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Choice-of-law in cross-border copyright and related rights disputes

Zhao, Ning

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RIJKSUNIVERSITEIT GRONINGEN

Choice-of-law in Cross-border Copyright and Related Rights Disputes

Comparative inspiration for the PRC

Proefschrift

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Voorburg, 11 November 2012

Ning Zhao

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INTRODUCTION

Background

Since the 19th century, laws on copyright, which were statutory in form, have developed into a branch of legal science. Copyright statutes have the contemporary purposes of either promoting the creation of new works by giving authors exclusive rights to copy them and thus receive profits from them, or establishing respect for expressions of the author's personality. From its beginnings, the protection granted by copyright statutes had been territorially limited in its legal effect, i.e. the exclusive copying privileges granted to authors did not extend beyond the territory of the state that granted them. However, also starting in the late 19th century and continuing to 1995, treaties such as *Berne Convention for the Protection of Literary and Artistic Work* (hereinafter Berne Convention),¹ *Universal Copyright Convention* (hereinafter UCC)² and the *Agreement on Trade-Related Aspects of Intellectual Property Rights* (hereinafter TRIPs)³ were concluded with the aim of granting copyright protection to authors beyond national frontiers. These treaties establish the conditions for how foreign authors or foreign literary and artistic works can be protected in another treaty state. To reach this goal, the treaties implicitly acknowledge that each of the state adhering to them has its own legalisation on copyright. Based on this assumption, such treaties endorse two main principles: 1. national treatment for foreign creators, i.e. the prohibition of any discrimination against foreign originators; and 2. imposing minimum standards of substantive law protection that are to be adopted by member states. For the latter, the treaties merely harmonize but only to a certain level and as to certain aspects of material protection among adhering states. As a result there are still differences existing in national copyright laws and such differences will continue to exist for a rather long time. That is also to say that, given the differences in national copyright laws, in the context of copyright protection, there may be conflicting findings when copyright infringement disputes are at stake in different states.

Another consideration raised in the course of exercising copyright at an international level is the involvement of private international law issues. Private international law (hereinafter PIL) deals with three sets of questions. The first concerns jurisdiction. Jurisdiction rules determine which national court is competent to resolve a given claim. The second is choice-of-law. These rules designate which law is applicable to a given dispute. And the last question concerns the recognition and enforcement of foreign judgments. Those rules lay down under what circumstances judgments that are delivered by a court of another state can be recognized and enforced. Although analytically, these three sets of questions are different, in practice, they are inter-related, because e.g. the decision to sue in a court of a particular country will be based on the application of the choice-of-law rule or the practice in that country, and it will also be anticipated that the decision rendered in that court should be recognized and enforced in the forum where it is planned to have this decision recognized and enforced.⁴

As a legal science, PIL has a much longer history than copyright law. However, the study on the interplay of copyright and PIL only began half a century ago.⁵ This was due to the fact that national legislatures, in comparison with regulating copyright protection in the aspects of material law or of PIL, preferred the former, because material copyright protection provided in copyright law reflects economic and cultural interests involved in the various sectors of copyright business in their individual countries, while the latter is less predictable since the goal of PIL is to pursue justice in individual

¹ Signed on 9 September 1886, as last revised at Paris on 24 July 1971 (as amended on 28 September 1979), S. Treaty Doc. No. 27 (1986), 828 U.N.T.S. 221.

² Signed at Geneva on 6 September 1952, revised at Paris on 24 July 1971. The PRC became the member on 30 October 1992.

³ The TRIPs Agreement is Annex 1C of the Marrakesh Agreement Establishing the World Trade Organization, signed in Marrakesh, Morocco on 15 April 1994.

⁴ Friedrich K. Juenger, *Choice of Law and Multistate Justice* (Martinus Nijhoff, Kluwer 1993) 3-4.

