waarin het buitenlandse recht op essentiële punten ver afwijkt van het Nederlandse: de kloof tussen die beide rechtstelsels moet diep en breed zijn.’ HR 16 December 1983 [1985] NJ 311 with comment J.C. Schultz.

111 Fawcett & Torremans 1998, pp. 502–503 consider moral rights of the author as fundamental rights, that should be applied as a matter of public policy by UK courts if the otherwise applicable law has a lower standard of protection. I would think that a lower standard of the *lex causae* is in itself not a sufficient reason to to invoke the public policy exception. In the past years, Dutch courts have used the public policy exception very sparsely and almost exclusively in the area of family matters. See Boele–Woelki, Joustra & Steenhoff 2000, p. 315.

Convention 1980 (Art. 16). The GEDIP Rome II proposal says in its Article 14: ‘The application of a rule of the law of any country specified by this Convention may be refused only if such application is manifestly incompatible with the public policy (‘ordre public’) of the forum.’

The public policy exception, or in German: ‘Vorbehaltsklausel’, is also standard in national private international law codifications, such as Article 6 of the Austrian *IPRG*, Article 17 Swiss *LDIP*, Article 16 Italian Private International Law Act 1995, Article 6 German *EGBGB* and for torts Chapter 42, Part III, Article 14(3)(a)(i) English Private International Law (Miscellaneous Provisions) Act 1995.

#### 2.4.3.2 Priority Rules

The public policy doctrine, especially in its ‘positive’ guise, has been fiercely criticised from the early 20th century onwards. It could and did give the judiciary a powerful mechanism to apply its own rather than foreign law, even where the law of the forum did not exactly involve fundamental values.<sup>112</sup> In practice the public policy doctrine served as a way to let laws of the forum that serve certain social or economic objectives of general interest displace the applicable law.

Public law (criminal law, tax law, etc.) is traditionally outside the scope of private international law because it does not address private relationships. However, the distinction between public law and private law has never been easy to make. It is one for which no truly satisfactory criteria have ever been found,<sup>113</sup> particularly as the boundaries between public and private law have become increasingly blurred due to the socialisation of private law. This incorporation of the public interest (social, economic and cultural policies) in private law has been taking place since the late 19th century, but has accelerated in the second half of the 20th century, as the Welfare State reached maturity.<sup>114</sup>

It has resulted in a growing body of semi-public law, i.e., law that can be considered public because its main rationale is the protection of some public policy or value (rather than serving the interest of parties) while affecting private

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112 Strikwerda 2000a at p. 56 gives some examples of Dutch rules that in the past were regarded as being of ‘ordre public’: certain regulations regarding the import and export of currency, prices of fruit and vegetables, divorce law, etc.

113 For early criticism, see Bar 1862, pp. 109–110; Josephus Jitta 1916, pp. 54–58.

114 See Lokin & Jansen 1995, pp. 89–108 on the socialisation of private law, particularly in the area of contracts; and Grosheide 1986, pp. 22–23, 87 et seq. on the impact of socialisation of private law on copyright issues particularly in the Netherlands, id. Leinemann 1998 for a German perspective.

relationships. The question is how rules of semi-public law should be accommodated in private international law. The growing role of freedom of disposition in choice of law has also played its part in the development of the priority rules doctrine. As it became accepted that a party choice also sets aside mandatory provisions of the otherwise applicable law, the question became to what extent this includes rules that are in the grey zone between public and private law. Moreover, if semi-public law is in principle set aside by a party-choice, is there a backdoor through which it can still successfully claim application?

There are basically three answers to the question of when and which semi-public law should be applied:

- no foreign rule of semi-public law should ever be applied because choice of law only involves (pure) private law,
- the semi-public law of the *lex causae* (i.e., the law identified on the basis of the relevant conflict rules) will be applied,
- each rule of semi-public law, whether it forms part of the *lex causae*, *lex fori* or other connected jurisdictions, should be independently judged on its claim to application.<sup>115</sup>

The latter solution has become generally accepted. Among its early advocates were De Winter and Deelen in the Netherlands and probably best-known throughout Europe, Francescakis.<sup>116</sup> They developed (variations of) the doctrine of priority rules or, in France *règles d'application immédiate* or *lois de police*, in Germany *Eingriffsnormen* and in the Netherlands *voorrangsregels*. This doctrine has in the past decades practically replaced the positive function of public policy. Priority rules are rules of semi-public law that replace part of the otherwise applicable law, due to the interest a state has in having them applied in the case at hand.

The Dutch Supreme Court has elaborated that, for priority rule(s) to take precedence over the otherwise applicable law:<sup>117</sup>

- there must be a direct and close connection between the case and the (social or economic) general interest that the provision or statute purports to serve,

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<sup>115</sup> Strikwerda 2000a, pp. 65–68; more elaborate in 1978, p. 5 et seq.

<sup>116</sup> Strikwerda 1978, pp. 58–59; Audit 2000, pp. 212–215.

<sup>117</sup> HR 13 May 1966 [1967] NJ 3 (*Alnati*); HR 23 October 1987, 1988 [NJ] 842 with comment Schultz (*Sorensen v. Aramco*); HR 16 March 1990 [1990] AA 556 with comment De Boer and [1991] NJ 575 with comment Schultz (*Bredius museum*). In countries with a Romanist tradition, there traditionally is less focus on application of priority rules on a case-by-case basis. In French literature, copyright scholars seem prone to think that if a rule can be considered a priority rule it should always be applied, regardless of the particulars of the individual case. Compare Plaisant 1962 (the author's right to equitable remuneration is a *loi de police*, always to be applied) with Audit 2000, pp. 212–213 (whether a rule is to be applied as *loi de police*, is to be judged on a case-by-case basis). See also Fawcett & Torremans 1998, p. 582.



- the interests the priority rules serve must be greater than the interest of comprehensive application of the otherwise applicable law.

The priority rules doctrine was accepted by the Dutch Supreme Court in its landmark *Alnati* decision, a decision that was also important in the area of party autonomy.<sup>118</sup> *Alnati* was a ship used by a Dutch carrier for transport from Belgium (Antwerp) to Rio de Janeiro. On arrival the cargo was damaged and the carrier was sued for damages in the Netherlands. Lacking a party choice, Belgian law would have been applicable to the case. The question was whether a Belgian provision that declares certain exclusions of liability null and void had to be applied, despite the fact that the parties had chosen Dutch law as the applicable law. The District Court ruled that the Belgian provision applied, the Court of Appeal affirmed, but the Supreme Court quashed the ruling. It found that a party choice of law in principle sets aside mandatory provisions of the otherwise applicable law. Only if another state has a preponderant interest in having its law applied outside its own territory, should the Dutch courts respect this interest by giving priority to the relevant (foreign) rules. In *Alnati* this was not the case.

Although the *Alnati* case makes clear that priority rules are not only mandatory rules of the forum but can also be rules of another interested state, the Supreme Court to date has only sanctioned the designation of provisions of Dutch law as priority rules.<sup>119</sup>

The doctrine of priority rules has found its way into an increasing number of conventions on private international law.<sup>120</sup> Article 7(2) of the Rome Convention 1980 allows for the application of priority rules of the forum. Article 7(1) of the Rome Convention states that a court may apply the mandatory rules of a country with which the case has a close connection, even though this law is not otherwise applicable (e.g., because parties have chosen another law to govern their contract). This provision inspired Article 6 of the GEDIP Rome II proposal. Similarly, priority rules provisions can be found in the 1978 Hague Convention on the Law Applicable to Agency (Art. 16) and the 1985 Hague Convention on the Law Applicable to Trusts and their Recognition (Art. 16(2)). National private international law acts of course also contain priority rules clauses.<sup>121</sup>

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118 HR 13 May 1966 [1967] NJ 3.

119 Boele-Woelki, Joustra & Steenhoff 2000, pp. 301–302.

120 See also Kotting 1984, p. 118 et seq. and the debate on priority rules in *Mededelingen NVIR* 1985, pp. 13, 15–16, 19–21.

121 Art. 18 Swiss *IPRG* (not necessarily third country priority rules), for a critical comment see Siehr 2000, p. 393 et seq.; Art. 17 Italian private international law act 1995 (critical comments by Boschiero 1996, pp. 150–151); §34 German *EGBGB*. The German *EGBGB* does not provide for application of the rules of third countries as priority rules, even though this was proposed (see Paragraph 6.5.1, note 591). Likewise, the Preliminary Draft Rome II Regulation only deals with priority rules of the forum.

## 2.5 Conclusions

Although the backbone of contemporary choice of law is still the 150-year-old allocation method, it has been continually developing into a less neutral and objective mechanism for determining the applicable law. The objective of decisional harmony, all important in Savigny's day, has never been realised. Important causes are the lack of uniform conflicts rules and the inclination of courts to apply their own law, or a foreign law that produces a result that is just in the individual case.

A substantial number of choice-of-law treaties have been drafted in the last century, but they usually do not have a large number of signatories, so unification is still a far away ideal. As the choice-of-law process becomes increasingly oriented towards reaching a just result (in the sense of substantive justice), which is reflected in the growing influence of concepts such as functional allocation and the favour principle, the quest for decisional harmony becomes even more difficult.

To the extent that decisional harmony aims to provide legal certainty as to the applicable law in international legal relationships, the growing possibilities for parties to designate the applicable law themselves partly counter the decrease in legal certainty that results from the use of (semi)open, alternative or cumulative connecting factors. As in modern choice of law, freedom of disposition is not only recognised in the area of contracts, but also in torts, it will be interesting to examine what role party autonomy can play in the cross-border exploitation of copyright and related rights (assignment of copyright, exploitation licences, infringement).

The concern about the position of 'weaker' parties in the information industry (e.g., individual creators or authors-employees versus businesses, private consumers versus producers) warrants a closer look at the potential significance of functional allocation and the favour principle for copyright and related rights issues.

The extent to which the public policy exception or priority rules should enable courts to apply their own copyright and related rights law (or the law of another interested state whose law is not applicable on the basis of the normal conflict rules) is another issue to be considered.

Before we can address the above mentioned issues, we should of course have a clear picture of which conflict rules are the starting point for the determination of the applicable law for issues of existence, scope, duration, ownership and transfer of intellectual property. A logical place to start looking for answers is in international copyright and related rights treaties. Their significance for choice-of-law issues will be examined in the next Chapters.

## Chapter 3

# Foreigners in International Copyright and Related Rights

### 3.1 Introduction

To resolve choice-of-law issues in the area of copyright and related rights, one invariably turns to the multilateral intellectual property treaties as a starting point for answers. The question is whether copyright and related rights treaties actually contain choice-of-law rules. Some legal scholars think they do; others do not, but argue that certain conflict rules logically follow from the international intellectual property system as enshrined in those treaties. As we shall see in Chapter 4, case-law in the Netherlands and elsewhere is not very clear on the issue, but appears to have generally followed the latter approach. The exact choice-of-law calibre of the conventions will be discussed in the next Chapter. The current Chapter is designed to provide the necessary backdrop for that analysis.

The most significant instrument in international copyright law –and therefore the primary focus of this Chapter– is the 1886 Berne Convention for the protection of literary and artistic works. As of October 2002, 149 states were party to the Convention.<sup>122</sup> It may safely be said that this ‘Grande dame’ of international copyright has profoundly influenced the intellectual property treaties that came after it. These include the 1952 Universal Copyright Convention, the 1961 Rome Convention for the Protection of Performing Artists, the 1996 WIPO Copyright Treaty (WCT) and the WIPO Performances and Phonograms Treaty (WPPT). Its impact is also felt in the 1994 Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPs) and in the proposals for WIPO treaties concerning audiovisual performances, broadcasts and databases.

Before turning our attention to the Berne Convention (Paragraph 3.3) and subsequent treaties (Paragraph 3.4), the position of foreign authors under national copyright regimes will be discussed (Paragraph 3.2). As we shall see it was the

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<sup>122</sup> See <[www.wipo.int/treaties/ip/berne/index.html](http://www.wipo.int/treaties/ip/berne/index.html)> [last visited 1 November 2002]. By comparison: the United Nations has 190 member states, <[www.un.org/Overview/unmember.html](http://www.un.org/Overview/unmember.html)> [last visited 1 November 2002].

ineffective protection of foreign authors under domestic copyright law, combined with the fact that intellectual property was a young and unresolved field of law, which profoundly influenced the structure and basic rules of the international copyright system.

### 3.2 Foreign Authors Prior to The Berne Convention

It has been pointed out in the previous Chapter that private international law was a less clearly demarcated discipline in the 18th and 19th centuries than it is today. It was not viewed as quite so separate from what we would now call ‘public’ international law, nor was the law on aliens routinely treated as a distinct body of law. Also, there was not one single coherent method for determining the applicable law, despite the popularity of Savigny’s allocation method from the late 19th century onwards.

In its turn, copyright was nowhere nearly as well defined and embedded in private law as it has since become. Broadly speaking, in countries with statutory copyright, it was regarded as a subjective right which enabled the right owner to prohibit reproduction of a work. Notions about its fundamental nature, scope and duration developed as more statutes and bilateral and multilateral treaties were drafted and revised.

These are important points to remember, especially when one tries to ascertain the meaning of the Berne Convention –or any other 19th century intellectual property treaty– for contemporary choice of law. A literal interpretation of the Berne Convention could lead to conclusions which neither a historical nor a teleological interpretation would bear out. To put the BC in perspective, the next Paragraphs will be dedicated to the position of foreign authors as it evolved during the time leading up to the BC.

In short, the international copyright system developed as follows. National copyright laws of the first half of the 19th century seldom provided for the outright protection of authors who were not residents or nationals. Neither could foreigners claim protection on the basis of –what for want of a better term I will call– private law equality clauses. This equality in the eyes of private law meant that as a rule foreigners have rights and obligations under private law just as nationals do and it became a widely accepted principle in the course of the 19th century. To protect the interests of their authors and the printing industry, countries began to conclude bilateral treaties. From the 1850’s on a growing body of opinion was formed that international copyright protection should be sought through multilateral treaties. Authors, artists and publishers in different countries organised themselves and inspired the drafting of the Berne Convention of 1886.

## 3.2.1 FOREIGNERS UNDER EARLY DOMESTIC COPYRIGHT LAWS

Many factors contributed to the rise of ‘modern’ copyright laws in the 19th century, which replaced the existing printing privileges.<sup>123</sup> In the late 18th and early 19th centuries it became common opinion in Europe that the state’s objective is to facilitate the ‘pursuit of happiness’ of the individual.<sup>124</sup> Education was made available to more people and illiteracy rates fell steadily. By the second half of the 19th century, three in every four persons in Scandinavia, Scotland, Germany, the Netherlands and Switzerland could read and write. In France, Belgium, Austria and England more than half of the population was literate. The printing industry and book trade experienced an enormous growth.<sup>125</sup>

International ‘piracy’ of books, plays and music was the rule rather than the exception, not in the least because national copyright laws were mostly unfriendly to foreigners. In some countries, only nationals could invoke protection (Germany, Greece, Portugal, Spain, Sweden, Finland), whereas other states granted protection to all authors domiciled within their borders (Switzerland Hungary,<sup>126</sup> the United States<sup>127</sup>). Generally, works published abroad were not protected. That is not to say that national laws knew no rights pertaining to foreign works. In the Netherlands, as we have seen in the *Seven Capital Sins* case (see Par. 1.1), whoever was first to register a copy of a foreign work and declare his intent to publish a translation, obtained the exclusive right to do so.

By the mid-19th century, states increasingly extended national copyright protection to foreign authors. In France, an 1810 copyright decree had already protected foreign authors who first published their works in France. More precisely: the decree provided that copyright could be transferred to French citizens and foreigners alike, which implied that foreigners could invoke copyright protection.<sup>128</sup>

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123 The development from privilege to modern copyright took place over the course of the 15th–19th centuries (for a short history, see Cavalli 1986, pp. 9–27), but with a marked leap in the second half of the 19th Century. Early examples of intermediate intellectual property laws are the English Statute of Anne (1710) and the Danish copyright decree of 1741; see Renouard 1839, pp. 228–230.

124 Schultze 1994, pp. 97–98.

125 Schultze 1994, p. 147, 161.

126 Ricketson 1987, pp. 22–23.

127 Renouard 1839–I, p. 241.

128 Terré 1960, p. 362 et seq., reports on the 1810 decision of the *Cour de Cassation* in which the assignment of exploitation rights to a foreigner was deemed possible. In a 1804 ruling, the same court decided that the 1793 Act (although it was silent on issues of foreign works and authors) only protected works of French citizens that were published in France.

In the 1839 French draft Copyright Act, the Government proposed to protect works first published abroad from unauthorised reproduction within France, on condition of reciprocal protection for works of French authors who had first published abroad. The proposal was the subject of fierce debate. Some members of parliament felt that authors should be sheltered from unauthorised reproduction, regardless of their nationality or the place of publication. Others argued that France owed nothing to foreign authors and that unilateral protection of foreign works would seriously hamper France's position in ongoing bilateral negotiations on mutual recognition of intellectual property rights. Eventually the proposal was rejected.<sup>129</sup>

A few decades on, opinion had changed. The famous 1852 French Copyright Decree made unauthorised reproduction in France of works first published abroad a penal offence,<sup>130</sup> without demanding reciprocal protection of French nationals abroad. Reciprocity was a statutory condition for protection of foreign works in quite a number of countries: the 1828 Danish Decree and the 1844 and 1852 British Acts<sup>131</sup> provided for it, as did the law of Greece (1833), Bavaria (1840), Saxony and Sweden (1844), Austria (1846), Portugal (1851) and Spain (1879), among others.<sup>132</sup>

As Ricketson indicates,<sup>133</sup> the reasons for the development towards protecting foreign authors were manifold. The French, for one, had come to regard copyright (*droit d'auteur*) as a universal, natural property right of authors, which consequently should not be restricted by borders or nationality. The increased economic importance of cultural products was another factor that encouraged countries to seek protection for 'their' output. Particularly the major producing countries such as France, Germany and the United Kingdom had a stake in protecting their authors and printing industries from piracy, for which the printing industries of countries such as the Netherlands, Belgium and the United States were notorious.<sup>134</sup>

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129 Renouard 1839–II, pp. 177–178, 485–486.

130 Decree cited in: Weiss 1925, p. 273.

131 Previously, a 1838 act had provided for the protection of authors of *written works* first published abroad against unauthorised reproduction in the United Kingdom, on condition of reciprocity. The 1844 Act replaced the one from 1838, extending protection to foreign authors of prints, musical compositions, theatre pieces and sculpture. The 1852 Act facilitated the issuing of royal ordinances that effectuated the protection of foreigners. (BIRPI 1904, pp. 313–314; Romberg 1859–II, pp. 44–49).

132 Romberg 1904–I, p. 60; *Le Droit d'Auteur* 1890, pp. 33–34; Cavalli 1986, p. 38, 46 et seq.

133 Ricketson 1987, pp. 20–21.

134 On the scope of 'piracy' and the call for international cooperation to combat it, see among others: BIRPI 1904, pp. 314–315; De Beaufort 1909, pp. 32–39, 53–54; Kruseman 1886, pp. 532–544; Loosjes 1915, pp. 114–115.

### 3.2.1.1 *Equal Treatment Clauses*

It may have been that the protection of foreign authors was also promoted by the more general trend to recognise the capacity of foreigners to have rights and obligations under national private law. With the rise of the modern nation, a state came to be viewed as a community of people, living in a steady geographical area, recognising a common authority.<sup>135</sup> It is particularly the community-element of a state that raised the question of the extent to which non-community members may have legal rights within the boundaries of a country.

In the course of the 19th century, it became a generally accepted principle of international law that states should recognise foreigners as legal subjects being capable of having rights and obligations under private law, just as nationals were.<sup>136</sup> Savigny maintained that ‘...Fremde haben gleiche Rechte mit Einheimischen wo nicht das Gegenteil bestimmt ist.’<sup>137</sup> The Romanist school actively opposed the discrimination of foreigners.<sup>138</sup> By 1889 the German scholar L. Von Bar could write that if people went abroad today, they would not consider that their (civil) rights would disappear or be weakened. It seems out of the question –so he continues– that the law of another state should deny us protection.<sup>139</sup>

Following the French Revolution of 1789, the essentially discriminatory law on aliens (*droit aubain*) was revoked because it was felt to contradict the idea of brotherhood.<sup>140</sup> This improvement in the legal position of foreigners was only temporary, as the 1804 French *Code Civil* contained a partial retraction. According to Article 11 *Code Civil*: ‘L’étranger jouira en France des mêmes droits civils que ceux qui sont ou seront accordés aux Français par les traités de la nation à laquelle cet étranger appartiendra’.

Taken literally, Article 11 *Code Civil* appears to deny rather than grant foreigners rights due to the reciprocity clause. However, the judiciary ultimately interpreted it so that it meant: foreigners have full rights under private law unless the law explicitly denies them.<sup>141</sup> That copyright was among these ‘civil’ rights was first unequivocally confirmed by the French Supreme Court as late as 1959, in

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<sup>135</sup> Schultze 1994, p. 108 et seq.

<sup>136</sup> Bar 1862, p. 64; Battifol 1947, pp. 13–14; Dungs 1910, p. 33 refers more specifically to property rights of foreigners that are recognised and can be protected under local law.

<sup>137</sup> Savigny 2000, p. 89.

<sup>138</sup> Bar 1889, pp. 100–101.

<sup>139</sup> Bar 1889, p. 1.

<sup>140</sup> Battifol 1947, pp. 13–14.

<sup>141</sup> Weiss 1925, pp. 250–259; Despagnet 1891, pp. 71–75; Josephus Jitta 1916, p. 27.

the (in)famous ‘iron curtain’ case involving the protection of Russian musical works.<sup>142</sup>

What exactly the rights of foreigners were under French private law, was disputed before the liberal interpretation of Article 11 *Code Civil* took hold. Some scholars argued that even though the equality-clause was part of the Preliminary Chapter of the *Code Civil*, this Chapter was in fact meant to have a more general scope, so that the equality and other clauses also applied to rights and obligations other than those in the *Code Civil* proper.<sup>143</sup>

There was also widespread difference of opinion on what these ‘droits civils’ of Article 11 *Code Civil* exactly were. According to jurisprudence and to the judiciary, Article 11 *Code Civil* did not address natural rights and given their nature, foreigners enjoyed these without any form of reciprocity. Consequently, those who saw copyright as a property right –at the time itself perceived as belonging to the realm of natural rights– would conclude that foreigners enjoyed it as well as French nationals. Those who regarded it as a true civil right, would argue that foreign authors were only protected if reciprocal protection was available for French authors.<sup>144</sup> Since moral rights found their basis in the protection of a person’s integrity or reputation, the argument could be made that moral rights were not *droits civils*, whereas the economic rights, as a purely legal creation, were.<sup>145</sup>

The Belgian Civil Code, based as it was on the French, contained a clause identical to Article 11 of the French *Code Civil*. According to Wauwermans it is based on the principle that any person who is on Belgian territory is entitled to protection of his person and goods.<sup>146</sup> In 1854 the Ghent Court ruled that the *droit d’auteur* is not purely a *droit civil*, but derives from the *droit des gens*, as do, for instance, the right to marry or to bequeath property. Foreign authors therefore own copyright as Belgian nationals do.<sup>147</sup> A few years later, in a case involving the unauthorised use of operas by Verdi, the French *Cour de Cassation* said that intellectual property rights are derived from natural law, thus giving a ruling similar to the Belgian one.<sup>148</sup>

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142 Cass. 22 December 1959 [1960] *Rev. Crit. Dr. Int. Pr.* 361–362 (*Fox v. Le Chant du Monde*). The 1957 copyright act re-introduced reciprocity tests. On the case, see Plaisant 1962 and Desbois 1963.

143 Opzoomer 1873, p. 3.

144 Colombat 1997, pp. 324–325 reports some cases where copyright was placed in the realm of natural rights, but that most regarded it as a purely civil right.

145 Bardin 1935, at pp. 58, 62–63 explores this position but does not unequivocally promote it.

146 Wauwermans 1894, p. 392; see also Cattreux 1889, p. 73.

147 Tribunal Gand 21 January 1854 ([1854] *Belg. Jud.*, 269), cited in Wauwermans 1894, p. 392.

148 Cass. 14 December 1857 (*Verdi*), cited in Terré 1960, p. 364; Battifol & Lagarde 1983, p. 200.



In the Netherlands, foreigners could, in principle, also acquire and dispose of property, inherit, have contractual rights and obligations, etc. The *Wet Algemene Bepalingen* of 1829 (General Provisions Act or *Wet AB*), which was drafted simultaneously with the *Burgerlijk Wetboek* (Civil Code or *BW*), lays down that the private law of the Netherlands is the same for foreigners as for Dutch citizens, unless the law explicitly provides otherwise (Article 9 *Wet AB*).<sup>149</sup> Article 3 of the Italian Civil Code of 1866 contained a similar equality clause, as well as detailed choice-of-law rules.<sup>150</sup> Both provisions were a generous variation on Article 11 of the French *Code Civil*.

The link between equality-clauses and copyright protection for foreign authors or works did not escape the attention of critics of the 1881 Dutch Copyright Act. Since the legislature recognised in this Act that copyright is part of private law and an absolute proprietary right, it was felt that the equality clause of Article 9 *Wet AB* 1829 entitled foreign authors to the same protection as Dutch citizens.<sup>151</sup> However, the Copyright Act provided otherwise; it stated in Article 27: ‘This law applies to works [read: first, mve] printed and published in the Netherlands or Netherlands Indies and to unpublished works of authors domiciled in the Netherlands or Netherlands Indies.’<sup>152</sup> Consequently, it did not protect the majority of foreign authors and works.

An implicit reference to the equality principle in France can be found in the explanatory memorandum to the 1852 French Copyright Decree. It states that

‘...although a foreigner can acquire and possess property under the protection of our laws, he cannot prevent the exploitation of his works through piracy, in the otherwise so hospitable soils of France. That is a state of affairs one can deplore, not just because it is not in accordance with the rules that our positive law incessantly strives to generalise, but even because it goes against universal justice.’<sup>153</sup>

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149 It was disputed what this provision meant for choice-of-law rules, as it seemed to imply that the personal statute no longer governed issues of capacity, marital status etc., even though at the time that was the common conflict rule throughout Europe, including the Netherlands. See: Opzoomer 1873, p. 156 et seq.

150 Despagnet 1891, pp. 70–71, Josephus Jitta 1916, pp. 27–28, 203–204.

151 De Beaufort 1909, pp. 305–309.

152 ‘Deze wet is van toepassing op in Nederland of in Nederlandsch-Indië gedrukte en door den druk gemeen gemaakte werken, op niet door den druk gemeen gemaakte werken afkomstig van in Nederland of in Nederlandsch-Indië woonachtige auteurs.’

153 ‘L’étranger ... qui peut acquérir et possède sous la protection de nos lois des meubles et des immeubles, ne peut empêcher l’exploitation de ses oeuvres, au moyen de la contrefaçon, sur le sol d’ailleurs si hospitalier de la France. C’est là un état de choses auquel on peut reprocher, non seulement de n’être pas en harmonie avec les règles que notre droit positif tend sans cesse à généraliser, mais même d’être contraire à la justice universelle.’ Cited in Weiss 1925, p. 273.

In retrospect it may seem a little odd that countries did not opt for the simple solution of putting foreign authors on an equal footing with nationals by way of the general equality clause that already gave foreigners such diverse rights as to own and dispose of real property, enter into contractual obligations, etc. It is beyond the scope of this study to thoroughly examine why this road was not taken; some tentative answers will have to suffice.

An obvious possibility is that since copyright was relatively young, it had not yet found a firm place in private law. Copyright was still shedding its printer's privileges roots and it was not common everywhere to bestow privileges on foreigners.<sup>154</sup> Privileges were exploitation rights given by (local) authorities for the territory under their control and this territorial approach to copyright persisted when it became a right rather than a privilege.

The privilege-background possibly influenced the idea that intellectual property is public law more than private law. Some writers felt intellectual property belonged to the realm of public law rather than private law and public law typically is not concerned with rights of (foreign) persons abroad.<sup>155</sup>

Even when considered as part of private law, the position of copyright was problematic. It was not unequivocally considered a *droit civil*, natural right, or personal right. Some found its basis was the respect for a person's integrity (the personal rights basis popular in Germany)<sup>156</sup> or property (the natural law basis with many proponents in France). Other countries were more inclined to see its rationale in expediency: to allow authors to reap the fruits of their labour was to encourage the production of works of art and science, which is in the general interest (the dominant opinion in the US). Intellectual property as an instrument of national cultural policy meant there was no reason to protect authors of works that were produced elsewhere. The free use of foreign works suited national policies that were aimed at stimulating local production (including translating foreign works).

Not only was the nature of copyright uncertain, its object and scope were not that well-defined either and varied more substantially from country to country than today.<sup>157</sup> A biting description by the English Royal Commission on Copyright of 1897 illustrates the point. The Commissioners said of the law of copyright, then found in 14 statutes stretching from 1735 to 1875, that it was: 'wholly destitute of

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<sup>154</sup> Huard 1903, p. 15.

<sup>155</sup> Anders 1881, pp. 79–80; Bartin 1935 referring to Ducrocq, p. 57.

<sup>156</sup> See among others: Kohler 1907, pp. 84–94, Leuze 1962, pp. 80–85. On copyright in 19th century Germany, see Dambach 1871; in 19th Century Austria, see Helmensdorfer 2001.

<sup>157</sup> On 19th-century theories regarding the nature of copyright, see among others: Anders 1881, pp. 79–159; De Beaufort 1909, pp. 70–125; Huard 1903, pp. 29–40; Kohler 1907, pp. 61–99; Wauwermans 1894, pp. 90–95.

any sort of arrangement, incomplete, often obscure and even when it is intelligible upon long study, it is in many parts so ill-expressed that no one who does not give such study to it can expect to understand it.<sup>158</sup>

Another, more simple, explanation is that given the scope of copyright law at the time, there was no real need for (theoretical) equality because it would not have made much of a difference in practice. Particularly in the first half of the 19th century it was a common rule that the translation or reprint of a work first published abroad was not a restricted act, i.e., a copyright infringement (*delict*). Of course, the interest of foreign authors was primarily to be able to control the translation or reprint of their work in other countries. Being put on a par in these countries with local authors under an equality-clause would not have helped them much, since foreign authors typically published their work in their home-country first.

Illustrative of the above problem was the situation under the 1810 French copyright decree. It did not differentiate between nationals and foreigners, but since only the unauthorised reproduction of works first published in France was a restricted act, in effect most foreign works fell in the public domain in France, even though foreign authors could invoke the Decree.<sup>159</sup> When the French pioneered a more liberal stance in the 1852 Copyright Act and also provided for protection of authors who had first published outside France, they went on to export it through bilateral treaties.

### 3.2.2 THE APPEARANCE OF BILATERAL COPYRIGHT TREATIES

The common condition that foreign authors could only invoke copyright if reciprocal rights were available to nationals led to an intricate web of bilateral negotiations between European states. Some German states made agreements on mutual protection as early as the 1820's.<sup>160</sup> In 1840 the kingdom of Piedmont-Sardinia and its 'neighbour' Austria (which still ruled Lombardy at that time) concluded what is regarded as the first true bilateral copyright treaty, although it became multilateral soon afterwards as Italian states such as Parma, Tuscany and the Papal State adhered to it.<sup>161</sup> It contained substantive provisions as well as a national treatment clause.

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<sup>158</sup> Cited in Vaver 2001, at 1.

<sup>159</sup> Renouard 1839, pp. 177–178; Montagnon 1883, pp. 13–14; Huard 1903, p. 37; Bartin 1935, pp. 59–61.

<sup>160</sup> Ricketson 1987, pp. 25–26; Cavalli 1986, pp. 70–75.

<sup>161</sup> Cavalli 1986, pp. 71–72.

A flurry of bilateral treaties ensued, concluded among others between France,<sup>162</sup> Belgium, Denmark, Spain, Great Britain, Russia and some states that were later to dissolve (Austria-Hungary, Norway-Sweden) or united into larger states (German Empire 1871, Italian Kingdom 1861). Many of the earlier treaties were not proper copyright treaties, but commerce treaties with a copyright paragraph added. Since commerce-treaties were rather easily denounced, depending on the political and economic priorities of the day, authors rights based on these were not very secure.<sup>163</sup>

The general principle in these treaties appeared to be national treatment: foreign authors or works were assimilated to nationals. Under some treaties, foreign authors did not have to fulfil formalities other than those in the country of origin to be able to claim protection,<sup>164</sup> which was a deviation from assimilation. Also, various demands of (material) reciprocity limited the actual significance of national treatment. A typical clause in earlier bilateral treaties read ‘Nevertheless, these advantages are only reciprocally ensured during the existence of their rights in the country where the original publication took place and the duration of enjoyment, in the other country, cannot surpass that which is laid down for national authors.’<sup>165</sup> One possible interpretation of this type of provision was that the term of protection could not exceed that accorded by the law of the country of origin. However, it could also be –and often was– interpreted more broadly, to the extent that material reciprocity was required for protection.

By 1879, the departures from national treatment caused Fliniaux to sigh that the national treatment principle had little meaning. In practice, he argued, the actual principle governing most bilateral treaties was more adequately described as: contracting states give foreign authors (procedural) recourse to protect their rights, whereby the content and duration of the rights depend on the law of their country of origin.<sup>166</sup> It was not until later that national treatment became the truly dominant principle in bilateral treaties, with a corresponding reduction in the number of reciprocity clauses.

The ‘modern’ 1883 Franco-German treaty on copyright states in Article 1: ‘the authors of works of literature or art will, regardless of whether these works have

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162 France concluded most treaties, with, among others: the Netherlands (treaty on commerce) 1840; Sardinia 1843; Hanover, Portugal, Great Britain 1851; Austria-Hungary 1866; Salvador 1880; Sweden/Norway 1881; Italy 1884 etc., see BIRPI 1904, pp. 259–270.

163 Romberg 1904–I, pp. 60–61; Petit 1903, pp. 11–12.

164 BIRPI 1936, pp. 8–20.

165 ‘Toutefois, ces avantages ne leur sont réciproquement assurés que pendant l’existence de leurs droits dans le pays où la publication originale a été faite, et la durée de leur jouissance, dans l’autre pays, ne pourra excéder celle fixée par la loi pour les auteurs nationaux.’ Cited in Weiss 1925, p. 592.

166 Fliniaux 1879, pp. 30–35.

been published, enjoy in both countries mutually, the benefits that its law offers for the protection of works of literature or Art. They will enjoy there the same protection and the same means of redress against harm done to their rights, as if this harm had been done to an indigenous author.<sup>167</sup> This provision can also be found in the Berne Convention and has become the source of confusion over choice-of-law rules, as we shall see later.

### 3.3 The Foreigner in the Berne Convention

By the end of the 19th century an international copyright system had developed that was based on national copyright laws that made –in conformity with the commonly held notion that each state has exclusive jurisdiction over its own territory– the protection of works, either first published within their respective borders or created by national authors, a matter of domestic legislation. Protection for non-nationals was not based on general equality clauses, but on specific rules in domestic copyright law and on bilateral treaties.

These agreements primarily involved European countries, although Latin American states concluded quite a number of treaties as well. It is estimated that up to the Berne Convention some ninety treaties were concluded, dealing either exclusively or in part with copyright. France was party to over half of these. By 1886, thirty treaties were in force between fifteen contracting states.<sup>168</sup>

#### 3.3.1 THE ROAD TO BERNE

In the second half of the 19th century, authors and artists increasingly organised themselves to further their interests, the primary one being to improve control over the fruits of their labour both at home and abroad. During various international conferences –in 1858, 1861, 1877, 1878, 1881 and 1882– they fiercely debated the nature of copyright. Some held copyright to be an absolute and eternal right,

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167 'Die Urheber von Werken der Literatur oder Kunst sollen, gleichviel ob diese Werke veröffentlicht sind oder nicht, in jedem der beiden Ländern gegenseitig sich der Vorteile zu erfreuen haben, welche daselbst zum Schutze an Werken der Literatur oder Kunst gesetzlich eingeräumt sind oder eingeräumt werden. Sie sollen daselbst denselben Schutz und dieselbe rechtshilfe gegen jede Beeinträchtigung ihrer Rechte geniessen, als wenn diese Beeinträchtigung gegen inländischen Urheber begangen war.'

168 Numbers based on the list composed by Cavalli 1986, pp. 73–75.

whereas others flatly denied its existence.<sup>169</sup> Yet others were favourable to the idea of copyright as a type of absolute right, but strongly opposed an indefinite term of protection. At the 1858 conference of authors, Delegate Calmels expressed his abhorrence of eternal copyright thus:

‘Messieurs, il faut bien reconnaître que la plupart des hommes qui ... font des oeuvres, se sont inspirés de ceux qui les ont précédés et n’ont rien fait de nouveau... Accorderez-vous pour cela un droit de perpétuité? Mon Dieu, messieurs, il y a peu d’idées nouvelles.’<sup>170</sup>

National copyright laws differed extensively, not only with regard to categories of works protected, but also in their scope and term of protection. The myriad bilateral treaties were not regarded as an effective means to guarantee protection on the international level. It is therefore not surprising that once writers, artists and publishers of different countries assembled together, their preferred solution was the unification of all copyright laws.

Precisely because of the disparity between national laws, this was an unrealistic goal, so authors limited themselves to identifying the basic principles to which any advanced copyright legislation should adhere. The 1858 conference in Belgium agreed on the following principles: an exclusive right to authorise publication, reproduction and performance should be legislated for authors of books, plays and other written works, for composers of music and for artists with respect to their drawings, paintings and other works. The term of protection in all laws should be the life of the author plus 50 years after the death of the surviving spouse.<sup>171</sup> Authors should have the exclusive right to authorise translations of their work, provided they make their first use of this right within three years after publication of the original.<sup>172</sup>

Foreign authors and owners of copyright in works published abroad would have to be treated the same as nationals.<sup>173</sup> The principle of national treatment (seen as territorial) was not wholly undisputed, some favoured the principle that authors be treated the same as under their personal law (based on nationality). The idea that the rights as provided by the law of the author’s home country should follow him wherever he was, or wherever he published, seemed more attractive,

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169 Romberg 1904–I, p. 2 et seq.; Société des Gens de Lettres de France 1879, p. 39 et seq. At the 1878 annual meeting of the *Nederlandse Juristenvereniging* (Dutch Law Association), a majority of the jurists present considered that copyright can not be based on any particular legal principle, only the general interest can justify the protection of authors (see Hugenholtz 1998, pp. 1–2).

170 Cited in Romberg 1904–I, p. 108.

171 The idea seems to have been that copyright persists after the death of the author only if there is a spouse or direct descendant to benefit from it.

172 Romberg 1904–I, pp. 61–162.

173 Romberg 1904–I, p. 75.

particularly for those who regarded the ‘*droit d’auteur*’ as an absolute and eternal right of the creator.<sup>174</sup> However, national treatment was ultimately favoured as the second best solution to unification.

In 1878 France hosted the international literary conference where the ALAI, the *Association Littéraire Internationale* –soon after renamed *Association Littéraire et Artistique Internationale*– was founded. The ALAI called upon the French government to prepare a draft international treaty. Shortly afterwards, the 1878 Conference on artistic property voted resolutions including:<sup>175</sup>

- international intellectual property treaties should be separated from commerce treaties;
- it is desirable that European states and their overseas territories develop uniform copyright provisions;
- the infringement of the artist’s right is a ‘*délit commun*’;
- for an artist to be allowed to enforce his right it suffices that he justifies his property right in the country of origin.

