

Alternatives to the Lex Protectionis as the Choice-of-Law Rule for Initial Ownership of Copyright

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Abstract

Conventional wisdom in international copyright doctrine has it that the law of the country for whose territory protection is claimed governs copyright issues – whether it concerns existence, scope, duration, ownership, transfer or infringement. The Berne Convention of 1886 and other international copyright treaties do not lay down the lex protectionis as conflict rule, contrary to what is often assumed. This paper addresses the drawbacks of the lex protectionis for the initial ownership issue. It assesses alternative conflict rules that can increase legal certainty, while giving due respect to the diversity in national allocation regimes.

There is a case to be made for the development of creator-oriented conflict rules for initial ownership issues, particularly if they also serve legal certainty by identifying a single governing law. Such rules may be construed using the main allocation principles of modern European private international law theory.

I. Introduction

Conventional wisdom has it that the law of the country for whose territory protection is claimed governs copyright issues – whether it concerns existence, scope, duration, ownership, transfer or infringement. This predominance of the *lex protectionis*, or law of the protecting country (*Schutzland*), has never gone completely unchallenged. It seems that every decade's end inspires a revival in the debate on proper choice of law rules for intellectual property.

In the late 1970s, Ulmer's proposals to the European Commission on private international law rules for intellectual property sparked a lively debate. As we know, it took place primarily among German scholars, particularly those associated with the Max Planck Institutes in Munich (intellectual property law) and Hamburg (private international law). The debate centered on territorialist versus universalist outlooks, which corresponded by and large to a preference for the *lex protectionis* and the *lex originis* (law of the country of origin of an author/work) respectively.

In the late 1980s, the (in)famous French *Huston* case served as catalyst. At the heart of the ensuing discussion were the position of moral rights in the choice-of-law process and the question of whether a single governing law, rather than the *lex protectionis*, should govern initial ownership.

As the 1990s drew to a close, the rapid expansion of communications via the internet became responsible for the surge in meetings and publications devoted to "IPRs" and "PIL". The ALAI picked up the subject at its 1996 Amsterdam and 2002 Neuchatel study days. The WIPO organized its first special meeting on IPRs and PIL in 1998, and has kept the topic on

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its agenda since. From both sides of the Atlantic, (draft) principles on applicable law, jurisdiction and recognition of foreign IP-rulings have been put forward.¹ These are to fill the gap that may be left by the proposed Hague Convention on Jurisdiction and Recognition of Judgments in Civil and Commercial Matters, since that treaty may not be concluded for a while. More important, even if it will see the light of day, it will most likely not extend to intellectual property disputes even though the original idea was that it should.² Most relevant for the subject of this contribution is the controversy surrounding the draft WIPO Audiovisual Performances Treaty. Negotiations recently grinded to a halt as (choice of law) provisions on ownership and transfer could not be agreed upon.

II. Which Law to Apply?

1. The Initial Ownership Controversy

What, then, is the problem with determining who is the initial owner of copyright, or related rights for that matter? The debate currently focuses on how to address the need for legal certainty while giving due respect to the diversity in allocation regimes. From the perspective of legal certainty, the *lex protectionis* is a problem because it remands the question of who initially owns a work to the laws of all the countries where the work is protected. Thus, the legal uncertainty springs not from the fact that it is unpredictable which law applies, but from the fact that a multitude of laws apply simultaneously. Using a conflict rule that identifies a single governing law would simplify matters greatly. The consequence would of course be that countries must accept that foreign law can govern ownership issues with respect to works exploited within their territory.

Although more than 20 years old, the Huston case offers a good illustration of how strong the aversion to apply another country's ownership rules can be. The Huston heirs disagreed with the colourization of Huston's film "Asphalt Jungle". Before the French courts Huston's heirs successfully claimed moral rights, even though the film in question was made by an American director 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. In addition, the employment contract – which was governed by American law – contained provisions ensuring that any (residual) rights Huston may have had were assigned to the film producer. At the time, American copyright law did not include moral rights (Berne Convention or European style).

