

The Law Applicable to Unregistered IP Rights After Rome II

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Until a few years ago, the conflict of laws problems of intellectual property rights have rarely been thoroughly treated.¹⁾ For conflict of laws people IP law was a remote special subject, and the IP people believed that they need not bother with the arcana of conflicts law because the territoriality principle and the international conventions supposedly provided all the necessary rules. This mistake has been pointed out, at the latest, by the internet. Today the transborder use and infringement of IP rights is most common and legal proceedings are long since brought not only in the country for which protection is sought. More and more often the country of origin, the protecting country and the forum state are not identical, and one action — apart from actions for injunctive relief — asserts IP infringements in several protecting countries. That holds true in particular for unregistered and for Community-wide IP rights the reach of which not necessarily coincides with the national borders of a registering state.

In the last years, however, the German and foreign literature on the law applicable to IP rights has been swelling very much.²⁾ Of late, even the European legislator has tried its hand with a first partial rule in this field of conflicts law. The Regulation (EC) No. 864/2007 of the European Parliament and of the Council on the law applicable to non-contractual obligations (“Rome II”)³⁾ of 11 July 2007 provides in art. 8 under the heading

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1) Exceptions are *Alois Troller*, *Das internationale Privat- und Zivilprozessrecht im gewerblichen Rechtsschutz und Urheberrecht*, Basel 1952; *Eugen Ulmer*, *Die Immaterialgüterrechte im internationalen Privatrecht*, Cologne 1975; *Haimo Schack*, *Zur Anknüpfung des Urheberrechts im internationalen Privatrecht*, Berlin 1979.

2) Actual references at *Drexler*, in: *Münchener Kommentar zum BGB*, vol. 11, 4th ed. 2006, pp. 812 et seqq. (IntImmGR); *Fezer/Koos*, in: *Staudinger, Kommentar zum BGB*, vol. Internat. Wirtschaftsrecht 2006, pp. 401 et seqq.; *Schack*, *Urheber- und Urhebervertragsrecht (UrhR)*, 4th ed. 2007, marg. nos. 886 et seqq. And especially *Basedow et al. (eds.)*, *Intellectual Property in the Conflict of Laws*, Tübingen 2005; *Drexler/Kur (eds.)*, *Intellectual Property and Private International Law*, Oxford/Portland 2005; *Fawcett/Torremans*, *Intellectual Property in Private International Law*, Oxford 1998 (reviewed by *Schack* *Unif.L.Rev.* 1999, 805-807); *Stig Strömholm*, *Upphovsrätt och internationell privaträtt*, Stockholm 2001 (reviewed by *Kur* *GRUR Int.* 2004, 684-686).

3) O. J. EU 2007 L 199, p. 40; cf. *Leible/Lehmann* *RIW* 2007, 721-735; *Junker* *NJW* 2007, 3675-3682; *Heiss/Loacker*, *Juristische Blätter (JB1.)* 2007, 613-646; *Gerhard Wagner* *IPRax* 2008, 1-17. The proposal of 22 July 2003, COM (2003) 427 final, is reprinted inter alia in *IPRax* 2005, 174-178, and at *Basedow* (supra note 2), pp. 217-228; the amended proposal of 21 February 2006 in *IPRax* 2006, 404-412 (there art. 9), cf. *G. Wagner* *IPRax* 2006, 372-390, 381; *Sonntag* *ZvglRWiss* 105 (2006) 256-312; and later von *Hein* *VersR* 2007, 440-452.

“infringement of intellectual property rights”:

“(1) The law applicable to a non-contractual obligation arising from an infringement of an intellectual property right shall be the law of the country for which protection is claimed.

(2) In the case of a non-contractual obligation arising from an infringement of a unitary Community intellectual property right, the law applicable shall, for any question that is not governed by the relevant Community instrument, be the law of the country in which the act of infringement was committed.”

The exact scope of this provision is unclear. Its interpretation requires a reflection of the fundamentals of conflicts law.

I. Fundamentals of private international law

Like real property intellectual property rights are absolute (operating erga omnes), subjective rights (individual entitlements). As such they must be related with a legal subject and the rights' content must be defined. As subjective rights they can be the object of contractual agreements; as absolute rights they may be violated by third parties. The validity and the consequences of a breach of the contract are governed by the chosen contract law,⁴⁾ while the conditions and consequences of a tortious act are governed in principle by the law of the place of the tort (*lex loci delicti*).⁵⁾

From this main issue of the applicable law of contract or of tort incidental questions must be carefully distinguished. They arise if elements of an applicable rule of conflicts or substantive law may fall under a different conflicts rule.⁶⁾ Such an incidental question is, e.g., the ownership of a thing in case of its sale or damage. The incidental question of ownership is governed by the law of the situs (*lex rei sitae*) in the relevant moment when the property right is acquired.⁷⁾ No matter whether incidental questions should be governed by the conflict rules of the forum or by those of the *lex causae* which governs the main issue, it is most important to separate the incidental question of ownership from the main issue.

That goes without saying for personal property, but is still denied by many IP lawyers

4) Art. 3 Rome Convention of 19 June 1980 on the law applicable to contractual obligations, in the near future: Rome I Regulation, cf. the proposal of 15 December 2005, COM (2005) 650 final, reprinted in IPRax 2006, 193-197, and in *Ferrari/Leible* (eds.), *Ein neues Internationales Vertragsrecht für Europa*, 2007, pp. 245 et seqq. See also *CLIP*, *Intellectual Property and the Reform of Private International Law: Sparks from a Difficult Relationship*, IPRax 2007, 284, 288 et seqq.

5) Art. 40 EGBGB. As of 11 January 2009 also art. 4 Rome II Regulation.

6) See generally *Jan Kropholler*, *Internationales Privatrecht*, 6th ed. 2006, § 32, pp. 221 et seqq.; *Kegel/Schurig*, *Internationales Privatrecht*, 9th ed. 2004, § 9, pp. 373 et seqq.