The French appointed a committee, but when no draft treaty followed, the initiative moved to Switzerland. In 1883 a proposal was drafted, a work influenced greatly by the then German president of the ALAI, Professor Ulbach and French professors Pouillet and Clunet. They saw national treatment, coupled with a few basic substantive provisions, as a mechanism and first step for further unification.<sup>176</sup>

### 3.3.2 THE 1884-1886 CONFERENCES AND SUBSEQUENT REVISIONS

The 1884 Berne conference was a preparatory one, which resulted in a proposal that the delegates<sup>177</sup> present submitted to their respective governments and that was also sent to other governments. The year 1885 saw another conference with more countries represented<sup>178</sup> and the resulting text of the Convention was signed with minor alterations during the 1886 conference.<sup>179</sup>

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<sup>174</sup> Fliniaux 1879, citing Pataille, p. 32.

<sup>175</sup> Cavalli 1986, p. 138.

<sup>176</sup> Cavalli 1986, pp. 158–175.

<sup>177</sup> From Austria–Hungary, Belgium, Costa–Rica, France, Germany, Haiti, the Netherlands, Sweden & Norway, Switzerland, the United Kingdom (Actes BC 1884, pp. 71–72, 19–20).

<sup>178</sup> Costa–Rica and Austria–Hungary were not represented as in 1884, but Argentina, Italy, Spain, the United States, Paraguay, Honduras and Tunisia were (Actes BC 1885, pp. 11–12, 33).

<sup>179</sup> Belgium, France, Germany, Haiti, Italy, Liberia, Spain, Switzerland, Tunisia and the United Kingdom were the signatories. The United States and Japan and Liberia had observer status (Ricketson 1987, p. 79).

To understand the outcome of the project it is essential to keep in mind a number of circumstances. First of all, given that the aim was to have as many Union members as possible, there were likely to be many compromises. Secondly, the disparity between national copyright laws allowed for modest substantive provisions only. Thirdly, countries with relatively extensive copyright protection such as France and Germany had little to gain from a pure national treatment scheme.<sup>180</sup> Their own citizens would still have little protection abroad and they would have to justify why foreigners enjoyed more rights at home than their own authors did abroad. The ‘advanced’ countries therefore had an interest in as many substantive provisions as were attainable and in exceptions to national treatment by way of some form of reciprocity.

Fourthly, countries with limited copyright protection had opposite interests. Even though the Berne Convention was aimed at improving protection only of foreign works and authors, agreeing to a *jure conventionis* level of protection that exceeded national protection would give these countries a similar problem that advanced countries would have with national treatment. They would have to explain on the home-front why foreigners were better protected than their own nationals. The practical consequence would be that countries would have to adapt their copyright laws to give their own citizens the same level of protection as they were obliged to grant foreigners.<sup>181</sup> Agreement on substantive rules was therefore only possible in so far as countries were prepared to incorporate them into domestic copyright law, or were able to make reservations.

The impact of all of these factors is easily recognised in the design of the Berne Convention.<sup>182</sup> National treatment is made the leading principle, but it is regularly thwarted by reciprocity. Minimum substantive rights are interspersed with facultative provisions. The BC as agreed upon in 1886 allowed for more deviation from the national treatment principle than the 1883 proposal, which contained just ten short Articles.

Three dealt with national treatment: the central Article 1 for authors, Article 4 equating successors in title with authors and Article 7 specifying that foreigners should have the same legal remedies against infringement as nationals. Another

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180 Ricketson notes that the drawbacks of a pure national treatment scheme for countries with a high level of protection also caused the pre-Berne Convention bilateral agreements to contain substantive provisions (Ricketson 1987, pp. 25–26). In a sense, the Berne Convention was a continuation of old practices on a grander scale.

181 Belgium is a case in point: because the pre-1994 Copyright Act offered less moral rights protection than Article 6bis BC does, the courts extended domestic Belgian copyright to the BC standard; see Doutreloup 1997, pp. 223, 292–293.

182 Josephus Jitta in his treatise on private international law describes the BC and other intellectual property treaties as ‘...having the character of a politically motivated scheme of mutual protection, rather than a regulation of private law issues.’ 1916, pp. 267–268.



three Articles clarified the subject-matter of copyright: works of literature and art (Art. 2), including unpublished manuscripts (Art. 3) and translations (Art. 6). Since the exclusive right to authorise translations was deemed the most important right from the international perspective –but it was also a controversial issue– it was included explicitly in the proposal (Art. 5). The last three Articles specified that the Convention would be applicable to all works that had not come into the public domain in the country of origin of the work (Art. 8), that contracting States could conclude special agreements as long as these were not in contravention of the Convention (Art. 9) and that an international bureau would be established for the deposit of national copyright acts (Art. 10).<sup>183</sup>

The official draft for the Diplomatic Conference of 1884 was twice the size of the proposal tabled in 1883. It encompassed all but one of the earlier Articles, some of which in revised language. It also contained additional procedural clauses on entry into force, future revisions, etc.<sup>184</sup> Debate during the 1884-1885 conferences concentrated on the extent to which the Convention should contain uniform substantive copyright and the scope of national treatment. Subsequent revisions in 1896 (Paris), 1908 (Berlin), 1928 (Rome), 1948 (Brussels) and 1967 (Stockholm) were dominated by attempts to clarify and expand the substantive minimum rights and weed out the possibilities for (later) signatories to make reservations.

To illustrate the tug-of-war between national treatment and reciprocity, between compulsory minimum rights and facultative protection, it is instructive to look at the developments surrounding the duration of protection, the translation right and the gradual extension of the categories of protected subject-matter to include works of photography and other works. The solution reached for the controversies surrounding ownership of copyright in films is especially interesting from our perspective, because (as we shall elaborate in the next Chapter) it involves the only straightforward conflict rule in the Berne Convention.

### 3.3.2.1 *Term of Protection*

An important issue in 1884 was whether national treatment should also govern the term of protection. Some countries found it unacceptable to have to continue to grant protection to foreign works once these works had come into the public domain at home. The committee that dealt with the issue felt it was preferable to have a uniform term. However, since the terms of protection *post mortem auctoris*

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<sup>183</sup> Actes BC 1884, pp. 7–8.

<sup>184</sup> Actes BC 1884, pp. 11–13.

(PMA) differed substantially in national codes, the delegates accepted –albeit with some difficulty– the German proposal to make the duration of copyright dependent on the term accorded under the law of the country of origin.<sup>185</sup> In 1928, a uniform term of 50 years *post mortem auctoris* was established for most, but not all, works. As long as this term was not universally accepted by Union countries, however, each country could maintain its own term and limit the term of protection for foreign works to that in their country of origin (Art. 7 BC 1928).<sup>186</sup>

Some changes have been made since then, but the 50-year-rule still allows for exceptions. Union members may for instance maintain a shorter term of protection for photographs and applied arts (minimum of 25 years on completion) and may choose to protect film for 50 years on completion or the time it was first made available to the public rather than 50 years PMA (Art. 7 BC).

### 3.3.2.2 *Translations*

From the beginning, a very important and controversial issue was translations. Writings were a major category of works and the normal way to exploit them abroad was of course to publish a translation. Some countries felt that translations should be equated with reproductions,<sup>187</sup> the author would thus have the exclusive right to authorise translations of her or his work as long as it was not in the public domain. For others this was unacceptable. They preferred a right to authorise translations for a much shorter period (three or ten years).<sup>188</sup>

Given the great differences in national laws, national treatment was not considered a good alternative either, certainly not where it concerned the period during which the author has the exclusive right to authorise translations. Ultimately, the 1884 Conference decided on a rather intricate scheme: if an author had authorised a translation that was published in a Union country within three years of publication of the original work, the author had the exclusive right to authorise further translations, but only for a period of ten years after publication of the first translation (Art. 6 Draft BC 1884). The issue was raised again in 1885 and the delegates managed to expand the protection a little: authors resident in a Union

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<sup>185</sup> Actes BC 1884, pp. 30, 41–43.

<sup>186</sup> Dates after Articles refer to the ‘Berne’ version (1886), Berlin revision (1908), Rome revision (1928), Brussels revision (1948), Stockholm revision (1967). Articles not followed by a date are those in the current version of the Convention (i.e., the latest revision of Paris 1971).

<sup>187</sup> Actes BC 1884, pp. 31–32.

<sup>188</sup> Actes BC 1884, pp. 31, 45–49.

country enjoyed the exclusive right to authorise translations for a minimum of ten years after publication of the original work (Art. 5 BC 1886).<sup>189</sup>

The quest for equation continued at the 1896 Revision Conference and a new compromise was reached: authors would have the translation right during the term of protection of the original work, but if within ten years after publication of the original work they still had not used this right for a given language, others were free to publish a translation in that language (first Article, at III Additional Act Paris 1896). As long as the original work remained unpublished, the translation right stayed intact.<sup>190</sup> In 1908 the ‘translate within ten years’ requirement was dropped (Art. 8 BC 1908), so that authors enjoyed the translation right for as long as they enjoyed other economic rights.

### 3.3.2.3 *Works Protected*

The development of Article 2 of the Berne Convention (Art. 4 in the 1886 text) is another illustrative example of the painstaking effort it took to reach agreement on substantive issues. From the start, there were differences of opinion on what the inclusion of a certain type of work in the list of Article 2 meant. Some held it to be merely illustrative, while others felt that signatories had a duty to protect at least the type of works mentioned (if original).<sup>191</sup> The latter point of view was confirmed as the right one in 1908 (with Art. 2 sub 3, BC 1908 stating as much).

As to the type of works protected, the 1884-1886 conference delegates were in minor disagreement only, compared to what ensued during the 1896, 1908, 1928 and 1948 revision conferences.

In 1885, France and Italy wanted photographs to be listed explicitly as works of literature and art, which was unacceptable to Germany which had a separate regime for protection of photographs. The conference decided to give photography a place in the closing protocol: countries that protected photography under copyright law could choose to protect foreign photography on the basis of reciprocity.<sup>192</sup> In 1896, photography was again an issue of debate and some progress was made on the matter. The protocol now stated that Union authors

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189 Actes BC 1885, pp. 26–28, 43–45, 62–63.

190 Actes BC 1896, pp. 168–170; Huard 1897, p. 6.

191 Actes BC 1884, p. 45; Actes BC 1885, pp. 21–22, 43; Actes BC 1896, pp. 166–168; Actes BC 1908, pp. 229–235; Actes BC 1928, pp. 185–186.

192 Actes BC 1885, pp. 21–22, 55–56. For a detailed history of the protection of photography in the BC, see De Cock Buning 1998.

could also benefit from national laws other than copyright laws that protected photography, without the condition of reciprocity.<sup>193</sup>

The 1908 Revision Conference saw many proposals to change the (illustrative) list of works protected. Photography featured on the list of recommendations, as did applied arts, pantomime and anthologies.<sup>194</sup> It was not included in Article 2 and kept its separate position, but it was now confirmed that countries were obliged to protect photographic works (Art. 3 BC 1908).

The 1928 revision did not result in any major changes to the list of protected works, although speeches and the like were now included.<sup>195</sup> In 1948, however, photography, together with film and other audiovisual works, architecture, applied arts and industrial design was finally included in the main list.

#### 3.3.2.4 *Ownership of Audiovisual Works*

At the 1967 Revision Conference, the ownership of rights in audiovisual works was a much debated issue. Since the production of film involves many contributors, it is important for film producers to secure the rights from the contributors, in order to be able to exploit the film. That countries have different rules for ownership complicates the position of a film producer. Harmonisation was therefore attempted.

Roughly speaking, there are three different kind of systems in use for rights allocation in audiovisual works. Under the first, all creative contributors (director, screenwriter, camera man, etc.) are considered as co-authors, but the economic rights are granted to the producer by law. In the second system, creative contributors are recognised as (co-)right owners, but the producer is considered to own copyright (or at least to have an exclusive licence to exercise the rights necessary for normal exploitation of the film) by way of a rebuttable assumption of assignment (presumptive cession). The third system directly allocates copyright to the producer of a film.<sup>196</sup> The co-existence of these three systems in Union states complicated the discussions on the inclusion of film copyright in the BC.

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193 Actes BC 1896, pp. 166–168.

194 Actes BC 1908 (Rapport de la Commission), pp. 229–235.

195 Actes BC 1928, p. 196, 218.

196 In the EC, attributing initial ownership of copyright in an audiovisual work to the producer exclusively, is no longer allowed since the 1992 Rental and Lending Directive. The principal director of the film must be considered as author and (co-)owner, Member States are free to designate other contributors as co-authors/owners (Art. 2(2) Rental and Lending Directive, Art. 2 Term of Protection Directive).

Some countries did not want any special reference made to the ownership of rights and preferred to leave national treatment intact. Other countries feared that their film industry would suffer if producers could not expect the copyright they acquired at home to be respected abroad. However, the alternative –leaving ownership of a particular film to be regulated solely by the producer’s domestic law– was unacceptable to countries that were most protective of the rights of individual contributors. The compromise is a rather intricate reaffirmation of the national treatment principle, coupled with a substantive clause and a conflict rule.

The national treatment principle is repeated in the first paragraph of Article 14 bis(2): deciding who owns copyright in audiovisual works is a matter for domestic legislation of the country where protection is claimed. It is further prescribed that in countries where the exploitation rights are (or all copyright is) not assigned to the producer by law, the (co-)contributors cannot resist normal exploitation acts<sup>197</sup> with regard to the film to which they have agreed to contribute. This substantive clause comes in the form of a rebuttable presumption: the contributor and producer can agree otherwise. Whether the agreement must be in writing or not, is to be judged by the law of the country where the producer has his seat or habitual residence. This conflict rule can be set aside by Union members who demand that any agreement must be in writing.

The presumptive licence clause of Article 14 bis (2a) is potentially robbed of much of its significance by Article 14 bis(3).<sup>198</sup> Under this provision, countries remain free to exempt important contributors to any film –the screenwriter, the composer of music specifically written for the film, the dialogist, the principal director– from the presumptive cession. In effect, unless national laws provide otherwise, the presumptive cession does not concern these contributors.

At the time of the Paris Act, there were no special rules for ownership of audiovisual works in Dutch law: every person who made a creative contribution (director, scriptwriter, cameraman, etc.) was a co-author of the work. The film producer only owned the copyright if the film was made by employees (Art. 7 Aw) or if he had acquired it from the actual creators. According to the Dutch Government, the reason to introduce special provisions was not that there was a need for them in the (Dutch) film industry, but because it was desirable to adjust domestic copyright law to the changes in the 1971 BC.

In sum, the Dutch Government argued that Article 14 bis BC is inspired by the need to promote the unhindered circulation of films and that this would only be achieved if there is adequate legal certainty as to the exploitation rights of the producer, or else the necessary investments in films would not be made. The

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197 Article 14 bis(2)b BC actually names the acts that cannot be resisted (reproduction, distribution of copies, screening in public, broadcast, etc.).

198 See Geller 2001 at 6[2]b[iii].

government first wanted to introduce only a presumption of transfer of economic rights, since this seemed to match Article 14 bis(2) BC the best. The government's influential Advisory Committee on Copyright (Commissie Auteursrecht) however, favoured a system of full transfer by operation of law (*cessio legis*). Although this variation was proposed in a later, revised legislative draft, the more 'author-friendly' option, that of presumptive transfer of economic rights, was legislated for.<sup>199</sup> In reality, there was no need to change the *Auteurswet*, because under Dutch law producers of foreign films can invoke Article 14 bis(2) directly. The changes to the *Auteurswet* also go further than the BC requires, because in the BC there is no presumptive transfer of economic rights, but a presumptive licence, exclusive at best.

The development of Articles 2, 7 and 8 BC shows the uneasy relationship between national treatment and unification. On the one hand countries were frequently opposed to national treatment if that meant that foreigners could rely on more protection than nationals. On the other hand every provision that introduced a form of reciprocity (e.g., photography until 1896) or made maximum protection dependent on the country of origin (e.g., duration), would go flatly against the basic principle that foreign works/authors be treated as nationals. Harmonisation was the solution but proved difficult to achieve, particularly where it required parties to extend the scope of their national copyright laws.<sup>200</sup>

The resulting rules have mixed properties. The protection of photography developed from being facultative and reciprocal, to non-reciprocal and eventually compulsory. Provisions that reflect outright substantive harmonisation remained rather sparse, e.g., the exclusive right to authorise translations (Art. 8), the freedom to cite legitimately published works (Art. 10 at 1) and the exclusive right for authors of musical and dramatico-musical works concerning public performance and transmission of their work (Art. 11).

Other provisions are a combination of harmonisation, national treatment and a form of reciprocity (references to the country of origin), e.g., the duration of protection (Art. 7) and the scheme for applied arts and industrial design (Art. 2(7)). Another category of provisions are the facultative exemptions, e.g., the possibility to exclude official texts from copyright (Art. 2(4)), the press exemption for public speeches in Article 2bis, the exemptions to the reproduction right in Article 9, the possibility to exclude moral rights after the death of the author in

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199 De Vries 1989, p. 152 et seq. As for moral rights, the author is presumed to have waived only the right to resist adaptations of her contribution *vis-à-vis* the producer (Art. 45f *Auteurswet*).

200 Although all substantive provisions only reflect the minimum protection that must be given to copyright owners of works that originate from another Union country, it is clear from the proceedings of the Berne conferences that countries planned to apply the substantive provisions to domestic works also.

Article 6bis(2), the *droit de suite* and the freedom to reproduce works for the purpose of education or science.

Compared to the initial elegant draft of 1883, which contained only a national treatment clause and a handful of shared principles, the Berne Convention has a rather disorderly structure and many exceptions to both the national treatment principle and substantive rights. There is certainly some truth in the unflattering characterisation that the influential German scholar Kohler gave of the Berne Convention when he called it ‘...*ein zusammenhangloses Durcheinander von Prinzipien*...’.<sup>201</sup> All the same, it was of course quite remarkable that a major multilateral treaty was concluded on a subject as young and tentatively defined as copyright.

### 3.3.3 A CLOSER LOOK AT NATIONAL TREATMENT

In his opening address to the 1884 Diplomatic Conference, Chairman Droz put a number of (rhetorical) questions to the delegates. Was it not right that every author should retain his right to his work everywhere it is used? Should one not admit that the nature of copyright does not depend on the place where the work is reproduced? Differences in national laws were less a matter of principle than of subjective appreciation. Even though the Swiss proposal was based on national treatment, Droz told his audience that they would have to decide whether national treatment was the best way of ensuring protection, or whether a system by which copyright follows the author was to be preferred.<sup>202</sup>

Apparently the audience felt it was self-evident that the international instrument in the making would be based on national treatment. The records of the 1884 and 1885 preparatory conferences do not indicate that any serious discussion took place on the suitability and desirability of national treatment as a means of securing international copyright protection.<sup>203</sup> The absence of such a debate is not surprising, considering that national treatment was a common principle in bilateral copyright treaties and that it leaves the contracting states freedom to decide on issues for which no unified rules have been agreed upon.

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201 Kohler 1907, p. 402. In his draft convention, Kohler took the national treatment principle to its extreme, allowing for no exceptions and proposing that all nationals of Union countries be protected, regardless of where they first published their work. See R  thlisberger 1909, pp. 492–495.

202 Actes BC (1884), p. 21.

203 This is not to say that there were no proponents of the idea that the author should be given the same protection that he or she has in his or her home-country (on the basis of nationality or domicile), see Bastide 1890, p. 97 et seq.

The German delegation did ask whether instead of drafting a convention based on national treatment, it would not be better to envisage codification of uniform substantive provisions.<sup>204</sup> Since most countries agreed that the time for substantial unification had not yet come, national treatment took its place as the central notion in the Berne Convention, which it retains unto this day. The 1884 draft stated:

‘Les auteurs ressortissants à l’un des pays de l’Union, ou leurs ayants cause, jouissent, dans les autres pays, pour leurs oeuvres, soit manuscrites ou inédites, soit publiées dans un de ces pays, des avantages que les lois respectives accordent actuellement ou accorderont par la suite aux nationaux.

Toutefois, ces avantages ne leur seront réciproquement assuré que pendant l’existence de leurs droits dans leur pays d’origine.’...

In 1885 the draft was revised, because it was feared that the language of the second paragraph (especially the words ‘...que pendant l’existence...’<sup>205</sup>) could induce courts to never accord more protection than was available under the law of the country of origin. This was the common interpretation of similar clauses in the 1883 Franco-German Treaty and other bilateral treaties. Article 2(2) of the Franco-German Treaty stated that authors could only enjoy protection in the other state for as long as their copyright in the country of origin existed and that the duration of protection could not exceed that in the country of origin.

In Germany it was taken to mean that the scope of protection afforded in Germany to a work first published in France could not exceed the protection available in France. So it was always the lowest degree of protection that counted. In order to determine what protection a French author could claim in Germany it had to be established: (a) that a work was the object of protection in France, (b) that the term of protection in France had not expired and c) what the scope of protection in France was.<sup>206</sup>

If such a system were followed in the Berne Convention, it would ‘have the grave disadvantage of demanding courts or publishers to have profound knowledge of all particular laws....which would go against the notion that the Union means to create’.<sup>207</sup> Therefore an explicit reference was made to what the paragraph really was, namely a reciprocity clause for the duration of copyright and nothing more. Paragraph 2 became: ‘elle [the enjoyment of the rights, mve] ne

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204 Actes BC (1884), p. 24.

205 ‘Les arrangements particuliers entre pays de l’union littéraire et artistique’, *Le Droit d’auteur* 1892–8, p. 93.

206 Dambach 1883 at pp. 1–4 supports this interpretation; Bastide 1890 at pp. 101–102 criticises it but reports that it is common, also in other treaties.

207 Actes BC (1885), p. 41



peut excéder, dans les autres pays, la durée de la protection accordée dans ledit pays d'origine.'

In the final 1886 text national treatment was phrased thus:

'Les auteurs ressortissants à l'un des pays de l'Union, ou leur ayants cause, jouissent, dans les autres pays, pour leurs oeuvres, soit publiées dans un de ces pays, soit non publiées, des droits que les lois respectives accordent actuellement ou accorderont par la suite aux nationaux.' (Art. 2(1) 1886).

The Swiss Government had proposed to add a sentence stating that 'consequently, they will have the same protection and means of redress against every infringement of their rights [as nationals], notwithstanding the fulfilment of conditions and formalities in the country of origin of the work'. This was a standard phrase in existing bilateral treaties. It was, however, not incorporated into Article 2 (1886 version) because national treatment was held to imply as much. A proposal to expressly state that procedures before the courts and the jurisdiction of the courts were matters for internal legislation, shared the same fate for the same reason (Swiss draft of Art. 1 Closing Protocol 1884).<sup>208</sup>

When in 1908 progress was made on unification of the term of protection, a new Article on duration was introduced (Art. 7 BC 1908). The reciprocity clause for duration was moved from the old Article 2 to the new Article 7. Article 2 on national treatment was renumbered Article 4 and a clause prohibiting the requirement of formalities was added to it. These last changes were possibly made partly because some British courts inferred from the national treatment principle that foreign authors were required to conform to English formalities just as English authors were,<sup>209</sup> even though the 1886 text had only provided that for an author to enjoy protection elsewhere he must comply with the formalities in the country of origin.

Likewise, German courts still had problems interpreting the BC, as some continued to rule that foreign authors were entitled to national treatment only if the work in question was protected in the country of origin.<sup>210</sup> In France it was

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208 Actes BC (1884), pp. 11–13. In an 1891 French case about enforcement of performing rights by foreign authors, the court of Rouen ruled that the requirement to give security for costs (imposed on foreign plaintiffs under civil procedure law) did not contravene national treatment, since the BC does not address issues of procedure and jurisdiction. See Darras 1892.

209 'Application en Grande-Bretagne de l'Article 2 de la Convention de Berne', *Le Droit d'auteur* 1893–7, pp. 82–83; Darras, *Le Droit d'Auteur* 1892–10, p. 121; Huard 1896, p. 13. The right interpretation of the formalities-clause was given by the High Court of Justice (Queen's Bench) London in a ruling of 15 April 1893 (reported in [1893] *Le Droit d'auteur* 7, 86) and by Brighton Court in its *Moul v. The Devonshire Park Cie* ruling of 7 August 1891 [1892] *Le Droit d'auteur* 4, 52–55.

210 Actes BC (1908), pp. 238–239 (Rapport Renault).

established case-law that authors of works first published abroad could only successfully enforce their copyright if under the law of the country of first publication they had a *droit privatif*, i.e., a subjective right.<sup>211</sup> The German delegation insisted that the revised Article 2 (Art. 4 1908) explicitly include an even stronger reminder than it had in 1886, that the rights granted in one Union country were not dependent on the scope of protection in the country of origin.

Accordingly, Article 4(2) (5(2) current) was changed in:

‘La jouissance et l’exercice de ces droits ne sont subordonnées à aucune formalité: cette jouissance et cet exercice sont indépendants de l’existence de la protection dans le pays d’origine de l’oeuvre. Par suite, en dehors des stipulations de la présente Convention, l’étendue de la protection ainsi que les moyens de recours garantis à l’auteur pour sauvegarder ses droits se règlent exclusivement d’après la législation du pays où la protection est réclamée.’

From the above it may be clear that the changes that were made in the phrasing of the national treatment principle during 1884-1908 were largely due to continued misinterpretations of the original text. This in turn seems to have been caused at least partly by the fact that some courts stuck to the interpretation of national treatment and reciprocal protection of foreign authors that they had developed as they applied bilateral treaties.<sup>212</sup> They seemed reluctant to accept the more liberal application of the national treatment principle that the Berne Convention called for.<sup>213</sup>

The phrase that the means of redress for safeguarding rights are governed by the law of the country where protection is claimed, is repeated in Article 6 bis on moral rights. It was introduced when moral rights first were incorporated in the BC in 1928, to stress that it applies not only to economic, but also to moral rights.<sup>214</sup>

### 3.3.3.1 *Country of Origin*

The determination of the country of origin is important for two reasons: it regulates which authors or works are protected under the BC and it sets the boundaries for reciprocal treatment.

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<sup>211</sup> Battifol & Lagarde 1983, p. 201.

<sup>212</sup> See also Lucas & Lucas 1994, p. 887.

<sup>213</sup> Locher 1993, at pp. 6–7 notes that the drafting of the BC was an exercise in overcoming the law on alien-provisions that were common in domestic copyright acts.

<sup>214</sup> Massouyé 1978, p. 46 et seq.

The BC is only involved with ‘international’ copyright cases, it does not purport to affect domestic copyright law for domestic cases. As the French Supreme Court reiterated in the Utrillo case:

‘en vertu de l’Article 5.3 de la Convention de Berne...la protection des oeuvres dans le pays d’origine est régie par la législation nationale, de sorte qu’à défaut d’élément d’internationalité, la situation litigieuse demeurerait, en l’espèce, soumise au droit français.’

In this case, the successors in title to the copyright of French painter Maurice Utrillo, sought an injunction against a French auctioneer to prevent the reproduction of some paintings in a sales catalogue for an auction that was to take place in France. Under French law such reproduction is allowed. The copyright owners invoked the substantive rules of the BC in vain, since France was the country of origin and the allegedly infringing act took place in France.<sup>215</sup>

At first glance, the national treatment clause seems to mean that authors who are nationals of Union countries are eligible for protection in all other Union countries. In effect, however, to enjoy protection under the BC, the country of origin of the *work* must be a Union-member. For published works the country of first<sup>216</sup> publication<sup>217</sup> is the country of origin. Consequently, if a Dutch national first publishes in France, the work is ‘nationalised’. For BC purposes it is no longer considered to be Dutch, but French.

Nationals or habitual residents of Union countries who first publish their work in a non-Union state are kept under the BC’s protective mantle by Articles 5(4)b and c BC. If first publication takes place in a Union and a non-Union country simultaneously,<sup>218</sup> the Union country is regarded as the country of origin. If first publication takes place in a non-Union country only, the Union country of which the author is a national or habitual resident<sup>219</sup> is the country of origin. There are

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215 Cass. 10 February 1998 [1998] Rev. crit. dr. int. priv. 3, 438–439 (*Chambre Nationales des commissaires-priseurs v. Fabris et al*), with comment by Bergé.

216 While the 1886 text was still a little ambiguous, the 1896 Additional Act made clear that only if the *first* publication had taken place in a Union country could Union nationals expect the benefits of the Berne Convention (Art. 1–I Additional Act 1896, Art. 4(1) BC 1908).

217 What is to be understood by ‘publication’ considering today’s communication technologies will be addressed later. The initial BC considered publication the making available of a fair number of copies to the public. Performing a musical work or play is not publication, nor is the exhibition of a work of art or the construction of a work of architecture (Art. 3(3) BC).

218 ‘Simultaneous’ meaning within a period of 30 days.

219 Article 5(4)c speaks of the author as a national, but Article 3(2) prescribes equal treatment for habitual residents. Massouyé is not altogether sure whether Article 5(4)c also applies to habitual residents: 1978, p. 39.

two exceptions to this rule: one for audiovisual works and one for works of architecture.

For audiovisual works the habitual residence or ‘headquarters’ of the producer<sup>220</sup> is the country of origin. The term ‘headquarters’ (*siège social* in the French text) seems to correspond with the notion of the ‘principal place of business’, which is a commonly-used connecting factor in private international law. The place where the production company is incorporated or where a legal person is otherwise registered is not a relevant factor. For architecture and works of graphic or visual art incorporated in them, the place where the structure was erected determines the country of origin.

Initially, the place of first publication upstaged the nationality of the author as the predominant criterion for a number of reasons. An obvious one is that it was a commonly-used standard in national copyright laws and bilateral treaties. Another reason has to do with the fact that the term of protection cannot exceed that in the country of origin (Art. 2(2) second sentence BC 1886).<sup>221</sup> A practical argument to use place of publication rather than nationality, was that the former was considered easier to determine for publishers and users who wanted to find out whether a work was (still) protected, presumably because printed matter tends to contain information on the place and date of publication. Potential problems with multiple nationalities in cases of co-authorship would also be avoided, at least in cases where authors had published their works.<sup>222</sup>

Yet another reason involved the protection of non-Union authors. The Swiss Government initially proposed to assimilate non-Union nationals to Union nationals, on condition that they had their habitual residence in a Union country or published their works there. Some delegations opposed the idea of protecting non-Union authors altogether. Others were concerned that this type of assimilation would invite countries to stay outside the Union. A compromise was reached: not the non-Union authors, but their publishers<sup>223</sup> were given protection in the Union countries (Art. 3 BC 1886).<sup>224</sup>

From the viewpoint that authors ought to be the initial copyright owners, this construction was a legal monstrosity. It was therefore revised by the Paris 1896 Additional Act, to the extent that authors of non-Union countries who *first* published their work in a Union country, could invoke the minimum rights granted in the Berne Convention (Art. 1 II Paris Additional Act 1896), but were not

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220 ‘Maker’ in the English text of Article 5(4)b i BC, but ‘producteur’ in the French text.

221 Actes BC (1884), p. 30, 42.

222 Actes BC (1885), p. 1.

223 These were understood to be publishers who were nationals of Union countries, or who had a stable establishment in a Union country: Actes BC (1885), p. 42.

224 Actes BC (1884), p. 43, Actes BC (1885), p. 19.

entitled to national treatment. Although some countries (Belgium, Switzerland Germany) again strove to assimilate non-Union authors who first published in the Union to Union authors, to the majority this was not acceptable.<sup>225</sup> It was only after further revisions in 1908<sup>226</sup> (Art. 6 BC 1908) and in 1967 (Art. 3(1) sub b and c, 3(2) BC 1967) that the initial Swiss proposal became a reality.

The focus on the country of first publication as a determining factor for BC protection has drawn criticism for being detrimental to the interests of authors and giving undue preference to the interests of publishers. The Union publishers benefited not only from the protection of works of Union authors, but also from the first publication in their countries of works of non-Union authors. Union authors, on the other hand were in practice forced to do business with Union publishers, because a first publication outside Union territory would place their work outside the BC's reach.

This criticism was partly addressed by the 1967 revision, which introduced the clauses protecting Union authors with regard to the works they first publish in non-Union countries. Other criticism which has not been addressed is that the notion of 'publication' may have been adequate in the predominantly paper world, but that it is no longer so as new media (broadcasting, Internet) have developed.<sup>227</sup>

For unpublished works, the country of origin is the country to which the author 'belongs' ('le pays auquel appartient l'auteur', Art. 2(4) BC 1886). The terminology used is somewhat ambiguous. Apart from the phrase mentioned, Article 2 also identifies Union authors as 'les auteurs ressortissant à l'un des pays de l'Union'. In the same clause national treatment is expressed as giving the same protection as nationals ('nationaux'). In the conference proceedings, the first two expressions are said to mean that the author is an 'indigénat' of a Union country.<sup>228</sup>

It would thus seem that these terms are not equal to 'nationals' or citizens, but they certainly do not refer to habitual residency. This can be inferred from the

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225 Actes BC (1896), pp. 164–166.

226 In 1908 non-Union authors who first published in a Union country were granted national treatment in that country, while in other BC countries they could –as before– invoke the minimum rights of the Convention. In the Additional Protocol of Berne 1914, a retorsion rule was introduced at the request of Canada. As a Union member, Canada had to afford protection to US authors who first published in Canada, while Canadian authors were not protected in the US. The retorsion clause was incorporated into the 1928 revision (Art. 6(2) BC 1928, current 6(1)). It provides that if a non-Union country does not have a sufficient level of protection, a BC country is entitled to restrict protection for works first published in its country by nationals from that non-Union country (unless they are habitual residents of a Union country). If a country invokes the retorsion rule, other Union countries may also withhold protection to the works concerned.

227 For an overview of pre-Stockholm criticism, see Koumantos 1964, p. 7 et seq.

228 Actes BC 1885, p. 42.

assimilation of non-Union authors who are habitual residents of a Union country to Union authors: ‘les auteurs ne ressortissant pas à l’un des pays de l’Union mais ayant leur résidence habituelle dans l’un de ceux-ci sont...assimilés aux auteurs ressortissant audit pays’ (Art. 3(2) BC 1967). Whatever the ambiguity of the language, it is of no great significance today since Union protection extends to both nationals and habitual residents of Union countries.

Another issue is what the country of origin is of a work that was conceived by a Union author, but had not been published upon his death. According to the proceedings of the 1885 Conference, national treatment extends to successors under general or specific title, whatever their nationality.<sup>229</sup> The rights of successors of a Union author (national or habitual resident) are therefore protected within the Union. The question remains what the country of origin of such a work is: is it the country of which the author was a national or habitual resident at the time of the creation of the work, or is the decisive moment at the time of his or her death? The former solution seems more logical, but the latter has the advantage that all the author’s works would be treated the same. Given the large number of states that are party to the Convention, this is more of a theoretical problem than a practical one, although it could prove to be relevant in instances where (material) reciprocity is allowed (term of protection, protection of design, resale right).

A potential problem that has not been addressed by the drafters was how to determine the country of origin of unpublished works that have multiple authors with different nationalities, or one author with no or multiple nationalities (a- and bipatrides). Similarly, for works published simultaneously (i.e., within a 30-day period) in various countries, the BC only partly answers the question which country is the country of origin.<sup>230</sup> If publication takes place in more than one country (Union and non-Union), there are two criteria which help to determine the country of origin. The first is that Union countries qualify before non-Union countries (Art. 5(4)b BC). The second is that a Union country with a shorter term of protection comes before one with a longer term (Art. 5(4)a BC). This leaves unidentified the country of origin in cases where publication takes place in more than one Union country with the same term of protection.<sup>231</sup> This is a problem from the perspective that the BC’s substantive provisions cannot be invoked in the country of origin (as in the Utrillo case mentioned above in Par. 3.3.3.1).

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229 Actes BC 1885, p. 42.

230 This is only relevant of course if more than one Union country is involved as potential country of origin (non-Union countries are only relevant for deciding whether a work is within or without the scope of the BC).

231 Massouyé 1978, at p. 39, suggests that domestic courts compare the different editions (exact date of publication in each country involved, relative importance of markets) to determine the appropriate country of origin.

Simultaneous publication is of course not a new phenomenon, but given developments in information production and distribution, it will occur on a much larger scale than before. In certain industries, such as software and music, it is common to release copies of a new work in several countries simultaneously. Likewise, electronic publishing –from the posting of illustrations on a personal website to professional web journals or on-line databases– increases the number of simultaneous first publications. That is, of course, if electronic publishing is to be regarded as publication in the sense of Article 5 BC to begin with.<sup>232</sup>

On a brighter note, as far as can be told from published Dutch case-law, the incompleteness of the BC when it comes to defining the country of origin, is not a serious problem in practice.<sup>233</sup>

The Dutch legislator has not filled the gaps either. Articles 3 through 5 BC are copied almost to the letter in Article 47 Dutch *Auteurswet*. Section 1 of Article 47 *Aw* states that the act applies to all works that are first published in the Netherlands (or simultaneously published in the Netherlands and elsewhere) and to all unpublished works of Dutch nationals. Assimilation of habitual residents (Art. 3(2) BC) is prescribed by Article 47(2) *Aw*, the definition of what does and does not constitute ‘publication’ of Article 3(3) BC is copied in Article 47(3) and (4). Article 5(4)c BC finds its equivalent in Article 47(5) and (6), albeit in a strange way. The BC first says construction of a work of architecture is not publication and then designates the place of construction as the country of origin. The Dutch Copyright Act achieves the same result by defining ‘construction’ as first publication.<sup>234</sup>

As for audiovisual works, in addition to the normal rule of section 1, the Dutch Copyright Act applies to films made by producers who have their seat or habitual

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232 See –among others– the discussion that was held on the subject during the 1995 Naples WIPO meeting on Copyright in the digital environment (WIPO 1996).

233 Most cases where the determination of the country of origin is an issue involve reciprocal protection of works of design or applied art (Art. 2(7) BC). See note 334 for examples.

234 There is however a difference in terminology between the *Auteurswet* and the BC which could create a problem. For example, when a Dutch architect designs bridge, which is then built in a non-Union country. According to the BC, the bridge is unpublished. Since it is not located on Union territory either, the Union country of which the author is a national is the country of origin, i.e., the Netherlands (Art. 5(4)c first paragraph BC). However, under Article 47 *Aw* the bridge is a published work because it has been built. Since it has not been built (i.e., first published) in the Netherlands, the Dutch copyright act does not claim application. As the BC does not demand that authors get the substantive protection of BC provisions in the country of origin of the work (Art. 5(1) BC), it would seem that authors who are Dutch or reside in the Netherlands, are not protected under Dutch copyright law with regard to their architectural works which have been built in a non-Union country (e.g., if someone erects a copy of the building in the Netherlands, the architect could not oppose that on the basis of copyright law). All of this equally applies to works of visual arts that are incorporated in the structure. The fact that the drawings will normally be considered as protected works in their own right gives the architect a means to protect his design.

residence in the Netherlands (Art. 47(6) Aw). Whether ‘seat’ means principal place of business, any place of business or place of incorporation cannot be inferred from the explanatory memoranda to the Copyright Act.