The French Supreme Court in this decision seems to have qualified moral rights including the rules on who are its beneficiaries, as a matter of public policy, or possibly as priority rules. Both doctrines override the normal conflict rules.³ In my view, the Supreme Court's ruling

¹ For the *Ginsburg/Dreyfuss* project (US), and *Sterling's* proposal, see *inter alia* *Ginsburg*, Draft Principles on Jurisdiction and Recognition of Judgments, and *Sterling*, Draft International Copyright Protection Agreement and Associated Protocols, in: ALAI Study Days 2002, Copyright Internet World 2003.

² See www.hcch.net for the latest developments on the proposed Hague Jurisdiction Convention; see also *Andrea Schulz's* contribution in this volume.

³ Cass. 28 May 1991, *Huston v. TV5*, 149 RIDA 197-199 (1991). When the action was brought the Berne Convention was not in force for the U.S. Critical comments among others: *Bertrand*, *Affaire John Huston*, la Cour de Cassation opte pour "la loi de la jungle", *Cahiers du droit d'auteur* 1-10 (1991), *De Boer*, *Filmauteursrecht en Internationaal Privaatrecht*, 1 AMI 3-7 (1993); *Farchy & Rochelandet*, *Protection of Authors and Dissemination of Works in the Digital Universe. The Case of the French Film Industry*, 39 *Communications & Strategies* 37 (2000); *Ginsburg & Sirinelli*, *Authors and Exploitations in International Private Law: the French Supreme Court and the Huston Film Colorization Controversy*, 435 *Colum. J. L. & Arts* 135-159 (1991). *Françon* argued – justly in my view – 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, 143 RIDA 329 (1990). *Locher*, *Das Internationale Privat- und Zivilprozessrecht der Immaterialgüterrechte aus urheberrechtlicher Sicht*, 1993, at 42-44, is of the opinion that the *Cour de Cassation* did not apply the public policy exception, but considered the moral rights provisions of the French Copyright act as priority rules. That characterisation is in accordance

seems to imply that under French law initial ownership is not governed by *lex protectionis* per se. If that were the case, the Court could have applied French copyright law without having to resort to escape devices such as the public policy exception, since Huston's heirs claimed that their (moral) rights were infringed by a (planned) broadcast of the colourized film in France.⁴

Much of the commotion surrounding the *Huston* ruling can be traced to the (perceived) weaker position of creative contributors in law systems based on the so-called "copyright approach" compared to the position of such creators in civil law countries adhering to the "*droit d'auteur* approach". This issue is also a major stumbling block in the negotiations on the proposed WIPO treaty on the protection of audiovisual performances. It seems that particularly countries that think of their law as especially creator-friendly are hostile to the idea of their courts having to apply foreign rules on initial ownership in cross-border cases.

Objection can be taken to the view of those who attach great interest in the differences between copyright and *droit d'auteur* systems because these types of laws have converged considerably in the past decades and continue to do so.⁵ Even if copyright laws were very different, the *lex protectionis* still is not the obvious choice if one favours a truly pro-author conflict rule (author in the sense of actual creator). The multiplicity of laws that govern ownership questions not only creates legal uncertainty for the actual creator as to his or her position. Applying the *lex protectionis* means applying the law of the country where exploitation of the work takes place. That law does not necessarily give the creator the best protection available vis-à-vis other potential rightowners such as a producer, employer or investor.

There is a case to be made for the development of creator-oriented conflict rules for initial ownership issues, particularly if they also serve legal certainty by identifying a single governing law. In the coming paragraphs I will expand on how such rules may be construed using the main allocation principles of modern European private international law theory.

2. Four Principles Underlying Conflict Rules

In modern choice of law four principles⁶ may be distinguished on which conflict rules are based. More precisely, the choice of connecting factor used reflects either

- a) the principle of the closest connection in a factual-geographic sense,
- b) the principle of party autonomy,
- c) the principle of functional allocation, or
- d) the favour principle.

Conflict rules come in many shapes and forms. They may be simple rules containing one connecting factor, or rules with a number of alternative ("either/or") or cumulative ("and") or tiered ("if not then...") connecting factors. Not only the number and nature of connecting

with Dutch private international law, where public policy exception can be invoked against the application of foreign law if that would yield a result that goes against fundamental Dutch legal values. Priority rules are those provisions that because of the preponderant public interest they protect are applied regardless of the (otherwise) applicable foreign law.