7) Art. 43 EGBGB (Introductory Code to the German Civil Code).

who rely on the territoriality principle and the allegedly comprehensive scope of the law of the protecting country (*lex loci protectionis*). This undifferentiated connection to the law of the country for which protection is sought, may have been convenient in former times when the protecting country coincided almost always with the forum state. In the meantime that has changed dramatically. Since IP relevant goods and services are marketed on a world-wide scale the independent connection of incidental questions, especially as to the first ownership of the rights, has become a pressing problem.

Like tangible personal property intellectual property rights are objects of transborder legal trade detached from the person of their owner. Here legal certainty and foreseeability of the governing law are of first order for all parties involved. Subjective rights which, like the general personality right, have only a defensive function may safely be absorbed by the main issue of the applicable tort law:⁸⁾ It is exclusively the law of the place of the tort as the common legal environment which determines what somebody is allowed to do or say and the other has to tolerate. IP rights, however, go well beyond a negative function as they contain positive rights to use that may in whole or in part be transferred to some other person. There is no doubt about who the bearer is of the general personality right or of the right of not being bodily harmed. But with IP rights the dispute very often is about this very question of the ownership of the right. As conflict lawyers long know, the questions of ownership of the right, content of the right and the consequences of its infringement must be strictly separated, in the IP as in other fields.

II. Statutory conflict rules in the field of IP law

Special statutory conflict rules for IP rights are still very rare. The German legislator has not included any special rules on IP rights in its statutory reform of 21 May 1999 of the law applicable to non-contractual obligations and to property rights.⁹⁾ As to the applicable tort law such rules were seen as “unnecessary in view of the common recognition of the country-of-protection principle”, and in regard of the rest the legislator wanted to leave it to the courts “whether in the particular case incidental IP questions might be governed by some other law than that of the country of protection”.¹⁰⁾

8) *Schack*, Die grenzüberschreitende Verletzung allgemeiner und Urheberpersönlichkeitsrechte, UFITA 108 (1988) 51-72, 55 et seq.; *Kropholler* (supra note 6), § 53 V 4, p. 541; *Rolf Wagner*, Das deutsche IPR bei Persönlichkeitsrechtsverletzungen, 1986, pp. 59, 98 et seq. — The EC legislator has shirked regulating infringements on personality rights, cf. artt. 1 II lit. g, 30 II Rome II Regulation, the declaration of the Commission, O. J. EU 2007 L 199, p. 49; and the justified critique of *Leible/Lehmann* RIW 2007, 723 et seq.; *G. Wagner* IPRax 2008, 10.

9) BGBl. 1999 I 1026, introducing artt. 38-46 into the EGBGB.

10) Government statement of reasons BTDr. 14/343, pp. 10 and 14.

1. EC Law¹¹⁾

a) This hot problem is now tackled by art. 8 subsection 1 of the Rome II Regulation:¹²⁾ “a non-contractual obligation arising from an infringement of an intellectual property right” is submitted to the law of the protecting country so that “the universally acknowledged principle of the *lex loci protectionis* should be preserved” as is said in recital 26 of the Regulation. The conflicts rule is universally acknowledged, however, only for registered industrial IP rights and for the content of IP rights (see *infra* IV 1). Apart from that the legal literature, court decisions and national legislations present a very heterogeneous picture. While according to the conflict-of-laws statutes of Austria, Italy, Belgium and Bulgaria, but also of Switzerland and Liechtenstein, all IP rights shall be governed by the law of the protecting country, other countries like Greece,¹³⁾ Portugal and Romania submit the copyright to the law of the country of origin.¹⁴⁾ Therefore, the premise of the EC legislator is correct only if the scope of application of art. 8 subsection 1 of the Rome II Regulation is construed narrowly. The norm relates only to the consequences “arising from an infringement” of IP rights,¹⁵⁾ i.e. in its narrow interpretation not even to the content of the IP right itself¹⁶⁾ and certainly not to the incidental question as to the owner of the IP right.¹⁷⁾ In accordance with the legislative aim of the Regulation on “non-contractual obligations” art. 8 subsection 1 clearly means only the applicable law of torts. This law is determined by the *lex loci protectionis* in order to prevent from the start any frictions with the traditional conflicts rule of the law of the protecting country.¹⁸⁾

11) The Directive 2004/48/EC of 29 April 2004 on the enforcement of intellectual property rights (O. J. EU 2004 L 195, p. 16) leads to an assimilation of sanctions, but is mute on the conflict of laws; art. 2 subsection 3 lit. b leaves TRIPs unaffected.

12) First introduced in the Commission’s proposal of 22 July 2003; to this proposal in general cf. *von Hein ZvglRWiss* 102 (2003) 528-562; *Leible/Engel EuZW* 2004, 7-17.

13) According to art. 67 subsection 3 sent. 1 of the Greek Copyright Act of 1993 the *lex originis* applies (wrongly) even to the content of the copyright and neighbouring rights.

14) References at *Schack, UrhR*, marg. no. 887; to the same effect for the first ownership of copyright the case law in France and the USA.

15) *Baetzgen*, Internationales Wettbewerbs- und Immaterialgüterrecht im EG-Binnenmarkt, 2007, marg. nos. 84, 749; *Staudinger-Fezer/Koos* (supra note 2), marg. no. 829; *Leible/Lehmann RIW* 2007, 731; *Heiss/Loacker JBl.* 2007, 636. The limited scope of art. 8 subsection 1 as not being an all encompassing conflicts rule is well recognized also in the EC Commission, see *Hahn/Tell*, in *Basedow* (supra note 2), pp. 7, 15.

16) Art. 15 lit. a Rome II Regulation also covers only “the basis and extent of liability” and not of the right itself (unjustly doubting *Obergfell*, *Das Schutzlandprinzip und “Rom II”*, *IPRax* 2005, 9-13, 12 et seq.). Taking copyright as an example: The Rome II Regulation governs the claims under §§ 97 et seqq., but not the content of the rights granted in §§ 12 et seqq. of the German Copyright Act (*UrhG*). As to the CTMR see *infra* at note 29.