⁵ Eugen Ulmer, *Intellectual Property Rights and the Conflict of Laws* (Kluwer/Commission of the European Communities, Deventer 1978).

cases or legal harmony, i.e. to provide legal certainty, uniformity and predictability.⁶ Another reason was that the two fields of legal science are so remote from each other that legal scholars in either field did not have a full understanding of the other. There was a misconception by copyright law scholars that the territoriality principle laid down in international treaties supposedly provided the only choice-of-law rules, and that would serve to eliminate the role that PIL would play in such claims.⁷

Increased attention to the interplay of copyright and PIL is related to globalization and the rapid technology development that occurred in the past several decades. In the era of the digital information society, communication of copyrighted works has become more instantaneous and occurs on a worldwide level. So have infringements of copyrights. Under such circumstances, more evident and larger scales of cross-border infringements pose challenges to the traditional territoriality principle of copyright protection, and in turn call for more modern PIL solutions in that regard.

How choice-of-law problems arise in cross-border copyright and related rights disputes

The conditions giving rise to the need for PIL rules are two-fold: legal diversity and involvement with cross-border judicial matters.⁸ As discussed below, national copyright laws still differ from one to the other. As a result, when a relevant foreign element is involved in copyright protection, a choice-of-law problem will arise. Looking into a choice-of-law problem in a cross-border copyright and related rights dispute needs to be from two separate perspectives: from the perspective of substantive copyright protection in the international context and from the perspective of choice-of-law classification.

International copyright protection

Although copyright treaties have set up certain standards of copyright protection internationally, some distinct features still prevail in each national copyright law. These features reflect the economic and cultural policies of each country. The following, just to name a few, can briefly demonstrate the differences that exist in national copyright laws.

The European Term Directive⁹ aims at establishing a single duration for copyright and related rights across the entire European Union. The chosen term was 70 years from the death of the author (*post mortem auctoris*, [*pma*]), which is longer than the 50 year *pma* required by Article 7(1) of the Berne Convention and other Union states to the Berne Convention, e.g. the PRC (Article 21 of PRC Copyright Law¹⁰). Under such circumstances, the works that fall into the public domain after 50 year *pma* in the PRC will still be protected in the Netherlands, where a term of 70 years *pma* has been adopted. Consequently, if such works are exploited without the permission of the right owner in the Netherlands, it will still constitute infringement of the owner's copyright according to the Dutch Copyright Law, but it would not be the case in the PRC under the PRC Copyright Law.

⁶ Stig Strömholm, *Copyright and the Conflict of Laws: A Comparative Survey* (Heymann, Cologne etc 2010) 3-4.

⁷ Stig Strömholm (*supra* n 6) 4; see also Haimo Schack, 'The Law Applicable to (Unregistered) IP Rights After Rome II', in Stefan Leible and Ansgar Ohly (eds), *Intellectual Property and Private International Law* Geistiges Eigentum und Wettbewerbsrecht 28 (Mohr Siebeck, Tübingen 2009) 79.

⁸ M.H. ten Wolde, K.C. Henckel and J.N. de Haan, *European Private International Law: A comparative perspective on contracts, torts and corporations* (Hephaestus Publishers, Groningen 2011) 3-4.

⁹ Council Directive 93/98/EEC of October 29 1993 on term of protection [1993] OJ L290/9, codified version Directive 2006/116/EC [2006] OJ L372/12 (Term Directive), proposal for amending the Term Directive, COM (2008) 0464 final, for details, see Michel M Walter, 'Commentary on Term Directive' in Michel M Walter and Silke von Lewinski (eds), *European Copyright Law: A Commentary* (OUP, Oxford 2010) 499-677.

¹⁰ Copyright Law of the People's Republic of China, adopted at the 15th Session of the Standing Committee of the Seventh National People's Congress (NPC) on 7 September 1990, and amended at the 24th Session of the Standing Committee of the Ninth NPC on 27 October 2001 and amended at 13th Session of the Standing Committee of the Eleventh NPC on 26 February 2010, entered into force on 1 April 2010. (PRC CRL).