⁴ Possibly the court recognized the contractual arrangement whereby Huston waived his rights as having effect in France, thus needing public policy or priority rules to uphold the director's moral rights.

⁵ An early spotter of this trend was *Dietz*, Transformation of author's rights, change of paradigm, 138 RIDA 23-76 (1988). For an extensive analysis see *Strowel*, Droit d'auteur et copyright. Divergences et convergences, 1993.

⁶ As private international law is still in large part national law, there is not really a unified European doctrine. The principles I describe can, however, be discerned in various laws of European countries and in EC instruments and conventions concluded under the ambit of the Hague Conference on private international law.

factors may vary, but also the degree of openness. On one end of the scale are the classic rules with clear predictable criteria, usually indicating a place (where something happened, where someone resides). A good example is the rule in Art. 6(2)a of the 1980 Rome Convention on the law applicable to contractual obligations: it prescribes the place where the employee habitually carries out his duties as the connecting factor for the law governing the employment contract. On the other end, a conflict rule may have an open norm, e.g. where it prescribes application of the law of the country "most closely connected" to the case at hand. Article 4(1) of the 1980 Rome Convention contains such a norm. Coupled with the presumption in Art. 4(2) that the closest connection exists with the country with which the party effecting the performance that is characteristic of a contract is most closely connected, Art. 4 becomes a semi-open conflict rule.

a) Principle of the closest connection

The classic 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. Traditionally this is achieved by designing a conflict rule with a single clear connecting factor, whose application in a typical case yields the law most closely connected.

As was said above, the widely held view is that the country for which protection is sought (*Schutzland*) is the appropriate connecting factor for copyright issues. This view is usually not based on a traditional choice-of-law analysis,⁷ which is aimed at determining the law most closely connected. Rather, support for the *lex protectionis* stems 1) from the conventional wisdom that intellectual property is territorial and 2) from the duty that states have taken upon themselves to grant foreign works or foreign authors the same rights as nationals. It would surpass the topic of this contribution to discuss the choice-of-law implications of territoriality⁸ and national treatment in detail. Suffice it to say here that the national treatment principle as laid down *inter alia* in Art. 5 of the Berne Convention of 1886 is on closer inspection not a conflict rule. Also, what we mean exactly when we say that intellectual property is territorial is often unclear, and consequently, so are the ramifications of the territorial view for the applicable law.⁹

b) Principle of Party Autonomy

The freedom of parties to choose the applicable law has a long history. Initially limited to contracts, freedom of choice has spread to other types of legal issues, thus reflecting the increased freedom of disposition in substantive law. Party autonomy features not only in the 1980 Rome Convention (Art. 3), but also in the Hague Convention on the law applicable to succession (Art. 5) and in the EC's proposed "Rome II" Regulation on the applicable law for torts of 2003¹⁰ (Art. 10).

As will be elaborated below, I can envisage a minor role for the principle of party autonomy in initial ownership issues, notably where it concerns collective works made by authors from different countries.

c) Principle of Functional Allocation

⁷ Troller, *Das internationale Privat- und Zivilprozeßrecht im gewerblichen Rechtsschutz und Urheberrecht*, 1952, is an early exception.

⁸ On different notions of territoriality, see *Dinwoodie* in ALAI Study Days 2002, *Copyright Internet World 2003*; see also *Fentiman elsewhere* in this volume..

⁹ For an analysis of the concept of territoriality and the choice of law calibre of the Berne Convention and other intellectual property treaties, see *Van Eechoud*, *Choice of Law in Copyright and Related Rights, Alternatives to the Lex Protectionis*, 2003.

¹⁰ Proposal for a Regulation on the law applicable to non-contractual obligations, COM (2003) 427 final.

The principle of *functional allocation*, which underlies quite a number of modern choice-of-law rules, reflects the social policy interests of states. The socialization 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.¹¹

Cases of functional allocation typically involve areas of substantive law whose objective it is to protect weaker parties (children, consumers, employees). There functional allocation is used to guarantee that the “weaker” party is protected according to the laws of the country where the economic or social activities of the party are typically centered. . 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).¹²

Functional allocation as a principle with a protective function could also be made the leading principle for issues of initial ownership. Using a creator-oriented connecting factor corresponds well with the objective of copyright and related rights law where rights allocation is concerned, namely to reward and stimulate authors – notably the actual creators of works. I will elaborate this view below.