Other national copyright laws have been adapted –or drawn up, as was the case in the Netherlands– with the national treatment principle and country of origin of the BC in mind, but often with less recognisable adaptations than the Dutch Copyright Act.<sup>235</sup>

### 3.4 Post-Berne Convention Copyright and Related Rights Treaties

The entire international intellectual property edifice is built on national treatment combined with substantive minimum rights. This is not only true for copyright, but also for patents, trademarks, the protection of geographical indications, etc.<sup>236</sup> Each sub-category of intellectual property has its own treaties. Apart from the Paris Convention on the protection of Industrial Property, the one multilateral treaty that deals with a wide range of intellectual property is the Trade Related Aspects of Intellectual Property Rights Agreement (TRIPs 1994).

Copyright is –as their names suggest– the subject of the Universal Copyright Convention and the WIPO Copyright Treaty.<sup>237</sup> Related to copyright are the international agreements concerning ‘neighbouring rights’. These are the exclusive rights of performing artists (musicians, actors and the like), record producers and broadcasting organisations with regard to their respective activities. Relevant treaties are the 1961 Rome Convention, the 1971 Geneva Convention and the WIPO Performances and Phonograms Treaty (WPPT 1996). Two multilateral instruments are in preparation, for audiovisual performances and for broadcasts respectively.

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235 See, for instance, Chapter VII of the Portuguese Copyright and related rights act (No. 45/85 of September 17, 1985), Part V Section I German *UrhG* 1965, Chapter 8 Finnish Copyright Act 1961, Chapter 8 Danish Copyright Act 1995.

236 See particularly the Paris Convention for the Protection of Industrial Property of 1883 and the Treaty on intellectual property in respect of integrated circuits (Washington 26 May 1989).

237 The 1889 Montevideo Treaty on Copyright is still in force between a number of primarily South American countries. It is based on the notion of copyright as a *droit acquis*, i.e., Contracting States are bound to provide an author copyright protection if he or she also enjoys copyright in a work under the law of the country of which the author is a national (on *droits acquis*, see Paragraph 4.1.2). Given its limited significance, the Montevideo Convention will not be considered in this study.



### 3.4.1 TRIPS AGREEMENT

Intellectual property became a prominent item on the international free trade agenda in the course of the Uruguay round (1986-1994) of the General Agreement on Tariffs and Trade (GATT). Until that time, the concern with intellectual property had not been its protection, but rather the fear that exclusive rights may be used to undermine free trade. The combat of counterfeit goods had been an issue at earlier rounds, but it was not addressed seriously until after a 1985 GATT report concluded that the existing international intellectual property regime did not provide efficient means to control piracy.<sup>238</sup>

The most important aim of the Uruguay Round was to set up a permanent multilateral World Trade Organisation (WTO) with extensive dispute resolution mechanisms. If these were to apply to intellectual property arrangements, this would make it easier to make member states live up to their obligations, especially where these included the duty to provide effective civil remedies against (potential) infringements of intellectual property.

Another important reason why GATT/WTO became an important forum for intellectual property was the wish to adapt the international system to developments in information and communication technology. The last toilsome revision of the Berne Convention had taken place in Stockholm in 1967 and was formalised in the 1971 Paris Act. Since then the chances to bring about an update were slim (see below in Par. 3.4.2). The US and European pharmaceutical, information and communication industries were ardent supporters of TRIPs, as they stood to gain the most from extended intellectual property rights and increased enforcement.<sup>239</sup>

The general part of the TRIPs Agreement requires member states to adhere to both the national treatment and most-favoured nation treatment for the intellectual property rights it covers (copyright, patents, trademarks, etc.). The second part of TRIPs, first section, obliges WTO members to adhere to all substantive provisions of the Berne Convention (Art. 6 to 21 BC), with the exception of moral rights (Art. 6bis BC). In addition, it contains a number of substantive provisions which increase the minimum level of copyright protection. For example, software and databases must be protected under copyright and all exemptions should meet a strict test similar to the one the BC asks for exemptions to the reproduction right in Article 9(2) BC.<sup>240</sup> Part three of TRIPs contains rules that oblige member states to provide effective remedies in cases of (imminent) infringement: the judiciary

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238 For a history of TRIPs, see: Gervais 1998.

239 For a critical analysis of TRIPs impact on extended commercial control of knowledge to the detriment of public availability, see May 2000, p. 67 et seq.

240 On the three-step test, see Ficsor 2001; Ginsburg 2002, Hugenholtz 2000b; Lucas 2001.

should, for example, have the authority to order parties to desist from infringement, order restitution, recovery of damages, etc.

Since the 1961 Rome Convention and the 1971 Geneva Convention, both of which deal primarily with the protection of rights in sound-recordings, little happened in the international arena with regard to neighbouring rights (see Paragraph 3.4.3 below). The TRIPs Agreement does not call on WTO members to adhere to the substantive provisions of the Rome and Geneva conventions as it does for the Berne Convention<sup>241</sup> in the field of copyright (Art. 3(1) TRIPs).

TRIPs lists essentially the same catalogue of rights for performing artists and record producers with regard to the live-transmission, fixation, reproduction and communication of sound-recordings (Art. 14(1)-(2) TRIPs) as the earlier related rights treaties do. It adds a rental right, which is to say: an exclusive right to authorise commercial rental for neighbouring rights owners (Art. 14(4) TRIPs). Alternatively, member states can maintain a right to equitable remuneration as long as rental does not substantially cannibalise the reproduction right of right owners (Art. 14(4) TRIPs).

Protection of broadcasting organisations is not mandatory (Art. 14(3) TRIPs), but if WTO members choose not to grant broadcasters related rights with regard to (the reproduction of) fixations and retransmission of their broadcasts, these rights should at least be granted to copyright owners.

The term of protection is not unified, rather, Article 14(5) sets it at a minimum of 50 years after first fixation or performance (for performers and record producers), or 20 years from the date of broadcast (for broadcasting organisations). This is a substantial increase, as the term of protection under the Rome and Geneva Conventions is 20 years.

TRIPs does not affect member states' reservations made or reciprocity clauses invoked under the Rome Convention 1961. Equally, limitations to protection that are valid under the pre-existing copyright and neighbouring rights treaties can be maintained.

As to the beneficiaries of protection, that issue has to be decided on the basis of the corresponding provisions of the Berne, Rome and Geneva Conventions (Art. 1(3) and 3(1) TRIPs), i.e., points of attachment are –depending on which right is involved– the place of first publication or nationality of the author or record producer, the place of first performance or broadcast, fixation of sound-recording, etc.

As can be inferred from the description above, TRIPs is concerned with re-enforcing intellectual property rights by making states who want to join WTO respect existing treaties. The number of parties to the Berne and Rome

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241 Moral rights (Art. 6bis BC) are excluded from TRIPs.

Conventions has grown significantly since 1994: the BC had 103 signatories before 1994 while 46 have joined since, the RC's numbers went up from 45 in 1994 to 70 by 2002.

TRIPs also extends the scope of intellectual property protection, through various substantive provisions. It is aimed at economic rights rather than moral rights and seeks to improve the possibilities for right owners to enforce these rights across the globe. In a way, with the inclusion of intellectual property in multilateral trade law, copyright's position has come full circle, since the first international law relating to copyright is often found in commerce treaties of the 19th century (see Par. 3.2.2).

### 3.4.2 COPYRIGHT TREATIES

For a long time, the United States was not keen to become a party to the Berne Convention. Initially, the fact that the US was an importing country of information products was a major reason not to join. As the US became an exporter, inconsistencies between US copyright law and BC provisions were the primary obstacles, especially as regards moral rights (Art. 6bis BC) and the prohibition of formalities (Art. 5(2) BC). In these circumstances, a new multilateral copyright treaty was conceived under the aegis of the United Nations: the Universal Copyright Convention of 1952 (UCC). This treaty provides for less protection than the BC and it does not affect obligations states have under the Berne Convention (Art. XVII UCC). Since the United States ratified the latter in 1988, the UCC has lost much of its significance.

Another reason why the UCC is overshadowed by the Berne Convention is that through TRIPs, the number of signatories to the Berne Convention has grown to include virtually all WTO members. Consequently, the BC takes precedence over the Universal Copyright Convention in the relevant relations between virtually all countries. Given its limited significance, the UCC will not be considered any further.

The Berne Convention has been revised roughly every twenty years between 1886 and 1967. By then, adjusting it to new technological and economic developments had become very difficult, partly because as more and more countries joined the Union in a decolonising world, the interests of members of the Union diverged more widely. As has already been stated, the unanimity that changes to the BC require did not help matters either.

The 1967 Stockholm Protocol enabled developing countries to temporarily maintain exceptions concerning the reproduction and translation of foreign works, especially for the purposes of education and science. It was replaced by the more restricted 1971 Paris Act of the Berne Convention, which allows developing countries to legislate for compulsory licences under certain conditions. The Paris revision will probably turn out to have been the last. Since then, the modernisation

of the international copyright regime has taken place through TRIPs, which cleared the way for the 1996 WIPO Copyright Treaty (WCT).

#### 3.4.2.1 *WIPO Copyright Treaty 1996*

The 1996 WIPO Copyright Treaty<sup>242</sup> is a special treaty within the meaning of Article 20 of the Berne Convention, i.e., it is an instrument that increases copyright protection. It more or less repeats TRIPs where the protection of databases and software, the extension of rental rights and the admissibility of exemptions are concerned. Besides that, it explicitly adds both the rights to distribute and to communicate a work to the public to the catalogue of exclusive rights already recognised in the Berne Convention. It also obliges parties to provide effective remedies against the circumvention of technological measures that right owners use to protect their work against copying and other restricted acts.

An important issue about which no consensus could be reached was to the extent to which making a work available over the Internet, or over digital networks generally, constitutes publication. According to the WIPO Bureau,

‘the provisions of Article 3(3) of the Berne Convention may be applied quite satisfactorily to new forms of electronic publication. The key requirement of Article 3(3) is the availability of sufficient copies to satisfy the reasonable requirements of the public. Electronic publishing over a computer network may easily meet this requirement.’<sup>243</sup>

To avoid uncertainty with regard to electronic publishing, it was proposed to include an Article 3 which stated that:

‘(1) When literary or artistic works are made available to the public by wire or wireless means in such a way that members of the public may access these works from a place and at a time individually chosen by them, so that copies of these works are available, Contracting Parties shall, under the conditions specified in Article 3(3) of the Berne Convention, consider such works to be published works.

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<sup>242</sup> In force as of March 6, 2002. By November 2002 there were 38 contracting states, at that time the EU countries had not yet ratified the WCT.

<sup>243</sup> WIPO (Basic proposal WCT, notes on Art. 3, point 3.05).

(2) When applying Article 5(4) of the Berne Convention, Contracting Parties shall consider works referred to in Paragraph (1) of the present Article to be published in the Contracting Party where the necessary arrangements have been made for availability of these works to members of the public.’

The EU, however, opposed the inclusion of such an Article and it was dropped in the later stages of the diplomatic conference.<sup>244</sup>

The WCT is very much geared to bringing international copyright up to par with technological and economic developments. New technologies allow for new means of exploiting works and the content and communication technology sectors have grown to become important sectors of economic activity in many developed countries. The WCT’s main objective is to harmonise substantive copyright law. From a choice-of-law perspective, it does not have any particular meaning, because it refers to the national treatment provisions (Art. 3-5) of the BC for its scope.

During the preparatory work of the Committee of Experts, there was discussion on whether the WCT should contain a choice-of-law rule for satellite transmissions. The WIPO Bureau had proposed that the WCT contain a provision which explicitly brings satellite transmissions of works under the broadcasting right of Article 11 bis (i) BC.

In addition, a choice-of-law rule was proposed which would designate as applicable the law of the country where the emission of the broadcast took place. The effect would be that an organisation that acquires the right owner’s permission to broadcast the works via satellite under the law of the country of emission, can be certain that it will not be held liable for copyright infringement because of unauthorised communication of the work under the laws of the countries where the transmission is received.

Many members of the Committee of Experts supported such an approach. Two exceptions where proposed, under which the law of the country of receipt of the transmission, rather than that of the country of emission, would be applied:

1. If the country of emission does not consider communication via satellite as an exclusive right of the copyright owner, or grants broadcasters permission on the basis of a compulsory licence.
2. If the law of the country of emission regards different persons as right owner than the law of the country of receipt does.

These corrections were considered to be in line with the territorial nature of copyright and in accordance with Article 5(2) BC.

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<sup>244</sup> The proposed definition of publication was still present in the partly consolidated draft (CRNR/DC/55), but after the EU amendment (CRNR/DC/79) it was dropped from the Main Committee I’s proposal for the substantive provisions of the WCT (CRNR/DC/82).

Eventually the Committee decided that ‘compte tenu de l’opinion apparemment majoritaire au sein du comité, il ne serait pas indiqué de faire figurer dans le protocole des dispositions sur des questions de droit international privé telles que celle du droit applicable.’<sup>245</sup>

The WIPO plans were inspired by the EC’s Satellite and Cable Directive of 1993. This Directive introduced an exclusive right to communicate protected subject-matter to the public for copyright owners and related rights owners. It also aims to reduce the legal uncertainty stemming from the differences in national laws with regard to what constitutes communication of protected subject-matter to the public and where this communication takes place. Particularly if some countries consider that communication takes place wherever a satellite’s footprint is (i.e., any country of actual or potential receipt), while others assume that only the (place of) initial transmission is relevant, it may be difficult for broadcasters to ascertain which rights they need to acquire for which territories. This in turn hampers the ‘free movement of broadcasts’ in the Internal Market.

By harmonising the definition of the act and place of ‘communication to the public by satellite’,<sup>246</sup> it is easier for broadcasters to predict their liabilities. The Directive does not contain a choice-of-law rule as such. However, definitions of what the relevant act are and where it takes place do have significance for determining the applicable law, especially where infringement is concerned.<sup>247</sup> Under the Directive, the place of emission is the sole locus of the (restricted) act of communication, thereby excluding the place(s) of receipt from also being regarded as the place of infringement.

To return to the WCT, one wonders whether the WIPO Committee of Experts’ deliberations imply that since the majority of the members were in favour of using the place of emission as the primary connecting factor for infringement, in the case of satellite transmissions, BC members are expected to endorse the use of this connecting factor. That in turn presupposes that the Committee of Experts is of the opinion that Article 5(2) or the territoriality of copyright do not determine the substantive law that is applicable, but refer to the rules of private international law of the country where protection is claimed. We are running ahead of things here,

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245 Comité d’experts sur un éventuel protocole relatif à la Convention de Berne 1994, p. 228.

246 Directive 98/93/EEC, Art. 2 (a): ‘communication to the public by satellite’ means the act of introducing, under the control and responsibility of the broadcasting organization, the programme-carrying signals intended for reception by the public into an uninterrupted chain of communication leading to the satellite and down towards the earth. (b) The act of communication to the public by satellite occurs solely in the Member State where, under the control and responsibility of the broadcasting organization, the programme-carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth.

247 The Satellite and Cable Directive contains additional definitions of the place of communication to the public in case the place of emission is outside the EU.

as the choice-of-law calibre of the BC will be examined more closely in the next Chapter.

### 3.4.3 RELATED RIGHTS TREATIES

For practically as long as writers, composers, choreographers, playwrights and later photographers, film directors and the like have been given copyright in their works, the protection of the achievements of the persons performing (in) these works has been called for. Not only performing artists themselves, but the companies and organisations who were in the business of producing and distributing performances laid claim to exclusive rights in their productions. It has been suggested that rights for performers be included in the BC, but that has never been a serious option because, among other things, copyright owners were not charmed by the idea.<sup>248</sup>

The first international treaty granting such related or neighbouring rights was the Rome Convention of 1961. This treaty has for a long time not been very successful: ten years after its birth only ten states had adhered to it. It was an important reason why for one group of neighbouring rights owners, namely phonogram (i.e., record) producers, the 1971 Geneva Convention was conceived (69 contracting states as of November 2002). The latter protects record producers against the unauthorised reproduction of phonograms they have produced and against the subsequent import and further distribution to the public of illicit copies. Its clauses regarding national treatment and beneficiaries are borrowed from the Rome Convention and as it does not contain any other provisions that may be relevant for choice-of-law issues, it will not be discussed further.

As has happened in the area of copyright, the subsequent modernisation and extension of neighbouring rights was achieved through separate treaties. Initially, the 1996 Diplomatic Conference of WIPO members was meant to produce a comprehensive new treaty that would address all groups of neighbouring rights owners. However, the necessary consensus on the modalities of increased protection for broadcasts and audiovisual performances was lacking, so these were not included in the 1996 WIPO Performances and Phonograms Treaty (WPPT). Negotiations on separate instruments for these issues are ongoing.

Another subject on the international agenda is the protection of non-original databases, i.e., databases that are not protected as original works under copyright law. In the preparatory stages of the 1996 diplomatic conference, plans for an

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<sup>248</sup> See for instance the discussion during the Brussels Diplomatic Conference (1948), *Actes BC 1948*, at pp. 308–310.

instrument still circulated, but there was so little consensus on the need for and content of database protection that the subject did not make it onto the agenda of the 1996 Diplomatic Conference.

The EU is in favour of a global protection tailored after the Database Directive, but other countries have major reservations about extending intellectual copyright to facts. They question the need for such a right and fear it will adversely affect free and open access to information, especially in domains of great public interest such as education, science and national security.<sup>249</sup> WIPO members have agreed to wait for the results of a study that is due in 2002. It will address the economic and social impact of database protection, especially its consequences for education and research and for developing countries.<sup>250</sup>

#### 3.4.3.1 *Rome Convention 1961*

The Rome Convention of 1961 is tailored by and large after the principles of the Berne Convention. Contracting states bind themselves to grant national treatment to foreign performing artists (singers, musicians, actors, etc.), record producers and broadcasting organisations. In addition, these groups must be given a number of minimum rights with respect to their performance, records and broadcasts respectively. The minimum term of protection is 20 years (Art. 14; it has been extended to fifty years –except for broadcasts– under TRIPs).

National treatment is defined in Article 2 Rome Convention: it means that (the productions of) nationals of other contracting states must be given the same treatment as the nationals of the country where protection is claimed receive with regard to productions performed, (first) recorded, or broadcast in that country. Its beneficiaries are (Art. 4-6 RC):

- performing artists who are subjects of a contracting state: for performances that take place in any contracting state, or are broadcast in a broadcast protected under the treaty, or first recorded in a protected recording;
- producers of phonograms: if they are subjects of a contracting state, or if the record they produced has been recorded or broadcast for the first time in a contracting state;
- broadcasting organisations: if they have their principal place of establishment in a contracting state, or broadcast from transmission facilities located in the territory of a contracting state.

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<sup>249</sup> WIPO 1997 a, WIPO 1997c, WIPO 1997d; see also the comments of intergovernmental and non-governmental organisations in the annexes to WIPO 1998b.

<sup>250</sup> WIPO 2001b.



Performing artists have the exclusive right to authorise the first fixation of their performance, to authorise the live-broadcast of unfixed performances and to authorise the reproduction of their recorded performances (Art. 7). These rights do not apply to performances (a song that is sung, a poem delivered, etc.) that are part of a film or other (audio)visual work, if the performer has agreed to the fixation of his performance in the audiovisual work (Art. 19).

Contracting states are free to legislate on the rights and obligations of performers and broadcasters with respect to repeated broadcasts and the taping of them, once the performer has agreed to the initial broadcast. The performing artist must however be allowed to conclude an agreement with the broadcasting organisation on these issues (Art. 7(2) Rome Convention 1961). That means that a system of legal licences that completely bypasses the performer is not in agreement with the Rome Convention. Broadcasting organisations have exclusive rights of re-broadcast, fixation and reproduction of their radio and television programmes (Art. 14 Rome Convention 1961). Record producers have the exclusive right to authorise (in)direct reproduction of the phonograms they produce (Art. 10 Rome Convention 1961).

#### 3.4.3.2 *The WIPO Performances and Phonograms Treaty*

The WPPT –39 contracting states by the end of 2002, not yet ratified by the EU countries– was concluded in 1996 with the aim of extending the protection for performers and producers by building on the existing conventions. The views on the position of broadcasters proved too disparate to reach an agreement on their rights. The protection of audiovisual performances (such as movies, advertising spots, music video-clips, TV documentaries, air safety instruction video's, visual registrations of plays, opera, ballet) was actually discussed at the diplomatic conference itself, but was left out of the Treaty for a number of reasons that will be discussed below.

In short, the WPPT gives performers and producers 'modernised' reproduction, distribution and communication rights, including the right to authorise rental (of CD's for instance). Modelled on the Berne Convention,<sup>251</sup> Article 24 WPPT declares:

'1. The enjoyment and exercise of the rights provided for in this Treaty shall not be subject to any formality.

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<sup>251</sup> The explanatory notes to the basic proposal –which was identical to the accepted text– say as much.

2. Such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the performance or phonogram.'

A revolution was the introduction of moral rights for performers, which are lacking in the Rome Convention. The phrasing of the moral rights provision is inspired by Article 6 bis BC. Article 5 WPPT first says that artists who play, sing or deliver an audio performance (live or on phonogram) can claim to be identified as the performer, except where omission is dictated by the manner of the use of the performance. Also, the artist can 'object to any distortion, mutilation or other modification of his performances that would be prejudicial to his reputation'.

As in copyright, the moral rights are independent of the economic rights and remain with the performer after transfer of the exploitation rights. The second paragraph of Article 5 then continues: 'The rights granted to a performer... shall, after his death, be ...exercisable by the persons or institutions authorised by the legislation of the Contracting Party where protection is claimed. However, those Contracting Parties whose legislation, at the moment of their ratification of, or accession to, this Treaty, does not provide for protection after the death of the performer of all rights set out in the preceding paragraph may provide that some of these rights will, after his death, cease to be maintained.'

A similar phrase is found in Article 6bis(2) BC on moral rights after the author's death. Article 5 WPPT closes with a familiar paragraph: 'The means of redress for safeguarding the rights granted under this Article shall be governed by the legislation of the Contracting Party where protection is claimed.' (identical to Article 6bis(3) of the Berne Convention).

Legal systems differ quite substantially when it comes to the duration of moral rights and their exercise after the author's or performer's death. For instance, in the Netherlands, the moral rights expire with the economic rights, but can only be enforced after the author's death by the person he has indicated in a will (Art. 25 Copyright Act, Art. 5 Act on Neighbouring rights, see below Par. 4.3.2). In France and Portugal the moral rights of authors are perpetual and may be transmitted *mortis causae* to the heirs of the author. The exercise of these rights may be conferred on another person under the provisions of a will. (Art. L-121-1 French Intellectual Property Code; Art. 56-57 Portuguese Code of Copyright and Related Rights).

Given these type of differences it is not so surprising that harmonisation could not be attained for performer's rights anymore than for author's rights. The Articles 6bis(2) BC and Article 5 WPPT certainly seem to reflect the contracting states wish to maintain their own solutions.

### 3.4.3.3 Proposed WIPO Audiovisual Performances Treaty (WAPT)

At first glance actors and other performers that contribute to audiovisual works are within the category of right owners under the 1961 Rome Convention, but we

have seen that the protection of the Rome Convention does not extend to audiovisual works in which performances are incorporated with the authorisation of the performer. Audiovisual performances have been left out of the WPPT altogether.<sup>252</sup> One reason was that it proved hard to find a solution for certain side-effects of collective management. In some countries, for instance, part of the collected fees go to cultural and social funds that use them for activities in the national cultural and social interest (e.g., subsidies for productions and pension schemes for artists). If fees would also be collected on behalf of foreign right owners, part of their remuneration would be given to these funds and since the activities of the funds are aimed at locals, the foreign right owner would not benefit from them.

The primary reason why attempts to protect audiovisual performers have so far failed, is that the US film industry (i.e., the film producers) feels that the grant of exclusive rights to actors will upset the existing balance of interests. In the United States, the different groups involved in audiovisual productions (directors, actors, producers) engage in extensive collective bargaining to arrange rights and obligations.<sup>253</sup>

To the extent that the law does not grant them directly, it is common for producers to secure the intellectual property rights of all contributors (at least as far as is necessary to exploit the production). If actors and other performers are to get exclusive rights, the US insists that adequate arrangements must be made regarding the transfer of such rights. Since films, TV series, music videos and the like are often exploited globally, the producer must be sure that assignments of rights are recognised everywhere. Informal propositions to deal with the issue had already been made during the Diplomatic Conference of 1996 and were repeated and supplemented in the following years.

The EU preferred silence on the issue of transfer and to let national laws decide. The US at first proposed that the treaty contain a presumption that performing artists have assigned all of their rights to the producer. Then it was toned down, to only include the economic rights necessary for the exploitation of the audiovisual production (i.e., excluding moral rights as far as their exercise does not preclude normal exploitation and excluding the right to equitable remuneration). When that proved unacceptable, a presumption of transfer rebuttable by written contract was proposed.

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252 The following Paragraphs are based on WIPO documents, particularly those reporting the work of the Committee of experts on a protocol concerning audiovisual performances (WIPO 1998a and 1999a), documents of the 4th session of the Standing Committee on Copyright and Related Rights (SCCR/4 documents) of April 2000 (WIPO 2000b) and on the proceedings of the December 2000 Diplomatic Conference on the protection of audiovisual performances (IAVP/DC documents) (WIPO 2000a).

253 On filmcontracts see Kabel 2002.

India, Japan and a number of South American countries favoured a provision comparable to Article 14 bis BC, i.e., it is for the country where protection is claimed to decide who owns the rights, but if countries grant the neighbouring rights to performers in addition to producers, the former cannot resist reproduction, distribution of copies and communication to the public. This option was rejected mainly because it would have affected the performing artist's bargaining power too much.

Since agreement on a substantive ownership rule proved impossible to achieve, the attention turned to choice-of-law solutions. Several countries proposed a choice-of-law rule. The idea was that a conflict rule could serve as a compromise between leaving the transfer question to individual member states (i.e., national treatment) and including substantive provisions on transfer.

This was the approach that was retained during the diplomatic conference of 2000. Canada had initially proposed that ownership of rights be determined under the law of the country of origin of the audiovisual work. Since this may be a difficult place to determine for international co-productions and in the light of modern communication technology, alternatives to the country of origin as the connecting factor were put forward.

The one that got most support was that a transfer of rights should be governed by the law chosen by the parties and in the absence of such a choice, the law of the country most closely connected to the (production) contract. The EU wanted an escape clause, i.e., any mandatory rules of law of the country where protection is sought should not be affected by the law applicable to the contract.<sup>254</sup> The US proposed that:

‘(1) The entitlement to exercise any of the exclusive rights of authorization shall, in the absence of an agreement to the contrary by the performer regarding the applicable law, be governed by the law of the country which is most closely connected with a particular audiovisual fixation.

(2) Among the factors that may be considered in determining ‘the country which is most closely connected with a particular audiovisual fixation’ are: the Contracting Party in which the producer of the fixation, or the person or entity which owns or controls the producer, has its headquarters or habitual residence; the Contracting Party of which the majority of performers are

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<sup>254</sup> Acts of the WIPO Diplomatic Conference of 7–20 December 2000, doc. IAVP/DC/12 (WIPO 2000a).

nationals; and the Contracting Party in which most of the photography takes place.<sup>255</sup>

The US proposal was a variation on the Basic Proposal's Alternative G, in which the connecting factors of Article 12(2) were listed not as facultative and of equal importance, but incorporated in a closed conflict rule. According to Alternative G, in the absence of a choice by parties, the law governing the transfer of rights to the producer shall be governed by the law of:

'(i) The Contracting Party in which the producer of the fixation has his headquarters or habitual residence; or

(ii) where the producer does not have his headquarters or habitual residence in a Contracting Party, or where there is more than one producer, the Contracting Party of which the majority of the performers are nationals; or

(iii) where the producer does not have his headquarters or habitual residence in a Contracting Party, or where there is more than one producer and where there is no single Contracting Party of which the majority of the performers are nationals, the principal Contracting party in which the photography takes place.'

As the US proposal was not acceptable to the EC in particular, a number of African countries put forward an amendment to Article 12, Alternative G. It stated that in the absence of a party choice, the applicable law be that of the country which is most closely connected with a particular audiovisual fixation. The criteria for determining the country most closely connected would not be included in Article 12 itself, but be the subject of an Agreed statement. Without prejudice to international obligations, the connecting factors to be considered would be the following:

- '(i) the country of which the majority of the performers are nationals;
- (ii) the country in which the producer has its headquarters; and
- (iii) the country in which the greater part of the performance took place.'<sup>256</sup>

As agreement still could not be reached, a working group was set up to save the Treaty. It came up with a provision that allowed countries to provide that the exclusive authorisation rights (i.e., the economic rights minus the right to

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255 Acts of the WIPO Diplomatic Conference of 7–20 December 2000, doc. IAVP/DC/22 WIPO 2000a).

256 Acts of the WIPO Diplomatic Conference of 7–20 December 2000, doc. IAVP/DC/28 WIPO 2000a).

equitable remuneration) are transferred to, or may be used by, the producer. Notwithstanding international obligations, public or private international law, the law applicable to the (agreement regarding) transfer can be chosen by parties. For cases where a choice had not been made, the working group proposed that an open conflict rule be used: the applicable law is that of the country most closely connected to the agreement.<sup>257</sup>

This solution was to no avail. In the end, the Diplomatic Conference that was convened in December 2000 produced a provisional agreement on 19 of the 20 substantive provisions, the crucial one missing being Article 12 on the transfer of rights. The EU particularly was against Article 12, because it feared that it would lead to US law being applied to most issues of transfer of rights by performers.

The Articles on which there is provisional agreement include Article 5 on moral rights, which is worth mentioning here because of its similarities to Article 6bis BC (and Art. 5 WPPT) and its potential choice-of-law calibre. Clause 2 of Article 5 Draft WAPT is a near copy of Article 6bis (2): the moral rights of the performer are exercisable by the persons or institutions authorised by the law of the country where protection is claimed. Clause 3 is a copy of the Berne Convention's Article 6bis(3): the means of redress for safeguarding moral rights of the performers shall be governed by the legislation of the country where protection is claimed.

During its meeting in the autumn of 2001, the WIPO General Assembly did not authorise a reconvening of the diplomatic conference, essentially because neither the US nor the EU thought a solution to the Article 12 question was near. It was decided to retain the issue on the agenda of the General Assembly session in the autumn of 2002, which has called for an informal meeting to iron out the remaining differences in 2003.<sup>258</sup>

#### 3.4.3.4 Proposed WIPO Broadcast Treaty (WBT)

Broadcasters have traditionally enjoyed some level of protection for their broadcasts (television and radio programmes), although national regimes are quite diverse. Under the law of some countries broadcasts are protected as works (i.e., under copyright), while other countries protect broadcasters with special rights (related rights). Sometimes protection is aimed at the content of the broadcast, in

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<sup>257</sup> Acts of the WIPO Diplomatic Conference of 7–20 December 2000, doc. IAVP/DC/34 WIPO 2000a).

<sup>258</sup> Assemblies of the member states of WIPO, 36th series, 24.9–3.10 2001, Draft report A/36/15/prov., item 10 (WIPO 2001a); Press release WIPO nr. PR/2002/327 of 27 September 2002.

other cases not the content, but the signal is protectable subject-matter. The Rome Convention –as we have seen above– was conceived in an era when terrestrial broadcasting was the norm. It does not cover cable, nor is it adapted to satellite broadcasting direct to the public. Laws extending the rights of broadcasters, for instance as regards retransmission of broadcasts via cable,<sup>259</sup> have since been introduced, but at the international level change has proven to be difficult to achieve.<sup>260</sup>

After the attempt to include broadcasters in the 1996 WIPO treaties failed, preparations for a special instrument, possibly a protocol to the WPPT, soon got underway. National treatment of broadcasting organisations of other signatories would be the norm. The term ‘nationals’ will most likely be based on Article 6 of the Rome Convention: organisations with their head offices in a member state, or who broadcast from a transmitter in a member state.

As to the type of rights involved, it does not come as a surprise that broadcasters’ associations seek extensive control over possible uses of their broadcasts, including all types of retransmission, fixation (e.g., on video, DVD) and communication to the public (e.g., via Internet, video on demand, via cable). Particularly where content of the broadcasts is not subject to intellectual property, as is the case in many types of sporting events, the broadcasters want to be able to prevent interception of pre-broadcast signals (i.e., transmissions between production facilities and broadcasters). Since broadcaster often pay substantial amounts to acquire the television rights of sports and other events, they consider themselves robbed by the unauthorised interception and subsequent simultaneous broadcast of sporting events by third parties.<sup>261</sup>

It is primarily countries in Africa and Asia that have expressed concern about whether extended rights for broadcasters will not unduly affect the interests of the public and of developing countries. The EU is primarily concerned with balancing the interests of owners of copyright with those of owners of the various related rights.<sup>262</sup> As is the case with other WIPO instruments, the limitations on the

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259 E.g., Art. 8–9 Satellite and Cable Directive.

260 The Brussels Satellite Convention of 1974 is an anti-broadcast piracy treaty that requires its signatories to prevent some types of distribution of TV or radio programme signals on their territory by distributors for whom the signals were not intended. It does not concern intellectual property rights directly.

261 WIPO 2001c, Standing Committee on Copyright and Related Rights (doc. SCCR/5/5 of 28 May 2001).

262 See WIPO 1999c: the Statement adopted at the Regional Roundtable for Countries of Asia and the Pacific on the Protection of Databases and on the Protection of the Rights of Broadcasting Organizations, held in Manila, from June 29 to July 1, 1999 (WIPO doc SCCR/3/6); and WIPO 1999b: comparative table of proposals issued by WIPO’s Standing Committee on Copyright and Related Rights of 3 May 2001 (doc SCCR/5/5).

broadcasters' right in the public interest will have to meet the three-step-test of Article 13 TRIPs. The type of limitations allowed would be the same as are allowed under the Berne Convention, WCT and TRIPs for copyright.

By the end of 2002, the negotiations had not yet reached an advanced stage. The Internet is becoming an alternative way to distribute content that is traditionally distributed by broadcasting organisations and technological developments in broadcasting proceed (notably digital TV). This has led WIPO members to recognise that the scope and definition of protection for broadcasts must be thoroughly reviewed and adapted to the realities of modern communications. It would seem that there is a lot of consensus building to be done before an actual Broadcast Treaty can be drafted.

### 3.5 Conclusions

This Chapter has been largely devoted to an analysis of the genesis of the Berne Convention and its key characteristic, namely the combination of national treatment and substantive minimum rights. These principles also underlie subsequent treaties in the area of copyright and related rights. The analysis should enable an assessment of the choice-of-law calibre of the BC and other international instruments in the next Chapter.

Some tentative conclusions as to the choice-of-law calibre are in order here, before we move on to examine how the judiciary and doctrine interpret the treaties. The identification of choice-of-law rules for copyright is difficult for a number of reasons. First, the Berne Convention was drafted in a period when the Statutist approach had been giving way to new choice-of-law methods for a some decades, particularly Savigny's allocation method. There is however no indication in the records of the diplomatic conferences of a 'Savignian' analysis of copyright, nor is any such analysis to be found in late 19th century legal writings on the international copyright system.

The few implicit references made to private international law in the conference proceedings seem to relate not to the allocation method, but to the ideas of the Italian or Romanist School. They considered nationality as a natural focal point for the applicable law. Considering that Savigny himself did not address intellectual property and that the Italian school was particularly popular in France (the most important advocate of the international copyright system), it is not surprising that the few references to choice of law that are to be found concern Romanist ideas.

So, the first reason why it is difficult to determine the choice-of-law calibre of the BC is that its development coincided with a time when private international law was at a cross-roads. The second reason for the difficulty is that at the same time copyright itself was a relatively young and still tentatively defined area of private law. Given its roots in printing privileges, copyright was seen by many as



strictly territorial in existence and operation. Some even considered it as belonging (still) to the realm of public law rather than private law, which would have placed it outside private international law altogether. This uncertain position of copyright in private law also helps to explain why countries did not ensure foreign authors copyright protection on the basis of the general equality-clauses that were recognised and codified in private law in the course of the 19th century. That in turn helps to explain the advent of bilateral copyright treaties and ultimately the BC.

A third and in my view, the most important, reason is that since the beginning the unification of copyright has been a central theme in the development of international copyright protection. Copyright treaties also predate treaties on the conflict of laws. As authors were given protection outside their home country on the basis of national laws, bilateral treaties and finally multilateral treaties, the focus was on the harmonisation of copyright law. Where harmonisation was premature, the obvious solution was for countries to give foreign authors the same protection as domestic authors. Where for some issues the result of this national treatment was considered to be unbalanced, because foreign authors would be better off than domestic ones, the logical solution was to introduce reciprocity tests.

As to treaties concluded since the Berne Convention, we have seen that they are all based on the same combination of substantive provisions regarding the object, duration and scope of intellectual property, combined with national treatment provisions and in the latest treaties, the obligation to provide adequate civil remedies against infringements.

Only with regard to the prospective WIPO instrument on the protection of audiovisual performances has a true conflict rule been proposed by some countries, i.e., for the transfer of rights. This was done because no agreement was possible on substantive provisions (such as a presumption that economic rights of audiovisual performers are transferred to the producer) and leaving the issue for individual states to decide (national treatment) was not acceptable either. As it turns out, a 'neutral' choice-of-law solution could not save the proposed treaty, which has been shelved because of the controversy surrounding transfer of rights.



## Chapter 4

# The Choice-of-Law Calibre of Copyright and Related Rights Treaties

### 4.1 Introduction

In the previous chapter we have seen that neither the Berne Convention nor subsequent copyright and related rights treaties have been drafted with a particular choice-of-law method in mind. There is however quite widespread agreement that the general conflict rule for copyright (and other intellectual property) is the one referring to the law of the country for which protection is claimed (*Schutzland* principle; *lex protectionis*). Some infer this conflict rule from the territorial nature of copyright. Others derive it from the national treatment principle as enshrined in the Berne Convention and other treaties, or see the *lex protectionis* expressed directly in Article 5(2) BC and similar clauses. Two other conflict rules that are less frequently supported with reference to the same treaties are the *lex originis* (law of the country of origin – either of the work or of its author) and the *lex fori*.

Although many authors recognise that the Berne Convention deals with the law of aliens, only a few consider it to contain no choice-of-law rules at all, apart perhaps from Article 14 bis 2 on ownership in films (see Paragraph 4.3.3).<sup>263</sup>

As we will see, there is no consensus among scholars about the exact choice-of-law calibre of the Berne Convention. Published case-law in the Netherlands, France and the US does not provide a clear picture either. An important reason why Dutch case-law generally shows little concern for choice-of-law issues seems to be that more often than not, infringement claims are brought in summary proceedings (*kort geding*). It appears from published case-law that in these

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<sup>263</sup> Not convinced that Art. 5 BC contains a choice-of-law rule, but willing to deduct one: Neuhaus 1976, p. 193, De Boer 1977, pp. 675–676; Torremans 2001, pp. 43–45. Stressing the law of aliens character: Battifol 1983, p. 199; Schack 1979, pp. 28–29; Von Bar 1988, pp. 35–36. Finding that the BC contains both law on aliens and choice-of-law rules: Troller 1952, p. 26; Steenhoff 1996, p. F1; Ulmer 1977, p. 487. Of the opinion that Art. 5 BC is not a conflict rule but a non-discrimination provision: Troller 1964, p. 62; Dessemontet 2000, at I A4, but compare Dessemontet 1996, p. 289 where Art. 5(2) is considered as expressing the territoriality principle for the scope of protection.

proceedings judges are not inclined to pursue issues of choice-of-law if the parties do not put them forward.<sup>264 265</sup> Consequently, not many of the published copyright cases contain choice-of-law analyses and even fewer explicitly address the consequences of the Berne Convention for (Dutch) conflict of laws.