17) Wrong *Basedow/Metzger*, *Lex loci protectionis europea*, in *FS Boguslavskij* 2004, pp. 153-172, 162 to the proposal of 22 July 2003; unaware of the problem *Angelika Fuchs GPR* 2003/04, 100, 103: for the “existence and protection”.

18) Cf. *Drexel*, in *Drexel/Kur* (supra note 2), p. 151, 166; *Hamburg Group for Private International Law*, Comment on the European Commission’s Draft Proposal (of a Rome II Regulation), *RebelsZ* 67

That is why the EC legislator has in this context also excluded a choice of law by the parties after the event¹⁹⁾ (art. 8 subsection 3) and equally any kind of renvoi (art. 24). To cut off any possibility of a parties' choice of law for the *consequences* of an infringement is, however, in the interest of neither the parties nor the court if it has to rule on infringements in several protecting countries at the same time.²⁰⁾ The opportunity to choose one of these laws, especially that of the forum state, in any case makes more sense than the otherwise unavoidable distributive application of multiple laws. Such a choice of law would not contradict the territoriality principle because this is imperative only for the content of the IP right, but not for the consequences of its infringement.

Art. 13 of the Rome II Regulation carries the petrified connection to the one or several laws of the protecting countries over to the claims in artt. 10-12 arising out of unjust enrichment, negotiorum gestio and culpa in contrahendo. This mandatory connection to the lex loci protectionis is equally misguided insofar as it renders impossible the common and reasonable accessory connection to the law governing a pre-existing relationship between the parties.²¹⁾ The legislator's mistake of art. 13 Rome II Regulation should therefore be repaired as quickly as possible.

b) For Community-wide unitary IP rights art. 8 subsection 2 Rome II Regulation provides a special rule intended to fill the gaps left by the relevant Community instruments. At present, the Regulations on the Community trademark,²²⁾ on Community designs²³⁾ and on Community plant variety rights²⁴⁾ are pertinent. Art. 8 subsection 2 of the Rome II Regulation fills the gap with "the law of the country in which the act of infringement was committed", i.e. the place of the tortious act. The reason for this is that the connection in subsection 1 to the law of the protecting country is of no help with Community-wide IP rights as in their case the protecting "country" is the entire European Union. Therefore a subconnection is needed for all questions not directly governed by Community law. Again, however, art. 8 of the Rome II Regulation offers only a partial solution because subsection 2 like subsection 1 refers only to "a non-contractual obligation arising from an infringement" of Community-wide IP rights.

(2003) 1-56, 23.

19) This is welcomed by *Basedow/Metzger* (supra note 17), p. 160; *Sonnentag* ZvgIRWiss 105 (2006) 298; *Buchner* GRUR Int. 2005, 1004, 1008.

20) Till now art. 42 EGBGB permits a subsequent choice of law by the parties; in Switzerland explicitly also after a violation of IP rights art. 110 subsection 2 of the 1987 Act on Private International Law (IPRG). Vgl. *Schack, UrhR*, marg. no. 925.

21) Art. 41 subsection 2 no. 1 EGBGB; artt. 10, 11, 12 Rome II Regulation (in each case subsection 1).

22) Regulation (EC) no. 40/94 of 20 December 1993 on the Community trademark (CTMR), O. J. EC 1994 L 11, p. 1.

23) Regulation (EC) no. 6/2002 of 12 December 2001 on the Community designs (CDR), O. J. EC 2002 L 3, p. 1.

24) Regulation (EC) no. 2100/94 of 27 July 1994 on Community plant variety rights (CPVRR), O. J. EC 1994 L 227, p. 1.

It is striking that art. 8 subsection 2—in contrast to the general torts rule in art. 4 subsection 1 of the Rome II Regulation—calls not for the law of the country “in which the damage occurs”, but for “the law of the country in which the event giving rise to the damage occurred”, i.e. the place of the act. That is correct as IP rights can only be infringed by actions in the protecting country as only such actions are covered by the content of the IP right.²⁵⁾ As to infringements of IP rights the country in which the damage occurs can never deviate from the country in which the defendant did the tortious acts.²⁶⁾ Besides that, the EC legislator has modelled art. 8 subsection 2 of the Rome II Regulation on already existing gap-filling rules, notably on art. 98 subsection 2 CTMR. The latter calls for the application of “the law of the Member State to which the acts of infringement . . . were committed, including the private international law”²⁷⁾ for all sanctions with the only exception of claims for injunctive relief which have been regulated autonomously in subsection 1.²⁸⁾

The model of art. 98 CTMR is instructive in several respects. First, the conflicts rule in subsection 2 clearly concerns only the sanctions, i.e. the consequences of an infringement and not the content of the infringed right,²⁹⁾ the latter having found a unitary definition in artt. 9 et seqq. CTMR. Accordingly there is no need for a conflicts rule on the content of a Community trademark.

More complicated and somewhat inconsistent is the approach of the EC legislator to the doctrine of renvoi (in the form of remission or transmission). While the general gap-filling rule in art. 97 subsection 2 CTMR refers to the conflict rules of the forum state, art. 98 subsection 2 CTMR as *lex specialis*³⁰⁾ for the sanctions calls for application of the law of the country to which the infringing act was committed, expressly including the conflict rules of that country thus permitting a remission or transmission to some other law. Art. 8

25) As to this core of the territoriality principle see BGHZ 126, 252, 256—Folgerecht bei Auslandsbezug; *Schack*, UrhR, marg. no. 802; *Katzenberger*, in: Schricker (ed.), *Urheberrecht Kommentar*, 3rd ed. 2006, vor § 120 UrhG marg. no. 123.

26) Cf. *Schack*, UrhR, marg. no. 721 with further references concerning the international jurisdiction in art. 5 no. 3 of the Brussels I Regulation and § 32 of the German Code of Civil Procedure. The wording “in the courts for the place where the harmful event occurred” in art. 101 subsection 3 sent. 1 CPVRR must be interpreted in this sense.