One can imagine functional allocation not just in this narrow sense, but in the broader sense. The aim would not be to specifically protect a weaker party. Rather the function protected may be a more general policy interest, such as the public’s interest in a public domain of information and knowledge.

If the perceived territoriality of intellectual property laws is a problematic basis for the *lex protectionis*, particularly in the digitally networked world, one could justify the *lex protectionis* on the basis of such a broad functional allocation principle. It can be maintained that the *lex protectionis* is the proper choice-of-law rule for existence, scope and duration of copyright given the instrumental rationale of copyright and related rights law. Intellectual property laws each strike a balance between what is and what is not (yet) 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.

Were the applicable law to 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 (think of music, films, but also software, news services, 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.

The same does not hold true for the issue of (initial) ownership. The public interest in rights with respect to the creation and use of information lies primarily in *what* is protected, not in who owns these rights.

¹¹ 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 is “the basic policies underlying the particular field of law”.

¹² The Convention also contains conflict rules for employment contracts in situations in which the employee does not habitually work in one country; these are based on factual allocation.

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 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.

d) 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 material outcome.¹³ The two main groups are 1) rules that favour the validation of legal acts, and 2) 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 of these and is designed to validate legal acts as to form (e.g. Art. 9 Rome Convention 1980). The *favor testamenti* does the same for wills (Art. 1 Hague Convention on Testamentary Dispositions 1961).

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. Examples of 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 rob the consumer or employee of the protection of mandatory provisions of the law of the habitual residence (consumer), or the law that is objectively applicable to the employment contract (usually the law of the place where the employee works), respectively.¹⁴ The consumer and employee are thus given the best of both worlds, as they can invoke the law more favourable to them.

Where it concerns initial ownership, the favour principle could play a role in work-for-hire situations. As I propose below – along with many other writers – in case of works made by employees, the initial ownership question should be subjected to the law that governs the employment contract. Under the Rome Convention of 1980 the employer and employee can choose the law that governs their contract. To protect the author-employee from a disadvantageous law chosen in effect by the employer, the favour principle can be used as a correction mechanism (see below).

3. The Creator’s Law: Functional Allocation as a General Rule

As a rule, copyright is vested in the actual creator of a work. Domestic laws do, however, tend to deal differently with the allocation of rights in the case of works made for hire and works created by two or more co-contributors (e.g. films). 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 was said above, the question of ownership of one and the same work would be subjected to as many laws as there are legal systems protecting the work in question. Apparently inspired by the wish to avoid this legal uncertainty, a number of French and US courts tend to use some form of the *lex originis* for initial ownership

¹³ De Boer, Bescherming en begunstiging op het terrein van de internationale onrechtmatige daad, in De Boer *et al.*, Vijftig jaar *lex loci delicti*. Van Dubbinks proefschrift tot een Wet conflictenrecht onrechtmatige daad, 1998, at 290-296; Strikwerda, Inleiding tot het Nederlandse internationaal privaatrecht 2000, at 39.

¹⁴ One could also view this type of rule as reflecting functional allocation, not the favour principle. See Strikwerda 2000, *supra* note 13, at 168-169.

questions.¹⁵ Dutch courts sail a less clear course, but currently the *lex protectionis* does not seem to enjoy the same unchallenged position that it still has in for instance German case law.¹⁶ Among scholars also, the use of the *lex originis* or other single governing law is increasingly advocated.¹⁷

In my opinion, a 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. It lies in the central position the author has historically enjoyed in copyright law.

At the centre of the first modern copyright laws of the 19th century was the author – *i.e.*, the creative natural person – rather than publishers or printers, who formerly enjoyed printing privileges. Consequently, it is traditionally the author as the natural person who creates a work in whom copyright is vested, rather than the person or company that invests or is otherwise involved in the production of works. This allocation of rights is to date the predominant norm in most copyright acts and has found its way into performer's rights as well. It reflects the "justice" rationale of copyright, both in terms of the respect that is due to the bond between creator and his or her work, and in terms of the Lockean notion of just reward for labour spent.