The opinion that national treatment means that Dutch law should be applied is quite common, but it is not always clear whether the courts are referring to national law in its capacity of *lex loci delicti* or *lex protectionis*. Rulings on the law applicable to issues of initial ownership are outright contradictory. In France and the US some courts tend to apply the *lex originis* for initial ownership, whereas in Germany there is clear case-law: the *Schutzland* principle, i.e., *lex protectionis*, governs all issues.

The arguments for and against the different conflict rules, as well as their application in case-law, will be examined in Paragraphs 4.2 through 4.4. The findings of this Chapter will be summarised in Paragraph 4.5. Before I turn to the discussion of different conflict rules, a few observations on ‘territoriality’ are in order, considering that it is such a catch phrase in international intellectual property.

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264 Examples of where the international aspects of the case (foreign defendants and/or plaintiffs, acts committed abroad, assignment contracts with no obvious link to forum law, etc.) indicated that a choice-of-law analysis was called for, when in fact Dutch law was applied without any reference to the question of applicable law include: Pres. Rb. Rotterdam 15 December 1982 [1984] BIE 98 (*Black & Decker v. SHG*); Hof Amsterdam 16 July 1981 [1982] BIE 50 (*Rubik v. Bart Smit*); Pres. Rb. Breda 22 January 1982 [1983] BIE 52 (*Application des Gaz SA v. Borsumij Sport*); Hof Den Haag 25 December 1983 [1985] BIE 55 (*IG Lintels Ltd v. Arcom BV*); Pres. Rb. Arnhem 24 January 1991 [1992] BIE 46 (*Fratelli v. Paymans*); Rb. Den Bosch 14 August 1992 [1993] BIE 51 (*Goud v. Lutkie Cranenburg*); Hof Den Bosch 9 September 1991 [1993] BIE 60 (*Gruno en Chardin v. Thomas Basics*); Pres. Rb. Rotterdam 12 February 1998 [1998] BIE 83 (*Kipling v. Ter Maten*).

265 The Dutch Staatscommissie Internationaal Privaatrecht (2002 at 29-31) notes that although courts are supposed to apply choice-of-law rules and foreign law *ex officio*, there is a tendency among Dutch courts to apply their own law. In favour of *ex officio* application of conflict rules in summary proceedings: Mostermans 1996, pp. 51–56; who also argues that in ‘kort geding’ proceedings, the courts should have more leeway to assume that foreign law is similar to the *lex fori* (pp. 54–55). Polak (1998, pp. 96–99) seems to favour this approach. Ginsburg (1999, pp. 336–338) also argues that in case of infringement, courts could apply the *lex fori* on the assumption that the *lex protectionis* conforms to international standards of substantive copyright law (parties would have to demonstrate that the *lex protectionis* is more or less protective than the *lex fori*). Against a *lex-fori* approach: Von Hinden (1999, p. 766) and Bühler (1999, p. 410). The *lex fori* approach is not uncommon in patent litigation before Dutch courts (see Brinkhof 1995) and for copyright has been applied by Pres. Rb. Amsterdam 3 May 1979 [1980] BIE 23 (*Mars v. Venus*). It is highly doubtful however whether this approach can be maintained following the ruling of HR 16 April 1999 [1999] NJ 697, in which the Supreme Court quashed the judgment in which the lower court assumed conformity of the copyright laws of various countries. On the theory of various *lex fori* approaches, see De Boer 1996a and Jessurun D’Oliveira 1971.

## 4.1.1 TERRITORIALITY &amp; LEGISLATIVE SOVEREIGNTY

Conventional wisdom has it that copyright and related rights –like other intellectual property rights– are territorial.<sup>266</sup> To the extent that this territorial nature is explained *in terms of legislative sovereignty*, i.e., each country as a sovereign power legislates its own copyright and related rights, it has no particular meaning for choice-of-law issues. After all, it is the same legislative sovereignty of states that causes them to develop national rules of private international law, or to enter into agreements on conflict rules.

Choice-of-law exists precisely because legal systems with differing (private) laws exist, so ‘each state makes its own copyright law’ is not a proper argument for or against any particular conflict rule. In short, as *Troller* puts it: ‘the territorial boundaries of intellectual property rights are therefore not their special characteristic, they share it with all other laws.’<sup>267</sup>

The situation would be different if copyright belonged exclusively to the realm of public law or criminal law, because for these areas of law it is accepted as a matter of principle that forum courts only apply their internal law; choice-of-law does not enter into these fields.<sup>268</sup> For the territorial application of private law, however, to which copyright largely belongs, other arguments are needed. Because to say that each country is authorised to legislate its own copyright, and that, therefore, it cannot by definition be applied beyond its borders, is to negate the existence of private international law, or less drastically: to reduce it to the maxim that all courts should always apply their own law.

It also disregards the difference between the question of whether a country can claim extra-territorial application of its laws (it can, even though it usually does not) and whether a country is required to honour the extra-territorial scope of the law of another country (as a rule it is not, because of its sovereignty).<sup>269</sup>

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266 Various writers have criticised the term, because it is often used indiscriminately, see: Schack 1979, p. 20; Novier 1996, p. 45; Koumantos 1996, pp. 10–11; Spoor & Verkade warn against overstating the importance of the territoriality principle 1993, p. 532.

267 Troller 1983, p. 137.

268 Even here there are exceptions, e.g., rules of public law of another country may be applied by the forum as priority rules, see Par. 2.4.3.

269 Compare the ruling of the International Court of Justice in *Lotus*, which holds there is no general rule of international law that prohibits states from extending the application of their laws and the jurisdiction of their courts to persons, property and acts outside their territory; international law leaves them a wide measure of discretion (PICJ 7 September 1927, *PICJ Series A*, no. 10, cited in Polak 1998, pp. 70–71). On extra-territorial legislation and private international law generally, see Kotting 1984, pp. 113–145.

A few authors defend a choice-of-law rule –typically the *lex protectionis* or *lex fori*– based on the legislative sovereignty-argument. Fromm/Nordemann<sup>270</sup> remark that ‘the legislative powers of a state end at its borders (territoriality principle). The author cannot thus invoke the rights that the copyright law of his home country gives him abroad. Rather, it depends on the law of the country in which his work must be protected (*Schutzland* principle). This law usually also contains rules that stipulate if and on what conditions authors from foreign countries are protected.’<sup>271</sup> From this line of reasoning, Fromm/Nordemann deduce that the (substantive) law of the country for which protection is claimed governs the existence, duration and ownership of intellectual property.<sup>272</sup>

However, as we have seen above, it could just as easily be argued that on the basis of legislative sovereignty the private international law of the forum determines which substantive copyright law applies and this does not necessarily have to be the *lex protectionis*. Obviously an author can invoke his ‘home rights’ if the choice-of-law of the forum provides for it. In that case, the recognition of a ‘foreign’ copyright is not contrary to the forum’s sovereign will. As Schack rightly notes,<sup>273</sup> neither can the recognition of a ‘foreign’ copyright be seen to impinge upon the sovereignty of the foreign state in question. If anything it shows respect for the law of another country.<sup>274</sup>

Spoendlin also invokes the sovereignty-argument to explain the reign of the local law: ‘... the term territoriality principle is just a catch phrase that describes the situation that follows necessarily from the legislative sovereignty of individual states and that has only been overcome piecemeal by unification. The territoriality principle does not require a purpose in itself, not a quality of substantive justice; but the idea that an author who claims protection for his work in a country must submit to the local law, cannot be denied a certain quality of justice.’<sup>275</sup>

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270 Fromm & Nordemann 1998, §120 at 1.

271 Claims arising from illicit acts have to be judged by the law of the place where they were committed (*lex loci delicti commissi*), Fromm & Nordemann 1998, §120 at 10.

272 Similarly: Katzenberger in: Schricker 1999, at Vor §120et seq., rd 120–124. According to Bühler 1999, pp. 328–329, this line of reasoning is common in the doctrine of German-speaking countries.

273 Schack 1979, pp. 25.

274 Another question is whether the law of another country should be applied if it does not claim application (e.g., based on its choice-of-law rules).

275 ‘...daß der Ausdruck ‘Territorialitätsprinzip’ nur eine schlagwortartige Bezeichnung des Zustandes darstellt, welcher zwangsläufig aus der autonomen Gesetzgebungshoheit der einzelnen Staaten folgt und erst bruchstückhaft durch Rechtsvereinheitlichung überwunden worden ist. Das Territorialitätsprinzip bedarf daher zu seiner Rechtfertigung nicht eines Selbstzweckes, eines materiellen Gerechtigkeitsgehaltes: dennoch kan dem Gedanken, ein Urheber müsse sich, wenn er in einem Land Rechtsschutz für sein Werk beanspruchen will, dem dortigen Landesrecht unterziehen, auch ein Gerechtigkeitsgehalt nicht abgesprochen werden.’ Spoendlin 1988, p. 14.

After having concluded that territoriality means that countries legislate their own copyright law, Spoendlin argues that in such a system of independent national copyright laws, the only reasonable solution is to refer to the *lex loci delicti* (which he considers will typically coincide with the *lex fori*).<sup>276</sup> Undeniably, the *lex loci delicti* has the instant appeal of the maxim ‘when in Rome, do as the Romans’. What Spoendlin’s line of reasoning boils down to is that it is the differences in domestic copyright law that call for the application of local law. This type of reasoning is –as I have explained above– unhelpful from a choice-of-law perspective, because choice-of-law exists precisely to deal with these differences. Also, even if the *lex loci delicti commissi* appears to be the obvious law to govern infringement (and thus the scope of protection), it is not necessarily appropriate for all issues, including ownership and transfer. The latter issues can also be raised independently of any infringement.

#### 4.1.2 DROITS INDÉPENDANTS VERSUS DROITS ACQUIS

Another way in which the concept of territoriality is phrased in international copyright, is that intellectual property consists of *droits indépendants* rather than of its antithesis, a *droits acquis*. The *droits acquis* concept means that copyright comes into existence under the aegis of one law –say the law of the country of origin of the author or of the work– and is subsequently recognised as a (property) right in other countries.<sup>277</sup> In the *droits indépendants* concept of copyright, the creation of a work<sup>278</sup> gives rise to as many different copyrights as there are legal systems. In other words, intellectual property can be seen as a universal right or as a territorial right. The Berne Convention –and other intellectual property treaties– are generally held to reflect the *droits indépendants* doctrine.

It should be noted that at the time of the elaboration of the Berne Convention, the principle of *droits acquis* was sometimes posed as a general solution for choice-of-law problems. Choice of law was often compared with transitory law, i.e., the rules that regulate the relation between laws *in time*, of which a leading

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276 Spoendlin 1988, p. 17. Whether the *lex loci delicti* and the *lex fori* coincide depends of course on the jurisdiction rules of the forum state; proceedings are not necessarily brought before the court of the place where an infringement took place, e.g., the principal rule in the EC’s Jurisdiction Regulation is the *forum rei*, the court of the place of infringement also has jurisdiction.

277 Van Brakel 1950 at p. 36 is one of the few authors who maintains that for copyright the *droits acquis* doctrine has been given ‘official sanction’ in the Berne Convention.

278 The creation is considered to be the relevant act because the Berne Convention prohibits formalities (notably registration) for copyright to come into existence (see Paragraph 3.3.3). Even though countries are free to require registration for their own works/authors (and have done so in the past), typically national laws consider the act of creation as giving rise to copyright.

principle is that rights vested under previous laws remain recognised under new laws. Similarly, the conflict of laws can be viewed as regulating the relationship between rules of law *in space* and should then be based on respect for rights acquired elsewhere (i.e., abroad). Savigny already criticised the *droits acquis* approach for being based on circular reasoning: to establish which rights have been acquired to begin with, it is necessary to first determine which country's law applies.<sup>279</sup>

If one follows the concept of *droits indépendants* as derived from international copyright and related rights treaties back to its source,<sup>280</sup> one sees that it is spawned by reciprocity. More precisely: the principle of *droits indépendants* helped to ban the (material or formal) reciprocity that domestic laws often required with regard to the protection of foreign authors or works. In Paragraph 3.3.3 we have seen that the initial phrasing of the national treatment principle in the 1886 BC, left the courts of some Union countries unclear about the fact that reciprocity requirements were no longer allowed (with the exception of course of those that the BC specifically permits or prescribes).

This, combined with the development of the formalities clause, was the reason why in the ultimate version of Article 5(2) BC it is said that the enjoyment and exercise of the rights to which authors are entitled on the basis of national treatment and/or the minimum substantive provisions of the BC, 'shall be independent of the existence of protection in the country of origin of the work'. In turn, that phrasing has subsequently been interpreted as prescribing the territorial

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279 By the late 19th century, in Germany and the Netherlands the *droits acquis* doctrine had already been displaced by other theories (notably Savigny's allocation method, the conflict rules of which already discounted respect for legal relationships that were forged abroad, e.g., marriage). In France the *droits acquis* doctrine continued to have some support. See Josephus Jitta 1916, pp. 58–60; Koster 1917, pp. 131–133; Van Brakel 1950, pp. 102–135; Joppe 1987, pp. 142–143. In the course of the 20th century there has been a revival of the *droits acquis* doctrine in France and Germany, but then in a more limited use. It denotes when the normal conflict rules of the forum must be adapted (or left unapplied) in cases of *conflits mobiles* (cases where connecting factors have changed so that the applicable law changes) and *faits accomplis* (the recognition of legal relationships that came into existence abroad, in contravention of the conflict rules of the forum, at a time when there was no connection with the forum). See Joppe 1987 for an extensive account of the modern *droits acquis* doctrine in France and the Netherlands (p. 143 et seq.). The *droits acquis* principle also figures in the recent Dutch proposal for an Act on the applicable law for property (*Wet conflictenrecht Goederen*), see Weide 2000.

280 The 19th-century Romanist school (see Paragraph 2.3.1), with its division of laws in the territorial and the personal, may also have contributed to the *droits acquis*–*droits indépendants* dichotomy. It hardly seems a coincidence that the predominantly Central and South American countries which concluded the Montevideo Treaty of 1889 chose a system where copyright protection is linked to the author's nationality (if an author is protected at home, he must also be protected in other contracting states). The intellectual property treaties were part of a much larger effort to harmonise private, criminal and private international law on the American continent. See Josephus Jitta 1916, pp. 274–276.



rather than the personal law for copyright, i.e., the *droits indépendants* rather than the *droits acquis* approach.<sup>281</sup>

The debate over universal versus territorial rights has been especially fierce in Germany. ‘Universalists’ tend to stress that copyright is a kind of natural right that comes into existence upon the mere creation of a work by the author. Other private rights such as property in material objects, they also argue, are not viewed as a bundle of as many positive subjective rights as there are legal systems. Nor should this be the case with intellectual property. Certainly copyright, which contrary to other intellectual property such as patents, arises without formalities and has long ceased to be a privilege granted by the authorities, should be considered as a universal right.<sup>282</sup>

‘Territorialists’ agree that intellectual property is not a mere privilege but a right.<sup>283</sup> They tend to defend the *droits indépendants* approach on the basis of the sovereignty of legislators and the differences in national copyright laws that result from it. We have seen above that neither point necessarily leads to the conclusion that the applicable law is the law of the country where (or for whose territory) protection is claimed.

To explain the predominance of the *droits indépendants* idea and with it of the *lex protectionis* for in principal all copyright issues, Mäger focuses on the non-material nature of the object of copyright in relation to territoriality. In his 1995 dissertation on choice-of-law and copyright contracts he argues that the exclusive allocation of physical objects can be done without difficulty, because its material form is the basis for the delineation of the object of the exclusive right and it outlines the acts forbidden to third parties. In the case of copyright however, a special definition of the object is necessary to determine what type of creation is protected, as is a concretisation of restricted acts. This is why copyright is viewed as an artificial construction, one that owes its existence to the state.

The idea of intellectual property as an artificial, state sanctioned institution is –still according to Mäger– the often unspoken background of the territoriality principle: the territorial rather than the universalist approach dominates

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281 Various countries have legislated the *lex originis* for copyright and related rights (typically infringement is governed by the *lex loci delicti* or *lex protectionis*), e.g., Portugal, Kuwait, Rumania, Greece. See Siehr 1988, pp. 17–18; Art. 67 Greek Act on Copyright, Related Rights and Cultural Matters 1993.

282 Schack 1979, pp. 23–24 and 1997, pp. 336–343; Drobnig 1976, pp. 196–197; Neuhaus 1976, pp. 191–195. See De Boer 1978, and Peinze 2002 (pp. 8–19) for a discussion of the different points of view.

283 Ulmer 1977; Katzenberger, in Schricker: *Urheberrecht* 1999; Fromm & Nordeman 1998, at Vor §120; Hoeren 1993, pp. 130–131.

intellectual property because of the interest that states have in localising a (subjective) intellectual property right within their borders.<sup>284</sup>

I will not venture into the philosophy of property for fear of digressing from our subject, but I would remark that Mäger, where he juxtaposes property in material objects to exclusive rights in non-material objects, seems to assume that the former is not a legal construction but some sort of ‘natural phenomenon’.<sup>285</sup> In my view, the relative ease of delimiting a physical object does not make the property in it any less of a legal construction.<sup>286</sup> What is an important difference, one that Mäger also notices,<sup>287</sup> is that the existence of property in physical objects is practically universally accepted, whereas the question under what conditions and in which subject-matter intellectual property exists, is a much more controversial issue. That and the territorial view of intellectual property which is shared across the globe and expressed in international treaties, seems a reason why until some years ago (particularly intellectual property) scholars have been quite reluctant to deviate from the territorial approach.

There is also an older argument that revolves around the nature of intellectual property and the role of the State in its construction. For many types of intellectual property rights, such as patents, designs, trademarks, some form of public registration is required in order for the right to be acknowledged. Such registration may be preceded by a test of the invention, design, etc. against the criteria (e.g., novelty) for protection. It thus takes an act by the State to bring an intellectual property right into being (or give it effect), which explains why rights with respect to the same non-material object come into being independently of one another.<sup>288</sup>

As we have seen in Chapter 3, the Berne Convention does not permit Union-States to demand such registration for foreign works. In the few countries that have a public registry for copyright, registration of local works is not mandatory nor does it have for effect that no copyright exists in the work. It would thus seem that national registration is not a good argument in favour of the *droits indépendants* principle for copyright.

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284 Mäger 1995, pp. 38–39.

285 We sometimes forget that the concept of property as we know it today developed largely from the 17th century onward: it is relatively young and different from earlier concepts of property (in principle full rights as opposed to a limited set of rights of use, privately owned rather than common ownership, fully alienable instead of partly or non-alienable). See May 2000, pp. 16–21.

286 Troller 1952, p. 63 does not agree with the idea of copyright as an artificial legal construction, because it is based on an ill-conceived idea about the *lex rei sitae*. Rights in physical objects are governed by the law of the place where the object is situated, not because of the geographical link between object and place, but because that is where the interests of persons in the object concentrate.

287 Mäger 1995, p. 38.

288 Hoppe 1994, pp. 106–107.

The problem with Universalists is that they seem to attach too little meaning to the fundamental difference between property in material objects and property in non-material objects. There is widespread consensus that any physical thing is the object of property, even if laws differ with regard to the scope of these rights. Where an intellectual creation is concerned however, the basic assumption is that it falls in the public domain unless it has been made the subject of private property by law. The question which (type of) creation is subject to property is answered rather differently in different countries.<sup>289</sup> Even though the intellectual-property net is cast wider and wider each decade, no consensus comparable to that on physical property seems likely to be achieved.

This is why in copyright and related rights the question of whether an exclusive right exists in a work, performance, broadcast, etc., is the first question asked. It is also –in my view– an important reason why the international copyright system is ‘territorial’ rather than ‘universal’ in outlook, even though this argument is often hidden behind notions of legislative sovereignty.

From the opinions reported above we can see that territoriality is a confusing concept when it comes to identifying conflict rules for copyright and neighbouring rights. In the next Paragraphs, we will see that it is not always distinguished clearly from the national treatment principle (Art. 5 BC, Art. II UCC, Art. 2 Rome Convention 1961, Art. 3 TRIPS, Art. 3 WCT, Art. 4 WPPT), on which the majority of authors seem to base their choice-of-law rule.

## 4.2 Lex Fori

For copyright, Article 5(2) is the most commonly invoked BC clause in defence of a choice-of-law rule. The relevant part reads: ‘...the enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, *shall be governed exclusively by the laws of the country where protection is claimed.* [italics added, mve]’

Relatively few writers<sup>290</sup> are of the opinion that Article 5(2) BC points to the law of the country where the court is seized, even though a literal reading –of the italicised part– seems to support the *lex fori*. Most writers reject this reading

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289 Saito 1985, p. 280 agrees with Ulmer that this is an important reason to judge the existence of copyright under the *lex protectionis*.

290 Huard 1897, p. 3; Desbois 1960, p. 92; Stewart 1983, p. 38.

because it is thought to produce odd results when the court seized is not located in the country where an infringing act took place or for whose territory protection is wanted.<sup>291</sup>

Stewart has a rather unusual point of view. He maintains that

‘the adaptation of the principle of *lex fori* to copyright leads (not necessarily but in practice) to the principle of national treatment...The advantage...of the *lex fori* is that courts will always apply their own law...The general application of the principle of national treatment in international copyright means that the major problem arising in almost all other areas of private international law ‘which law is a court to apply in a situation with foreign elements?’, hardly ever arises in copyright law. The choice-of-law is mostly determined by the conventions which apply the principle of national treatment with the result that any right owner who is a national of a convention member state...is entitled in every other member state to the same protection as nationals of that state. Thus the courts in the state where the infringement occurs nearly always apply their own national law.’<sup>292</sup>

So, rather than inferring the *lex fori* from the national treatment principle, Stewart views national treatment as the obvious principle resulting from a *lex fori* approach. It would seem that Stewart does not really engage in a choice-of-law analysis, but a priori places intellectual property outside the conflict of laws because of its territorial nature.

Spoendlin argues that Article 5 Berne Convention cannot point to the *lex fori* for a number of reasons.<sup>293</sup> Since the choice of the forum seized can have little to do with the copyright at issue, for instance when a court is seized only because the defendant has assets in the forum state, it is unlikely that Article 5 points to the substantive law of the forum. On the other hand it is also unlikely that it points to forum law including its choice-of-law rules, because such a reference would not answer which law governs the scope of protection and Article 5(2) mentions this explicitly.

Two additional arguments against the *lex fori* are put forward by Spoendlin: the ‘means of redress’ does not necessarily refer to procedural law. It could refer to the type of action available in the case of infringement, an issue that is normally governed by the *lex loci delicti*. Also, the wording ‘country where protection is claimed...’ could indicate that it was assumed that claims would always be brought

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291 E.g., Ulmer 1978, p. 11.

292 Stewart 1983, pp. 38–39.

293 Spoendlin 1988, p. 18–19.

in the country where infringement took place, which indicates that Article 5(2) refers to the *lex loci delicti* rather than the *lex fori*.

Yet another problem with the *lex fori* is that it would be an incomplete choice-of-law rule. It only defines the applicable law when a case is brought before a court. But one may want to establish whether a transfer of copyright has occurred, quite apart from a legal dispute.

In published case-law there is no indication that the Dutch courts infer the *lex fori* from Article 5 BC or any other provision. There is one case in which the Amsterdam District Court ruled that it would decide whether there was protectable subject-matter under Dutch law as the *lex fori*. The reason given was that the summary proceedings were not suited to examining whether the work in question (a candy-bar wrapper) was protected in all the countries where alleged infringement took place.<sup>294</sup> In *Pearce v. Ove Arup*, the UK Court of Appeal does seem to view Article 5(2) as referring to the *lex fori*, but including the forum's private international law.<sup>295</sup>

### 4.3 Lex Protectionis

As stated above, the majority of authors argue that the *lex protectionis* is the general conflict rule for copyright. Synonyms for the *lex protectionis* are the law of the country for which protection is claimed and the *Schutzland* principle. In addition, the terms *lex protectionis* and *lex loci delicti* are often used interchangeably.<sup>296</sup> This equation is rather inaccurate. The *lex loci delicti commissi* literally means: the law of the place where the delict (wrongful act) was committed.<sup>297</sup> It could serve as a rule for the law applicable to infringement of

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294 Pres. Rb. Amsterdam 3 May 1979 [1980] BIE 23 (*Mars v. Venus*). The court assumed that since the wrapper was an original work under the Dutch Copyright Act, the same would be true under the copyright legislation of a number of Middle-Eastern countries for which protection was sought. This implies that normally the *lex protectionis* governs existence of copyright.

295 In this case the issue of jurisdiction and applicable law were both judged in view of Art. 5(2) BC. In the court's view, Art. 5(2) does not confer jurisdiction on the courts of one country at the expense of courts in another country. The court seized is the court of the country where protection is sought in the sense of Art. 5(2) and it is the (private international) law of the forum that decides whether a claim is admissible. Court of Appeal (Civil Division) UK 21 January 1999, [1999] GRUR Int. 8/9, 787–793 (*Pearce v. Ove Arup*). On the adjudication by English courts of claims involving alleged infringement of intellectual property abroad generally, see Wadlow 1998, p. 320 et seq.

296 See, for instance, Ishiguro 1997, p. 11.

297 For a more accurate description of the *lex loci* (multiple locus, *Handlungs-* and *Erfolgsort*, *gevolgenuitzondering*) see Chapters 2 and 6.

copyright or related rights, but it does not necessarily govern issues of existence, ownership and transfer of the intellectual property involved.<sup>298</sup>

Suppose for instance that an author has assigned part of his copyright to and disagrees with the assignee over the exact scope of the transfer. In this case, the *lex loci delicti* is an unlikely candidate to provide the answer to the question of which proprietary rights have actually passed from assignor to assignee, since the legal relationship involved does not meet the category (liability for non-contractual obligations or torts i.e., infringement of copyright) which the *lex loci* traditionally addresses.

Unlike the *lex loci delicti*, the *lex protectionis* does not pertain specifically to torts and therefore could be used as a general conflict rule for copyright. A problem is that it may well produce a limping relationship between the assignor and assignee: the partial assignment is likely to be interpreted differently under the different laws that apply simultaneously.<sup>299</sup>

Another major problem with the *lex protectionis* is that in today's networked world, one act of exploitation or use –the posting on a website of a parody on a copyrighted drawing for instance– is not limited to one or a small number of geographical locations. This could lead to the simultaneous application of various laws to the same complex of facts, with contradictory results. If no technical means are available to the alleged infringer that allow him to abide by all the laws involved (e.g., by filtering access for users from countries where posting the work constitutes an infringement), the most stringent national copyright law will eventually effectively oust less strict laws.

Let us, however, return to the question what the BC signifies for choice of law, the suitability of the *lex protectionis* and other conflict rules in the digital environment will be scrutinised in Chapters 5 and 6.

#### 4.3.1 BASIS AND SCOPE OF THE LEX PROTECTIONIS

The basis for the *lex protectionis* is found by some in the territoriality principle (see above), but more often it is inferred from the principle of national

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<sup>298</sup> Similarly Fawcett & Torremans 1998, p. 467.

<sup>299</sup> In a strict territorial sense, there would of course be no simultaneous application. Suppose the author assigns reproduction rights in a book: in the territorial view, the scope of that transfer and its effect would be governed by UK copyright law as far as the 'UK copyright' in the book is concerned, by Dutch law as far as the 'Dutch copyright' is concerned and so on for all of the at least 148 different national copyrights the author potentially has under the Berne Convention.

treatment.<sup>300</sup> Goldstein notes that ‘the national treatment requirement can be viewed as a choice-of-law rule in the limited sense that it requires a country to apply the same law to works of foreign origin as it applies to works of its own nationals.’<sup>301</sup> I agree with this interpretation of the national treatment principle, but would not even call it a limited choice-of-law rule. Rather, national treatment is a ‘mere’ non-discrimination rule, belonging to the law of aliens, not choice of law.

A number of authors<sup>302</sup> actually see the *lex protectionis* expressed directly in Article 5(2) BC, particularly in the last sentence of the second paragraph: ‘the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.’

As was shown in Paragraph 3.3.3, this clause also featured in bilateral treaties which preceded the Berne Convention and was introduced in the BC because a number of courts continued to apply reciprocity tests in cases involving foreign plaintiffs. It is a clause that belongs to the law of aliens and fits neatly into the ongoing effort to abolish discrimination against foreign authors, something that was often done by limiting their copyright –at best– to the equivalent of the protection they would enjoy in their home country.

Requirements of reciprocity should not be confused with conflict rules. What a reciprocity condition amounts to is a double test for protection: country A will only grant an author from country B protection for his work: 1) if that work is or can be<sup>303</sup> the subject of protection in B and 2) only for as long as the term of protection in B has not lapsed. In the case of material reciprocity a third condition is that the scope of protection offered will not surpass that which is available under the copyright law of the country of origin B. The first and third conditions

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300 Among others: Dinwoodie 2001b, p. 63; Dre[1996] IER p. 1; Drexl 2001, p. 463, 468; Gerbrandy 1988, pp. 410–411; Geller 2001 at § [1][a][i]; Goldstein 2001, pp. 103–104; Lucas 1998, p. 9; Nimmer & Nimmer 2001, at § 17.05 (‘The choice-of-law rule ...is that of national treatment...The applicable law is the copyright law of that state in which the infringement occurred’); Plaisant 1962, pp. 63–66, though without a clear distinction between territoriality and national treatment; Ulmer 1985, p. 258; Spoor & Verkade 1993, p. 531–2, 542–3; Troller 1952, p. 8; Walter 1976, p. 83. According to Locher 1993, pp. 15–16 the *lex protectionis* as laid down in Art. 110 Swiss *IPRG* (Private international law act) is also based on the internationally accepted national treatment principle.

301 Goldstein 2001 at p. 89.

302 *Lex protectionis*: Cruquenaire 2000, p. 211; Hoeren 1993, p. 131; Huyberechts [no date], p. 16; Quaadvlieg 1997 p. 260; Polak 1998, p. 101. *Lex loci delicti*: Dieselhorst 1998, p. 298; Kéréver 1996, pp. 11–12 (still undecided in 1993, p. 106); Pfefferle 1996, p. 339; Schønning 1999, pp. 47–48. Unclear which of the two: Françon 1974, p. 43; Ginsburg 1998b, pp. 34–35.

303 In the case of formal reciprocity, it is only relevant if the *kind* of subject-matter like the work in question is eligible for protection, in the case of material reciprocity the work itself must actually be protected.

were common in the early days of international copyright, the second is still allowed under Article 7(8) BC.

A reciprocity clause does not determine the applicable law as a classic choice-of-law rule would; in effect it provides for the narrowest copyright protection of the combined laws involved.

To avoid the conclusion that Article 5(2) BC refers not to the *lex protectionis* but to the *lex fori* ('...country where protection is claimed'), a literal interpretation is commonly ignored. Instead, 'where' is read as 'for which' so that the clause can be said to reflect the *lex protectionis*. With Schack,<sup>304</sup> I think those who drafted the text and agreed to it made no mistake, but that the confusion is caused by the desire to read a conflict rule into Article 5(2). In addition, considering the length and frequency of the debate on the phrasing of the Article in its current form, it seems unlikely to me that the drafters meant it to lay down the *lex protectionis* but neglected to put it in unequivocal language.

It is plausible that the contracting states assumed that copyright owners would pursue their case in the country where an infringement took place. Throughout the nineteenth and early twentieth century the course of action taken against infringement of copyright was often through criminal proceedings.<sup>305</sup> Also, as infringements were actionable as a delict, the court of the place of infringement would be the only one with jurisdiction, which caused *lex fori* and *lex loci* to coincide. This probably also explains why quite a few authors who read the *lex fori* in Article 5(2) equate it with the *lex protectionis*.<sup>306</sup>

Schack<sup>307</sup> also comes to the conclusion that Article 5(2) BC should not be interpreted as laying down the *lex protectionis* on another ground. He observes that the reference to the 'means of redress' is more consistent with a *lex fori* interpretation, because it is normal practice that the law of the forum governs the question of which actions are available in the case of infringement and also other procedural issues. It must be said that under Dutch private international law at least, it is the norm that the *lex causae*, rather than the *lex fori*, governs the question of which measures are available to prevent or terminate certain acts, or to compensate damage or injury, what the statute of limitation is, how the burden of

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304 Schack 1979, p. 29.

305 Of the court cases from various countries (France, Germany, Italy, Belgium, the Netherlands) reported in *Le Droit d'Auteur* over the years 1888–1904 nearly half were served before criminal courts.

306 Schack 1979, at p. 29 mentions a number of primarily German and French authors who do so. Lucas & Lucas warn against equating the two 1994, pp. 889–890.

307 Similarly: Lucas & Lucas 1994, p. 886.



proof is distributed, etc.<sup>308</sup> Whether *lex fori* or the *lex causae* governs rather depends on how a rule is characterised: as part of substantive or procedural law.

Another complication identified by Schack is that if one reads the *lex protectionis* into Article 5(2) BC, this produces a problem with the interpretation of Article 5(3) BC. The latter states that the protection in the country of origin is a matter of the internal legislation of the country of origin. Schack gives the example of a Swiss citizen who publishes his work in Germany and brings suit in Germany for infringement of his copyright in Switzerland. A choice-of-law deadlock now results. Article 5(2) would designate the *lex protectionis*, i.e., the law of Switzerland as applicable, but Article 5(3) points to the law of Germany, as the country of origin. Schack rightly observes that it would be odd if the BC prescribes a conflict rule in 5(2) only to frustrate it in Article 5(3).

Reading Article 5(2) as the *lex fori* (country where protection is claimed) solves the problem of the example Schack gives, since both 5(2) and 5(3) would now point to German law. One could of course also say that 5(3) only prescribes that the law of the country of origin is applicable if that coincides with the country for which protection is claimed. That would, however, make it a superfluous clause.

Given the history of Article 5(2) and the difficulties that arise when it is regarded as a conflict rule, my view is that it should not be seen as reflecting the *lex protectionis*, or any other conflict rule for that matter.<sup>309</sup>

However, if one insists on considering Article 5(2) as a true choice-of-law rule, the conclusion has to be that it does not address all copyright issues, notably not the question of who the initial owner of copyright is.<sup>310</sup> Also, issues involving the transfer of copyright – be it in testate or in vivo – do not seem to fall under the wording of Article 5(2).<sup>311</sup>

With Bühler, I agree with Jegher and Snyder, who rightly observe that the entire discussion on the choice-of-law calibre of Article 5 seems to revolve around legitimising the *Schutzland* principle.<sup>312</sup> Particularly in Germany, this principle is synonymous with the *lex protectionis* and quite consistently applied by German courts to all copyright issues. In a number of recent judgments – *Laras Tochter* (1999), *Spielbank* (1997) and *Alf* (1992) – the German *Bundesgerichtshof* ruled

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308 See for instance Art. 5 GEDIP Rome II Proposal, Art. 7 *WCOD*, Art. 10 and 14 Rome Convention 1980, Art. 12 Hague Convention on the Law Applicable to International Sale 1986, Art. 8 Hague Convention on the Law Applicable to Products Liability 1973.

309 Similarly: Bühler 1999, pp. 337–338; Lucas & Lucas 1994, p. 870.

310 Kéréver 1993, p. 110; Patry 2000, pp. 407–408; Ricketson 1987, p. 208–209.

311 De Boer 1977, pp. 675–676; Karnell 1995, p. 272; Ginsburg 1999, pp. 354–355; Schack 1979, pp. 27–30.

312 Bühler 1999, p. 339.

that the *lex protectionis* governs (initial) ownership, proprietary aspects of transfer, scope and infringement of copyright.<sup>313</sup>

Dutch case-law is much less consistent. If we consider pre-war Supreme Court opinions, they reflect a strict territorial view of copyright. Both the *Das Blaue Licht* case (1936) and *Fire over England* (1941) concerned the screening of foreign-made films, with music made by foreign composers abroad, in the Netherlands. Existence, ownership, transfer and exercise of copyright in the music were all judged to be governed by Dutch law. The Court argued that the *droits-indépendants* system of the BC meant Dutch law should be applied. Even though the term '*lex protectionis*' or the '*Schutzland* principle' is not used by the Court, it did seem to consider this to be the conflict rule that is –if not directly then indirectly– prescribed by the BC.<sup>314</sup>

There is no solid indication that the Supreme Court has since changed its position with regard to transfer of intellectual property.<sup>315</sup> That the *lex protectionis* governs matters of existence of copyright was reaffirmed in the Supreme Court's *Bigott v. Ducal* decision of 1999,<sup>316</sup> but here there was no direct reference to Article 5 BC. Where issues of existence and scope of protection are concerned, lower courts sometimes apply the *lex protectionis* and infer it directly or indirectly from the Berne Convention's national treatment principle, while in other cases the *lex loci delicti* is applied, without reference to Article 5 BC.<sup>317</sup>

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313 BGH 29 April 1999, [1999] GRUR 11, 984 (*Laras Tochter*); BGH 2 October 1997, [1998] *Multimedia und Recht* 1, 35–39 (*Spielbankaffaire*); BGH 17 June 1992 [1992] GRUR 10, 697 (*Alf*).

314 HR 13 February 1936 [1936] NJ 443 (*Das Blaue Licht*), with fierce criticism by the eminent Dutch civil law expert E.M.M. Meijers, who argued that at least the formal aspects of the assignment of copyright should be governed by the *locus regit actum* (then the standard conflict rule for formal validity of legal acts). HR 28 November 1941 [1942] NJ 205 (*Fire over England*).

315 In *BMG v. Boogaard* (HR 24 February 1989 [1989] NJ 701), the Court did not address the question even though it was raised. The Court of Appeal had applied American law to the assignment of intellectual property rights in Elvis Presley recordings. Before the Supreme Court, the advocate-general endorsed the Appeal Court's decision: 'The court has rightly brought the transfer of the rights of Presley fully under the operation of American law, as having occurred completely within the American legal sphere. This means no more and no less than...that the claims under consideration must be judged by the Dutch courts as if Elvis Presley himself had brought them. It is different with regard to the scope of the said rights, that is, the legal consequences that in the Netherlands are associated with the exercise of the rights within the Netherlands. To that Dutch law is in fact applicable. [my translation, mve]' It should be noted that at the time the Netherlands were about to ratify the Rome Convention 1961.

316 HR 16 April 1999 [1999] NJ 697 with comment P.B. Hugenholtz. Also reported in [1999] IER 164 with comment F.W. Grosheide and in [1999] AMI 9, p. 147 with comment H.J. Cohen Jehoram.

317 E.g., Rb. Utrecht 19 October 1997 [1998] IER 22 (*Lancôme v. Kruidvat*); Pres. Rb. Den Haag 13 February 1998 [1998] IER 20 (*Kabushiki v. Danone*); Pres. Rb. Dordrecht 8 September 1998, [1999] AMI 1, 7–12 with comment M. van Eechoud (*KPN v. Kapitol*).

#### 4.3.2 LEX PROTECTIONIS AND MORAL RIGHTS AFTER DEATH

We have seen in Chapter 1 that a number of questions involving copyright and related rights after death are really issues that belong to other choice-of-law categories. Who inherits copyright, whether the testament in which the author designates someone as successor is materially valid, etc., are matters that fall within the realm of succession.