27) Parallel rule in art. 89 subsection lit. d CDR. More advanced are the comprehensive sanctions in artt. 94 et seqq. CPVRR; only claims for unjust enrichment are referred to the conflict rules of the forum state in art. 97 subsection 1 CPVRR.

28) Cf. *Knaak*, Das auf die Sanktionen gemas Art. 98 GMVO [CTMR] anwendbare Recht, in FS Tilmann 2003, pp. 373-382, 373 et seq.; *Martin Ebner*, Markenschutz im internationalen Privat- und Zivilprozessrecht, 2004, pp. 257 et seq. —Other autonomous sanctions are to be found in artt. 9 subsection 3 sent. 2, 10 CTMR.

29) Cf. art. 14 subsection 1 CTMR; *Knaak* (preceding note), p. 375.

30) *Tilmann*, Gemeinschaftsmarke und IPR, GRUR Int. 2001, 673-677, 675; *Knaak* (supra note 28), pp. 374 et seq.; *Ebner* (supra note 28), p. 262; *Schaper*, Choice-of-Law Rules in the EU: Special Issues with Respect to Community Rights, in Drexler/Kur (supra note 2), pp. 201-213, 203.

subsection 2 Rome II Regulation, in contrast, calls for application of the substantive law of the country in which the act of infringement was committed, as art. 24 categorically excludes any renvoi. That doesn't fit with art. 98 subsection 2 CTMR. This contradiction will have to be resolved by giving precedence to the more special regulation,³¹⁾ i.e. to the CTMR and CDR with their more complicated and conceptionally misguided provisions. As these two Community IP rights are not covered by art. 8 subsection 2 of the Rome II Regulation the latter's immediate scope of application currently tends towards zero — if one doesn't fall back on the trick of regarding subsection 2 as the new national conflicts rule in the meaning of art. 98 subsection 2 CTMR.³²⁾

The question remains how to localise the place where the infringing act was committed in the meaning of art. 8 subsection 2 Rome II Regulation and art. 98 subsection 2 CTMR. While the national conflicts legislator (e.g. in the frame of artt. 97 subsection 2, 98 subsection 2 CTMR³³⁾) would in theory be free to apply the law of the marketplace where the unitary Community right is affected,³⁴⁾ the EC legislator in art. 8 subsection 2 Rome II Regulation — in contrast to the law applicable to unfair competition (art. 6 subsection 1) — did not follow the effects principle but refers exclusively to the place where the infringing act was committed. This plain solution has among others the advantage³⁵⁾ that the acts constituting an infringement (*lege causae*) are much easier to localise than their effects on possibly several national markets inside the Common Market. By this means, the situations resulting in a mosaic-like distributive application of several laws are considerably reduced, although not totally excluded.

The problem are not infringing acts committed outside the EU because a Community IP right not recognised there cannot be infringed there.³⁶⁾ Problematic are rather acts committed in several Member States which each by themselves constitute an infringement of the IP right.³⁷⁾ A classic example for this situation is the production of an infringing article in Germany which is distributed in France and advertised all over Europe in the TV or in the internet and thereby offered for sale to the public. All these acts committed at different places are covered by the content of the Community IP right.³⁸⁾

31) Cf. Art. 27 Rome II Regulation and the justified critique of *MünchKomm-Drexl* (supra note 2), marg. no. 113.

32) As do *Basedow/Metzger* (supra note 17), p. 168; and *Staudinger-Fezer/Koos* (supra note 2), marg. no. 831, 946.

33) Correspondingly in the context of Artt. 88 subsection 2, 89 subsection 1 lit. d CDR.

34) In favour *Hamburg Group* (supra note 18), *RabelsZ* 67 (2003) 23; *Drexl* (supra note 18), p. 174; *Tilmann* GRUR Int. 2001, 676.

35) Besides, the synchronization with the international jurisdiction in Art. 93 subsection 5 CTMR, Art. 82 subsection 5 CDR is most welcome.

36) See supra at note 25 and infra IV 2. Wrong *Ebner* (supra note 28), pp. 259 et seq., 266; and basically also *Schaper* (supra note 30), pp. 209 et seq.

37) Cf. *Staudinger-Fezer/Koos* (supra note 2), marg. no. 942.

38) Cf. art. 9 subsection 2 CTMR, art. 19 subsection 1 CDR, art. 13 subsection 2 CPVRR.

To this problem there are four possible solutions, one of which the European Court of Justice will eventually have to choose. One could either leave it with the distributive application of all the countries' laws where infringing acts have been committed,³⁹⁾ or one looks for the most significant relationship to one of these places⁴⁰⁾ or one applies the law at the seat of the defendant⁴¹⁾ or the *lex fori*, provided that at least some infringing act occurred in the seat or forum state.

The first solution, the distributive application of several conflict laws, is very cumbersome,⁴²⁾ especially if combined with a substantive law fragmentation following the (bad) example of the *Shevill* decision of the ECJ.⁴³⁾ In any case, this solution does not permit (beyond claims for injunctive relief) the efficient enforcement of Community IP rights.

The second solution, in turn, suffers from considerable legal uncertainty⁴⁴⁾ if economic investigations had to be made in order to determine the place of the infringing act that has the most significant relationship to the Community IP right. Conflict rules which can only be applied after extensive facts have been established are on principle unfit and to be avoided.⁴⁵⁾

For the center of gravity solution at the seat of the defendant argues the parallel to international jurisdiction.⁴⁶⁾ And the *lex fori* as the fourth possible solution has the advantage of the less costly and more convenient application of a familiar law and the interlocking of the substantive law sanctions with the law of procedure. The serious disadvantage of the *lex fori* as a conflicts rule, however, is that it encourages forum shopping and thus fails the aim of art. 8 subsection 2 Rome II Regulation of unifying the choice of law rules.