In the past decades 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. 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. Traditionally the "copyright systems" have been based more (but not exclusively) on utilitarian rationale, whereas the "*droit d'auteur* systems" were based more (but also not exclusively) on the justice rationale.

One would expect that the increased importance of the utilitarian rationale in both copyright and *droit d'auteur* systems 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.¹⁸

¹⁵ *ITAR Tass v. Russian Kurier* 153 F3d 82 (2nd Cir. 27 August 1998); Cass. 29 April 1970, *Lancio v. Editrice Fotoromanzi Internazionali*, [1971] Rev. crit. dr. int. priv. ; CA Versailles 17 December 1993, *Sarl F2S v. Pravda*, 162 RIDA 448 (1994); CA Paris 6 July 1989, *Turner v. Huston*, 143 RIDA 329 (1990); CA Paris 1 February 1989, *Bragance v. Orban*, 142 RIDA 302 (1990); District Court and Court of Appeals in *Saab Scania v. Diesel Technic*, cited in Cass. 7 April 1998, (1999) Rev. crit. dr. int. priv. 1, 76.

¹⁶ The predominance of the *lex protectionis* for all copyright issues under German law has been confirmed by a number of BGH decisions: *Lara's Tochter*, 1999 GRUR 984; *Spielbank*, 1998 MMR 35, and *Alf*, 1992 GRUR 697. In the Netherlands some district courts do seem to apply the law of the country of origin (of a work or of its author) to the issue of initial ownership, but typically a clear choice of law analysis is lacking. Possibly this is due to the fact that copyright cases in the Netherlands are often litigated in "kort geding" proceedings (a type of summary proceedings). See *Van Eechoud*, *supra* note 9, at 110, 123-4.

¹⁷ See, for instance, *Ginsburg*, *The Private International Law of Copyright*, 273 *Receuil des Cours*, 1998, at 356–357; *Goldstein*, *International Copyright. Principles, Law and Practice*, 2001, at 103 *et seq.*; *Schack*, *Internationale Urheber-, Marken- und Wettbewerbsrechtverletzungen im Internet – Internationales Privatrecht*, 2000 MMR 64; *Torremans*, *The law applicable to copyright: Which rights are created and who owns them?*, 188 RIDA 75 (2001). Contra: *Lucas*, *Private International Law Aspects of the Protection of Works and of the Subject Matter of Related Rights Transmitted over Digital Networks*, 1998 WIPO doc. GCPIL/1/01 at pt. 45 *et seq.*; *Sterling*, *supra* note 1, at 153-4.

¹⁸ *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

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 first performed.¹⁹

a) Identification of the Creator

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,²⁰ 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. With regard to films, under some laws the film producers rather than the creative contributors, are regarded as authors or co-authors and therefore initial (co-)right owners.

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*. Obviously it is of no use if ownership questions arise outside litigation. Short of situations where litigants are allowed to choose their (future) court, the *lex fori*-rule does not contribute to legal certainty either. Alternatively, the term “author” could be given an autonomous “supranational” interpretation. However, copyright treaties are not a satisfactory source for such a country-independent definition, since they do not contain a clear definition of “author” either.²¹

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, this wording 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,²² there will always be a natural person who actually did the creative work involved – however low the

91/250/EEC of 1991 (OJ EC L122, p. 41). The more recent Database Directive 96/9/EC (OJ EC L77, p. 20) 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).

¹⁹ 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.

²⁰ Drexl states that the Berne Convention is based on the idea of the author as a natural creative person (Europarecht und Urheberkollisionsrecht, in: *Ganea et al.*, *Urheberrecht Gestern-Heute-Morgen*, 2001).

²¹ See Van Eechoud, *supra* note 9, chapter 3.

²² Some copyright laws also grant rights in non-original creations (*e.g.*, protection of non-original writings in the Netherlands, or of non-original photography in Scandinavian countries), in which case the habitual residence of the actual maker could be used as the connecting factor.

required standard of originality may be – and under the conflict rule I propose, it would be the law of that person's habitual residence that decides who owns the copyright.