Some national laws use the domicile of the deceased as a connecting factor, others use nationality. The alternative reference rule of the Hague Convention on Succession (1989) contains a rather intricate mix of the two and also allows the testator a choice between a number of jurisdictions.

Likewise, the question of whether a will or other testamentary disposition is valid as to form, has its own conflict rule. The Hague Convention on Testamentary Dispositions lays down the *favor testamenti* for the formal validity of wills. The alternative connecting factors used are: the place where the will was made and nationality, domicile or habitual residence of the testator, either at the time the will was made or at the time of death.

Which rights and interests are part of the estate and whether copyright and neighbouring rights can be inherited to begin with, are issues that are as a rule not governed by the law governing succession, so there is no conflict between the latter and the law governing intellectual property. Since copyright and related rights continue to exist after the death of the author or performer on the basis of international treaties, obviously they must be inheritable in all countries that are BC (or TRIPs) states.

The BC provides for a limited exception to the prescribed continuance of moral rights after death. It was introduced in Article 6bis(2) BC to accommodate for the fact that in common law countries some moral rights were or are still protected under defamation law, which does not allow for actions after the death of the defamed person.<sup>318</sup> For performing artists, the same clause is contained in Article 5(2) WPPT.

It seems logical that where countries have the freedom to regard certain moral interests of the author or performer as not belonging to copyright proper, they should equally be free to characterise these interests as for example a tort of defamation for choice-of-law purposes. Typically, the question of whether moral interests can be exercised after the author's or performer's death will be raised in an infringement dispute. If under the *lex fori* the issue belongs in the category tort of defamation, the corresponding law governing the question will be the *lex loci*

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318 See Doutrelepon 1997, p. 66.

*delicti*.<sup>319</sup> Normally that will coincide with the *lex protectionis*, which will be applied if the moral rights in question are viewed as belonging to copyright, since the existence of intellectual property (see below) is generally considered to be governed by the *lex protectionis*.

Quite apart from the exceptional circumstances that Article 6bis(2) could bring along, one could assume that the author who wants to bequeath his economic and moral rights to a specific person or institution, only has to take account of two laws: for the material validity of the bequest that would be the law governing succession, whereas for the formal validity of the bequest the *favor testamenti* would apply. The same is true for a right owner other than the author, whose economic rights are inheritable (the moral rights remain with the author cf. Art. 6bis BC, 5 WPPT).

However, problems arise with regard to moral rights. Article 6bis BC and 5 WPPT prescribe that the moral rights shall after death 'be exercised by the persons or institutions authorised by the legislation of the country where protection is claimed.' Article 6bis(3) BC and 5(3) WPPT state that 'the means of redress for safeguarding the [moral] rights granted... shall be governed by the legislation of the country where protection is claimed.'

The latter clause dates from the time when moral rights were first introduced in the BC (Rome 1928 revision). Initially it was preceded by a clause that stated that it is left to the national law of countries to regulate the conditions under which the moral rights can be exercised (Art. 6bis(2)). That clause was dropped in the 1971 revision and the 'means of redress' clause was moved to a new Article 6bis (3). Its equivalent for performers is Article 5(3) WPPT.

The persistence of moral rights after the death of the author was introduced in the BC in 1948 and on a facultative basis only. It was made compulsory in 1971. At the same time, the clause that leaves it to the national laws to decide which persons can exercise the *droit moral* after the author's death was introduced because agreement on a substantive solution proved impossible to achieve.<sup>320</sup> In some countries copyright law prescribes a certain order among the next of kin, in other countries the normal succession rules apply to moral rights. Also, in some countries moral rights are eternal, but once the economic rights have lapsed and the work has entered the public domain, the author's descendants or executor can

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319 Both the infringement and existence of personality rights (right to privacy, respect for good name and reputation, etc.) are usually governed by the *lex loci delicti*. There are instances where the existence and/or scope of personality rights are governed by the personal law, e.g., Art. 24 Italian Private International Law Act 1995 (criticised by Von Hinden 1999, p. 39 et seq.). Since moral rights are considered part of copyright in Italy, Art. 24 poses no problems. On complications with respect to determining the place of infringement in the case of multiple locus, see Chapter 6.

320 See the earlier discussions in 1948 on Article 6bis, Actes BC 1948.

no longer exercise the moral rights. Only the State can do so, usually in the public interest, e.g., for the protection of society's cultural heritage.<sup>321</sup>

What do these clauses mean from a choice-of-law perspective? I submit that Article 6bis (3) BC and Article 5(3) WPPT could be given the same interpretation as the corresponding clause from Article 5(2) BC, which served as an example for both. As for the clause on who exercises moral rights (first sentence, second part of Article 6bis(2) BC and of Article 5(2) WPPT), if this is considered as a conflict rule that points towards the internal law of the *Schutzland* it would be the *lex protectionis* rather than the law governing succession that decides to whom moral rights devolve.<sup>322</sup>

As a consequence, with regard to the same work, different persons will possibly be considered authorised to exercise the moral rights.<sup>323</sup> Certainly in an age where –by the use of Internet, satellite and other forms of telecommunication– an alleged infringement of moral rights will often not be limited to one country, this creates complications.

On the other hand if one takes the clause to refer to the law of the forum, including its private international law rules, the normal conflict rule for succession may be applied. Since countries determine their own choice-of-law rules, this interpretation respects the notion that countries are free to determine who can exercise moral rights. The *lex fori* also conforms to a literal interpretation of the text.

The problem with considering Article 6bis(2) BC as a reference to the law of the *Schutzland* including its conflicts law, is that the forum court could end up applying another country's choice-of-law rule because actions are not necessarily brought before a court in the *Schutzland*. That would be a deviation from the generally accepted rule that a court in principle applies the conflict rules of the forum.

In the sparse Dutch case-law one can detect a preference for the law governing succession and thus possibly for the view that Article 6bis(2) BC refers to the *lex fori* including its choice-of-law rules. In the *Carmina Burana* case we have seen (Paragraph 1.2.3) that the court applied German law to the question of whether the German composer's widow had title to exercise the moral rights.<sup>324</sup> The court did

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321 France, Portugal, Italy, Denmark. See Doutrelepon 1997, p. 65, who justly remarks that this type of regulation of moral rights on works in the public domain does really not belong in copyright law proper.

322 Compare De Boer 1993a, p. 6.

323 To the extent that the choice-of-law rules for succession are not unified, no uniformity of result will be attained. However, if one applies the *lex protectionis*, it is certain that all laws apply simultaneously, whereas most national choice-of-law rules for succession point to either the law of the last habitual residence of the deceased, or his or her national law.

324 E.g., Pres. Rb. Amsterdam 24 February 1992, [1992] IER 38.

refer to the BC in this case, but did not explicitly base its decision on Article 6bis(2).

Its decision is not compatible with an interpretation of Article 6(bis)2 as referring to the internal law of the *Schutzland*. It does conform to the view that it points to the *lex fori* (or *lex protectionis*) including its private international law. So does the opinion handed down in the *Raedecker* case, where the court applied French law to the question of who the painter's heirs were.<sup>325</sup> It should be noted that in this case Article 6bis(2) did not apply, because it involved murals painted in a building in The Hague, i.e., the Netherlands were the country of origin of the work within the meaning of Article 5(4)c ii BC.<sup>326</sup>

A problem that the *Raedecker* case does bring to light is the question not to whom the moral rights devolve, but if and when they do. In many countries, the moral rights devolve to the heirs, or to a person or institution specifically mentioned in a testamentary disposition.<sup>327</sup>

Under Dutch law however, the author has to appoint an executor who can exercise his moral rights after death (Art. 25(2) *Aw*), otherwise they lapse. Originally, moral rights ceased to exist upon the author's death. When in 1972, Article 25 of the *Auteurswet* 1912 was revised to meet the standards of the 1948 BC, the government proposed to let the moral rights be exercised by the next of kin in case the author had not specifically appointed someone. In parliament however, there was a lot of opposition to the concept of moral rights after death. Parliament insisted that if the moral rights were to survive, the author could at least be expected to take the trouble to appoint someone as executor and introduced an amendment to this effect. The government, probably content with the compromise, accepted the amendment.<sup>328</sup>

Article 25(2) *Aw* does not seem to qualify as a 'means of redress' in the sense of Article 6bis(3). Nor should it be considered as a mere rule about *who* exercises the moral rights in the sense of Article 6bis(2). After all, Article 25(2) *Aw* has a dual function: it conditions the continued existence of moral rights and lays down

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325 Rb. Den Haag 5 September 2001, [2001] AMI 6, 18.

326 This would also explain why the court did not consider the BC in its decision.

327 See for instance: Art. 28–29, Art. 83 (3) German *UrhG*, Art. 19, 23 Austrian *URG*, Art. L 121–1 and Art. 212–2 French *CDPI*, Art. 56 and 57 Portuguese Code of Copyright and Related Rights, Art. 61 and 65(4) Danish Copyright Act 1995, Art. 12(2) and 50(2) Greek Act on Copyright, Related Rights and Cultural Matters; Art. 2(1), 7, 34, 38 Belgium Law on Copyright and Neighbouring Rights.

328 De Vries 1989, Art. 25. See also Cohen Jehoram's comment on the *Raedecker* case in [2001] AMI 6, 18.

formal requirements for the appointment of an executor. The first –the author must appoint someone– is more central than the last –the author must do so by will.<sup>329</sup>

Where the formalities are concerned, the court in the *Raedecker* case did not apply the normal conflict rule for the formal validity of testamentary dispositions or legal acts (the *favor testamenti* and *locus regit actum* principle respectively). It applied Dutch law instead.<sup>330</sup> Raedecker's heirs had produced a document, supposedly written by the painter –one might assume in France since this is where he lived– which the heirs contented that it showed that he had intended them to be the executors of his (moral) rights. The formal validity of this document should have been judged under either the rules of the Hague Convention if it could have been characterised as a testamentary disposition, and if it had not, under the *locus regit actum*. I see no reason why the normal choice-of-law rules should not apply for these questions.

Where the obligation to appoint someone as executor is concerned, if one accepts that the *lex protectionis* is the normal conflict rule for copyright issues, this means that Article 25(2) *Aw* will be applicable where an infringement of moral rights in the Netherlands is concerned. This leads to an undesirable situation, because the *Auteurswet* then demands a legal act of foreign authors, who typically under the copyright law of their own country, do not have to make provisions for the exercise of moral rights after their death.

As has been said, moral rights are inheritable on the basis of the BC and WPPT. National laws typically prescribe that moral rights devolve to the next of kin or heirs unless the author has indicated otherwise. The Dutch requirement to appoint an executor seems an exception to this rule. In these circumstances it would be better – as the court did in the *Carmina Burana* case– not to apply Article 25(2) *Aw* to foreign authors (or at least authors who are not habitual residents of the Netherlands) or foreign works, on the grounds that it is against the objective of the BC.<sup>331</sup> The same goes for moral rights clauses with similar content: Article 25(4) *Aw* –which prescribes the same as 25(2) but then for the

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329 In my view, this condition is contrary to Article 6bis and against the prohibition of formalities of Art. 5(2) BC. It should be left unapplied on those grounds, but that is another matter. In a comparable situation, the Dutch Supreme Court has ruled that Art. 21(3) Benelux Design Act (BMW) –which requires that upon registry of a design a so-called preservation of copyright statement is made in order for the *copyright* in the design to remain in effect – is contrary to the formalities prohibition of the BC. HR 26 May 2000, [2000] AMI 10, 210 (*Cassina v. Jacobs*). See also note 334.

330 French law prescribes that moral rights are transmitted *mortis causa* to the heirs of the author. Exercise may be conferred on another person under the provisions of a will. (Art. L 121–1 *CDPI*).

331 Visser 1993 criticises the discrimination against Dutch authors that would result, but as he himself notes, the BC allows for it.

moral right to resist changes to the work— and Article 5 *Wet Naburige Rechten* for performers.

#### 4.3.3 LEX PROTECTIONIS AND OWNERSHIP IN AUDIOVISUAL WORKS

As we have seen in Paragraph 3.3.2, Article 14 bis(2) BC leaves it to the law of the country where protection is claimed to decide on ownership of films and other audiovisual works, with one important exception. The countries that adhere to the system where the producer does not own the exploitation rights –by way of presumptive assignment as in the Netherlands, or by being designated as author— may maintain that system for domestic films, but producers of foreign films are presumed to have permission to exploit the economic rights in the film. More precisely: on the basis of Article 14 bis(2b) BC contributors to the audiovisual work cannot –unless otherwise agreed— enjoin the producer from exploiting the film.

The tenor of Article 14 bis is undoubtedly that countries can maintain the rules of ownership of their choice and do not have to recognise another country's rules. But does that make Article 14 bis(2a) a conflict rule prescribing the *lex protectionis*? Or does it merely allow union members to apply the *lex protectionis*, or *lex fori*, to issues of initial ownership and transfer between makers and producers? Given what has been said earlier about the choice-of-law calibre of Article 5 BC, I am inclined to think that Article 14 bis (1) endorses, but does not prescribe, the *lex protectionis*.<sup>332</sup> By way of choice-of-law rules (which should be identical for foreign and national authors of course, given the non-discrimination principle of Article 5 BC) countries can decide how initial ownership in audiovisual works is to be determined.

If the BC were to prescribe the *lex protectionis* for initial ownership, film producers could never be sure of their position. As the Paris Court of Appeal ruled in the (in)famous Huston case, ...c'est à la loi d'origine qu'il convient de se référer pour dire qui est l'auteur...[ ...la Convention de Berne] verrait sa finalité gravement pervertie si la loi du pays où la protection est réclamée devenait un

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332 The general opinion among copyright scholars seems to be that Art. 14 bis(2a) does prescribe the *lex protectionis*/law of the *Schutzland*: Fabiani 1998, p. 158; Fawcett & Torremans 1998, pp. 511–512; Ginsburg 1998b, p. 96; Lucas 1998 at 42; Massouyé 1972, p. 100; Möllering 1971, p. 76 et seq.; Quaedvlieg 1997, pp. 258–259; Saito 1985, pp. 280–281; Ulmer 1977 at note 25. An exception is Drobnig 1976 who also thinks it allows countries to subject the question of ownership to their domestic choice-of-law rules. Schack's view is that Art. 14 bis(2a) refers to the *lex fori*, including private international law (1997, at 892).



moyen de mise en échec des normes d'un autre état signataire et des droits acquis sous leur empire.<sup>333</sup>

How exactly the *lex originis* should be defined –is it the law of the country of which the actual creator is a national or habitual resident, or of the country where the work is created, or the country in which the film producer has its (principal) establishment– remains to be seen. One could argue that for film, the BC definition of the country of origin is a suitable connecting factor, because it is easy to determine and results with legal certainty for the producer.

On the other hand the BC definition was drafted for the purpose of establishing which film(producers) enjoy union-protection, not for choice-of-law purposes. Also, the country where the producer is established will not be an adequate criterion in the case of a co-production between producers from different countries. Using the national law, or the law of habitual residence of the creative contributor as a connecting factor, is more in keeping with the BC's (and national copyright law's) assumption that in principle, the actual creator is the author and first owner of copyright. Here too, a different solution will have to be found for cases of co-production. In the next chapter I will enquire in more detail into which connecting factor is appropriate given the objective and rationale of copyright.

A last issue that should be addressed when talking about the BC and ownership of film rights is Article 14 bis(2)c on the formal validity of the presumptive license to exploit the film. As we have seen, the creator who has agreed to contribute to an audiovisual work, is presumed to have agreed not to invoke his copyright against normal exploitation acts by the producer.

Article 14 bis(2)c lays down a conflict rule for the formal validity of the agreement between producer and contributor. It says that 'the question of whether or not the form of the *undertaking*...[“engagement” in the French text, emphasis added, mve] should...be in a written agreement or a written act of the same effect shall be a matter for the legislation of the country where the maker [“producteur” in the French text, mve] of the cinematographic work has his headquarters or habitual residence.'

Literally interpreted, the word 'undertaking' refers to the agreement or promise to contribute to the film, not to any specific provisions which rebut the presumptive licence. These provisions are the terms that allow the contributor to influence normal exploitation acts, i.e., conditions that are restrictive *vis-à-vis* the producer which are 'relevant to the undertaking', i.e., to the agreement to contribute (Art. 14 bis(2)(d) BC). These conditions could be laid down in an

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333 CA Paris 6 July 1989, [1990] RIDA 143, 329 (with approving comment of A. Françon), see for the Cour de Cassation's judgment (which did not go into the question of applicable law to ownership and declared the French provisions on moral rights as *lois d'application impérative*, i.e., applicable regardless of the otherwise applicable law), see Paragraph 2.4.3, note 104.

individual written contract, but may in principle also feature in collective bargaining agreements or result from oral agreement, industry practice, etc.

Whether the agreement to contribute itself must be in writing depends on the law of the place where the producer is established, with one exception. Countries where protection is claimed may demand that any agreement of commitment to contribute must be in writing (Art. 14 bis(2)c BC).

One could argue that like Article 14 bis(2)a, the formal validity clause does not refer to the substantive law of the country where the producer is established, nor to the substantive law of the *Schutzland*. Instead it could be considered as referring to the law of the forum including its choice-of-law rules. However, it seems unlikely that this was intended by the drafters.

We have seen that in the negotiations over the WIPO Treaty on the rights of audiovisual performers, choice-of-law rules have been proposed as an alternative to a system of presumptive licensing similar to Article 14 bis BC. Considering that film producers will conclude a contract with the contributors, which contains or refers to clauses on assignment of rights (e.g., in a collective agreement), a choice-of-law rule for transfers would provide them with the necessary certainty. Such a rule would be more effective if it were to extend to the question of which rights are assignable as well. Normally that would be an issue governed by the copyright statute, which in theory leaves the producer vulnerable to claims that under the law of a particular country a right *could* not be assigned by the creator (e.g., the right to equitable remuneration for rental of films) and has thus not been acquired.

The rule that got most support during the WIPO negotiations in 2000 –albeit not from the European Community– was that a transfer of rights should be governed by the law chosen by parties and lacking such a choice, the law of the country most closely connected to the contract. Such a rule would only be partly in accordance with the main principles of the Rome Convention 1980. In the proposals for a conflict rule in the Audiovisual Performances Treaty, the place of establishment of the party to the contract that has to deliver the characteristic performance does not feature as a connecting factor. Rather, the US proposed that the factors to be considered when identifying the closest connection should be nationality of the contributors, the place of establishment of the producer and the place where the work is made. These do not seem to correspond to what the characteristic performance-criterion would yield, namely either the habitual residence or the place of establishment of the contributor or the producer. The question of which party is best considered as delivering the characteristic performer in copyright and related rights contracts, will be addressed in more detail in Chapter 6.

#### 4.4 Lex Originis

Within the realm of copyright and related rights treaties, the country of origin features in three distinct qualities. First, the country of origin is used to determine whether an intellectual creation (or the owner of the rights in it) is protected under the intellectual property conventions. The country of origin must be a Contracting State, in order for the author, performer, broadcaster, record producer or their successors in title to be eligible for national treatment. In the first meaning then, the country of origin is a concept that belongs to the realm of the law of aliens. Second, the country of origin plays a role in the determination of reciprocal protection. Examples are the duration of copyright (Art. 7(8) BC), the protection of design (Art. 2(7) BC)<sup>334</sup> and the resale right (Art. 14ter BC). It is in its third meaning, as a connecting factor in a choice-of-law rule, that the country of origin is relevant for our enquiries.

The term '*lex originis*', meaning law of the country of origin, is typically used to indicate the opposite of the *lex protectionis*. Only very few scholars promote the idea that the Berne Convention allows the law of the country of origin of a work as the applicable law for all or most copyright issues. Neither Dutch, American, French nor German case-law endorses this viewpoint. A modest number of authors promote the *lex originis* for the determination of initial ownership of copyright. There is a growing body of case-law supporting their view.

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334 After a number of rulings by the Dutch District Courts and Appellate Courts in which the reciprocity requirement of Art. 2(7) was not applied –with the argument that it contravened national treatment as prescribed by the BC– the Supreme Court ruled that only when the plaintiffs are EC citizens, should Art. 2(7) not be applied because it is against the non-discrimination principle of Art. 12 EC Treaty. The ECJ in its opinion of 20 October 1993, [1994] AMI 5, 91, decided that reciprocity requirements in national intellectual property law of an EC Member State cannot be upheld against citizens from other EC countries because they run afoul of the anti-discrimination provision of Art. 12 EC. For a critical review see Flechsig & Klett 1994. Non-application of Art. 2(7) BC by Hof Amsterdam 5 June 1986 [1987] BIE 65 (*Stig Ravn v. Koopman Import en Export*); Pres. Rb. Den Haag 13 February 1998 [1998] IER 20 (*Kabushiki et al. v. Danone et al.*); Rb. Den Bosch 11 March 1994 [1995] NJ 107 (*Giorgetti v. Cantu Meubelen*); Pres. Rb. Arnhem 31 May 2000 (*B&B v. Domus & Cierre*) [unpublished]. A return to application of Art. 2(7) BC is inevitable since HR 29 June 2001, [2001] RvdW 123 (*Impag v. Marvin Glass*), also published in [2001] AMI 5, 15 with comment P.B. Hugenholtz. The Supreme Court has also rejected a radical application of the EC's non-discrimination principle in HR 26 May 2000, [2000] AMI 10, 210 (*Cassina v. Jacobs*). It overturned the lower court's ruling that EC citizens could only invoke national treatment on the basis of the BC if Dutch citizens could.

## 4.4.1 CONFLICT RULE FOR ALL COPYRIGHT ISSUES

The French scholar Bartin<sup>335</sup> supported the *lex originis*, but he spoke of it as the *lex rei sitae* for copyright instead. To support his view, he interpreted the BC in a rather unorthodox fashion. The submission of copyright to the law of the country of origin of a work is consistent with Bartin's theory that choice-of-law rules for property (both in rem and in personam) find their justification in providing legal certainty for acquirers and third parties about the legal situation of the property. The law best qualified to provide this certainty is the *lex rei sitae*, because it is easiest to identify, so the argument goes. All property –tangibles and intangibles, movables and immovables– must therefore be governed by the *lex rei sitae*.

Since copyright (or any other incorporeal property) has no physical location one must attribute it a fictitious locus. Bartin characterises copyright as an exclusive exploitation right in a work, akin to the right of usufruct.<sup>336</sup> The exploitation takes place principally through publication.<sup>337</sup> The place of first publication is the place where the author expects to have the most success, where he feels his work is appreciated and thus the natural choice for attachment.<sup>338</sup>

The *lex rei sitae* governs subsistence, duration, scope and limitations of the rights in the work:

‘C’est ... à la loi de cet Etat [lex rei sitae, mve] que les tiers voudront se renseigner sur l’existence du monopole d’exploitation, sur son objet, sur ses limites, sur sa durée, viendront demander la certitude dont ils ont besoin, pour traiter sur elle ou pour produire eux-mêmes en dehors d’elle.’<sup>339</sup>

Bartin, noting that the (then) French Copyright Act was silent on the applicable law, finds support for his opinion in case-law. As for the Berne Convention, he appears to base his conclusion that the *lex originis* is the choice-of-law rule on the

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335 In Vol. III of Bartin's *Principes* 1935, pp. 57–78; general principles of his choice-of-law theory are found in vol. I of 1930, of relevance for intellectual property are especially pp. 1–20, 179–192.

336 Bartin has a rather unusual but interesting idea on the nature of copyright (1935, p. 65): ‘Ce droit réel d’usufruit porte sur l’oeuvre, *res communis* par sa fin, qui est la satisfaction esthétique du public, *res communis* enfin, qui le reviendra tout à fait quand le monopole d’exploitation cessera...’. His general characterisation however (copyright as an exclusive exploitation right, part of the owner's assets) is quite mainstream.

337 Bartin treats moral rights separately, proposing accessory attachment to the *lex rei sitae* of the exploitation rights 1935, pp. 62–63.

338 Compare Raynard's 1990 defence of the *lex rei sitae* (not based on the Berne Convention but on a classical choice-of-law analysis); he infers from the ubiquitous nature of an intellectual creation that the situs of copyright is everywhere (see Paragraph 6.2).

339 *Principes* III, p. 68.

fact that the country of first publication is an essential feature in the Convention's system of protection.

In the case of works whose principal exploitation takes place through performance (theatre plays, etc.), one might be tempted to make the place of first public performance the connecting factor. But this raises a problem: it is not easy to determine exactly which works fall into this category. In addition, plays and other theatre pieces may be published while remaining unperformed. Bartin concludes that the place of first publication should therefore also be the connecting factor for plays and finds support for this position in the Berne Convention. Article 4 BC as revised in 1908 (currently: Art. 3(3)) explicitly states that the first performance of a work does not constitute its publication. Likewise, for unpublished works Bartin finds the 'solution' in the BC, which designates the country of origin of an unpublished work as that of which the author is a national.

It should be noted that when he speaks of the *lex rei sitae* as the applicable law for copyright, Bartin has primarily aspects of disposition (transfer, assignment) in mind. When it comes to infringements, he follows his general solution for illicit acts: they are governed by the 'loi locale'. Whether a reproduction or other act constitutes an infringement of copyright must be decided by the law of the place where the alleged infringement took place (i.e., the *lex loci delicti*).<sup>340</sup> The problem with this solution is that the existence and scope of intellectual property are in a sense the mirror of which acts constitute infringement. If the existence of the copyright is governed by the *lex originis*, but the infringement by the *lex loci delicti*, an author may successfully sue for infringement with respect to an intellectual creation that under the *lex loci delicti* would normally not be considered a protected work at all.

#### 4.4.2 CONFLICT RULE FOR INITIAL OWNERSHIP

We can see that Bartin cannot really base the defence of his preferred choice-of-law rule on the BC. Rather, he uses its definition of the country of origin as a connecting factor for the *lex rei sitae*, which thus becomes the equivalent of the *lex originis*. A number of authors are inclined to favour the *lex originis* over the *lex protectionis*, but for issues of initial ownership and –less frequently– existence only. As a rule, they recognise that as a conflict rule, the *lex originis* is at odds with the current intellectual property treaties, rather than being prescribed by them.

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340 Principes III, footnote at p. 63.

There are various defences of the *lex originis* as the conflict rule for initial ownership.<sup>341</sup> One is based on Article 14 bis(2a) BC, which prescribes that ‘ownership of copyright in a cinematographic work shall be a matter for legislation in the country where protection is claimed.’ From the fact that for film the BC contains a special provision –which most writers consider lays down the *lex protectionis*– it is deduced that for initial ownership of *other* works the BC does not prescribe the *lex protectionis*.<sup>342</sup>

This a-contrario interpretation is controversial.<sup>343</sup> Ulmer, who presided over the deliberations at the 1967 Stockholm conference, says that not one delegation expressed the opinion that the *lex originis* governs initial ownership in general. The *lex protectionis*-clause for films was introduced because it seemed logical to name it as the central thought before introducing the rest of the arrangements for audiovisual works.<sup>344</sup>

A second defence of the *lex originis* is based on the wording of Article 5(2) BC: ‘...the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.’ If this is taken to prescribe the *lex protectionis*, it does not necessarily address copyright issues that are not mentioned, notably not the question of existence, initial ownership and in testate or *in vivo* transfer of copyright.<sup>345</sup>

If, as Ginsburg maintains,<sup>346</sup> rigorous territoriality is not the general rule of the Berne Convention, this justifies not extending the *lex protectionis* of Article 5(2) to initial ownership. Particularly, if multiple laws were to govern ownership issues, the international dissemination of works could be hindered, which would defeat an important objective of the BC. The idea of copyright as a bundle of national rights is better understood in terms of protectable subject-matter and scope, while the country of origin (the source country) regulates initial ownership.<sup>347</sup>

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341 Drexl 2001, pp. 469–470 mentions another solution: that the BC does not need to contain a conflict rule for initial ownership because it defines the actual creator(s) as authors. Considering the debate surrounding ownership of rights in audiovisual works, the various work-for-hire provisions in domestic laws and questions of ownership in the case of collective works, it may be clear that the general principle in international and national copyright law –that the actual creator is author and thus owner of copyright– leaves many ownership questions unanswered.

342 Drobnig 1976, p. 200; Ginsburg 1996, p. 395.

343 Quaadvlieg 1997, pp. 259–260; Lucas 1998, par. 42–44.

344 Ulmer 1977, p. 499.

345 De Boer 1977, pp. 675–676; Karnell 1995, p. 272; Ginsburg 1998b, p. 25; Kéréver 1993, p. 110; Patry 2000, pp. 407–408; Ricketson 1987, p. 209; Schack 1979, pp. 27–30.

346 Ginsburg 1998b, pp. 97–99.

347 Ginsburg 1998b, pp. 100–101; the author reminds us that section 104A(b) of the US Copyright Act does refer to the *lex originis* as the law governing initial ownership for restored copyright

There is no consistent American case-law, but some courts have accepted the *lex originis* as conflict rule for initial ownership. A well-known ruling is the *Itar-Tass* case, where the question of whether the plaintiff, a Russian press agency, owned the copyright in articles that the New York defendant, Russian Kurier Inc., had copied, was determined under Russian copyright law.<sup>348</sup>

In France there is also a tendency to use the *lex originis* as the conflict rule for issues of initial ownership.<sup>349</sup> Some courts have said explicitly that the BC does not contain a conflict rule for initial ownership and that the common French conflict rule is the *lex originis*,<sup>350</sup> either based on nationality of the author or –for published works– the country of first publication.

If one uses the *lex originis* as a choice-of-law rule for (initial) ownership, the question then is, as has been said above, what definition of ‘country of origin’ and ‘publication’ should be used. The terms as defined in the BC could be used if they were appropriate as connecting factors. It should be borne in mind that neither term as used in articles 3 through 5 BC has been defined for the purpose of serving as a connecting factor for a conflict rule. As has been indicated above, the function of the term ‘country of first publication’ is to delineate which authors and works enjoy union-protection and which country is the country of origin of a work for the purpose of reciprocity requirements. The (un)suitability of the country of first publication as a connecting factor will be examined more closely in the next chapter, particularly with respect to communication via the Internet.

German case-law is quite consistent in its refusal to use the *lex originis* for issues of initial ownership. A string of recent decisions of the *Bundesgerichtshof* has reaffirmed the German interpretation of the Berne Convention: Article 5 lays

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(i.e., in foreign works that were in the public domain in the US but must now be protected under TRIPs obligations).

348 US Court of Appeals (2nd C.) 27 August 1998, LEXIS 21016 (*Itar Tass v. Russian Courier*).

349 Cass. 29 April 1970, [1971] Rev. crit. dr. int. priv. 270, with comment Batiffol (*Lancio v. Editrice Fotoromanzi Internazionali*); CA Versailles 17 December 1993, [1994] RIDA 162, 448 (*SARL F2S v. Pravda*); CA Paris 6 July 1989, [1990] RIDA 143, 329 (*Turner v. Huston*), with comment Françon, who is in favour of determining initial ownership (at least in work-for-hire situations) under the law of the country of origin of the work. CA Paris 1 February 1989, [1990] RIDA 142, 302 (*Bragance v. Orban*) with comment Sirinelli: this case involved a contract with reference to the US Copyright Act’s work-for-hire provision and a choice of N.Y. law. The French plaintiff had –as far as she had any interests to assign– waived any moral rights and assigned all copyright to the Greek defendant (resident in New York) for whom she rewrote a manuscript, to be published under his name. Although the court did decide that in principle the assignment was governed by American law, it deemed the irrevocable renunciation of moral rights contrary to the French *ordre public international*. CA Paris 9 February 1995 [1995] RIDA 166, 310 (*Ninja Turtles*), seems to opt for the *lex protectionis* where it says: ‘si l’on devait estimer que la loi française avait vocation à gouverner la titularité d’origine des droits...’

350 District Court and Court of Appeal in *SAAB Scania v. Diesel Technic d’Ouest*, cited in Cass. 7 April 1998, [1999] Rev. crit. dr. int. priv. 1, 76.

down the law of the *Schutzland* or *lex protectionis*, for existence, scope, (initial) ownership, transfer of copyright and capacity to act against infringement.<sup>351</sup>

Dutch case-law is less consistent. Often it is difficult to see whether courts find that the Berne Convention calls for the subjection of ownership issues to the country of origin, or whether it merely leaves room to do so because it does not contain a conflict rule.<sup>352</sup> Also, many cases are decided without specific reference to the BC.<sup>353</sup> In yet other cases the courts explicitly apply the *lex protectionis* to initial ownership.<sup>354</sup> Finally, there are a number of cases in which the choice-of-law analysis is so obscure that it is difficult to determine which conflict rule has been used.<sup>355</sup>

It would seem that the line followed by lower Dutch courts is not an unequivocal deviation from the pre-war ‘territorial’ rulings handed down by the Supreme Court in *Das Blaue Licht* and *Fire over England*.<sup>356</sup> However, one could argue there is a slight trend away from the *lex protectionis* and towards the *lex originis* (or other connecting factors that point to one rather than a multiplicity of applicable laws). The issue of *initial* ownership was not explicitly addressed in either Supreme Court ruling. I would venture a guess that given the chance then, the court would have subjected it to the *lex protectionis*, whereas today the likelihood has increased that the *lex originis* would be applied.

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351 BGH 29 April 1999, [1999] GRUR 11, 984 (*Laras Tochter*); BGH 2 October 1997, [1998] *Multimedia und Recht* 1, 35 (*Spielbankaffaire*); BGH 17 June 1992, [1992] GRUR 10, 697 (*Alf*).

352 Compare *Dior v. Evora* where the District Court seems to apply the *lex originis* (cited in HR 20 October 1995 [1996] NJ 682) with *Lancôme v. Kruidvat* where the court refers to French copyright law to establish that the perfume-packaging in question is a collective work, but then applies the Dutch work-for-hire provision to ownership (Rb. Utrecht 19 October 1997, [1998] IER 22 (*Lancôme v. Kruidvat*)).

353 E.g., Pres. Rb. Amsterdam 17 April 1997 [1998] BIE 84 (*Westwood Studios v. Action Computer Entertainment*); Pres. Rb. Arnhem 20 January 1989 (*Muppets Inc. v. Van Maanen*), [1990] BIE 97. Compare Pres. Rb. Utrecht 26 November 1992, [1994] BIE 75 (*Komar v. Hij Mannenmode*) where the *lex originis* was applied without reference to the BC, with Pres. Rb. Rotterdam 15 October 1996, [1997] IER 78 (*Henri Studio v. VBI Tuin & Park*), where Dutch law was applied, with superficial reference to the BC. Similar: Pres. Rb. Amsterdam 13 January 1986, [1987] BIE 35 (*Belga Stone v. Blokker*).

354 Pres. Rb. Amsterdam 23 October 1997, [1998] AMI 48 (*Impag v. Marvin Glass*); Rb. Utrecht 19 October 1997, [1998] IER 22 (*Lancôme v. Kruidvat*).

355 Pres. Rb. Haarlem 1 December 1992, [1997] BIE 61 (*Vetira v. Capitol*); HR 11 December 1981, [1982] NJ 286 (*Armstrong v. Sommer*) upholding the appellate court’s judgment, at which the Appellate court had arrived without a clear choice-of-law analysis.

356 See Paragraph 4.3.1.



## 4.5 Conclusions

From the development of international copyright and related rights treaties as described in Chapter 3, it is clear that these were not drafted from a choice-of-law perspective. They are concerned with harmonising national intellectual property law and abolishing the discrimination against foreign authors or foreign works. In Chapter 2 I described how, at the time the BC was conceived, the founding states shared no common choice-of-law method and the allocation method was not as widespread as it is today (that is not to say that there currently is much more uniformity in conflict rules or choice-of-law methods). That makes it difficult to extract conflict rules from the Conventions.

It would thus seem that the Berne Convention and subsequent treaties that follow the same system of protection are unlikely to contain choice-of-law rules for copyright and related rights. Even so, much of the literature on international copyright –certainly with the advent of Internet– is concerned with determining the choice-of-law calibre of the Berne Convention and other intellectual property treaties.

The most-advocated conflict rule is the *lex protectionis* (sometimes falsely equated with the *lex loci delicti*). The national treatment principle as enshrined in Article 5 BC and the perceived territoriality of copyright (as expressed in the Conventions) are most often put forward as the source of the *lex protectionis* or law of the *Schutzland*.

As far as the ‘territorial nature’ of intellectual property is invoked to back up the *lex protectionis*, it has been indicated that this is often an argument with circular properties. Frequently the territorial nature of copyright and related rights is defended with the argument of legislative sovereignty, which results in differences in national copyright and related rights law, which in turn justifies territorial application (i.e., *lex protectionis*). This approach denies the fact that precisely because of their legislative sovereignty, countries can adopt choice-of-law rules that prescribe the application of a foreign norm. Also, a strict territorial view of copyright should lead to application of the law of the forum, not of the country for which protection is claimed.

A more convincing basis for the *lex protectionis* –at least where existence, scope and duration are concerned– is that intellectual property are *droits indépendants*, not *droits acquis* because of their legal nature and the legal policies behind them. Compared to property in material objects, there is relatively little consensus on what intellectual creations should be taken out of the public domain and be subject to exclusive rights. What the exact scope of these rights should be is even more controversial. However, the general agreement that the Berne Convention is inspired by the *droits indépendants* approach, does not mean that the Treaty actually lays down the *lex protectionis* as the conflict rule.

In my opinion, the national treatment principle as it is expressed in Article 5 BC, Article 4 WPPT, Article 3 WCT, Article 3 TRIPs and Article 2 Rome

Convention 1961 does not prescribe the *lex protectionis* as the law governing existence, scope and duration of copyright and related rights as well as initial ownership and transfer.<sup>357</sup> Of all these national treatment clauses, my analysis was focused on Article 5 BC because this has inspired the other clauses. Article 4 WPPT and Article 3 WCT are virtual copies of it.

We have seen how the exact wording of Article 5 BC is a result of attempts to clarify that reciprocity requirements –other than where expressly permitted– were no longer allowed.

On closer inspection, we have also seen that identifying the *lex protectionis* in Article 5(2) BC cannot be done without interpreting that clause creatively. We need to read ‘for which protection is claimed’ instead of ‘where protection is claimed’. We need to interpret the clause ‘the extent of protection, as well as the means of redress...’ as encompassing not only the scope of the rights and the actions available to enforce it, but also the existence, ownership, duration, etc.

In addition, we have seen that if Article 5(2) reflects the *lex protectionis*, Article 5(3) BC must reflect the *lex originis* as applicable. In cases where a court in the country of origin is seized with a claim for infringement elsewhere, this produces a deadlock as to the applicable law. Given the fact that European jurisdiction rules as contained in the Jurisdiction Regulation of 2001 and the Lugano Convention do not prescribe exclusive jurisdiction for the courts of the place where an infringement took place, it is quite likely that cases will regularly be brought in the country of origin of a work with respect to infringements elsewhere (e.g., if the defendant is resident in the country of origin). The fact that infringements may occur in global communication networks increases this likelihood.

Another objection to considering the *lex protectionis* as governing all issues of copyright and related rights, is that it does not fit well within the predominant contemporary allocation method.<sup>358</sup> If the primary idea is that the applicable law should be the law with which a case is most closely connected, how can one use a connecting factor that consistently declares applicable as many laws as there are countries? This is in fact what the *lex protectionis* leads to, for instance if it governs the question of whom of a number of persons owns the initial copyright in a work, or who can exercise the moral rights in a work after the death of the author, or which rights have been acquired in the case of a universal assignment of copyright or related rights.