Ultimately, the relatively best solution to the problem of the applicable torts law for Community IP rights is to assume the seat of the defendant as the relevant place of the

39) *Sender*, Patent Infringement, Choice of Laws, and the Forthcoming Rome II Regulation, in Basedow (supra note 2), pp. 159-174, 171 et seq.

40) OLG Hamburg GRUR-RR 2005, 251, 255 —The Home Depot (EU-wide use of a Community trademark directed by the German branch of the Swiss Bauhaus AG).

41) In the end favoured by *Metzger*, Community IP Rights and Conflict of Laws, in Drexler/Kur (supra note 2), pp. 215-225, 222 et seq.

42) *Metzger* (preceding note), p. 220.

43) ECJ 7 March 1995, ECR 1995, I-415 paras. 28 et seqq. —*Shevill/Press Alliance SA*, for the international jurisdiction in art. 5 no. 3 of the Brussels I Regulation. See the critique among others of *Schack*, Internationales Zivilverfahrensrecht, 4th ed. 2006, marg. no. 306; *Sebastian Kubis*, Internationale Zuständigkeit bei Persönlichkeits- und Immaterialgüterrechtsverletzungen, 1999, pp. 134 et seqq. —Like the ECJ for the international jurisdiction art. 94 subsection 2 CTMR, art. 83 subsection 2 CDR, and art. 101 subsection 3 sent. 2 CPVRR.

44) *Metzger* (supra note 41), p. 221.

45) Generally on the importance of legal certainty in the conflict of laws *Kropholler* (supra note 6), § 14 II, p. 113; *Klaus Schurig*, Kollisionsnorm und Sachrecht, 1981, pp. 176 et seqq., 305.

46) See art. 93 subsection 1 CTMR, art. 82 subsection 1 CDR.

tort (and as subsidiary connecting factors those used in art. 92 subsections 1 to 3 CTMR). Most of the time the defendant's seat will coincide with the center of gravity of the infringing acts or at least with the central office from where they are directed. This connecting factor is easy to ascertain and leads to the application of a single law for all consequences of an infringement.

2. International treaties

The international IP treaties are insignificant as a source of conflict rules. The territoriality principle as their historical basis only operates on the level of the law relating to aliens in denying them IP protection.⁴⁷⁾ The territoriality principle does not answer the question of which law is applicable to a foreign IP right if an international treaty binds the forum state to grant protection. Therefore the territoriality principle as such does not contain a conflicts rule.⁴⁸⁾ This principle is not a value in itself as if it would guarantee the independence of strictly national IP rights,⁴⁹⁾ but rather an outdated and unjustified principle,⁵⁰⁾ at least for unregistered IP rights (see *infra* III 2).

The international treaties only dismantle the national law relating to aliens by requiring the contracting states to grant national treatment and by supplementing it with some minimum rights, i.e. with rules of substantive uniform law.⁵¹⁾ According to the prevailing and correct opinion the national treatment principle, too, does not contain a conflicts rule.⁵²⁾ It only prohibits the contracting states to treat foreign nationals less

47) Cf. *Schack*, *UrhR*, marg. no. 802.

48) Overwhelming opinion, all with further references *Schack*, *UrhR*, marg. nos. 805, 890; *von Welser*, in: *Wandtke/Bullinger* (eds.), *Praxiskommentar zum Urheberrecht*, 3rd ed. Munich 2009, vor § 120 *UrhG* marg. no. 5; *MünchKomm-Drexl* (supra note 2), marg. no. 13; *Zweigert/Puttfarcken*, *Zum Kollisionsrecht der Leistungsschutzrechte*, *GRUR Int.* 1973, 573-578, 574. Confusing *Staudinger-Fezer/Koos* (supra note 2), marg. nos. 869, 851; contra *Schricker/Katzenberger* (supra note 25), vor § 120 *UrhG* marg. no. 120.

49) Contra the reasons given for the Commission's proposal of 22 July 2003, COM (2003) 427 final, p. 22.

50) *Schack*, *UrhR*, marg. no. 800; *Alexander Peinze*, *Internationales Urheberrecht in Deutschland und England*, Tübingen 2002, pp. 11 et seq., 19; *Fabian Ropohl*, *Zur Anknüpfung der formlosen Markenrechte im IPR*, Göttingen 2003, p. 66.

51) See, e.g., Art. 5 subsection 1 of the Berne Convention for the Protection of Literary and Artistic Works (Paris version of 1971), artt. 4 et seqq. of the Rome Convention of 26 October 1961 on neighbouring rights, art. 2 subsection 1 of the Paris Convention for the Protection of Industrial Property, artt. 3, 9 et seqq. TRIPs.

52) *Schack*, *UrhR*, marg. no. 891 with further references and in more detail *idem* (supra note 1), pp. 28 et seqq.; *Carsten Intveen*, *Internationales Urheberrecht und Internet*, Baden-Baden 1999, pp. 113 et seqq.; *Eva Inés Oberfell*, *Filmverträge im deutschen materiellen und internationalen Privatrecht*, Cologne 2001, pp. 204 et seqq.; *Peinze* (supra note 50), pp. 135 et seqq.; *Mireille van Eechoud*, *Choice of Law in Copyright and Related Rights*, The Hague 2002, pp. 107 et seqq.; *Ropohl* (supra note 50), pp. 31 et seqq. (as to art. 2 subsection 1 of the Paris Convention); contra *Ulmer* (supra note 1), nos. 1, 16; *Schricker/Katzenberger* (supra note 25), vor § 120 *UrhG* marg. no. 125; *MünchKomm-Drexl* (supra note 2), marg. nos. 50 et seqq.; cf. also *Staudinger-Fezer/Koos* (supra note 2), marg. nos. 844-847.

favourably than their own citizens in the formation and application of their substantive or conflicts legal rules. The principle of national treatment was intended as the most elegant means to obviate any interference with the national legal orders about which the contracting states just could not reach an agreement. With the national treatment principle they rather trust in that every state will in its own interest protect its citizens sufficiently and according to a national law that seems adequate. This law does not need to be necessarily that of the forum state or that of the protecting country.⁵³⁾

The principle of national treatment therefore leaves it to the contracting states to make their own decisions on the applicable law as long as they do it in an undiscriminating manner. The way is thus free for the national as well as for the European conflicts legislator. The central switch is the distinction between registered and unregistered IP rights.