In case two or more natural persons both claim to be the initial owner to the exclusion of the other, while they do not share the same habitual residence, application of the law of shared nationality is an option.²³ If that does not yield one applicable law either, the *lex fori* will have to be applied as a last resort.²⁴

The general rule proposed above does not work in cases of co-operation between creators from different countries. An alternative solution must be found for such collective works. 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.

b) 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.²⁵ To arrive at the identification of one single law, we must therefore look for another solution.

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.²⁶

aa) Choice by the Co-Creators

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. From that perspective, it can be argued that they should also be allowed to opt for a "neutral" law, rather than for the law of one of their habitual residences or principal places of business.

Not unimportant either is that party autonomy provides legal certainty and predictability for the co-contributors. Such a choice would not affect the rights of third parties, but only determine the respective positions of the co-creators involved.

²³ 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. Connecting factors related to the work, such as the place of creation or the place of first publication, could serve as alternatives but may be difficult to determine, especially in the digital environment.

²⁴ 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.

²⁵ 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 country of which he or she is a national. Such a connection could be lacking if for instance a writer has long been in exile, or moved from his or her native country as a child. 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.

²⁶ As we have argued above that the actual creators (in cases of copyright) should be the point of departure, these are also the parties to consider in cases 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.

bb) *Applicable Law in Default of a Choice by Co-Contributors*

It is, of course, quite conceivable that the co-contributors will 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.²⁷ 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.

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. 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-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, that 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. 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.

c) *Works Created by Employees*

The creation of information products and services continues to gain in economic importance. As the much heralded Information Society takes shape, 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 Sec. 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.²⁸

²⁷ 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.

²⁸ *E.g.*, under German law copyright is inalienable, but the courts have accepted that the employer is presumed to have been licensed the rights necessary for business purposes, unless there is an express agreement to the contrary. See *Seignette*, Challenges to the creator doctrine, 1994, at 34.

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 Neighbouring Rights Act (*Wet Naburige Rechten 1993*), 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 Neighbouring Rights Act).²⁹

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, granting initial ownership to the employee is the preferred method of rights allocation.³⁰ Even the introduction of legal presumptions of transfer enabling 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 Art. 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."³¹

A few years later it was not possible to reach such an agreement in favour of the employer again concerning copyright in databases.³² 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..."³³ According to Article 4(1) the creator of a database is the natural person or persons who 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.³⁴ 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 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.

²⁹ 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.

³⁰ See *Spoor & Verkade*, *Auteursrecht 1993* at No. 27 for a discussion of legal theories behind the employer (and legal persons in general) as authors/creators. *Id. Seignette*, *supra* note 28, 1994, and *Nimmer & Nimmer*, *Nimmer on Copyright*, 2001, at §1.06). On the relationship between intellectual property law and labour law, especially where it concerns financial interests, see *Quaedvlieg*, *Denker im Dienstverhältnis. Kernfragen des Arbeitnehmer Immaterialgüterrechts*, 2002 GRUR Int 11, 901-914.

³¹ 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.

³² The sui generis right in databases (Sec. III Database Directive) is vested directly in the database producer, which will often be a corporate entity.

³³ 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).

³⁴ *Guibault & Hugenholtz*, *Study on the conditions applicable to contracts relating to intellectual property in the European Union 2002*, at 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..." (study for the EC, available at www.ivir.nl).

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.*, the law that governs the employment contract.³⁵ For employment contracts the 1980 Rome Convention 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.

aa) *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 who work in Silicon Valley firms.³⁶ 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,³⁷ the 1980 Rome Convention provides in Art. 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 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 set designers or other contributors to a film that work on films in various countries, can invoke the provisions on initial ownership of the law of the country where the company that employs them has its principal place of business, unless, all circumstances considered, the law of another country is more closely connected.