As will be discussed in chapters One and Three of this dissertation, the treatment of moral rights constitutes one of the important differences between the countries adopting the copyright system and those adopting the *author's rights* system. Moral rights are only granted to authors, but in the case of cinematographic work they were usually granted to the producer. Thanks to the EU harmonization of copyright law, the director of a film is deemed a co-author of a film under European Union national laws, but he is not an author under the PRC Copyright Law or the US Copyright Law. As disputed in the famous *John Huston*¹¹ case, the choice-of-law issue arose as to the authorship of the work when heirs of the director of an American film attempted to stop the release in Europe of a colourised version of that film. Additionally, since the scope of moral rights protection differs among national copyright laws, when there is a finding of infringement of moral rights according to the law of one country, it would probably not be an infringement pursuant to another country's law.

Initial ownership is normally granted to an author who is the actual creator of the work. However, in certain national copyright laws, e.g. US Copyright Law and Dutch Copyright Law, an exception has been adopted for works made during an employment relationship, the so-called work-made-for-hire doctrine. According to this doctrine, initial ownership of such works is granted to the employer rather than the employees who actually created the work. Thus, there will be difference in terms of who is the initial owner of such works under different national laws. When such works cross borders, concerns about which law shall apply to initial ownership of such works may then be raised.

Furthermore, network technologies easily make copyrighted works co-created by creators having various nationalities, such as in making a film or conducting a research project that involves specialists from different countries. In such works, it is difficult to separate and apportion the labour in and actual contribution to the creation of copyright. Since national laws differ with regard to the initial acquisition of such a copyright, issues of co-ownership therefore also give rise to choice-of-law considerations.

The matters of the existence, scope, ownership, validity, duration and termination of copyright are closely related to infringement claims of copyright. The initial ownership issue is critical to an infringement claim because to decide the infringement claim the judge has to determine whether a party who claims copyright protection is actually entitled to such protection. In addition, in such disputes, the question of initial ownership may often arise as a preliminary issue. So may the matters of the existence, scope, validity, duration and termination of copyright: an infringement dispute is adjudicated based on the existence of a valid copyright and within the scope of the right i.e. what exactly has been granted. They will also be examined when determining whether there is an infringement.

The choice-of-law perspective

When faced with a choice-of-law problem, one needs to begin with classification, i.e. to look at the legal issue or legal relationship involved in the dispute and decide whether the particular law or issue at hand fits into that category. If so, one then needs to determine the connecting factor that goes with that category, by which the law of a certain national legal system will be designated.

To identify the law applicable to cross-border copyright disputes one encounters the problem of classification. Copyright is one of the categories of intellectual property rights (hereinafter IP rights). As the second word states, an intellectual property right is a form of property. In addition, the economic importance involved in IP rights, including copyright and related rights, highlights the property elements. As a result, it has been argued that property choice-of-law rules should be applied to intellectual property. Such arguments require attention to discern whether the specific characteristics that copyright has would distinguish it from the standard type of property, not only in terms of substantive law but also choice-of-law rules.

¹¹ French Cour de Cassation, *Huston v. TV5* 28 May 1991, 149 RIDA 197-99 (1991). For details, see *infra* 3.3.6.2.4.1 Moral rights.

The matters that are dealt with in this dissertation, existence, scope, duration, termination, initial ownership and infringement of copyright, are non-contractual in nature. In this context, the ideas that these matters can be further classified into two categories within the realm of choice-of-law: matters related to the right itself – the property right aspect - and the matter of infringement – the tort aspect- and apply a choice-of-law analysis to them accordingly lead to a question whether this will be a proper solution.