Since Article 14 bis (2a-b) BC on ownership in audiovisual works, Article 6bis (2) and (3) BC on moral rights and Article 5(2) and (3) WPPT on moral rights

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357 Compare Lucas & Lucas 1994, p. 895, who argue that Art. 6bis(2a), 6bis(3), 10bis(1) and 14(ter)1 BC could refer to the *lex protectionis* or the *lex fori*.

358 On this issue, see Siehr 1988, pp. 12–15.

of performers are adaptations of Article 5 BC, neither of them have to be considered to lay down the *lex protectionis*. The only true conflict rule in the BC is in my opinion Article 14 bis (2c) BC, which clearly provides that the law applicable to the form of an agreement or promise between a (creative) contributor to a film and the producer of the film, is governed by the law of the country in which the producer resides.<sup>359</sup>

That the BC does not oblige countries to apply some other country's norms, does not mean it does not allow them to do so. Arguably, as long as choice-of-law rules are applied equally to nationals and foreigners, the national treatment principle is abided by. Only in the case that a choice-of-law rule designates a law applicable that does not conform to the BC and other treaties' minimum substantive standards, must a correction be made in order for the forum not to act against its obligations under the treaties. Given the number of signatories, especially to the BC and TRIPs and the tendency of countries to bring their domestic intellectual property law in to line with international norms, these cases will not occur often.

As for the interpretation that courts in different countries give of the choice-of-law calibre of the intellectual property treaties, we have seen that there is no clear line. Based on the BC, the German Supreme Court categorically rejects any other law than that of the *Schutzland* for all copyright issues. In French, American and Dutch case-law it is more common to use the *lex originis* at least for questions of initial ownership. But case-law –certainly in the Netherlands– is by no means consistent. Among scholars it is disputed whether the BC allows or prescribes the *lex originis* for ownership and transfer.

It is unclear what the precise definition of the connecting factor 'country of origin' is or should be. Courts often seem to refer to the country of origin in the sense of Articles 3 through 5 BC, which causes them to typically use either the place of first publication of a work, or the nationality of the author as connecting factor. This automatic use does not necessarily lead to adequate results, as the definition of country of origin was not conceived of as a connecting factor in a choice-of-law rule. Rather, it was drafted to determine whether a work is protected under the Convention and which limitations are allowed on the basis of reciprocity clauses.

In the next chapter we will consider in detail the advantages of using the *lex originis* as opposed to using the *lex protectionis* and which connecting factors are best suited considering the objectives of modern choice-of-law, the function of copyright and related rights and the realities of a digitally networked world.

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359 Id. Lucas & Lucas 1994, pp. 896–897.



## Chapter 5

# The Rationale of Copyright and Related Rights Law

### 5.1 Introduction

The previous chapters were devoted to an enquiry into the development and principles of the international copyright and related rights system and an analysis of what they imply for choice-of-law rules. The conclusion was that the Berne Convention and other treaties are best viewed as having a law-of-aliens character and that they do not contain straightforward conflict rules. The one clear exception is Article 14 bis (2)c BC on the formal validity of agreements regarding the transfer of rights by creative contributors to film producers, but this is of limited significance in practice.

It would thus appear that there are no internationally harmonised conflict rules for most copyright and related rights issues. The *lex protectionis* can be found in some private international law statutes,<sup>360</sup> and seems to be the most adhered to choice-of-law rule in national case-law. It is however unlikely to be a rule of customary international law: there is no general agreement on the issues to which the *lex protectionis* applies and it is not applied by national courts in a consistent manner.<sup>361</sup> That the *lex protectionis* is not laid down in international law –and that,

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360 E.g., Art. 110(1) Swiss *IPRG*: ‘Immaterialgüterrechte unterstehen dem Recht des Staates, für den der Schutz der Immaterialgüter beansprucht wird.’. Compare the different terminology of Art. 34(1) Austrian *IPRG*, which subjects existence, scope and lapse of intellectual property rights to the law of the country where an act of use or infringement takes place; Art. 54 Italian Private International Law Act 1995 which subjects rights in intellectual property to the law of the country of use of the work, invention, trademark, etc.

361 Mäger (1995, pp. 33–36), after concluding that treaties do not contain clear conflict rules, suggests the *lex protectionis* could be deduced from the territoriality principle which he regards as a principle of customary international law. As he remarks, though: ‘Die weite Verbreitung des Territorialitäts-Prinzips steht leider in einem umgekehrten Verhältnis zu seiner begrifflichen Schärfe und inhaltlichen Kontur.’ This suggests that it cannot be used to deduct a choice-of-law rule. In addition, the fact that the Montevideo Convention –which is based on the notion of copyright as a *droit acquis*– is still in force between a number of primarily Latin-American

as we have seen in Chapter 4, the legislative sovereignty of states is by itself not an adequate basis for it— does of course not mean that it is not an appropriate conflict rule.

The question is, what would be the justification for using the *lex protectionis* as choice-of-law rule for intellectual property issues? We have seen in Chapter 2 that conflict rules are based on any of (a mixture of) four principles.

The first and most common is the *closest connection* of the legal relationship to a certain country, from a predominantly factual-geographical perspective. A second principle is *party autonomy*. It has traditionally played a substantial role in the area of international contracts, but has also gained ground in other areas, notably those of succession and torts. The third principle is *functional allocation*, which in its narrow meaning safeguards the policies that protect weaker parties in certain areas of (semi) private law (labour relations, consumer law). In a broader sense, functional allocation can be viewed as a means to identify the applicable law considering the function or policies that underlie the substantive law in a certain field. Fourth, the *favour principle* underlies conflict rules that are aimed at either the validation of legal acts, or the advancement of a certain substantive result (for instance, that the victim of a tort enjoys the benefit of the most advantageous law).

Since the nature and rationale of the relevant area of private law plays a role in the determination of suitable conflict rules, the legal characteristics of copyright and related rights and the objectives or justifications for it must be considered. That will be the main objective of this Chapter, the results of which will serve for the discussion of the relevance of the four allocation principles in Chapter 6.

In addition, when ascertaining which allocation principles are most suited, one should also have regard for today's realities of production and dissemination of protected subject-matter. This Chapter will therefore begin with a bird's eye view of some important changes that have been taking place in the information industries: the increased commodification of information, the corresponding changes in the production of intellectual creations and the changes in distribution for which information and communication technologies have allowed (Paragraph 5.2).

Next, the legal characteristics of copyright and related rights will be discussed (Paragraph 5.3), as will be the rationale of copyright and related rights (5.4). Paragraph 5.5 is devoted to the various justifications that are put forward in support of the limitations on intellectual property. It will be argued that the public interests that underlie some of these limitations, notably freedom of expression, is

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countries (see note 237, pleads against considering the *Schutzland* principle or *lex protectionis* as a rule of customary international law.

a relevant factor in the determination of an appropriate choice-of-law rule for issues of infringement especially.

In the concluding Paragraph 5.6, I will indicate whether the nature and rationale of copyright and related rights implies the use of certain allocation principles and in which direction changes in the global production and distribution of protected subject-matter point. These observations will serve as a prelude to the more in depth analysis of appropriate conflict rules, which is to be undertaken in Chapter 6.

## 5.2 Trends in the Information Markets and Technology

When the international copyright system first developed, the economic –if not the social– importance of the ‘copyright industries’ was quite modest. As western countries moved towards the post-industrial, service-oriented society, so the economic significance of intellectual property grew. Today, the contribution of copyright industries<sup>362</sup> to gross national product is estimated at 4 to 6 per cent. To give an idea of its relative importance: in the Netherlands the copyright sector is bigger than the chemical industry or agriculture and contributes about the same in added value to the economy as the construction industry or banking.

It is however not just the growth of traditional copyright industries (press, media, design, etc.) that increases the significance of intellectual property. In the often proclaimed ‘Information society’, the production and use of information and information technologies permeates all areas of economic activity. The European Commission estimates that before 2010, half of all jobs in the European Union will be in industries that are either major producers or intensive users of information (technology) products and services.<sup>363</sup>

The growing economic importance of information goes hand in hand with developments that are relevant to our subject: the commodification of information and information technologies and global concentration in important parts of the copyright industries. Technological changes have allowed for the production,

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362 In various developed countries regular reports are made on the economic contribution of copyright industries, but the definitions used are not the same. In the Netherlands, the copyright industries are made up of the following content producers: publishing (press and literature, 35 per cent of total value added by copyright industries), software (20 per cent), design (19 per cent), research (9 per cent), broadcasting (9 per cent), music and theatre (5 per cent), film and video, multi-media/Internet, visual arts, photography and industry interest groups. See SEO 2000. See also Schricker 1999, *Einl.* at nr. 9 and Fromm/Nordeman 1998, *Einl.* at nr. 1.

363 EC 2000 p. 4.

dissemination and use of information through global communications networks on an unprecedented scale.

#### 5.2.1.1 *Commodification of Information and Information Technologies*

The increased economic importance of information goods and services translates into a corresponding expansion of protection, both as regards the type of subject-matter in which exclusive rights are created and as regards the scope of these rights. As the creative process is industrialised, copyright and related rights increasingly have the function of property law, serving innovation. Copyright and related rights have become more and more a means to protect commercial interests, which has pushed to the background what has been –at least in civil law countries– its traditional (other) function: to protect the non-material interests of creators.<sup>364</sup>

Not only information goods themselves, but the intellectual property in the content, is considered as a commodity or capital asset, to be traded across borders as other merchandise is. From this perspective it can be argued that choice-of-law rules should serve the smooth operation of international commerce in copyright and related rights. This could be done by adopting conflict rules that validate the transfer of intellectual property rights (*favor negotii*), or allow for a large measure of freedom of disposition for parties to choose the applicable law in the case of licensing or assignment (party autonomy).

#### 5.2.1.2 *Changes in the Production of Information*

The copyright industries (entertainment, media, press, design, software, etc.) have not only grown fast, the structure of these industries has also changed. Castells, in his analysis of the networked society, describes a trend in globalisation where multinational companies grow, not so much by mergers and take-overs, but by building transnational networks of affiliate companies.<sup>365</sup> In the media industries, however, changing communications technology and the search for economies of scale, have also caused a massive merger and take-over wave.<sup>366</sup> The idea behind

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364 On the commodification of copyright see e.g., Barry 1997, Dietz 1988, Dreier 2001b, pp. 64–66, Grosheide 1996, Halbert 1996, Lipinski & Britz 2000, pp. 61–62.

365 Castells 2000, esp. pp. 163–210.

366 For media concentration in the Netherlands, see the report *Mediaconcentraties in Beeld* of the Dutch media regulator, the *Commissariaat voor de Media*, of 21 March 2002. The daily newspaper market is controlled by 2 companies with 5 dailies (90 per cent of the market), in

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many of these mergers is that the content one produces can be exploited through many different distribution channels in different versions.

There is a concentration of intellectual property rights in large media groups with a global reach.<sup>367</sup> These groups –and other large companies that operate internationally, e.g., in the IT sector– have access to a wealth of legal expertise and will generally anticipate the legal complexities that cross-border commerce can bring along. They have a strong bargaining position against the actual creators of content.

In the entertainment sector especially, there are also many independent creators and performers who work on the basis of commissions, or who sell the rights in their work (synopsis for film or television programmes, compositions) only after they have created them. The level of organisation and thus bargaining power varies: in the US film industry, actors and directors are well-organised in influential guilds. In the Netherlands, the same groups have so far been unable to negotiate adequate collective agreements or standard contracts.<sup>368</sup> On the other hand, fiction writers and journalists have been relatively successful.<sup>369</sup>

The situation of musicians (composers and performers alike) seems rather weak. The global music industry is dominated by the five ‘Majors’, firms that do not control only the vertical production-chain, from music publishers to record shops and radio stations, but who are also important actors at the horizontal level (apart from music, they have interests in other content such as print publishing, computer games, etc.).

Towse concludes that ‘copyrights are a double-edged sword that are instrumental in the growth of large corporations with huge market power and bargaining power over the division of revenues that only really successful artists (or really strong artists’ unions) can assail.’ Data show that in the music industry, the average performing artist earns little. The large sum of royalties that are collected go to a small number of firms and successful artists. Still according to Towse, ‘copyright inevitably distorts markets by strengthening publishers (firms)

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television the public broadcasters, together with the owners of commercial stations HMG and SBS have a joint share of the viewers market of more than 80 per cent. In the cable sector, 3 companies control over 80 per cent of the domestic market.

367 The desire to control different producers of content and different distribution channels was behind the composition of modern media companies such as AOL Time Warner, Bertelsmann and Vivendi Universal. These conglomerates have acquired, in the space of barely a decade, large interests in film production (including ownership of large film libraries, i.e., intellectual property in films) and distribution, television and cable (production of programmes and distribution), publishing and Internet (access and service providers). The burst of the Internet/ICT bubble in the new millennium has led to some de-concentration.

368 Kabel 2002, p. 33. In Germany the revision of the law on copyright and related contracts of 2002 stimulate collective agreements on (the definition of ) equitable remuneration for authors and performers. See the literature mentioned in note 461.

369 Hugenholtz 2000c, pp. 13–14.

more than it protects authors (artists). This distortion requires correction by some means of countervailing power to assist artists.<sup>370</sup>

As Hugenholtz concisely put it in his plea for returning copyright to the creators: ‘multi-authorship’, ‘multi-nationalisation’ and ‘multi-media’<sup>371</sup> conspire to concentrate exploitation rights in the hands of a happy few, which of course, are seldom the self-employed persons who write, design, compose or paint. Towse<sup>372</sup> recommends that the legislature pay attention to the relationship between author and intermediary, especially publisher, since the interests of these two do not necessarily align in economic terms.

A substantial group of ‘creatives’ are the employees that produce intellectual property in the course of their duties. If the EU-figures for employment in the audiovisual industries are anything to go by,<sup>373</sup> the number of employee-creators will continue to rise steadily. Particularly in the software industry, the activity of employees resembles that of an army of ants, who all write –with the aid of computers of course– part of the millions of lines that make up the code of software programmes.

‘Cyberspace’ allows for the production of intellectual creations by (large) groups of contributors. In the software sector this is done particularly where open source software is concerned. This type of non-proprietary software, of which the Linux operating system is a well-known successful example, is developed by a loosely-connected group of people and companies.<sup>374</sup> Standards, such as those developed under the aegis of the World-wide Web Consortium, are also the result of the input of many contributions from across the globe. However, this type of large-scale co-production in cyberspace seems relatively rare.<sup>375</sup>

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370 Towse 2000: p. 152, 164, 167.

371 Hugenholtz 2000c, p. 16.

372 Towse 2000.

373 According to the EC Proposal for the Media Plus Programme (14 December 1999, COM(1999) 658 def.), in 1995 950,000 people were employed in the EU’s audiovisual sector; 1,030,000 by 1997, with an estimated 300,000 additional jobs by 2005. Of course only part of these figures concern creative jobs. In the US, the entertainment industry employed about 5 million workers in the mid-nineties, with an increase of employment of 12 per cent a year: Castells 2000, p. 398.

374 Linux must be the most famous contemporary example. This operating system, the basic code of which was written by Linus Torvald, is expanded and improved by the efforts of –according to *The Economist* August 19th 2000, pp. 61–62– ‘millions’ of developers world-wide. The ‘millions’ must be a figure of speech, given the knowledge of computer programming of the average, well-educated person with access to the Internet.

375 In science, scientific papers quite often list large numbers of ‘authors’ from different research groups around the world, but in practice many of these do not actually contribute to the article itself (they have, for instance, prepared test-instruments, conducted experiments, made samples, etc.).

If the information technology revolution has taught us anything, it is that companies tend to cluster together in relatively small geographic areas, rather than disperse and use telecommunications to co-work. They may relocate the actual production, i.e., the handiwork, to regions or countries where labour is cheaper, but the creative work is concentrated in the ‘valleys’ because of the presence of highly-skilled employees, knowledge, capital and an inventive culture.<sup>376</sup>

The copyright industries may increasingly be dominated by large multinationals, on the other hand the spread of information technology and networks have spawned a large number of small companies. Their business is in website design, the development of software that allows for anonymous surfing or the collection of information on Internet users, the construction of portals or search engines that help Internet users to find their way in the ocean of information that is the Internet.

These companies share with such classic sectors of the copyright industries as fine arts and theatre, the type of small-scale production and emphasis on individual creative work. But where the classic sectors often operate locally, the work of Internet companies typically has cross-border implications. These are, however, not so much in production as in the distribution and use of the products or services rendered.

### 5.2.1.3 *Changes in the Distribution of Information*

With technological development different exploitation models have developed. Dommering distinguishes four types, namely the print, theatre, broadcasting and telecommunication models.<sup>377</sup> The traditional models ‘print’ and ‘theatre’ involve the payment of a fee for a physical copy or one-time access respectively, both following the one-size-fits-all principle.<sup>378</sup>

After radio made it into the home in the first decades of the 20th century, television (terrestrial, cable, then satellite) followed from the second World War onwards. Initially it was technically impossible to restrict access to individual items that were aired, so a new model was introduced. In the *broadcast-model*, a flat fee (TV and radio licence) and/or income from commercials provide the remuneration for copyright owners and others, such as phonogram producers,

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<sup>376</sup> Castells 2000, p. 417 et seq.

<sup>377</sup> Dommering 2001.

<sup>378</sup> Books can have paper back and hard back versions of course and in the theatre you could sit in the galley or stalls, but these are differences in packaging or service, not content.

broadcasting organisations and performing artists who secured their own intellectual property rights.

The development of the fourth model, the *telecommunication model* followed not much later, after computer technology had become widespread. Although Colossus, the mother of programmable computers, was already constructed in 1943,<sup>379</sup> it took almost another two decades before the production of computers for businesses took off, following the invention of semi-conductor chips in 1959.<sup>380</sup> Another two decades passed before the personal or desktop computer began its reign as indispensable home and office equipment. Semi-conductors received their own intellectual property regime in the late 1980's, at about the same time that computer software secured its place as copyrightable subject-matter in developed countries; to be followed by database protection in the 1990's.

Today, of course, copyright's pet-subject is the Internet, or more generally: the exploitation and use of protected subject-matter in a networked environment. Since non-academic and non-government users were given access to the Internet in the late 1980's, the computer networks that form it have spread over the globe like fungoid threads.<sup>381</sup>

Computers, (broadband) telecommunications and cable have given rise to the telecommunication model. Using their television, computer or hybrid, users can mix-and-match content to meet their individual needs, or from the other side, producers can engage in the versioning of information products and services so that they can maximise their profits.<sup>382</sup> The Internet makes it easier to distribute information to foreign customers, but companies of course also use the Internet – maybe even primarily so – to serve local users. In such cases, the fact that the websites can be viewed outside the (geographical) target area is a mere spill-over effect.

In sum, technology offers many new possibilities for the distribution of content, without necessarily making old models obsolete. But the trend does seem to be moving away from the supply of physical copies and towards electronic delivery of customised information products.<sup>383</sup> A related development is that the distribution of content is increasingly organised in service-models rather than

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379 It was built at the Post Office Research Station for Bletchly Park, the UK's Government Code and Cypher School, see Singh 1999, p. 160.

380 Singh 1999, pp. 243–248.

381 By 2000, in Europe 40 per cent of the people were using Internet and that number is growing fast. EC 2001, p. 5.

382 On versioning, see Shapiro & Varian 1999; Kahin & Varian 2000.

383 The jury is still out on which business model will be the more used for digital information: versioning (offering customers items of information, as in pay-per-view, or being able to 'buy' one scientific article rather than a bundle, i.e., journal issue, as happens in print media) or aggregation (combining items in a package). See the various contributions in Kahin & Varian 2000.

goods-models. As a result, (end-) users will find themselves more and more often party to a licence agreement, whose terms have been set by the producer of information.<sup>384</sup> Since telecommunications facilitate the direct cross-border distribution of information goods (rather than using a string of intermediaries in the country of delivery, e.g., the importer-wholesale-retail chain), these licences will also increasingly be international contracts.

The digitally-networked world may provide new possibilities for the production and distribution of content by right owners, it also allows for large-scale copying and distribution of protected subject-matter by users. The many file-sharing systems that have sprung up, particularly where music files are concerned, testify to the problem of controlling the unauthorised use of protected works once they have been released.

In conclusion, there are a number of developments that merit attention when discussing suitable allocation factors:

- Copyright and related rights have become fairly ‘normal’ commodities, that are routinely traded across-borders.
- Large multinational media/communications conglomerates increasingly own substantial catalogues of intellectual property rights. This concentration will possibly weaken the bargaining position of creators and (end) users alike.
- The digitally-networked world results in more cross-border actions by suppliers and users of information goods and services alike. Only part of these actions are intentionally international. A fair number will probably be aimed at local (domestic) commerce, the international aspects are a technical side-effect of how the Internet and other global networks operate.
- The digitally-networked world facilitates the co-creation of works without there being a clear physical location where creation takes place, or where first communication takes place.
- The digitally-networked world allows for large-scale unauthorised distribution of protected subject-matter in many countries simultaneously.

Other than that, it is of course important to remember that these developments do not replace, but add to, more traditional forms of production, distribution and use of works and performances.

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384 See for instance Geller 2000, pp. 241–242 on the more direct relationship between author/right owner and user.

### 5.3 Legal Characteristics of Copyright and Related Rights

Compared to the early days of copyright (before related rights even existed), today there is relative consensus on the legal nature of intellectual property.<sup>385</sup> But the debate on whether copyright is a property right, personality right, or *sui generis* right has not completely subsided.

For our purposes, it is not so much interesting to determine what the differences of opinion are, as it is to see on which characteristics of copyright and related rights there is agreement. The most obvious agreement is on the non-material nature of the subject-matter, which is an intellectual creation (work, performance, broadcast).

It is generally accepted that copyright related rights share with property<sup>386</sup> in material objects their exclusiveness, i.e., they are absolute rights, opposable to all. Like property, copyright relates to an object –albeit non-material– and enables the right owner to prohibit others from using a work, it grants the owner sole rights of use.

Also like property, copyright and related rights can be transferred. A transfer may be effectuated by law (e.g., hereditary succession), by will, or by assignment or license of use. Both assignment and license can be partial (e.g., when they pertain only to the reproduction or distribution right) or geographically limited (e.g., when they concern only one country or a specific region). The difference between assignment and licence is that in the case of assignment, the title to intellectual property passes from assignor to assignee, whereby the assignee loses his or her claim on the rights. In the case of a licence, the licensor grants the licensee exclusive or non-exclusive permission to do certain acts that would otherwise constitute infringement. Only if the licence is exclusive, does the licensor himself lose his claim to exercise the intellectual property rights to which the licence pertains.

Under the laws of most countries the assignment of economic rights is allowed,<sup>387</sup> but in a few countries (e.g., Germany, Austria) copyright and performers' rights can only be given by way of licence. Because these licences can

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385 See Paragraphs 3.2–3.3.

386 The term 'property' used here refers to the term in its narrow, civil law meaning (*Eigentum*, *propriété*, *eigendom*).

387 In the Netherlands it is fiercely debated whether interests in intellectual 'creations' (e.g., trade-secrets, sports events) similar to those statutorily defined (such as copyright, patents) should be made assignable under the general provision of Art. 83 book 3 of the Civil Code. The *Commissie Auteursrecht* (2002) in its advisory opinion on the draft proposal *Verhandelbaarheid Vermogensrechten* (assignability of property rights and interests) has advised the government not to make such interests assignable.

pertain to all prerogatives that copyright grants and can also be exclusive, for all practical purposes there is often little difference for the author/transferor between an assignment and a licence.<sup>388</sup>

Unlike other forms of property, intellectual property is limited in time. In addition, (statutory) copyright and related rights each consist of a collection of predefined prerogatives, rather than of the –in essence– complete freedom of use that characterises property *in rem*. In civil law countries, all these characteristics taken together lead to the notion of copyright if not as true property, then as quasi-property.<sup>389</sup>

Traditionally, an important distinguishing trait –certainly in civil law countries– is that copyright and related rights have a personality-rights dimension, as is exemplified by moral rights. However, the idea of copyright as predominantly a personality right has never been very popular because of the obvious economic side to copyright. In turn of course, the moral rights dimension has also been used as an argument against the notion of copyright and related rights as property.<sup>390</sup>

In the German monistic conception of copyright, economic and moral rights cannot be viewed separately from one another and copyright (and performers' rights) should therefore not be regarded as either property or personality rights, but rather be viewed as *sui generis* rights. This is also the dominant theory in Austria.<sup>391</sup> In the French dualist conception –which is shared by many other civil law countries– the moral rights and economic rights are separate entities. The two are also viewed separately in common law countries<sup>392</sup> where moral rights have traditionally been regarded as outside the scope of copyright altogether (to the extent that these were recognised to begin with).<sup>393</sup> Under the influence of the international intellectual property regime, common law countries have brought moral rights more within the fold of copyright and related rights.

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388 See Guibault & Hugenholtz 2002, Paragraph 3.2 and the literature mentioned there.

389 E.g., Schricker 1999, Einl. at nr. 18–21; Lucas & Lucas 1994, pp. 22–34 (who appear slightly in favour of viewing droit d'auteur as a property right). Contra: Leinemann 1998, pp. 29–34.

390 Grosheide 1986 describes the debate over copyright as a personality right, property right or *sui generis* right at pp.148–168.

391 Bühler 1999, p. 19 et seq.; Troller 1983, p. 93 et seq. does not attach great meaning to the differences between the monist and dualist conception of copyright.

392 For instance, Nimmer & Nimmer 2001, at I-§1.10[B] speak of the privacy interest of the author which justifies the right of first publication (a moral right in Europe).

393 It is not just common law countries that do (or did) not regard moral rights as part of copyright. In Spain, for instance, copyright is viewed primarily as a type of property and until recently, moral rights were not viewed as part of intellectual property. A similar situation existed in Greece; see Doutrelepon 1997, p. 51 et seq.

The likeness of property in material objects and in intellectual creations could be a reason to subject questions of existence, scope, ownership and transfer of intellectual property to similar choice-of-law rules as property *in rem* (e.g., *lex rei sitae*). But apart from the fact that the ubiquitous nature of the subject-matter (work, performance, broadcast or other intellectual creation) raises a problem, the moral rights dimension at first glance seems to point not towards using (the situs of) the object of copyright as connecting factor, but using a connecting factor related to the actual creator or performer. The use of different conflict rules for moral rights and for economic rights, does however seem problematic under the monistic conception of copyright.<sup>394</sup> Even so, if there were to be clear advantages to using different conflict rules, the theoretical underpinnings of copyright should not automatically lead one to reject their use.

As was indicated above and will be elaborated below, the economic side of intellectual property (intellectual creations as assets) continues to gain importance. This raises the question whether initial ownership and transfer and possibly also issues of scope/infringement of economic rights, should not be subject to conflict rules that primarily promote the efficient operation of international copyright transactions (e.g., by allowing parties to choose the applicable law, or by using the favour principle to improve the chances of a transfer being valid). One must, however, balance the general interest of states and citizens in smooth international legal relationships with that of the objectives of copyright and related rights law. As we shall see in the next paragraph, an important objective is to protect the interests of the actual creator/performer in his or her work or performance, rather than the interests of the right owner or his successors in title.

## 5.4 Legal Basis of Copyright and Related Rights

The rationales of copyright that are invariably put forward are ‘justice’ and ‘fairness’ versus ‘utility’ and ‘efficiency’. Justice arguments<sup>395</sup> centre on the person of the author, who is thought to be deserving of a just reward for her intellectual labour, or having a ‘natural right’ in her creations. Likewise, it is often proclaimed that fairness demands that whoever invests time and effort in the production of information goods and services is entitled to exclusive rights in them.

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<sup>394</sup> Schack 2000, p. 61 rejects separate allocation for precisely this reason.

<sup>395</sup> Another term used for this category is ‘deontological’ as opposed to ‘consequentialist’ (instrumental); see Strowel 1993, p. 173.



Utilitarian (instrumental) arguments centre on the public interest. Society benefits from copyright and other intellectual property because it stimulates the production and distribution of knowledge and culture. Another utilitarian argument is that property rights in works are the best instrument to achieve economically efficient allocation of information goods.

One of the most accentuated differences between the common law approach to copyright and the civil law approach has always been their legal basis. Traditionally the civil law countries are said to favour the justice argument as the basis for their ‘droit d’auteur’, whereas common law countries legislate copyright primarily for utilitarian reasons. Strowel shows in his analysis of ‘copyright’ versus ‘droit d’auteur’ systems that although this distinction is indeed rightly made, the difference is diminishing.<sup>396</sup> We shall see in Paragraph 5.4.2 that recent EC directives affirm Strowel’s observation.

The broad ‘justice versus utility’ justifications for copyright are often categorised in more detail. Grosheide, for instance, in his work on the nature of copyright, distinguishes seven partly overlapping types of arguments, while other writers divide them into three categories.<sup>397</sup> According to Van Engelen, different arguments are often intertwined. He discerns three sub-arguments in the ‘justice’ category, one in the utilitarian category and unjust enrichment as a separate argument.<sup>398</sup> Strowel prefers a distinction between the instrumental argument (copyright as an incentive for production) and the Lockian concept of property (copyright as a fruit of the creators intellectual labour).<sup>399</sup> I shall stick with the classification in justice versus utility arguments and distinguish sub-arguments where useful.

For that quintessential civil law copyright country France, Lucas & Lucas acknowledge the growing influence of instrumental arguments but defend the primacy of the justice rationale.<sup>400</sup> Schricker also focuses on the idea of property in intellectual creations as flowing from natural law, but does profess that copyright should be structured in such a way as to best stimulate cultural and economic progress.<sup>401</sup> In the US, intellectual property has traditionally been viewed as an

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396 Strowel 1993. See also Dreier 2001a, pp. 298–303.

397 Grosheide 1986, pp. 128–133; Dommering 2000, pp. 448–450; Guibault 2001, pp. 7–14.

398 Van Engelen 1994 p. 147 et seq.

399 Strowel 1993, p. 174 et seq.

400 Lucas & Lucas 1994, pp. 39, 48–49. Pahud 2000, p. 114 argues that ‘Bei der traditionellen individualrechtlichen Legitimierung des Urheberrechts sind starke Erosionserscheinungen erkennbar. Von einem eigentlichen Paradigmenwechsel kann dennoch nicht (oder noch nicht) gesprochen werden’.

401 Schricker 1999, Einl. at nr. 8, 13.

instrument ‘to secure the general benefits derived by the public from the labors of the author’; rewarding the author for his efforts is only a secondary objective.<sup>402</sup>

Van Engelen notes that historically, neither Dutch doctrine nor the legislature have paid a lot of attention to the justification of copyright, due to fact that the enactments of copyright acts often resulted from international obligations.<sup>403</sup> For the Dutch Law Association (*NJV*), who debated copyright at their annual meeting in 1877, the public interest was the only conceivable ground for copyright.<sup>404</sup> Later, Dutch scholars routinely invoked fairness and natural rights as appropriate legal bases. The minister of Justice also put such arguments before parliament as they considered the proposed 1881 Copyright act.<sup>405</sup> Contemporary Dutch doctrine tends to put justice arguments on a par with instrumental arguments.<sup>406</sup>

#### 5.4.1 JUSTICE ARGUMENTS

The rationales for copyright that can be categorised as justice arguments, have played a dominant role in the continental European debate on the basis and legal character of copyright since the 19th century. That discussion has always been particularly lively in France and in Germany. In Germany, the question was traditionally linked to the debate on the nature of personality rights in private law in general. Many scholars, including Savigny,<sup>407</sup> rejected the notion of natural rights in the sphere of private law, other than the notion that man is essentially free and that within this ‘primordial’ freedom various rights are enclosed.<sup>408</sup> The idea of copyright as a property right was not widely supported in Germany, contrary to the situation in France.

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402 Nimmer & Nimmer 2001 at § 1.03 et seq.

403 Van Engelen 1994, pp. 154–155.

404 De Beaufort 1907, pp. 73, 78–79; Van Engelen 1994, p. 149; Hugenholtz 1998, pp. 201–202.

405 On these developments see De Beaufort 1907.

406 Dommering et al. 2000, pp. 448–451; Gerbrandy 1992, pp. 17–21; Van Lingem 2002, p. 16–17; Spoor & Verkade 1993, p. 8. Grosheide 1986 at p. 290 et seq. stresses the instrumental function of copyright in modern society.

407 Savigny was not a supporter of the notion that a person has ‘by birth’ an inalienable right in his intellectual creations, because it would mean that one man can impede another man’s thinking. Savigny (1840, *System I*, p. 336 et seq.): ‘Das von manchen zu diesem Urrecht gerechnete Eigentumsrecht des Menschen an seinem Geisteskräften sei auf jeden Fall abzulehnen, da es undenkbar sei daß ein Mensch anderen am Denken hindern könne...’

408 Here the influence of Kant and Hegel is clear. See Leuze 1962, pp. 29–51.

In France, most authors viewed copyright as a proprietary right based on natural law. In other words, copyright must be seen as a right that man has by birth; it only remains to be elaborated by the legislature. The bond between creator and work is of paramount importance in the natural rights approach that was so popular in France; but it is also central to the German conception of copyright.<sup>409</sup> The term ‘property’ (*Eigentum*) is often used in German legal writing in relation to copyright but as a rule, this is not to be interpreted as a natural law defence of copyright.<sup>410</sup>

Today, the natural law debate has subsided and in Dutch, German and French literature alike, various justice and fairness arguments are used interchangeably. In writings of modern copyright scholars,<sup>411</sup> the ethical underpinnings of intellectual property are often based on the ‘self-developmental’ theory of Hegel and the ‘just deserts for labour’ theory in the Lockian sense.<sup>412</sup>

For Hegel, the freedom of the individual and the recognition of that freedom by others, were central to the justification of property. As May summarises Hegel’s position: ‘the individual has a will to control and master nature and this is expressed through the ownership of the fruits of such control, reflecting the individual personality.’<sup>413</sup> If the state and members of society do not respect the property of an individual, they deny the individual his freedom. For Locke, it is the fact that an individual expends effort (labour) on creating something or adding value to it, that justifies his exclusive rights in the result. Allowing individuals the fruit of their labours also encourages them to develop activities. Thus, in Locke’s theory there is both a ‘justice’ and an instrumental argument.

A relatively modern argument –which is reminiscent of the ‘natural rights’ argument–is that intellectual property rights are human rights and require protection in that capacity.<sup>414</sup>

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409 For an insightful account of copyright and its relationship to personality rights and natural law in 19th century Germany, see Leuze 1962, esp. pp. 29–81. Dreier 2001a at p. 300, argues that the natural rights argument was popular also because it was ‘the most politically expedient way to compel [German] states to adopt intellectual property laws.’

410 Leinemann 1998 provides an analysis of the use of the term ‘property’ for German copyright in relation to the constitutional guarantee of property rights, as well as its connotation with ‘natural law’ (pp. 17–33).

411 See among others Schricker 1999, *Einleitung* at nr. 11–14; Lucas & Lucas 1994, p. 39 et seq.; Grosheide 1986, p. 121 et seq.

412 For a recent review of ethical basis for ownership in information, see: Lipinski & Britz 2000. A critical analysis of the (Lockian and Hegelian) justifications of intellectual property is put forward by May 2000, particularly at pp. 16–44.

413 May 2000, p. 26.

414 Cohen Jehoram 1983, Dessemontet 1998a. For a critical evaluation of copyright as human right, see Vivant 1997.

That the justification of copyright and related rights is based on diverse arguments, is partly caused by the dual nature<sup>415</sup> of copyright and the neighbouring rights of performing artists. On the one hand the bond between author and work (or performer and performance) and the author's (performer's) reputation is deserving of protection, which is achieved primarily through moral rights. On the other hand, there are economic interests to be considered. These are shaped primarily as exclusive exploitation rights. This duality is also expressed in the various international human rights instruments that mention the protection of intellectual property.

Article 27(2) of the 1948 Universal Declaration of Human Rights (UDHR) guarantees everyone 'the right to the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author'.<sup>416</sup> A similar clause is found in Article 15 of the International Covenant on Economic, Social and Cultural Rights (CESCR), which is binding on the vast majority of UN member states.<sup>417</sup>

There is no consensus of opinion with respect to the relationship between authors' rights and other human rights as enshrined in the CESCR and the Universal Declaration. Both instruments guarantee the freedom to engage in cultural life and to enjoy the results of scientific progress, in articles 15 and 27 respectively. The CESCR also prescribes that States respect the freedom that is indispensable for scientific research and creative activity and work to realise the conservation, development and dissemination of science and culture.<sup>418</sup> Some

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415 For a more extensive analysis, see among (many) others: Grosheide 1986, pp. 72–73, 121–154; Guibault 2001, pp. 7–16; Seignette 1994, pp. 20–30; on the rationale of moral rights: Doutrelepon 1997, pp. 23–30.

416 Adopted and proclaimed by General Assembly resolution 217 A (III) of 10 December 1948, available at <[www.un.org](http://www.un.org)> [last visited 1 November 2002].

417 Adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966. Entered into force on 3 January 1976; 145 contracting states as of June 2001.

418 Article 15 in full reads:

- 1. The States Parties to the present Covenant recognize the right of everyone:
  - (a) To take part in cultural life;
  - (b) To enjoy the benefits of scientific progress and its applications;
  - (c) To benefit from the protection of the moral and material interests resulting from any scientific, literary or artistic production of which he is the author.
- 2. The steps to be taken by the States Parties to the present Covenant to achieve the full realization of this right shall include those necessary for the conservation, the development and the diffusion of science and culture.
- 3. The States Parties to the present Covenant undertake to respect the freedom indispensable for scientific research and creative activity.

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authors are of the opinion that respect for intellectual property only comes second to cultural, scientific and artistic freedoms, while others see it the other way around.<sup>419</sup>

The clause on copyright was added to the UDHR at the insistence of France, Mexico and Cuba, mainly to bring the text into line with the American Declaration of the Rights and Duties of Man (Bogota 1948). The UK and US opposed the idea to include a reference to intellectual property, as did the countries of the then Eastern bloc. The clause was not exactly widely supported, since it was passed with only 18 votes in favour, 13 against and 10 abstentions. Article 15 CESCR has a similar history.<sup>420</sup> This illustrates that the notion of intellectual property as a human right was not given a ringing endorsement by the international community. One should therefore be careful not to overstate the significance of the relevant clauses.

Also, the fact that authors' rights are mentioned does not mean that the CESCR and UDHR endorse a 'justice' approach to intellectual property *per se*. It could well reflect an instrumental view of copyright. As Chapman put it: 'The rights of authors and creators are not just good in themselves but were understood as essential preconditions for cultural freedom and participation and scientific progress... Put another way, the rights of authors and creators should facilitate rather than constrain cultural participation on the one side and scientific progress and access on the other.'<sup>421</sup>

Discussions in the UN Committee on Economic, Social and Cultural Rights – which monitors the CESCR – show that if anything, intellectual property is seen as being at odds with (other) human rights. There is concern that the proliferation of intellectual property rights, especially through TRIPs, will adversely affect the access to and sharing of, culture.<sup>422</sup>

The idea that it is only just that authors be entitled to reap the fruits of their intellectual labours is appealing, but not seldom used rashly to defend the extension of exclusive rights in information or the creation of new ones.<sup>423</sup> The

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— 4. The States Parties to the present Covenant recognize the benefits to be derived from the encouragement and development of international contacts and co-operation in the scientific and cultural fields.