III. Registered and unregistered IP rights

1. Registered IP rights

Registered IP rights, like the patent, the (industrial) design and the registered trademark owe their existence to their registration in a state-run register. The registration occurs on the basis of an administrative act after a more or less detailed examination of the prerequisites of protection.⁵⁴⁾ The administrative agency may be bound in its decision, but it is nevertheless the administrative act that creates the property right. Therefore, registered IP rights are from the start limited to the territory of the granting state, irrespective of their aim to foster the own national economy. Granting state is the country for the territory of which the protection is granted. As to Community-wide registered IP rights like the Community trademark this is the whole territory of the European Union by virtue of the administrative act of the Office for Harmonization in the Internal Market according to art. 45 CTMR.⁵⁵⁾

The administrative act as foundation of the registered IP rights necessarily limits their territorial reach: As long as a State does not renounce or contractually restrict its sovereignty foreign administrative acts can have no effect on its territory. This sovereignty concept is the foundation of all registered IP rights and of the multilateral treaties,⁵⁶⁾ including the European Patent Convention, so that registered IP rights attached to one intangible good are conceivable only as a bundle of separate national IP rights — as long as

53) The same is true for the misleading wording (“country *where* protection is claimed”) in artt. 5 subsection 2 sent. 2, 14^{bis} subsection 2a Berne Convention; cf. *Schack*, UrhR, marg. nos. 891 et seq.

54) Very clear for the patent §§ 49 subsection 1, 58 subsection 1 of the German Patent Act and art. 97 of the European Patent Convention 2000.

55) Correspondingly for the registered Community design art. 48 CDR.

56) Cf. RGZ 118, 76, 81 et seq. — Hengstenberg (departing from the universality principle in trademark law).

one doesn't want to give up the concept of sovereign state action. The result for the conflict of laws is that registered IP rights are invariably governed by the law of the protecting country.⁵⁷⁾

2. Unregistered IP rights

That is totally different with unregistered IP rights. They come into being by immediate operation of law with the creation of a literary or artistic work or with the performance of an act giving rise to some neighbouring right, with the commercial use of a sign which has gained secondary meaning as a trademark (§ 4 no. 2 MarkenG), or with the fame of a well-known trademark under art. 6^{bis} of the Paris Convention.⁵⁸⁾ To be added are business marks which are acquired through simple use and other business signs in the meaning of § 5 MarkenG. Special emphasis deserves the unregistered Community design in art. 11 CDR with its three-year protection as it is until now the sole unregistered Community IP right. It comes into being by immediate operation of law as soon as the design "was first made available to the public within the Community".⁵⁹⁾

Where the IP rights are not granted by an administrative act their territoriality cannot be justified by the sovereignty concept anymore.⁶⁰⁾ The need for the legislator to specify the content of unregistered IP rights (like that of any other absolute rights) is no reason for the territorial limitation either, because the national legislator does not grant these absolute rights but recognises them,⁶¹⁾ as soon as the prerequisites of the substantive law are fulfilled. Like the property in physical things which is recognised and protected in several countries according to their respective *lex rei sitae* (art. 43 EGBGB) an unregistered IP right, though intangible, is by its nature a unitary object of protection however that object may be treated in the conflict of laws (see *infra* IV). The "bundle theory" is the result only of the predicament that state sovereignty has territorial limits, but totally unjustified for unregistered IP rights. Considering the ever growing uniform economic areas and the necessity of an economically efficient and discrimination-free legislation the bundle theory is an anachronism. Such small-state ideas of single-handed regulation must be overcome in the medium term for registered IP rights as well, as it happens increasingly in the European Union with the introduction of Community-wide IP rights. For unregistered IP

57) *Ropohl* (supra note 50), pp. 41 et seqq., 47, 55; *Baetzgen* (supra note 15), marg. no. 160.

58) § 4 no. 3 MarkenG. This variant is practically meaningless besides § 4 no. 2 MarkenG, as it is hardly conceivable that a trademark not used in the domestic market is nevertheless well-known there, cf. *Ingerl/Rohnke*, *Markengesetz*, 2nd ed. 2003, § 4 marg. no. 27.

59) For that it must have "been published, exhibited, used in trade or otherwise disclosed in such a way that, in the normal course of business, these events could reasonably have become known to the circles specialised in the sector concerned, operating within the Community, art. 11 subsection 2 CDR.

60) *Ropohl* (supra note 50), p. 56. And neither as a sovereign organization of the state's economic order; contra *Baetzgen* (supra note 15), marg. no. 183.

61) Cf. *Schack* (supra note 1), pp. 23 et seq.; *idem*, *UrhR*, marg. no. 801; *Andreas Wille*, *Die Verfügung im internationalen Urheberrecht*, 1997, pp. 85 et seq.; *Ropohl* (supra note 50), pp. 56 et seq.

rights, however, such ideas are wrong from the outset. Unregistered IP rights are a modern achievement which must not be burdened with the ballast of sovereign privileges of bygone centuries.