For the former category, the *situs* rule - the law of the *situs* of the property - has always been important for choice-of-law rules in the field of property law, be it movable property or immovable property. However, differing from patent and trademark, which depend on registration, identifying a *situs* for copyright and applying the law of the *situs* are complicated in cross-border copyright disputes. Literary and artistic works have a ubiquitous character, because they are not dependant on physical links with any territory and cannot be situated in a given country, but are in all places where an act of exploitation has been undertaken or has come into question. Moreover, copyright is created without registration or any other formality.¹² One can, therefore, not locate a copyright at one particular place for the purpose of applying a choice-of-law approach. In fact, the application of the traditional property approach to intellectual property, including copyright and related rights, will be problematic.¹³

The latter category applying the general tort choice-of-law rules to infringement of IP rights is also based on the consideration that IP infringement is indifferent to the tortious act that occurred as to traditional types of property. Due to the differences in national copyright laws, a choice-of-law problem will appear when a given act is construed as infringing copyright in accordance with one law, but not so under another law. In particular in the digital era, when multi-state copyright infringements will appear more often, the question of how to deal with such disputes deserves discussion.

Potential disputes

In practice, choice-of-law issues in international copyright cases have been largely ignored in the reported decisions. In a great number of cases, the issue of choice-of-law was not expressly adjudicated.¹⁴ The statutes and the case law of most countries simply do not address those issues in a conclusive manner. Along with the increased global exploitation of copyright and related rights works, courts and scholars have been forced to reconsider the choice-of-law question in cross-border copyright and related rights claims.

In the past several decades, this topic has drawn some attention from academics in the international arena.¹⁵ And in more recent years, not only national but also regional legislators – in the European

¹² Art. 5(2) of the Berne Convention.

¹³ James J. Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (2nd edn OUP, Oxford 2011) paras 13.31-13.40.

¹⁴ Paul Goldstein, *International Intellectual Property Law—Cases and Materials* (2nd edn Foundation Press & Thomson West, New York 2008) 46. PRC's cases see *infra* n 1204.

¹⁵ See Eugen Ulmer (*supra* n 5); James J. Fawcett and Paul Torremans, *Intellectual Property and Private International Law* (Clarendon Press Oxford, Oxford 1988); Jane C. Ginsburg, 'The private international law of copyright in an era of technological change' (1998) 273 *Recueil des Cours de l'Académie de Droit International* 239; Marta Pertegás Sender, *Cross-Border Enforcement of Patent Rights* (OUP, Oxford 2001); Mireille van Eechoud, *Choice of Law in Copyright and Related Rights- Alternatives to the lex Protectionis* (Kluwer Law International, the Hague 2003); J. Drexl and A. Kur (eds), *Intellectual Property and Private International Law, Heading for the Future* (Oregon, Oxford and Portland 2005); Jürgen Basedow, J. Drexl and A. Metzger (eds), *Intellectual Property in the Choice-of-law* Max-Planck-Institut für ausländisches und internationales Privatrecht 44 (Mohr Siebeck, Tübingen 2005); Dário Moura Vicente, 'La propriété intellectuelle en droit international privé' (2008) 335 *Recueil des Cours de l'Académie de Droit International* 105; Stefan Leible and Angsar Ohly (eds), *Intellectual Property and Private International Law*, the series of Geistiges Eigentum und

Union - have prescribed specific rules in this field,¹⁶ for another example, a recent codification of the PRC's choice-of-law rules provides explicit rules for IP rights, including copyright and related rights.¹⁷ Although the rules prescribed therein, as will be discussed later in this dissertation, are traditional with contemporary elements, these rules still have drawbacks and limitations in how they can be applied.

Object of this study

Given the rules prescribed in the People Republic of China (hereinafter PRC) on IP rights and the choice-of-law rules in its PIL Statute, this dissertation questions whether those rules will fit into the picture of enhancing cross-border exploitation of copyright and related rights from the perspective of choice-of-law. In answering this question, the dissertation will propose choice-of-law solutions concerning copyright and related rights claims to the PRC legislature and judiciary.