419 Strowel 1993 pp. 157–160; Dessemontet 1998a.

420 For a short history, see Chapman 2000.

421 Chapman 2000, p. 9.

422 UN Committee on Economic, Social and Cultural Rights — Report on the twenty-second, twenty-third and twenty-fourth sessions, (pp. 91–102); available at <www.un.org> [last visited 1 November 2002].

423 Brison for instance (2000, p. 14) when discussing the justification of neighbouring rights, compares performing artists (mainly musicians) with composers and concludes that since without them records would not be made or sold (the public buy records because of the singers/groups that

problem with the fairness argument is that it can apply to every type of creator or producer of information goods and services. Furthermore, intellectual property, be it copyright or another sort, is of course not necessarily the best, or most obvious means to provide authors and others with just rewards for their efforts.<sup>424</sup>

EU legislation in the area of intellectual property is predominantly based on utilitarian arguments. Fairness arguments have played a role in the (successful) quest for exclusive rights for performing artists, record producers, broadcasting organisations and database producers, but generally another ‘reward’ argument has been more influential: if information products are to be made, the necessary investments must be recouped, which can (only) be done through exclusive exploitation rights. This argument belongs in the ‘utility arguments’ category, to which we turn next.

#### 5.4.2 UTILITY ARGUMENTS

The various utility, efficiency or instrumental arguments in favour of intellectual property may often be seen as exemplifying the Anglo-Saxon or common law approach, but in reality they are an important rationale of all copyright and related rights legislation. Utilitarian justifications come in many forms. Most depart from the premise that it is in the general interest that works of literature and art are produced and distributed. All assume that proprietary rights are the means to serve that interest.

##### 5.4.2.1 *Incentive for Production*

The traditional justification of intellectual property from a utilitarian standpoint is the incentive argument. It holds that to further the production and distribution of information goods and services, producers must be able to recoup their investment. Given the fact that information can be easily and cheaply copied once released, producers therefore need exclusive exploitation rights in the information. This argument is increasingly used at the European level to justify the extension of intellectual property rights.

The incentive argument has always had a central place in American copyright law, but has not gone unchallenged, not so much for its theoretical underpinning

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perform songs, not because of authors that write them), it is only fair that performing artists have proprietary rights (neighbouring rights) just as composers do.

424 Dommering 2000, pp. 448–449.

for its application in practice.<sup>425</sup> As Goldstein remarks: ‘judged by its results rather than its rhetoric, copyright legislation in the common law tradition historically fails any strict utilitarian measure. While the ideal copyright legislator, before voting to extend protection to new subject-matter or rights, would require a showing that the extension is needed as an incentive to continued investment, common law legislatures have in fact regularly, indeed mostly, extended copyright without any empirical showing that authors would produce and publishers would publish, fewer works if the extension were not given.’<sup>426</sup> There is an increasing body of empirical evidence that shows that intellectual property only offers a limited incentive to create,<sup>427</sup> but this does not yet seem to affect the almost fungus-like growth of intellectual property.

In the US there is frank criticism of the continuous drive to extend intellectual property to previously ‘un-owned’ types of information and knowledge and to curb previously allowed uses. Academics and non-governmental organisations show widespread concern that we are witnessing a ‘second enclosure of the commons’.<sup>428</sup> It is also argued that the legislator is eager to extend intellectual property rights because it pleases businesses but does not involve direct government expenditure (which is not to say there are no social costs).<sup>429</sup> Increasingly, business itself shows concern that broad intellectual property rights hamper the development of new products. In the software industry for instance

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425 See May 2000, Boyle 2001, Hess & Ostrom 2001 and many earlier writers mentioned in these papers. On the commodification of knowledge and information in general: see Shulman 1999. Hakvoort (2000 at p. 17 et seq.) posits that since for authors other arguments than direct financial gain play a role in the decision to produce works, in these cases copyright does not serve as an incentive but merely redistributes revenues from authors to publishers.

426 Goldstein 2001, p. 8. In an analysis of piracy in developed and developing countries, Burke 1996 concludes that more protection through international agreements does not limit piracy: socio-economic circumstances in countries are much more relevant. On the adverse effects of TRIPs/WTO on developing countries, see Queau 1999.

427 Merges (1995) lists a number of such studies at pp. 107–108. The study of Rappert, Webster & Charles 1999 shows that the role of intellectual property rights in technology transfers by small- and medium sized enterprises is generally not as important as controlling knowledge or information leakage through employees, clients or suppliers (dealt with by non-disclosure clauses in contracts), having the ‘first mover’ or ‘lead time’ advantage in the market, using service agreements to recoup investment in products, etc. On the limited importance of intellectual property rights in technology licensing schemes, see Bessy & Brousseau 1998.

428 For an excellent overview of the issues and literature, see the papers presented at the *Duke Law School Conference on the Public Domain* (9–11 November 2001), available at <[www.law.duke.edu](http://www.law.duke.edu)> [last visited 1 November 2002]. See also Dreyfuss, Zimmerman & First (eds.) 2001, esp. the contributions in Part IV; Hugenholtz 2000a.; Benabou 2002.

429 Merges (1995), pp. 110–111.

complaints can be heard that the sheer number of copyright (or patent) licenses that are needed to develop new software impede innovation.<sup>430</sup>

In Europe, criticism seems less widespread and is often more subdued (at least until recently), despite the fact that the expansion of intellectual property here is at least as considerable as in the US. In quite a number of areas, such as the lengthening of the term of protection, the introduction of *sui generis* protection for non-original databases and the creation of a rental right, the EC has been at the forefront of expanding intellectual property.

If we consider legislative activity of the EC in the area of copyright and related rights in the past decade or so, we see two trends. One is a move towards the creation exclusive rights for broader categories of subject-matter. The other is to increase the level of protection by bringing more and more types of use of information under the exclusive rights. That often the legislation of the most protective Member state is followed, is rather self-evident. Harmonising 'downward' is politically unpopular and could be regarded as a form of expropriation in the member states with high levels of protection.<sup>431</sup> In the Directive on the term of protection<sup>432</sup> it is clearly stated: 'Whereas due regard for established rights is one of the general principles of law protected by the Community legal order; whereas, therefore, a harmonisation of the terms of protection of copyright and related rights cannot have the effect of reducing the protection currently enjoyed by right holders in the Community...' The term of protection –which in most countries was 50 years *post mortem auctoris*– was consequently harmonised at 70 years *post mortem auctoris*.

Vaver<sup>433</sup> remarks about the EC's contention that harmonisation of the term of protection up to the highest level within any member state should be the goal of European policy because it is good for the production and use of works: 'This assertion, which logically leads to broad protection in perpetuity, lacks respectable empirical foundation, despite its instrumentalist claim. Indeed, the proposition that it is in the interests of consumers to continue to pay well above marginal cost for a product for perhaps 100 to 150 years after it was first produced, when the same

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430 'Patently absurd?', *The Economist*, 21 June 2001; 'Who owns the knowledge economy?', *The Economist*, 6 April 2000.

431 Since intellectual property is limited in time, expropriation could of course be avoided by adequate transitional provisions. Some authors are of the opinion that only a high level of protection is in accordance with EC law, e.g., Röttinger 2001, p. 25: 'Allerdings könnte argumentiert werden, dass ein rechtsharmonisierung auf niedrigem Niveau im Bereich des Urheberrechts dem Art. 151 [EC Treaty]...widerspricht und damit Gemeinschaftsrecht verletzt.'

432 Recital 9, Council Directive 93/98/EEC of 29 October 1993 Harmonizing the Term of Protection of Copyright and Certain Related Rights, OJ EC 1993 L 290, pp. 9–13.

433 Vaver 2001 at V.



product would have been produced under a regime with a shorter period of protection, is either disingenuous or dishonest.’

As was the case with the Term of Protection Directive, the prime argument for expansion of copyright invariably is the utilitarian incentive-argument. The standard recital in EC directives is that a high level of copyright protection is necessary to ensure the (continued) production of intellectual creations. To give a few examples:

In the Directive on rental and lending rights<sup>434</sup> it is said: ‘Whereas the creative and artistic work of authors and performers necessitates an adequate income as a basis for further creative and artistic work and the investments required particularly for the production of phonograms and films are especially high and risky; whereas the possibility for securing that income and recouping that investment can only effectively be guaranteed through adequate legal protection of the right holders concerned...’.

Similarly, the protection of software under the Software Directive<sup>435</sup> is thought necessary because ‘... the development of computer programs requires the investment of considerable human, technical and financial resources while computer programs can be copied at a fraction of the cost needed to develop them independently.’

The Database Directive,<sup>436</sup> with its double regime of *sui generis* protection for databases and copyright protection for original databases, considers that ‘...the making of databases requires the investment of considerable human, technical and financial resources while such databases can be copied or accessed at a fraction of the cost needed to design them independently;...Whereas such an investment in modern information storage and processing systems will not take place within the Community unless a stable and uniform legal protection regime is introduced for the protection of the rights of makers of databases.’

Remarkably enough, reference was made to the US industry in Recital 11 of the Database Directive: ‘...there is at present a very great imbalance in the level of investment in the database sector both as between the Member States and between the Community and the world’s largest database-producing third countries.’ The US was at the time already dominant in the global database industry, but US

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434 Council Directive 92/100/EEC of 19 November 1992 on the Rental Right and Lending Right and on Certain Rights Related to Copyright in the Field of Intellectual Property, OJ EC 1992 L346, pp. 61–66.

435 Council Directive 91/250/EEC of 14 May 1991 on the Legal Protection of Computer Programs, OJ EC 1991 L122 pp. 42–46.

436 Directive 96/9/EC of the European Parliament and of the Council of 11 March 1996 on the Legal Protection of Databases, OJ EC 1996 L077, pp. 20–28. On the implementation of the Database Directive in different countries, see Gaster 2000. On early case-law, see Hugenholtz 2001c.

copyright law did not protect ‘sweat of the brow’ compilations (which many databases are), since the 1991 Supreme Court landmark ruling in *Feist*.<sup>437</sup> The utility argument may have been invoked to justify protection, US developments at the very least cast doubt on the necessity of a full blown intellectual property right in databases to spawn a competitive database industry.

From the recitals of the Database directive it does not become clear whether copyright protection for ‘original’ databases is based exclusively on incentive arguments, or also on justice arguments. For the *sui generis* protection for databases utilitarian motives can be inferred from the fact that the protection against extraction and re-use only applies to databases that testify to a substantial investment,<sup>438</sup> and only with regard to the (re)use of substantial parts (or systematic use of insubstantial parts).<sup>439</sup>

The recent Copyright Directive<sup>440</sup> also justifies the expansion of intellectual property primarily with incentive arguments (Recitals 2, 3, 6, 9, 10). Another utilitarian argument used in the Directive is that a high level of protection is of great importance from a cultural perspective (Recitals 9 and 11).

In sum, whether or not economic truth bears out its validity, the utility argument is the one routinely used by EC legislators to justify the expansion of copyright and related intellectual property rights. In industrial property it should come as no surprise that the utility argument is predominant.<sup>441</sup> Given the tradition

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437 *Feist Publications v. Rural Telephone Service*, 499 US 340 (1991).

438 What the term ‘substantial investments’ means remains agonisingly unclear. As expected, national courts have already shown differences in interpretation, so the ECJ will have to shed some light on the question. The level of investment required for protection does not seem to be high under German and French case-law. Dutch Courts of Appeal have taken opposing views on the question of which investments should be taken into account if the database is not produced for the purpose of exploiting it, but a by-product (spin-off) of a company’s principal activity (e.g., a database with customer-information from a telecommunications company; or with information on real estate for sale from real estate agents), see Hof Den Haag 21 December 2000 (*NVM v. De Telegraaf*) with comment M.M.M. van Eechoud, *Mediaforum* 2001–3, nr. 11; P.B. Hugenholtz, ‘The New Database Right: Early Case-law from Europe’, available at <[www.ivir.nl/publications/hughenoltz/fordham2001.html](http://www.ivir.nl/publications/hughenoltz/fordham2001.html)> [last visited 1 November 2002]. The *Hoge Raad* did not accept the spin-off argument in the *NVM v. Telegraaf* case (*Mediaforum* 2002–5, nr. 17 with comment T.F.W. Overdijk), nor did the Court really clarify what a substantial investment is. See Hugenholtz 2002.

439 See articles 7 and 8 Database Directive.

440 Directive 2001/29/EC of 22 May 2001 on Copyright and Related Rights in the Information Society, OJ EC 2001 L167/10. From hereon: Copyright Directive. On the Dutch implementation see Seignette 2002.

441 See among others: Recital Council Directive 87/54/EEC of 16 December 1986 on the Legal Protection of Topographies of Semiconductor Products, OJ EC L24, 27/01/1987 pp. 36–40; Directive 98/71/EC of the European Parliament and of the Council of 13 October 1998 on the Legal Protection of Designs, OJ EC 1998 L289 of 28/10/1998, pp. 28–35; Council Regulation (EC) No 6/2002 of 12 December 2001 on Community Designs, OJ EC 2002 L 003/1.

in European civil law countries to frame copyright in the natural law corner, one would expect 'justice' arguments to play at least some role. Then again, the more mundane the subject-matter that is protected, the less there may be a valid justice argument. Of course, the role of the European Communities has traditionally been in the economic field, i.e., the establishment of the internal market. The utility argument is a more obvious defence in that respect.

#### 5.4.2.2 *Efficient Allocation*

Some utilitarian justifications are based on notions of economic efficiency. The proponents of the Law and Economics schools in particular are interested in exclusive rights in information as a means to facilitate allocation through the market mechanism. In this view, the objective of intellectual property is to remedy the public goods character of information goods and services.<sup>442</sup>

A public good is a good which by definition will not be provided by the market because people cannot be excluded from its use (non-excludable) and in principle the use by one person does not affect another person's use of the same good (non-rival).<sup>443</sup> Information is in itself such a non-excludable and non-rival good. Once it is released, anyone can benefit from it. Information is 'leaky': despite the fact that some measure of control over copies may be exercised through technological means (anti-copying devices), information itself is not controllable as a tangible item is. Information is also non-rival because the use of information by one person does not reduce its value for someone else. Subjecting information to proprietary rights creates excludability and thus seems to allow for efficient allocation through markets.<sup>444</sup>

That some level of property in information goods stimulates efficient allocation is generally accepted, but which intellectual creations should be protected and at what level is controversial.<sup>445</sup> Because information is non-rival, completely efficient allocation through the market mechanism does not seem possible. Intellectual property, especially in combination with the technological

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442 Von Bar 1889, pp. 233–234 has already recognised that the public goods character of intellectual property made the equation of them with physical 'normal' goods difficult.

443 The quintessential Dutch example of a public good is of course a dike: it protects everyone against the water (regardless of who pays for the construction and maintenance) and the fact that it benefits A does not diminish the benefit for B.

444 Gordon & Bone 1999, p. 191 et seq.; Landes & Posner 1989; Menel 2000, esp. the review of economic studies at pp. 135–146.

445 Benkler 2001a, pp. 269–272; Gordon & Bone 1999, pp. 200–203; Koboldt 1995, pp. 131–135; Merges (1995), pp. 103–107; Towse 2000, pp. 8–9, 23 et seq.

protection of information, introduces excludability, but does not make information non-rival. That is why, once a work has been produced, from the point of view of maximisation of general welfare (which is after all the classic welfare-economist's objective), it should be distributed as widely as possible. The maximum welfare is attained only when anyone who is interested in the information has access to it.<sup>446</sup>

Importing the 'efficient allocation' justification for property in material objects to property in non-material objects is thus problematic because of the ubiquitous nature of intellectual creations (information). As May notes, this problem is often overlooked, dismissed or treated as a minor issue even though it concerns an essential difference. Consequently, the legitimacy of property rights in information is often asserted rather than established.<sup>447</sup>

Another criticism of intellectual property is that it is in fact not a mechanism for efficient allocation, but on the contrary, a monopoly that adversely affects competition and the more so, the stronger it protects information goods.<sup>448</sup> Koopmans, former Advocate General to the European Court of Justice, criticised the expansion of intellectual property rights because they hamper competition.<sup>449</sup> In his view, free competition loses out to intellectual property partly because the stimulation of free competition is a relative abstract interest, that is not pursued by well-organised lobbies. The pleas of powerful lobbies of the copyright industries for more and longer protection on the other hand do not fall on deaf ears with politicians.<sup>450</sup> Koopmans accurately observes that '[intellectual property] specialists still regard exclusive rights as the normal state of affairs and the absence of them as something pitiful that should be remedied as soon as possible.'<sup>451</sup>

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446 Koboldt 1995, pp. 133–135. The loss of efficient allocation from the static perspective, is necessary to ensure dynamic (long term) efficiency, i.e., to enable producers to recoup their investment and thus produce information goods to begin with; see e.g., Benkler 2001a, p. 271.

447 May 2000, pp. 45–47.

448 Strowel 1993, p. 191 notes that the economic view of copyright gives opposite results depending on your outlook: those who see copyright as an allocation mechanism promote the strongest possible protection, while those who view copyright as a monopoly favour weak protection.

449 Koopmans 1994.

450 On the influence of industry lobbies in the US, see e.g., Samuelson 2001.

451 '... deskundigen beschouwen exclusieve rechten nog steeds als de normale toestand en het ontbreken ervan als iets zieligs dat liefst zo snel mogelijk moet worden verholpen.' (see note 449, p. 108).

## 5.4.3 SOCIAL ARGUMENTS

The improvement of the position of authors in society is a third argument for vesting them with exclusive rights in their work. This argument could be viewed as a mixture of justice and utility: the reason to emancipate authors is partly that it will stimulate the creation of works, which is in the public interest and partly that it is seen as fair to protect authors against intermediaries and users by giving them control over whether and on what terms their work is exploited.

Historically the position of authors *vis-à-vis* intermediaries and users has been weak. In the course of the 19th century authors became the direct beneficiaries of intellectual property laws rather than publishers. However, publishers largely kept their position of power, as the freedom of contract enabled them to acquire the exclusive exploitation rights from authors. The latter had little bargaining power and it was not until the 20th century that intellectual property law further repaired the imbalance.<sup>452</sup>

Today, it is seen as an important function of copyright to protect authors, i.e., the actual physical persons that create works, particularly against publishers and other intermediaries.<sup>453</sup> In the area of related rights, the performing artists are seen as the weaker party, more so than other owners of related rights such as broadcasting organisations and record producers.

There are many types of provisions in intellectual property laws that exemplify the protective streak towards the actual creator in relation to intermediaries (apart of course, from the basic notion that the actual creator is the initial owner of copyright or related rights).<sup>454</sup>

First, creators are given rights that remain with them independent of the transfer of the exploitation rights. The provisions that involve moral rights give the creator or performer a say in the way in which the work of performance is used, even if all economic rights have been transferred. However, even though moral rights are inalienable (Art. 6bis BC), the fact that they can typically be waived—at least to some extent—robs them of some of their protective effect. For example, among other things Article 25(3) *Auteurswet* prescribes that the right of the author to make changes to the work can be waived. The right to resist a

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452 Hugenholtz 2000c, pp. 9–15. On the role of publishers' and authors' interest in the formation of copyright law, see Boytha 1979.

453 Fromm/Nordeman 1998, §1 rd 1; Schricker 1999, Einl. at nr. 8, 14; Grosheide 1986, p. 290 considers that copyright has failed in its goal to protect authors against intermediaries and users, powerful interest groups of authors (e.g., collecting societies) could just as easily protect the (economic) interests of authors.

454 Cf. Katzenberger 1988, pp. 731–733.

distortion, mutilation or other change of the work that could be detrimental to the author's reputation cannot be waived.<sup>455</sup>

Another type of rights that are not transferable are claims in equitable remuneration for certain acts of exploitation, regardless of who owns the exploitation rights. As is the case with moral rights, the mandatory character of these claims may be limited, as under some laws the author or performer can waive the claim. Even if they cannot be waived, the relative value for the creator or performer may be limited if due to an imbalance in bargaining power, the creator or author has little influence when it comes to determining what 'equitable' means (i.e., the level of remuneration).<sup>456</sup>

An example of a mandatory claim is Article 4(2) of the Rental and Lending Directive, which stipulates that authors and performing artists cannot waive their right to an equitable remuneration for rental of copies of their work or performance.<sup>457</sup> The Spanish Copyright Act (Art. 90) contains mandatory provisions that entitle authors of a film to remuneration for each form of exploitation and a percentage of the box-office proceeds. The box-office provision is not as mandatory as it seems: if rights in a film are assigned with a view to exploitation abroad, a lump-sum may be paid instead of royalties for public showings abroad, in case it is impossible or very difficult to execute the box-office provision.<sup>458</sup>

The recent Resale Directive<sup>459</sup> provides that the author of an original work of art or original manuscript has an inalienable interest in any sale of the work subsequent to the first transfer by the author.<sup>460</sup>

The second category of protective provisions consists of limitations on the transfer of copyright and related rights, for instance as regards rights in future

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455 For the possibility of waiving moral rights in other EC countries, see Doutreloup 1997, pp. 286–306.

456 Guibault & Hugenholtz 2002 in their study of copyright contract law in the EU conclude that it is often unclear whether remuneration rights can be waived (par. 3.2.3).

457 To be implemented by July 1, 1994.

458 Kabel 2002, pp. 31–33, who advocates the introduction of a mandatory, unalienable right to equitable remuneration for authors of films.

459 European Parliament and Council Directive 2001/84/EC on the Resale Right for the Benefit of the Author of an Original Work of Art of 27 September 2001, OJ EC 2001, L272/32 (to be implemented by Jan 1st 2006).

460 According to Recital 3 '...the artist's resale right is intended to ensure that authors share in the economic success of their works.' Considering that visual artists often have difficulty living off their work because demand is not very large to begin with, one could ask whether for most the resale right will make a real difference, especially because the claim for remuneration only exists above a certain sales price. The audience that visual arts have will probably always remain limited, despite government subsidies for private individuals to buy art and programmes designed to enable artists to support themselves: see De Haan & Knulst 2000, pp. 23–24.

works and with respect to yet unknown, future forms of exploitation. Although in some countries (like the UK and Ireland) the global transfer of rights in future works is allowed, under the laws of most countries it is not. Assignment of rights in future works can generally only take place if the works in question are adequately described and for a pre-determined period (in years, for the duration of a contractual relationship, or accompanied by a right of termination as in Article 40 German *UrhG*, etc.). With respect to forms of exploitation that were unknown at the time an exploitation contract was concluded, national laws prescribe for instance that such exploitation must be included explicitly in the contract (e.g., Art. L131-6 French Copyright Act), or that any assignment involving such exploitation is null and void (Art. 3(1) Belgian Copyright Act).

A third type of rules aimed at protecting creators/performers are the formal requirements for assignment but also for licenses, that many laws contain. Often Acts prescribe that an assignment must be in writing, or that a contract must describe the type of rights, scope, duration and agreed remuneration. What the consequences of non-compliance are differs and is not always clear for individual provisions. For example, under Dutch copyright law, the transfer of the title to copyright is only effectuated by a written and signed document (Art. 2 *Auteurswet*). Without such a document, the assignee has not acquired the copyright (even though it may be concluded that a licence has been granted). In other countries, the requirement that an assignment be in writing is (merely) viewed as a rule of evidence for the benefit of the author, i.e., non-compliance does not necessarily have as an effect that no rights have been acquired by the assignee. Licences are form-free under Dutch law and there are no specific rules as to their content. But the French, German, Spanish and Portuguese intellectual property acts contain extensive rules on licences. Non-compliance with these rules may lead to relative or absolute nullity of the contract.<sup>461</sup>

A fourth type of protective rules relates to the interpretation of assignment contracts or licences. Often copyright and related rights acts prescribe (or courts have developed the rule) that contracts be interpreted in favour of the author or performer. For example, Article 37(1) of the German *UrhG* states that if an author grants to another an exploitation right in his work, he shall be deemed in the case of doubt to have retained his right to authorise the publication or exploitation of any adaptation of the work.

Finally, some laws also give authors the right to terminate an exploitation contract if the other party does not use the exploitation rights granted.

In general, one could say that just how protective the copyright contracts rules are depends largely on their contractual overridability. Traditionally, German

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461 For the different requirements in the EC countries, see Guibault & Hugenholtz 2002, Chapter 4.

copyright contracts law has contained few mandatory provisions (e.g., in the 1901 *Verlagsgesetz* on publishing contracts), but the legislator has recently heeded the call for the improved protection of creators and performing artists.<sup>462</sup> In France and Belgium for instance, copyright and related rights contract law is largely mandatory.<sup>463</sup>

#### 5.4.4 CULTURAL POLICY, FREEDOM OF EXPRESSION

Of the lesser rationales of copyright –in the sense that they are less often put forward and certainly less convincing– we can mention cultural policy and freedom of expression and information. Basically, arguments of this type hold that without proprietary rights in information there will be inadequate information present to express or receive, or that culture will be the poorer for it.

Often the *cultural policy* argument coincides with the incentive argument, but is then given a twist. A good example is Brison's statement that exclusive rights for authors and performers are necessary because without a financial incentive they would produce less and a country that discourages its own authors' creativity invites massive importation of foreign works, which in turn would ultimately undermine the nation's cultural identity.<sup>464</sup>

Suffice it to say that where national cultural 'purity' is the objective, copyright does not exactly spring to mind as the suitable instrument to achieve or maintain it. For example, even though European countries have always had copyright regimes that are (at least) as protective as that of the US, the majority of music and films consumed in European countries are of American origin, not European, let alone national.<sup>465</sup> Incidentally, the US ranks first as the world's largest net-importer of cultural goods such as newspapers and periodicals, musical instruments, paintings, sculptures and antiques.<sup>466</sup>

Copyright is sometimes also seen as an instrument to stimulate culture, not just because it serves as an incentive, but because part of the rents can be used to

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462 *Gesetz zur Stärkung der vertraglichen Stellung von Urhebern und ausübenden Künstler* of 22 March 2002 (BGBl. I 1155). For a description see Schippan 2002, Schricker 2002 and Lenselink 2002. The initial *Professoren-Entwurf* of 1990 was much more pro-creator than the eventual Act; debate on the significance of the revised copyright contracts law continues, see Schack 2002 and Erdmann 2002. On the (private) international (law) ramifications, especially of Art. 32b, see Hilty & Peukert 2002.

463 Hugenholtz 2000c, p. 12.

464 Brison 2000, p. 13. Leinemann (1998, pp. 90–91) argues that cultural policy should have no role in copyright law.

465 See the statistics in OECD 1998.

466 UNESCO *Facts and Figures 2000*, pp. 30–31.



finance cultural goals. Cultural policy is thus paid for in part by copyright owners. In several countries part of the remuneration collected through collective rights management organisations goes to funds that subsidise the arts. This use of the intellectual property system as a kind of tax instrument cannot in itself justify copyright, as Dommering and others note.<sup>467</sup>

A controversial, instrumental justification is that copyright is necessary to maintain *freedom of expression and information*. This turns the table on the generally accepted argument that it is necessary to limit intellectual property in the interest of freedom of expression (see Paragraph 5.5). The argument typically runs along the lines that without proprietary rights in works, information would not be produced and there would be no free flow of information. With others, I doubt that property rights in information are the only means to stimulate production. Nor am I convinced that economic interests decide the effective use that is made of the right to free speech.<sup>468</sup>

Another version of the free speech argument holds that intellectual property enables authors to be self-sufficient and that this financial independence from the state guarantees the author's freedom of expression. In reality, of course, public financing of authors takes place on a large scale (academics, subsidies to visual artists, novelists and poets, film makers and other groups who cannot live off their work, etc.) despite copyright's blessings as a means of sustenance.

To conclude, of the instrumental defences the incentive argument is the most professed and most convincing reason for the protection of works of literature and art, or for that matter, other types of intellectual property.

## 5.5 Policies Underlying Limitations

Copyright seems to be in a perpetual state of flux and new technological and economic developments have always rekindled, often intensified, the debate on its proper limitations. An important concern today is the possibilities for right owners to control access and use of works on a scale that was unforeseen not so long ago.<sup>469</sup> Digital technology and the (not so distant) omnipresence of high speed, high capacity communication networks are predicted to cause a huge increase in

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467 Dommering 2000, pp. 449–450; Leinemann 1998, pp. 90–91.

468 See among others Hugenholtz 1989, pp. 150–151 who also observes that it is improper to restrict the fundamental right to freedom of expression and information by invoking copyright as a free-flow of information enhancer. Dommering 2000, p. 450; Grosheide 1986, p. 144.

469 See among others Alberdingk Thijm 1998, Hugenholtz 2001b.

the on-line distribution of information goods (or services), both within and across national borders.

This development may reduce the 'natural' limitations to the copyright owner's control over the use of works (e.g., a traditional printed work cannot easily be copy-protected, but the copying of digital information can be controlled through technological means). Digitalisation could also enable right owners to circumvent certain legal limitations to their exclusive rights, either through the use of technological means or clauses in (on line) user-licences.<sup>470</sup> That is, of course, in so far as limitations apply in the digital environment to begin with. According to the WIPO Copyright Treaty, existing limitations under the Berne Convention may be extended to the on-line environment and new exceptions and limitations that are appropriate in the digital network environment may be introduced.<sup>471</sup>

As regards limitations to copyright, the central question from the perspective of choice of law is of course which law's limitations govern the use of works. Do the policies that underlie limitations reflect purely local interests (e.g., of cultural organisations, schools, competitors) and are they of such importance that choice-of-law rules should reflect their (local) predominance? Should a user always be able to invoke the (mandatory) limitations of his or her local copyright law against a right owner, even though the terms of the user-licence restrict the user's freedom and the contract contains a clause that subjects the licence to the law of another country? The nature of the principles that underlie limitations may provide clues to the answer of questions like these.

As we have seen in Chapter 3, the copyright acts and bilateral treaties of the 19th century, as well as the Berne Convention already provided for limitations. Then as now it was clear that the interests of authors and other right owners (whether as individuals or as a group exemplifying the general interest in the production of information goods) need balancing against other public and individual interests. Copyright and related rights have not escaped the effects of the general trend of 'socialisation' of private law in the course of the 20th century, i.e., limitations on (the exercise) of proprietary rights in the general interest became more acceptable.<sup>472</sup>

The balance of interests is largely achieved within the confines of copyright acts, through the delineation of subject-matter, term of protection, scope of the

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470 See Hugenholtz 1999.

471 Agreed statement to Art. 10 WCT 1996.

472 Grosheide 1986, p. 295. Interestingly, Leinemann 1998, p. 164 observes that while other property rights have become weaker, copyright has become stronger despite the restrictions stemming from increased 'Sozialbindung'.

rights, the introduction of exemptions, etc.<sup>473</sup> As a rule, the outer circumference of copyright (what is protected, for how long, what the prerogatives are in general) reflect both the incentive rationale and the public interest in freedom of expression. The term of protection for instance, is limited because an eternal copyright is not necessary to recoup investments made, and/or at some point the general interest (a public domain) outweighs the interests of the author.<sup>474</sup> Facts, concepts, theories and ideas are not considered as protected subject-matter because their monopolisation would hamper progress and unduly restrict the free flow of information.<sup>475</sup>

The inner boundaries drawn concern limitations to copyright which consist mainly of certain acts that are not regarded as copyright infringement (also called exemptions, permissions, statutory licences). They may take the form of free use with or without remuneration. In common law countries, the copyright prerogatives are typically laid down in great detail and narrowly interpreted and these are combined with a relatively flexible system of exemptions,<sup>476</sup> e.g., the fair-use privileges or fair-dealing defence in American and British copyright law.<sup>477</sup> In civil law countries, the rights of the copyright owner are mostly described in broad terms, coupled with a system of narrowly defined exemptions.

With the implementation of the Copyright Directive, exemptions with regard to copyright and related rights are supposedly harmonised throughout the EU. However, the more than twenty categories of limitations mentioned in the Directive are borrowed from the laws of all the Member states and since all but one limitation is facultative, it is likely that the current diversity will remain. We have seen in Paragraph 3.3.2 that the exemptions in the Berne Union are also mostly facultative. Some are also loosely defined, e.g., the important Article 9(2) BC gives union countries the possibility to permit reproduction of works without the author's authorisation as long as the exemption from the reproduction right is limited to certain special cases, does not conflict with a normal exploitation of the work and does not unreasonably prejudice the legitimate interests of the author.<sup>478</sup>

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473 On the question of whether these interests are best balanced within or outside copyright, see Dreier 2001a, p. 295 et seq. On balancing these interests in the digital environment: Litman 1996; Lipinski & Britz 2000.

474 Nimmer & Nimmer 2001, at §1.10[B]2.

475 The idea/expression dichotomy, i.e., the notion that copyright does not protect ideas but only their expression has been shown by Hugenholtz 1989, pp. 38–40, 72–75 to be an inadequate instrument to determine what is and is not protected subject-matter. For an elaborate analysis see Haeck 1998.

476 Benkler 2001b; Geller 1998, p. 570.

477 See Pinto 2002 for free speech (Art. 10 ECHR) and British fair dealing.

478 Art. 13 TRIPs has extended the criteria of Art. 9(2) BC to all limitations on copyright and related rights for WTO members. On Art. 13's three-step-test see Hugenholtz 2000b, Ficsor 2001, Ginsburg 2001 and Lucas 2001. On the basis of Art. 15 of the Rome Convention 1961, contracting

The right to quote is the only limitation that countries must provide for (Art. 10(1) BC).

National legislators thus have a fair amount of leeway to legislate any limitations to copyright and related rights they deem necessary. Existing exemptions range from widely recognised ones, such as the right to quote from works and certain uses for educational purposes (with or without remuneration), to highly local ones, such as Article 53(4) Austrian Copyright Act which –roughly speaking– permits the public performance of folk music if the performance is meant to contribute to the preservation of folklore.<sup>479</sup>

The status of the privileges or exemptions is not always clear. Some exemptions in some countries are seen as mandatory, while others can be set aside by contract. Guibault, in her study on the contractual overridability of limitations on copyright, concludes that the rules on copyright combined with the general limits on freedom of contract prove insufficient to ensure that the legitimate interests of users of copyrighted material are taken into account in copyright licensing agreements.<sup>480</sup> Guibault<sup>481</sup> distinguishes four main reasons for limitations on copyright, which categorisation will be loosely followed below.

### 5.5.1 FUNDAMENTAL FREEDOMS

In most European countries copyright acts (in EU-countries at least) have a closed system of limitations: the balancing of interests has taken place beforehand and has resulted in narrowly-defined permitted acts.<sup>482</sup> Quite a number of these limitations are inspired by the fundamental right to freedom of expression and information,<sup>483</sup> relatively few have to do with the right to privacy.<sup>484</sup>

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states are allowed to make exemptions to the rights of performers, record producers and broadcasters similar to the exemptions in the BC.

479 Limitations not mentioned here are the ones based on various social considerations like the free use of music in church services, or by amateur marching bands, the reproduction of works in braille for the blind, etc. These limitations tend to concern small-scale use of works which is economically not very significant.

480 Guibault 2001, p. 302.

481 Guibault 2001, p. 27 et seq.

482 See for an overview of closed versus open systems the country reports in Baulch et al. 1999. In the Netherlands the Amsterdam Hof in the *Anne Frank Fonds v. Parool* case (8 July 1999, [1999] AMI 7, p. 116 et seq. with note Hugenholtz) seems to have left an opening for a general freedom of expression (Art. 10 ECHR) defence. The Copyright Directive, however, reflects a closed system of limitations.

483 On the relationship between intellectual property and free speech generally, see: Austin 2000; Cohen Jehoram 1983; Hugenholtz 2001a, Macciacchini 2000.

484 Enshrined in Art. 10 ECHR, Art. 11 Charter of Fundamental Rights of the European Union (OJ EC 2000, C364/11), Art. 19 UDHR and other international instruments.

#### 5.5.1.1 *Free Speech and Freedom of Information*

Exemptions such as the right to reproduce and communicate political speeches and other public debates without permission and the free use of (excerpts) of works for news reporting of current affairs are inspired by free speech considerations.<sup>485</sup>

Other acts that are allowed without permission from, or payment to, the copyright owner include the right to quote works in criticisms and the use of works for parody purposes.<sup>486</sup> Exemptions regarding press reviews are partly inspired by freedom of expression considerations, but are also a reflection of industry practice at the turn of the 20th century.<sup>487</sup>

Related to free speech, but of another dimension, are freedom of information considerations, i.e., the exclusion of government information from copyright or – less far-reaching – limitations that allow for the reproduction and communication of public sector information for some purposes. An example of the former are provisions that exclude laws, judgments and other (administrative) texts from copyright protection (e.g., Art. 11 Dutch *Auteurswet*, Art. 7(1) Austrian URG, Art. 5 German UrhG). An example of the latter are provisions that allow users to make a copy of an act of parliament or other official document (e.g., section 182(a) Australian Copyright Act).

#### 5.5.1.2 *Privacy*

The right to privacy is an interest that only plays a modest role in copyright.

Traditionally, the most important limitation connected to the right to privacy concerns home-copying. When copying equipment started to make its way into the home from the 1950's onward, the question was how right owners could be compensated for this substantial use of works. Before, there was no real need to extend the right owners grasp to private uses of works, but now unremunerated, large scale home-copying threatened to cannibalise the sale of copies. The enforcement of copyright in this case would involve a breach of citizens' privacy since right owners would have to monitor the reproduction of works in people's homes. In addition, individual enforcement would also have been impractical. That is why most copyright laws provide for a levy on blank media (audio- and video tapes, CD-R's, etc.) or on copying devices, to be redistributed among

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485 On the use of copyrighted works in the press, see Macciachini 2000.

486 Guibault 2001, p. 32.

487 Guibault 2001, p. 56 et seq.

copyright owners. In this way, both privacy concerns and the practical difficulties of enforcement were dealt with.

Since modern technology gives authors (and other information producers for that matter) increasing means of control over the distribution and use of their works, the right to privacy and freedom of expression and information have moved to the centre-stage of today's copyright debate. It is likely that within copyright legislations, they will become the dominant policies behind limitations, as technological developments increasingly outdate current practical justifications for limitations.

### 5.5.2 PROMOTION OF CULTURE AND KNOWLEDGE

It is generally difficult to distinguish the limitations on copyright that serve the promotion of culture and knowledge from those that serve freedom of expression and information. On the whole, one could say that the interest of free speech is primarily expressed in the (outer) circumference of copyright: ideas and facts are not protected but only the expression is, the duration (term) of protection is limited.<sup>488</sup> In *addition* exemptions (internal boundaries) are provided for certain classes of institutions or certain uses of information that traditionally are of particular importance for the promotion of culture and knowledge and often indirectly also for free speech.

The most obvious of such institutions are (public) libraries, public archives and research and educational institutions. The position of libraries in intellectual property law differs substantially from country to country.<sup>489</sup> For instance, the UK has relatively elaborate legislation on the organisation and tasks of (public) libraries and a detailed library privilege in the Copyright, Designs and Patents Act 1988. However, the privileges do not provide libraries with adequate means to perform their task, so licences with right owners are routinely concluded.<sup>490</sup> The US also has detailed library privileges in copyright law. In the Netherlands there is no comprehensive library privilege, except that as a rule publicly funded libraries are exempt from paying a remuneration for lending.<sup>491</sup> In Germany, as in the Netherlands, public libraries rely on the general exemptions for certain uses,

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488 Nimmer & Nimmer 2001, at §1.10[b]2.