IV. The law governing unregistered IP rights

Apart from copyright, the conflicts law of unregistered IP rights has hardly ever been discussed. Most common is the unitary application of the law of the protecting country (*lex loci protectionis*) to all IP rights. That this simplifying view will not bear a closer examination under a conflict of laws analysis is most obvious for the copyright with its components of, at the same time, personality and property rights. Here lately and especially in view of the internet the opinion is gaining ground that at least some incidental questions, mostly the first ownership of copyright, must receive a unitary answer by applying the law of the country of origin.⁶²⁾ This reasoning has been extended to the connection of unregistered trademarks.⁶³⁾ As we have seen, neither the territoriality principle⁶⁴⁾ nor the principle of national treatment contravene such a result. The same is true for the unregistered Community design for which the comprehensive application of the *lex loci protectionis* is therefore not at all inescapable.⁶⁵⁾

Searching for the “correct”, fair and just conflicts rule for IP rights one must extricate oneself from the national perspective of economic advantages. In principle, the conflict rules are applied without looking beforehand into the substance of the applicable law; Raape has called that “a leap into the dark”.⁶⁶⁾ Methodically inadmissible are arguments squinting at a desired result, like the argument that a unitary connection to the law of the country of origin or of the country where the most significant effects are felt would only favour the USA.⁶⁷⁾

Due to the limited time and space, only the most important guidelines for a

62) Advocated since 1978 by *Schack* (supra note 1), pp. 42 et seqq., 53 et seqq., last in *UrhR*, marg. nos. 900 et seqq., 912 with further references; *Fawcett/Torremans* (supra note 2), p. 512; *Obergfell* (supra note 52), pp. 274 et seq.; *Wandtke/Bullinger-von Welser* (supra note 48), vor § 120 *UrhG* marg. no. 11; and many others.

63) By *Ropohl* (supra note 50), pp. 69 et seqq.

64) An exception to this principle is made by *Grupo Gigante SA de CV v. Dallo & Co., Inc.*, 391 F.3d 1088, 1094 (9th Cir. 2004), for the secondary meaning in Southern California of a famous trademark used in Mexico. Cf. *Staudinger-Fezer/Koos* (supra note 2), marg. nos. 973 et seq.

65) Contra *MünchKomm-DrexI* (supra note 2), marg. no. 102, who gathers this from the duty to grant national treatment (art. 2 subsection 1 Paris Convention, art. 3 subsection 1 sent. 1 TRIPs) to right owners from third states.

66) *Leo Raape*, *Internationales Privatrecht*, 5th ed. 1961, p. 90. Cf. *Kegel/Schurig* (supra note 6), § 2 I, pp. 133 et seq.; *Schack*, *Das IPR — ein Buch mit sieben Siegeln*, in: *Liber Amicorum Gerhard Kegel*, 2002, pp. 179-198, 193.

67) Contra *DrexI*, *Europarecht und Urheberkollisionsrecht*, in *FS Dietz* 2001, pp. 461-479, 462; *idem*, in *DrexI/Kur* (supra note 2), pp. 151, 171.

differentiated connection of unregistered IP rights may be discussed here. Special attention is to be paid at the delimitation of the law applicable to the IP right as such from the applicable torts and contracts law, i.e. at the conflict of laws problem of characterization.

1. Content, exceptions and duration of the IP right

For the content, exceptions and duration of any IP right the application of the *lex loci protectionis* is imperative. Only the law of the protecting country can tell in how far IP rights as absolute rights have to be respected by everybody. The domestic commercial and private users of IP rights must be able to know what they are allowed to do and what is prohibited. The scope of acts protected by the IP right is therefore exclusively defined by the law of the protecting country. The content of the absolute right thus defined is not at the disposal of the parties⁶⁸⁾—in contrast to the applicable torts law which at least until now may be chosen by the parties after the event (see *supra* II 1 a).

2. Formation of the IP right

In the recognition of unregistered IP rights there are still big differences between the national laws. That concerns such basic questions as: What kind of creations may be protected under copyright? What kind of achievements shall give rise to neighbouring rights? What kind of signs may be protected as a trademark? And what kind of industrial IP rights actually should be acquired without registration? These questions give rise to other difficult questions as to the necessary degree of creativity, the distinctiveness and the acquisition of secondary meaning. If the law of the protecting country does not know such unregistered IP rights and if it is not bound by an international treaty like art. 6^{bis} of the Paris Convention for well-known trademarks to recognise them their scope of protection in such a country is zero. Such an intangible good may then be freely used in that country.

In practice the circle of the copyright protected works regularly results from the enumeration in art. 2 subsection 1 of the Berne Convention⁶⁹⁾ or for the most important neighbouring rights from the Rome Convention of 1961. As the standard of protection is very high in Germany, cases in which the law of the country of origin draws an even wider circle of goods eligible for protection will be extremely rare. Such rare cases may be countered with the German public policy exception⁷⁰⁾ (art. 6 EGBGB) if protection is not anyway denied under the law relating to aliens. The latter like all other limitations (see *supra* I) are governed by the *lex loci protectionis*.⁷¹⁾ The same is true in the end for the

68) For the copyright BGH GRUR 2007, 691, 692 with further references — Staatsgeschenk; *Schack*, UrhR, marg. nos. 920, 925.

69) Same for the group of signs eligible for trademark protection in art. 1 subsection 2 Paris Convention and art. 15 subsection 1 TRIPS; *Ropohl* (*supra* note 50), p. 77.

70) Cf. *Schack*, UrhR, marg. no. 905; *Ropohl* (*supra* note 50), p. 78.

71) *Schack*, UrhR, marg. no. 922 with examples.

required degree of creativity in § 2 subsection 2 UrhG.⁷²⁾

With unregistered *industrial* IP rights the situation is different insofar as in this field there are no explicit alienage limitations anymore. But the formation of all unregistered industrial IP rights known at this time depends on circumstances which must have happened in the protecting country: Thus the unregistered Community design must have been “first made available to the public within the Community”⁷³⁾ and the secondary meaning in § 4 no. 2 MarkenG always and only relates to a concrete, territorially limited market.⁷⁴⁾

3. First owner of the IP right

Where that is not the case, like in the field of copyright and neighbouring rights, the question is which country’s law should decide on the first owner of the IP right. This incidental question is of eminent importance in the fields of torts and contracts (see *supra* I) and it is the pivotal point for all dispositions over the IP right (see *infra* 4). At the root of this problem are the different systems of copyright and of authors’ rights. The German and the law of many other countries start from the creator principle according to which the copyright owner is always the natural person who has actually created the work (§ 7 UrhG). The USA, Japan and many other laws, however, follow the “work made for hire” principle which grants the copyright in works created under an employment contract directly to the employer.⁷⁵⁾ The problem vanishes if IP rights for business activities are granted directly to phonogram producers, broadcasting organisations or film producers (§§ 85, 87, 94 UrhG); and the problem is aggravated where IP rights cannot be fully transferred, like the copyright in Germany.⁷⁶⁾