bb) *Favour-Restricted Choice by Parties*

³⁵ In favour of accessory allocation, among others: *Birk*, Arbeitnehmer und Arbeitnehmernähnliche Person im Urheberrecht bei Auslandsbeziehungen, in: *Forkel & Kraft*, Beiträge zum Schutz der Persönlichkeit und ihrer schöpferischen Leistungen, 1985, at 6; *De Boer*, Aanknopning in het internationaal auteursrecht 5414 WPNR (1977), at 692; *Brem*, ‘Das Immaterialgüterrecht im zukünftigen IPR Gesetz, in: Beiträgen zum neuen IPR des Sachen-, Schuld-, und Gesellschaftsrechts, 1987, at 65; *Fawcett & Torremans*, Intellectual Property and Private International Law 1998, at 515; *Katzenberger*, Urheberrechtsverträge in internationalen Privatrecht und Konventionsrecht, in: Urhebervertragsrecht, 1995, at 252; *Mankowski*, Besondere Formen von Wettbewerbsverstößen, 1999 GRUR Int. 522; *Ulmer*, Intellectual Property Rights and the Conflict of Laws, 1978, at 38 *et seq.*, 99-100. Contra, if there is no real consensus between employer and employee as to the applicable law: *Quaedvlieg*, Een multiple personality syndrom in het IPR: de identificatie van de auteursrechthebbende, in Kortmann *et al.*, Oprecht: bundel opstellen, aangeboden aan prof. mr. A.V.M. Struycken ter gelegenheid van zijn zilveren ambtsjubileum aan de Katholieke Universiteit Nijmegen 1997, at 263.

³⁶ *The Economist* (21 April 2001) actually described Indian engineers and scientists as the back-bone of Silicon Valley's workforce.

³⁷ 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.

The primary reason to subject the initial ownership question to the law of the employment contract is that the creative activities of the author are embedded in labour relations. Another reason is that (written) employment contracts, or any collective labour agreements³⁸ 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, but 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.³⁹

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 as an 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.

Article 6(1) of the 1980 Rome Convention contains such a "favour restriction" for employment contracts. As it stands, this Article probably applies at best only 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 Art. 6.⁴⁰

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 law towards actual creators 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)), which serves as a restriction to the freedom of employer and employee to determine the applicable law to the benefit of the employee.

³⁸ On collective labour agreements and intellectual property, see *Birk*, *supra* note 35.

³⁹ *Locher*, *supra* note 4, at 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, be governed by the employment or commission contract, including the question of which rights are transferable.

⁴⁰ From *Giuliano & Lagarde's* report on the Rome Convention it is not clear exactly which mandatory rules are covered by Paragraph 2 of Art. 6. It seems one may interpret the provision broadly, as it applies not only to the law of labour contracts, but also for instance to standards of safety and hygiene (see *Giuliano & Lagarde* 1980, comment on Art. 6(2)).

III. In Conclusion

In this contribution, though concise, I have attempted to view the issue of the applicable law for issues of initial ownership in copyrighted works in the light of the four main allocation principles that are used in European private international law. These are closest connection, party autonomy, functional allocation and the favour principle.

It has been argued that even if, for the issues of existence, scope and duration of copyright, the *lex protectionis* – based on the functional allocation principle in a broad sense – is the appropriate conflict rule, the same does not follow for the question of initial ownership (or transfer, for that matter).

All four allocation principles have in my view a role to play where initial ownership of copyright is concerned. I would suggest that functional allocation in the narrow sense should be the leading principle, as this best corresponds with the predominant objective of ownership rules in copyright, namely to reward and stimulate the actual creators of a work. The creator's law, meaning the law of the country where the actual creator has his or her habitual residence, should then be the principal candidate to determine who owns copyright.

In the 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 them under the law of the place where they normally work.

In the case of collective works, either common habitual residence or a choice by the co-contributors, should determine 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; and
- the (principal) place of creation of the work.

The chance that in practice the *lex protectionis* will be replaced by a single governing law where initial ownership is concerned, remains slim, as long as the conventional wisdom persists that copyright is territorial, and with it the view that the *lex protectionis* is the only plausible conflict rule. The tendency in doctrine and in the courts of some countries – albeit careful – to develop alternatives to the *lex protectionis* can in my view only be reinforced if we are prepared to closely examine what we mean exactly when we label copyright as “territorial” and reconsider whether it should of necessity imply the reign of the *lex protectionis*.