489 Information on library privileges is taken from Krikke 2000, especially pp. 47–121.

490 On the work on licensing solutions in the UK, see: Clark 1999.

491 According to Krikke (2000, p. 70), there is one other specific library provision (based on the Auteurswet's 'copying for private use' provision and laid down in an Order in council): if lending an original document bears the risk that the document will be damaged or lost, a public, non-profit library is allowed to make a copy of a document and supply that to the library user.

notably the freedom to make a reproduction for private purposes (either free or against payment).

Schools often enjoy special privileges, e.g., reproduction of works for students against an equitable remuneration, or the recording and/or showing of broadcasts under a statutory licence.<sup>492</sup> In addition, schools and research institutions can often benefit from a number of general exemptions, like the ones that allow private copying for study purposes, or for purposes of review and criticism.

### 5.5.3 PRACTICAL CONSIDERATIONS

As indicated above, the system whereby levies are charged on blank media or on copy equipment itself as a remuneration for private copying, not only relieved privacy concerns but also solved the problem that enforcement at the level of individual users is highly inefficient. The latter is also a reason for the various exemptions that allow for reprographic copies being made in businesses and government for internal use, against payment of a fee to a collecting society.

In the (near) future, the on-line dissemination of works may allow for the efficient monitoring of use of information goods and services at the individual level. Together with the large-scale introduction of new micro-payment schemes<sup>493</sup> this would remedy the problem of efficient enforcement. It is thus conceivable that exemptions for businesses and governments will disappear.

For private-use exemptions this is less likely. As has been said, privacy concerns will remain; indeed, they will be aggravated by the right owner's growing means to electronically monitor and control the use of information. Data protection laws will have a more dominant role to play here. Maybe private-use exemptions will remain because the enforcement problem will shift from not being able to control the copying of information in private homes to not being able to control the use of anti-copying devices<sup>494</sup> at home.

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492 For an overview of national exemptions for research and education, see the country reports in Baulch et al. 1999.

493 Micro payment schemes are already in use of course, such as paying for information by way of calling toll-phone numbers, whether voice-direct or over the Internet.

494 The Copyright Directive prohibits the circumvention of anti-copying and other technological measures. It does allow for digital copying for private use, if accompanied by a system of equitable remuneration and if the possibilities of technical anti-copying measures are taken into account. For a discussion of the Copyright Directive's section on technological measures, see Koelman 2001.

## 5.5.4 FREEDOM OF COMPETITION AND FREE TRADE

Next to the exclusion of ideas and facts from copyright protection, probably the clearest competition-oriented exemption is the right of users of computer software to reverse-engineer or decompile the software for purposes of interoperability.<sup>495</sup>

There are hardly any other limitations in copyright that are motivated by competition concerns. Rather, it is the exercise of intellectual property rights that can run afoul of competition law as laid down in national and European laws.<sup>496</sup> However, from our perspective that is not relevant because the fact that intellectual property rights are balanced against other (external) interests will not provide us with anything useful for the purpose of identifying conflict rules for copyright and related rights.

A limitation of copyright that is more inspired by free trade (especially the free trade of goods in the internal market) is the exhaustion principle or first sale doctrine. This doctrine was initially developed by the courts, both in the Netherlands and at the European level.<sup>497</sup> Exhaustion at first meant that once copies of a work have been brought on the market with the (indirect) consent of the author, subsequent distribution (resale, rental, lending) of the copies could not be resisted by the copyright owner.

In the Netherlands the exhaustion principle was based directly on an interpretation of copyright law itself: the Supreme Court ruled that the Copyright Act's exclusive rights, although broadly drafted, do not include a right for the owner of copyright to control more than the initial distribution of copies of a work. The Dutch court did not so much view the control over subsequent distribution of copies as detrimental to competition, but primarily regarded it as being at odds with the property right of the owner of the copy of the work.

The European Court of Justice, in a series of judgments handed down since the 1960's, based the exhaustion principle on other grounds. On balance, the principle of the free flow of goods (as enshrined in Art. 30, ex 36 EC Treaty) outweighs the copyright owner's interest in preventing parallel imports. Here, copyright is limited externally, through the application of *public law*.<sup>498</sup>

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495 Guibault 2001, pp. 65–68.

496 On the relationship between European free trade (internal market) and intellectual property and the legal basis of EC legislation in intellectual property, see Röttinger 2001.

497 In the Netherlands the Supreme Court first (implicitly) applied the exhaustion doctrine to copyright in the *Leesportefeuille* case (HR 25 June 1952, [1952] NJ 95) and more clearly in *Stemra/Free Record Shop* (HR 20 November 1987 [1988] NJ 288); the ECJ (after having applied the 'first sale' doctrine to trademarks and patents earlier) first applied it to copyright in *Membran v. K-tel* (joint cases 55/80 and 57/80, ECJ 20 January 1981), [1981] ECR 147.

498 The same goes for restrictions on the use of intellectual property rights through competition law, especially Arts. 81–82 (ex 85–86) EC Treaty (abuse of dominant position, etc.).



The trade-oriented elements of intellectual property are increasingly harmonised. For example, in the past decade the exhaustion principle has been harmonised through several EC Directives. It now no longer applies to the rental or lending of works. Member states can no longer maintain universal exhaustion.<sup>499</sup> In addition, the Copyright Directive<sup>500</sup> makes clear that the exhaustion principle only applies to copies of works distributed on material carriers, not to on-line or other non-material distribution of works. As more and more works and performances will be distributed not via tangible media but via telecommunication networks, the significance of the exhaustion principle may gradually diminish.

As this short overview illustrates, limitations of copyright are founded in a diverse set of principles; and a given limitation may be an expression of several policies at once. Some are based primarily on practical considerations. More important are considerations of democracy and fundamental freedoms, which justify limitations of copyright. This latter category of exemptions is intimately connected to the goal of maintaining a meaningful public domain, that people can make use of and contribute to, not just in the interest of democracy but also to enable citizens to develop personally. The close connection between self-expression and personal autonomy means that restrictions on free speech by intellectual property law should be taken seriously.<sup>501</sup> The need to maintain a public domain, especially by ensuring that in the digital world there are mandatory exemptions for private use, the press and for educational and research use, is among the most hotly contested subjects in intellectual property.<sup>502</sup>

Of relatively small significance seem limitations that are inspired by concerns of economic organisation, i.e., freedom of competition and free trade, despite the contention of some authors that intellectual property strongly reflects local economic policies.<sup>503</sup> The increased attention from consumer law advocates (and the departments of national and European governments that deal with consumer protection) for intellectual property issues is not mirrored in copyright law. Limitations are more aimed at 'citizens' than at consumers. Where they do also

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499 I.e., the exhaustion principle only applies to copies first introduced into the EC/EFTA market, not for copies first distributed outside Europe.

500 Art. 4 Directive 2001/29/EC of 22 May 2001, OJ EC L 167/10.

501 See e.g., Austin 2001, p. 295 et seq.

502 The Dutch Commissie *Auteursrecht* 1998 advised the government that as direct relationships between right owners and (end)-users are likely to increase in the digital environment, there is a need to strengthen the position of users in order to safeguard their traditional rights. Publishers are of course not sympathetic to mandatory users' rights, see for instance Ekker 1999, pp. 33–34, who argues that direct delivery of information to the user requires an increase in protection and no limitations on the freedom of parties to set their own licence terms.

503 Locher 1993, pp. 17–18.

address consumers (e.g., copying for private use), they seem to be primarily inspired by practical considerations, not concern for the rights or position of the consumers as such. Consumer groups do however –and rightly so– take a keen interest in the effects of internationalisation of supply and consumption of information goods and services.<sup>504</sup> They quite ardently promote the idea that the use of information by consumers should be governed by their local (copyright) law and that they should not be sued abroad for infringement of intellectual property.<sup>505</sup>

## 5.6 Conclusions

The primary objective of this Chapter was to identify the legal character and objectives of copyright and related rights, with a view to determining which allocation principles are most suitable. That exercise will be undertaken in Chapter 6. To conclude the current Chapter, some observations will be made on the different objectives of copyright and related rights, on their relative position and on the allocation principles they seem to point to.

In a traditional Savignian choice-of-law analysis, the technical-legal nature of copyright and related rights would be a relevant factor in the determination of a conflict rule, as it shapes the nature of the legal relationship between the owner of intellectual property and third parties (users, intermediaries). The fact that copyright and related rights are, like corporeal property, absolute rights in objects that are opposable to all, begs the question whether intellectual property should not be treated similarly to corporeal property. If it were to be, the issues of existence, scope, duration of the intellectual property, as well as (initial) ownership and non-contractual aspects of transfer, would be subject to the law of the place where the intellectual property is located.

For corporeal property, the principle of the closest connection is reflected in the use of the *situs* of the property (its physical location in space) as connecting factor. However, for incorporeal property like copyright and related rights, this would of necessity be a fictitious place. In addition, the moral rights dimension of copyright and performers' rights suggests that one may as well consider attributes of the author or performer (notably habitual residence) as connecting factor.

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504 On the probable negative effect of TRIPs on national consumer protection, see Mayer 1998.

505 See for instance the Consumer Project on Technology <[www.cptech.org](http://www.cptech.org)> and the Transatlantic Consumer Dialogue on the proposed Hague Convention on Jurisdiction clauses regarding intellectual property <[www.tacd.org](http://www.tacd.org)> [last visited 1 November 2002].

For the identification of modern choice-of-law rules, what is more relevant than the technical-legal character of copyright and related rights, are the principal policies that underlie copyright and related rights. These policies or rationales, namely justice, utility and the protection of authors and performers as weaker parties *vis-à-vis* intermediaries (publishers, etc.), point towards different allocation principles.

The growing role of the utilitarian rationale for intellectual property goes hand in hand with the commodification of information goods and intellectual property rights themselves. The economic rights, which in practice have always been more important than moral rights, have gained even more in importance. As the trade in information goods and the intellectual property has become almost as common as (cross-border) trade in other commodities, one could argue that party autonomy and the favour principle (in its function of facilitating the validity of legal transactions) deserve a bigger role.

In Paragraph 5.4, it was concluded that the justice argument appears to be losing ground to utilitarian arguments, since the expansion of copyright and the introduction of new related rights are based almost exclusively on utility arguments. That does not alter the fact that in most legislations ‘justice’ is and will in all likelihood remain an important, if not the most important rationale for copyright and performers’ rights. The justice argument focuses on the reward of the creator for intellectual labour done and on the bond between the spiritual ‘father’ and the work or performance to be respected (moral rights). At first glance it seems to have a natural ally in the method of functional allocation in its narrow meaning, i.e., protecting the creative individual.

However, copyright and related right do not only have a *protective function* towards authors and performers and their successors in title. These laws also have a *defensive function*. The public domain is staked out by defining which intellectual creations deserve protection and for how long and by prescribing which acts with regard to the work or performance are restricted. This demarcation is the result of the particular balance of interest that underlies each national intellectual property law. The economic and moral interests of the right owner (justice argument), are weighed against the general interest in an optimal production and dissemination of information goods (utilitarian or instrumental argument).

There seems to be no reason to regard *à priori* the protective function of copyright and related rights as more relevant than the defensive function where it concerns the existence, scope and duration of intellectual property, nor where it concerns the closely related issue of infringement. In other words, there seems to be no immediate reason to use allocation principles (favour principle, functional allocation) that reflect the creator’s rather than the user’s interests.

As regards the limitations on copyright and related rights, we have seen that these may result from long-standing local industry-practices, or be legislated for

practical purposes. The latter two do not warrant special consideration from the choice-of-law perspective.

However, limitations often also reflect a refinement of the balance of the author's versus the public's interest. The more fundamental policies behind limitations on copyright and related rights are freedom of expression and freedom of information. Together with the promotion of culture and knowledge, these reflect the general interest as it is perceived locally. It is because of the public interest dimension of their task that public libraries, research institutions, schools and the press enjoy certain privileges. It is by no means the prime objective of copyright to protect these groups. Consequently, there seems to be no reason to take into account the policies behind limitations as a separate factor in the determination of appropriate conflict rules. In other words: there is no need to formulate separate choice-of-law rules for infringement by certain groups of users.

Considering that fundamental freedoms are involved, there is of course always the possibility of using the public policy exception, or priority rules, in cases where the application of a more restrictive foreign copyright law is viewed as too grave an assault on the forum's conception of freedom of speech.

## 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*<sup>506</sup> 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

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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.<sup>507</sup> 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,

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<sup>507</sup> Art. 139 Swiss *LDIP*; Art. 6 Hague Convention on the Law Applicable to Products Liability 1972.

- 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 originis* 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.<sup>508</sup> 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.<sup>509</sup>

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.<sup>510</sup>

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...'.<sup>511</sup>

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

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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.

510 Approving: Mackensen 1965, pp. 61–63.

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 originis* expresses in some form or other the closest connection where the existence of an exclusive right is concerned,<sup>512</sup> 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

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512 Siehr 1988, p. 25 favours the *lex originis* 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 originis* for existence. Ulmer 1977, p. 481 notes that in French and Austrian drafts of private international law acts initially the *lex originis* was proposed as conflict rule for intellectual property.

property interests.<sup>513</sup> 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,

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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.<sup>514</sup> 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.'<sup>515</sup> 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

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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.<sup>516</sup>

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.<sup>517</sup> 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

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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.<sup>518</sup> 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/a 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.<sup>519</sup> 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.<sup>520</sup>

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

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<sup>520</sup> See, for instance, Ginsburg 1999, pp. 356–357; Goldstein 2001, p. 103 et seq.; Schack 2000, p. 64; Torremans 2001, p. 75. *Contra*: Lucas 1998 at pt 45 et seq.; Quaendvlieg 1997, p. 267.

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.<sup>521</sup>

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.<sup>522</sup>

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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,<sup>523</sup> 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,<sup>524</sup> 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.

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523 Drexl 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<sup>525</sup> is an option.<sup>526</sup> If that does not yield one applicable law either, the *lex fori* will have to be applied as a last resort.<sup>527</sup> 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<sup>528</sup> 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

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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), *Stb.* 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’.”<sup>529</sup>

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

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529 WIPO 2002, Art. 2.

*lex fori*. For example, under Dutch law, a broadcasting organisation is the entity that provides<sup>530</sup> 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(c), the phonogram producer is the natural or legal person who first registers<sup>531</sup> 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.<sup>532</sup> 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,<sup>533</sup> 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/EC of 11 March 1996, Recital 41 and Article 1.

533 Article 7(1) in combination with Recital 41 Database Directive.

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.<sup>534</sup> Likewise,

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<sup>534</sup> Alternatively, common nationality could be used as connecting factor if there is no common habitual residence. However, there should be a meaningful connection between the creator and the

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.<sup>535</sup> 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.

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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 be answered by using a semi-open conflict rule, bearing in mind the protective function of copyright law towards actual creators.<sup>536</sup> 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-

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<sup>536</sup> 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.<sup>537</sup>

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*).<sup>538</sup>

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<sup>537</sup> 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.

<sup>538</sup> 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.<sup>539</sup> 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.'<sup>540</sup>

A few years later such agreement in favour of the employer could not be reached again for copyright in databases.<sup>541</sup> 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...'<sup>542</sup> 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.<sup>543</sup> 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

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539 See Spoor & Verkade 1993 at nr. 27 for a discussion of legal theories behind the employer (and legal persons in general) as authors/creators. Id. Seignette 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.

540 Implemented in e.g., Art. 59 Danish Copyright Act, Art. L113-9 French Intellectual Property Code, Art. 40a Austrian Copyright Act, Art. 69b German Copyright act, Art. 14(3) Portuguese Copyright Act.

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...'

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.<sup>544</sup> 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.<sup>545</sup> 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,<sup>546</sup> 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

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544 In favour of accessory allocation, among others: Birk 1985, p. 6; De Boer 1977, p. 692; Brem 1987, p. 65; Fawcett & Torremans 1998, p. 515; Katzenberger 1995, p. 252; Mankowski 1999, p. 522; Ulmer 1978, p. 38 et seq., 99–100. Contra: Quaedvlieg 1997, p. 263, if there is no real consensus between employer and employee as to the applicable law.

545 *The Economist* (21 April 2001) actually describes Indian engineers and scientists as the back-bone 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 I-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<sup>547</sup> 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.<sup>548</sup>

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.

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<sup>547</sup> On collective labour agreements and intellectual property, see Birk 1985.

<sup>548</sup> 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.<sup>549</sup> 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.<sup>550</sup>

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,<sup>551</sup> 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.<sup>552</sup>

It may be clear that for all practical purposes, an assignment can differ very little from a licence.<sup>553</sup> In its broadest form, the exclusive exploitation licence has an almost similar effect as a complete assignment of the intellectual property itself.<sup>554</sup> 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.

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<sup>551</sup> Aspects of succession will not be considered here: see Paragraph 1.2.3.

<sup>552</sup> National laws differ with respect to whether a licensee has standing to sue for copyright infringement, can sequester infringing copies independently from the copyright owner, etc.

<sup>553</sup> Fawcett & Torremans 1998, p. 572.

<sup>554</sup> 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 *lex protectionis*, 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 *party autonomy* and the *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 *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 *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.<sup>555</sup> I agree with Fawcett & Torremans that this rule applies and should apply, to intellectual property contracts.<sup>556</sup> 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.’<sup>557</sup>

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.<sup>558</sup> 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<sup>559</sup> 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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<sup>555</sup> 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.

<sup>556</sup> Fawcett & Torremans 1998, p. 588.

<sup>557</sup> Giuliano & Lagarde (1980), comment on Art. 9.

<sup>558</sup> Guibault & Hugenholtz 2002, pp. 32–33.

<sup>559</sup> 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.<sup>560</sup> 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 consumer 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 *favor negotii* then yields to the favour principle in the 'better law' meaning.

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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.’<sup>561</sup>

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.<sup>562</sup>

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.<sup>563</sup>

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

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<sup>561</sup> Giuliani & Lagarde 1980, comment on Article 4 at 3.

<sup>562</sup> De Boer 1990a, pp. 46–47.

<sup>563</sup> Jessurun D’Oliveira 1977, p. 310.

may be criticised for not being theoretically sound,<sup>564</sup> it does provide an expedient solution to the choice-of-law problem for many contractual obligations.<sup>565</sup>

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.<sup>566</sup> 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).<sup>567</sup>

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

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<sup>564</sup> For a fundamental critique, see Jessurun D' Oliveira 1977.

<sup>565</sup> This is perhaps the only advantage of the characteristic performance doctrine, according to De Boer 1990a, p. 47.

<sup>566</sup> Id. Ulmer 1978, p. 49; Fawcett & Torremans 1998, p. 576;

<sup>567</sup> According to Hilty & Peukert (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.<sup>568</sup> 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.<sup>569</sup> 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.

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568 Fabiani 1998, p. 161; Ginsburg 1999, p. 365; Troller 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.

569 Id. Bühler 1999, pp. 415–416.

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*,<sup>570</sup> 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

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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.<sup>571</sup> The assignment of copyright or other intellectual property has –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).

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<sup>571</sup> 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*.<sup>572</sup> 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.<sup>573</sup>

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,<sup>574</sup> 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).

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<sup>572</sup> Strikwerda 2000a, p. 147 et seq.

<sup>573</sup> 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.

<sup>574</sup> In favour of subjecting assignability of copyright to the law of the copyright contract: Ginsburg 1999, p. 268; Locher 1993, pp. 45–51; Walter 1976, pp. 71–82 and 2001, pp. 606–607 (except for moral rights). *Contra*: De Boer 1977, pp. 706–707; Fawcett & Torremans 1998, pp. 515–516; Geller 2001, pp. 99–102. In favour of subjecting the issue whether and under which conditions the transfer occurred to the contract statute: Fawcett 2001, p. 97. In favour of subjecting assignability and other proprietary aspects to the *lex originis*: Schack 2000, pp. 63–64.

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.<sup>575</sup> 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.<sup>576</sup>

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.<sup>577</sup>

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 if 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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<sup>575</sup> Guibault & Hugenholtz 2002, p. 67.

<sup>576</sup> Locher 1993, pp. 47–49.

<sup>577</sup> 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.<sup>578</sup>

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 *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.<sup>579</sup>

#### 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 *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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<sup>578</sup> 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).

<sup>579</sup> 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.<sup>580</sup> 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 *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 *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 *lex loci delicti* and provides that a tort is governed by the law of the common habitual residence of the tortfeasor 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<sup>581</sup> and Article 133(1) Swiss IPRG.

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<sup>580</sup> This is a general problem with the favour principle, see De Boer note 549.

<sup>581</sup> The Italian Act requires that the tortfeasor 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.<sup>582</sup>

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).<sup>583</sup> 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 residence<sup>584</sup> of the injured party is sometimes<sup>585</sup> based on the idea that the interests of the victim as the weaker party deserve more consideration than those of the tortfeasor.<sup>586</sup>

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

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582 For example: §11 Austrian *IPRG*; §42 German *EGBGB*; Art. 6 Dutch *WCOD*.

583 Art. 40 I (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.

586 Von Hein 1999, p. 63 et seq.; De Boer 1998, pp. 39–45; Pont[2001] IER at 130 et seq.

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.<sup>587</sup>

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

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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 *Studiecommissie 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<sup>588</sup> 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

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588 The proposed conflict rule for acts of unfair competition in the Preliminary Draft Rome II Regulation is somewhat reminiscent of functional allocation in the broad sense. A number of national laws have a special conflict rule for the tort of unfair competition: the market where the parties involved compete is considered to be the place of infringement (E.g., §48(2) *IPRG* Austria; Art. 4 Dutch *WCOD*). The Market Rule is also laid down in Art. 6 of the draft Regulation, which prescribes the applicable law is that of ‘the country where the unfair competition or other practice affects competitive relations or the collective interests of consumers’.

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,<sup>589</sup> 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*.<sup>590</sup> Incidental questions are questions that belong to a different category of issues than the principal

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<sup>589</sup> Steijn (1998) seems to favour this possibility.

<sup>590</sup> Schack 2000, pp. 60–61 seems to favour 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,<sup>591</sup> 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.

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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 Schurig 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’ doctrine<sup>592</sup> 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 ‘data’<sup>593</sup> 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 (*depeçage*). 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.<sup>594</sup> 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.<sup>595</sup>

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592 On the data-effect doctrine in general, see De Boer 1996b, pp. 372–373; Schurig 1990, pp. 241–244.

593 See Art. 7 Hague Convention on the Law Applicable to Traffic-Accidents of 4 May 1997; Art. 9 Hague Convention on the Law Applicable to Products Liability 1973; Art. 10 GEDIP Rome II Proposal, Art. 13 Preliminary Draft Rome II Regulation, Art. 8 Dutch *WCOD*; Art. 142(2) Swiss *IPRG*.

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.<sup>596</sup>

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.<sup>597</sup>

In default of a choice, an objective conflict rule must be used. An appropriate choice-of-law rule is the ‘common habitual residence’ rule.<sup>598</sup> It provides that if victim and tortfeasor are habitually resident in the same country, the law of that country applies.<sup>599</sup> 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.<sup>600</sup> 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 *Kamerstukken 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 *Kamerstukken 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-*<sup>601</sup> and *Erfolgsort* diverge in these cases. For instance, a newspaper article is adapted and

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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 C299/4 (*Marinari v. Lloyd's*), elaborated in ECJ 27 October 1998, case C-51/97, [1998] ECR I-6511 (*Réunion Européenne v. Spliethoff's Bevrachtungskantoor*).

reproduced (printed) in the Netherlands without authorisation by the right owner, and the newspaper is subsequently distributed in Germany and other countries.<sup>602</sup>

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 *Handlungsort*- and *Erfolgort*.<sup>603</sup>

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

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602 Compare the *Shevill* 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). *Shevill* 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 *Erfolgort*. 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 *Erfolgort*. 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 known, were considered *Erfolgort*, as it was there that the damage to the plaintiff's reputation resulted. ECJ 7 March 1995 case C-68/93, [1995] ECR 471 (*Shevill 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*).

603 In a strict territorial interpretation of intellectual property, the debate over *Handlungsort*- and *Erfolgort*, 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 *Erfolgort* 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] BIE 44 (*Relo v. Furnitex*) which ruled that the order to refrain from any acts that infringe *Furnitex'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.

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.<sup>604</sup> 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.<sup>605</sup>

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.’<sup>606</sup>

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,<sup>607</sup> 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

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604 Among others by Bühler 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 chargement*) 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.

owner.<sup>608</sup> Neither do places where subsequent damage is sustained as a result of the infringing act qualify as *Erfolgsort* (in German *Folgschaden*, *vervolgschade* in Dutch).<sup>609</sup>

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 *Handlungsort*<sup>610</sup> 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.<sup>611</sup>

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.<sup>612</sup>

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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 *Marinari v. Lloyd’s* mentioned in note 601.

610 E.g., Art. 40 German *EGBGB*.

611 Bühler 1999, pp. 399–402; Ginsburg 1999, pp. 333–333; Plenter 2001, pp. 315–320; WIPO 1996, pp. 111 et seq.

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.<sup>613</sup>

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

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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.<sup>614</sup> 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 evens 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.

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<sup>614</sup> 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.<sup>615</sup> 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.

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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 *Handlungsort* has jurisdiction over the totality of the damage in *Handlungsort* and *Erfolgsorte*). 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.<sup>616</sup>

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 *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 *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 *en route* can be regarded as being significantly connected to the act of sending or receiving.

The number of laws *theoretically* involved could be brought down by only considering those with which the case has an *effective* connection.<sup>617</sup> 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?

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<sup>616</sup> Von Hinden 1999, p. 165.

<sup>617</sup> 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.<sup>618</sup> Given the worldwide accessibility of the Internet, 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.<sup>619</sup> A comparable solution is often defended for defamation torts in the press:<sup>620</sup> 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.<sup>621</sup> 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

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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.

620 Von Hinden 1999, p. 174.

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 Plenter 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 *favour 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 their 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 *favor negotii* 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 protectionis* –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 favour-restriction could also be incorporated in a 'Rome I' Regulation.

## Samenvatting

*Conflictenrecht op het gebied van het auteursrecht en de naburige rechten.  
Alternatieven voor de Lex Protectionis*

Het auteursrecht en de naburige rechten zijn van oudsher rechtsgebieden met een internationale inslag vanwege het grensoverschrijdend gebruik dat wordt gemaakt van intellectuele prestaties. Multilaterale verdragen ter bescherming van auteurs over auteursrecht werden al gesloten toen het auteursrecht nog een pril rechtsgebied was dat zijn plaats in het privaatrecht nog bepalen moest.

Het centrale beginsel in de verdragen op het terrein van intellectuele eigendom is en was het gelijkstellings- of assimilatiebeginsel: auteurs, uitvoerend kunstenaars, omroeporganisaties, platenproducenten e.d. zijn in verdragslanden gelijkgesteld met onderdanen waar het de bescherming van hun werk betreft.

Men zou verwachten dat de combinatie van grensoverschrijdend gebruik van informatieprodukten en verschillen in nationale wetgeving inzake exclusieve rechten op geestesprodukten, geleid heeft tot systematische aandacht voor de rol van het conflictenrecht in intellectuele eigendomszaken. Het conflictenrecht is immers het deel van het internationaal privaatrecht dat regels geeft voor de bepaling van het toepasselijk recht in internationale gevallen.

De twee-eenheid gelijkstellingsbeginsel en territorialiteit in intellectuele eigendomsverdragen heeft er echter tot voor kort voor gezorgd dat de vraag naar het toepasselijk recht –en daarmee naar adequate conflictregels– nauwelijks gesteld werd. Dat komt vooral omdat als vanzelfsprekend werd aangenomen dat het intellectuele eigendomsrecht niet buiten de grenzen van het land waar het zijn oorsprong vindt zou moeten worden toegepast.

Voor al de opkomst van moderne informatie- en communicatietechnologie is aanleiding voor velen om de territorialiteit voor dood of minstens arbeidsongeschikt te verklaren. De voorheen vrijwel algemeen aanvaarde dominantie van de *lex protectionis*, ofwel: toepassing van het recht van het gebied waarvoor bescherming wordt ingeroepen, ligt daarmee ook onder vuur.

De explosieve toename van het aantal transacties met internationale aspecten, mogelijk gemaakt door ICT en gevoed doordat informatie steeds meer handelswaar wordt, werpt de vraag op wat efficiënte en rechtvaardige regels zijn ter bepaling van het toepasselijke recht. Wie heeft te gelden als rechthebbende wanneer de wetten van landen daar uiteenlopende bepalingen over bevatten? Naar welk recht moet bepaald worden of materiaal dat op een website staat inbreuk maakt op intellectuele eigendomsrechten, als er over het bestaan en de beschermingsomvang van exclusieve rechten verschillend wordt gedacht door nationale wetgevers?

In dit onderzoek staat de vraag centraal welke conflictregels geschikt zijn om vragen naar het bestaan, de omvang, inbreuk op en eigendom van auteursrecht en naburige rechten te beslissen. Nederlands recht is daarbij weliswaar uitgangspunt –ook internationaal privaatrecht is immers nationaal recht— internationale en Europese ontwikkelingen op zowel het gebied van intellectuele eigendom als conflictenrecht spelen wel de hoofdrol.

De gevolgte methodiek bestaat hieruit, dat na het inleidende hoofdstuk 1, in hoofdstuk 2 uiteen wordt gezet wat vandaag de dag de voornaamste doelen van het conflictenrecht zijn, welke methode wordt gebruikt om het conflictenrechtelijk probleem op te lossen, en welke de centrale aanknopingsbeginselen zijn. Met deze uitgangspunten in het achterhoofd wordt geanalyseerd wat het conflictenrechtelijk gehalte is van de bestaande verdragen op het gebied van auteursrecht en naburige rechten conflictregels (Hoofdstuk 3 en 4). De conclusie van die analyse is dat noch de Berner Conventie van 1886, noch latere verdragen (Rome 1961, Agreement on Trade-related Aspects of Intellectual Property Rights 1994, WIPO Copyright Treaty 1996, etc.) zuivere conflictregels bevatten, op een ondergeschikt geval na.

Dat maakt de weg vrij om met de aard en functie van auteursrecht en naburige rechten in gedachten (welke worden beschreven in hoofdstuk 5), te bekijken welke aanknopingsbeginselen geschikt zijn voor welke deelvragen. Daarbij wordt onderscheid gemaakt tussen de vraag naar het bestaan van rechten (inclusief beschermingsomvang en duur), de bepaling van de originair rechthebbende, de overdracht van rechten, en de inbreuk er op. Met name voor de vraag wie de initieel rechthebbende is wordt betoogd dat de *lex protectionis* zou moeten worden losgelaten en ingeruild voor een meer op de persoon van de maker of uitvoerend kunstenaar gerichte aanknoping.

Met betrekking tot inbreuk op auteursrecht of naburige rechten is de conclusie dat in de digitale omgeving (m.n. Internet) de *lex protectionis* niet onverkort kan worden toegepast. Enerzijds zal bij de vraag naar welk recht een inbreuk dient te worden beoordeeld, het aantal in aanmerking komende rechtsstelsels moeten worden beperkt tot die welke een effectieve band met de zaak hebben. Anderzijds zal de vraag naar het bestaan van inbreuk losgekoppeld kunnen worden van de vraag naar de rechtsgevolgen van inbreuk.

De vraag naar het inbreukmakend karakter kan het best onderworpen blijven aan de respectieve wetten van de effectief betrokken landen. Gezien de omvang van het grensoverschrijdend verkeer in informatie kan immers alleen zo tegemoet gekomen worden aan het belang dat elke maatschappij heeft bij handhaving van de lokale balans tussen exclusieve rechten en publiek domein. De vraag naar de (rechts)gevolgen van een inbreuk daarentegen, hoeft niet óók aan een potentieel veelvoud van wetten te worden onderworpen. Hier is ruimte voor een keuze voor het toepasselijk recht door de bij een geschil betrokken partijen. Bij gebreke daaraan, verdient aanknoping gericht op de betrokken (rechts)personen de voorkeur.

## Abbreviations

AA	Ars Aequi
AJCL	American Journal of Comparative Law
ALAI	Association Littéraire et Artistique Internationale
AMI	AMI/Informatierecht, Tijdschrift voor auteurs– media– en informatierecht
Aw	Auteurswet 1912 (Dutch Copyright Act 1912)
BC	Berne Convention for the Protection of Literary and Artistic Works (Paris Act 1971)
BGBL	Bundesgesetzblatt (German, Austrian official journal)
BGH	Bundesgerichtshof
BIE	Bijblad Industriële Eigendom
BIRPI	Bureaus Réunies pour la Propriété Intellectuelle (later: WIPO)
Brussels Convention 1968	Convention on Jurisdiction and Enforcement of Judgments in Civil and Commercial Matters, Brussels 27 September 1968
BW	Burgerlijk Wetboek (Dutch Civil Code)
CA	Cour d’Appel
Cass.	Cour de Cassation (French Supreme Court)
CC	Code Civil (French Civil Code)
CE	Commission of the European Communities
CECSR	International Covenant on Economic, Social and Cultural Rights 1966
CFI EC	Court of First Instance of the European Community
CMLR	Common Market Law Review
Col. J.L. & Arts	Columbia Journal of Law & the Arts
COMM/ENT	Hastings Communications and Entertainment Law Journal
CDPI	Loi no 92-597 du 1er juillet 1992 relative au code de la propriété intellectuelle (French Intellectual Property Act or French Copyright Act)

# APPENDIX III

Copyright Directive	European Parliament and Council Directive 2001/29/EC of 22 May 2001 on Copyright and Related Rights in the Information Society, OJ EC 2001 L167/10
CR	Computer und Recht
CRi	Computer und Recht internationales Teil
Database Directive	European Parliament and Council Directive 96/9/EC of 11 March 1996 on the Legal Protection of Databases, OJ EC 1996 L77/20.
EC	European Communities
ECHR	Convention for the Protection of Human Rights and Fundamental Freedoms, Rome 4 November 1950 (European Convention on Human Rights)
ECR	European Court Reports
EGBGB	Einführungsgesetz zum Bürgerlichen Gesetzbuche (German Private International Law Act)
EIPR	European Intellectual Property Review
EJCL	Electronic Journal of Comparative Law
EU	European Union
GEDIP Rome II proposal	Proposal of the European Group on Private International Law for a European Convention on the Law Applicable to Non-Contractual Obligations, adopted at the Luxembourg Meeting of 25–27 September 1998
Geneva Convention 1971	International Convention for the Protection of Producers of Phonograms against Unauthorized Duplication of their Phonograms, Geneva 1971
GRUR (Int.)	Gewerbliche Rechtsschutz und Urheberrecht (Internationaler Teil)
Hague Convention Products Liability 1973	Convention on the Law Applicable to Products Liability of 2 October 1973
Hague Convention on Succession 1989	Convention on the Law Applicable to Succession to the Estates of Deceased Persons of 1 August 1989
Hague Convention on Testamentary Dispositions 1961	Convention on the Conflicts of Laws relating to the Form of Testamentary Dispositions of 5 October 1961
Hof	Gerechtshof (Court of Appeal)
HR	Hoge Raad (Supreme Court of The Netherlands)
IER	Intellectuele Eigendom en Reclamerecht



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IPRax	Praxis des internationalen Privat- und Verfahrensrecht
IPRG	Bundesgesetz vom 15. Juni 1978 über das internationale Privatrecht (Austrian Private International Law Act 1978)
KG	Kort Geding
LDIP	Legge 31 maggio 1995, n. 218, Riforma del sistema italiano di diritto internazionale privato (Italian Private International Law Act 1995)
LDIP	Loi Fédérale du 18 décembre 1987 sur le droit international privé (Swiss Private International Law Act 1987)
MJEC	Maastricht Journal of European and Comparative Law
NILR	Netherlands International Law Review
NIPR	Nederlands Internationaal Privaatrecht
NJ	Nederlandse Jurisprudentie
NVIR	Nederderlandse Vereniging voor Internationaal Recht
OECD	Organisation for Economic Co-operation and Development
OJ EC	Official Journal of the European Community
Preliminary Draft Rome II regulation	Preliminary draft proposal for a Council Regulation on the law applicable to non-contractual obligations of May 2002
Pres. Rb.	President Rechtbank (President of the District Court)
RabelsZ	Rabels Zeitung für ausländisches und internationales Privatrecht
Rb.	Rechtbank (District Court)
Receuil des Cours	Receuil des Cours de l'Académie de droit international
Regulation on Jurisdiction	Council Regulation 44/2001 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters, OJ EC 2001, L12
Rental and Lending Directive	Council Directive 92/100/EEC of 19 November 1992, OJ EC 1992, L346/15

# APPENDIX III

Resale Directive	European Parliament and Council Directive 2001/84/EC of 27 September 2001 on the resale right for the benefit of the author of an original work of art, OJ EC 2001, L272/32
Rev. crit. dr. int. priv.	Revue critique de droit international privé
RIDA	Revue internationale de droit d'auteur
RIDC	Revue Internationale de Droit Comparé
Rome Convention 1961	International Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations, Rome 1961
Rome Convention 1980	Convention on the Law Applicable to Contractual Obligations, Rome 19 June 1980
RvdW	Rechtspraak van de Week
Satellite and Cable Directive	Council Directive 93/83/EEC of 27 September 1993 on the Coordination of Certain Rules Concerning Copyright and Rights Related to Copyright Applicable to Satellite Broadcasting and Cable Retransmission, OJ EC 1993, L 248/15
Satellite Convention 1974	Convention relating to the Distribution of Programme-carrying Signals Transmitted by Satellite, Brussels, 21 May 1974.
SJZ	Schweizerische Juristen-Zeitung
Software Directive	Council Directive 91/250/EEC of 14 May 1991 on the Legal Protection of Computer Programmes, OJ EC 1991, L122/42.
Stb.	Staatsblad (Dutch official journal)
Term of protection directive	Council Directive 93/98/EEC of 29 October 1993 Harmonizing the Term of Protection of Copyright and Certain Related Rights, OJ EC 1993, L209/9.
TGI	Tribunal de Grande Instance
TRIPs	Agreement on Trade Related Aspects of Intellectual Property Rights 1994
UCC	Universal Copyright Convention 1952
UDHR	Universal Declaration of Human Rights 1948
UFITA	Archiv für Urheber-, Film-, Funk- und Theaterrecht
URG	Bundesgesetz vom. 9. April 1936 über das Urheberrecht und Verwandte Schutzrechte (Austrian Copyright Act)
UrhG	Urheberrechtsgesetz 1965 (German Copyright Act)

#### BIBLIOGRAPHY

WCOD	Wet Conflictenrecht Onrechtmatige Daad 2001 (Dutch Act on the law applicable to torts)
WCT	WIPO Copyright Treaty, Geneva 1996
Wet AB 1829	Wet houdende Algemeene Bepalingen der wetgeving van het Koninkrijk (Dutch General Provisions Act)
WIPO	World Intellectual Property Organization
WPNR	Weekblad voor Privaatrecht, Notariaat en Registratie
WPPT	WIPO Performances and Phonograms Treaty, Geneva 1996
ZfRV	Zeitschrift für Rechtsvergleichung, internationales Privatrecht und Europarecht
ZUM	Zeitschrift für Urheber- und Medienrecht



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