The still prevailing opinion in Germany which subjects the incidental question of first ownership to the respective *lex loci protectionis*⁷⁷⁾ has to examine the legal standing again and again, beginning with the creation of the work, under different laws and with possibly different results. This not only makes dispositions on a world-wide level extremely difficult but it also ignores the natural-law core of copyright.⁷⁸⁾ Copyright like physical property must as a matter of principle be recognised and must not be called into question in each protecting country anew. At least the person of the first owner of copyright must be decided once and for all by the law of the country of origin.⁷⁹⁾ That country is determined

72) Cf. *Obergfell* (*supra* note 52), p. 271; *Schack*, UrhR, marg. no. 907 with further references.

73) Art. 11 subsection 1 CDR, see *supra* III 2.

74) *Ropohl* (*supra* note 50), pp. 61 et seq., 66, accordingly construes unregistered trademark rights as market-restricted unitary rights (“marktbeschränkte Einheitsrechte”).

75) See *Schack*, UrhR, marg. no. 979, and in ZUM 1989, 267, 280 et seqq.

76) § 29 subsection 1 UrhG. Performing artists, on the other hand, may transfer their economic rights completely, § 79 subsection 1 sent. 1 UrhG; *Schack*, UrhR, marg. no. 614.

77) Leading case BGHZ 136, 380, 387 — Spielbankaffaire.

78) See in detail *Schack*, Zur Rechtfertigung des Urheberrechts als Ausschließlichkeitsrecht, in FS Wadler 2008, pp. 1005-1024.

79) Extensive and comparative law references at *Schack*, UrhR, marg. no. 912; contra BGHZ 136,

by the place of the first publication, in case of unpublished works by the author's nationality, and in case of cinematographic works by the actual seat of the film producer.⁸⁰⁾ If under the law of the country of origin the copyright originates in the person of the employer the employee as the actual creator of the work can only fall back upon his general personality right which is again governed by the applicable torts law.⁸¹⁾

As to neighbouring rights the decisive place is where the act giving rise to protection has been performed. For IP rights with name function it is the place where the protected sign has been first used.⁸²⁾ For unregistered trademarks (§ 4 no. 2 MarkenG) the country of origin is determined by the place of their first use, provided that the sign has acquired secondary meaning there.⁸³⁾

4. Dispositions over IP rights

The need for legal certainty and for a unitary conflicts determination is equally evident for dispositions over IP rights. Here, remarkably, many adherents of the *lex loci protectionis* want to make an exception and subject the disposition to the applicable law of *contract*. That, however, is most inappropriate, as the latter may be freely chosen by the parties (art. 3 Rome I Convention) who thus would be in a position to circumvent any restrictive norms intended to safeguard the author or other copyright owners from the predominance of the exploitation industries. Again, the correct solution is to apply the law of the country of origin to property dispositions of IP rights.⁸⁴⁾ The law of the country of origin determines whether the copyright or the exploitation right may be transferred in whole or in part, whether a trademark may be transferred only together with the business⁸⁵⁾ or whether a licence works in *rem* or only in *personam*. In the substantive law as well as in the conflict of laws the distinction between obligation (*causa*) and disposition over a right is commonly accepted and there is no reason to back away from this achievement just for IP rights.

For unregistered Community designs art. 27 subsection 1 CDR⁸⁶⁾ contains a special rule: Dispositions over this property right are governed by the law of the member state in

380, 387 — *Spielbankaffaire*. Correspondingly for unregistered trademarks *Ropohl* (supra note 50), pp. 79 et seq.

80) For details of this conflicts rule modeled on art. 5 subsection 4 of the Berne Convention see *Schack*, *UrhR*, marg. nos. 900 et seqq.

81) *Schack*, *UrhR*, marg. no. 910; see supra I at note 8.

82) This results in the actual seat of the company or branch; cf. § 5 subsection 2 sent. 1 and 2 MarkenG.

83) *Ropohl* (supra note 50), pp. 75 et seq. Cf. also *Ebner* (supra note 28), pp. 58 et seqq., however not mentioning unregistered trademarks.

84) *Schack*, *UrhR*, marg. nos. 914 et seqq. with further references, 1147; *Wandtke/Bullinger-von Welser* (supra note 48), vor § 120 *UrhG* marg. nos. 11, 22; *Ropohl* (supra note 50), p. 82.

85) As in Germany until 1992 (§ 8 of the old Trademark Act [WZG]); today § 27 MarkenG. Cf. also art. 6^{quater} subsection 1 Paris Convention; *Ropohl* (supra note 50), pp. 82 et seq.

86) Following the example of art. 16 subsection 1 CTMR.

which “the holder has his seat or his domicile on the relevant date”. This norm must be understood as a gap-filling conflicts rule excluding any kind of renvoi.

V. Outlook

As a whole the relation of Community IP rights to the national IP and conflicts law is marked by several breaks and contradictions. Not all of these the European Court of Justice will be able to solve through troublesome interpretation. In the medium term the only possible solution in a common market is to replace all national IP rights by unitarily defined Community IP rights.⁸⁷⁾ In that context the trend towards recognition of other unregistered IP rights will probably get stronger. These rights are by their very nature universal. To dismember them like registered IP rights along national borders is neither imperative nor justified (see *supra* III 2). Devising adequate conflict rules for unregistered IP rights therefore remains an intellectual challenge for law professors, practitioners and the legislator—once the legal mind has been freed from the compulsive idea of the exclusive application of the protecting countries’ laws.

⁸⁷⁾ Same *Laddie*, National I. P. Rights: A Moribund Anachronism in a Federal Europe?, *EIPR* 2001, 402, 408.