To reach such a goal, several sub-questions need to be addressed, more specifically:

- what specific characters do copyright and related rights have that give rise to conflicts in international protection, and that distinguish copyright and related rights from other registered IP rights and standard property rights in tangible things in terms of identifying the law applicable to such disputes?
- do international copyright and related rights treaties provide any choice-of-law solution to cross-border copyright and related rights disputes?
- how do European Union law and the laws of major European states designate the law applicable to cross-border copyright and related rights disputes, and what inspiration can they bring to PRC legislators and its judiciary?
- what approaches do academic contributors provide and how can they inspire PRC law?
- how does PRC law and judicial practice deal with the choice-of-law issue in cross-border copyright and related rights disputes?

Plan of this study

In view of the objectives of this dissertation, the five chapters of this work may be introduced as follows.

Since a basic understanding of the sources and the different concepts applied at a substantive law level is indispensable for understanding the choice-of-law issues, Chapter 1 will analyse the rationales of copyright and related rights, and briefly describe the philosophical backgrounds of two traditions of

Wettbewerbsrecht 28 (Mohr Siebeck, Tübingen 2009); S. J. Schaafsma, *Intellectual eigendom in het conflictenrecht: De verborgen conflictregel in het beginsel van nationale behandeling* (Kluwer, Deventer 2009); Jürgen Basedow, Toshiyuki Kono and Axel Metzger (eds), *Intellectual Property in the Global Arena* Max-Planck-Institut für ausländisches und internationales Privatrecht 49 (Mohr Siebeck, Tübingen 2010); Stig Strömholm (*supra* n 6); Fawcett and Torremans 2011 (*supra* n 13); Rita Matulionytė, *Law Applicable to Copyright: A Comparison of ALI and CLIP Proposals* (Edward Elgar, Cheltenham and others 2011); Toshiyuki Kono (ed), *Intellectual Property and Private International Law* (Hart Publishing, Oxford and Portland 2012) as well as numerous articles on this subject.

¹⁶ Regulation (EC) No 864/2007 of the European Parliament and of the Council of 11 July 2007 on the law applicable to non-contractual obligations (Rome II) [2007] OJ L199/40 (Rome II Regulation); Art. 110 of Swiss Federal Statute on Private International Law of 18 December 1987 (Swiss PIL); Art. 93 of the Law of 16 July 2004 the Belgian Code of Private International Law, Moniteur Belge of 27 July 2004, English translation in *RabelsZ* 70 (2006) 358, 384 (Belgian PIL); Art. 54 of Italian Private International Law Act 31 May 1995, No. 218. (Italian PIL); Art. 34 of Austrian Private International Law Act of 15 June 1978, BGBI 1978/304, most recently amended by BGBI I 2009/109. (Austrian PIL); Arts. 48-50 of Law on the Application of Law in Foreign-related Civil Relations of the PRC, adopted at the 17th Session of the Standing Committee of the eleventh NPC 28 October 2010, enter into effect as of 1 April 2011 (PRC PIL Statute).

¹⁷ Arts. 48-50 of the PRC PIL Statute.

“copyright” and “*author’s right*” and their reflections on the most important issues such as initial ownership, moral rights, scope of economic rights, duration, infringement and so on. It will further explain the impact of technology on international copyright protection, notably with the advent of the Internet, and analyse the interplay of international copyright protection and the choice-of-law issue.

Chapter 2 will examine how current international copyright and related rights treaties, namely the Berne Convention, the UCC, the Rome Convention 1961, the TRIPs Agreement, the WCT, WPPT and WAPT, protect foreign works and authors. In addition to describing the substantive law protection prescribed therein, Chapter 2 will analyse the frequently-debated issue: whether these treaties contain or entail any choice-of-law rules in terms of international copyright and related rights protection.

Chapter 3 will deal with law and practice in Europe. It will first discuss the “Europeanization” of PIL rules, and examine a series of EU directives that aim at harmonizing copyright matters in the laws of the Member States so as to see whether these directives prescribe any choice-of-law solution to cross-border copyright and related rights disputes. Subsequently, an analysis of the Rome II Regulation, in particular its Article 8, will be carried out. As to the matters that fall outside the scope of the Rome II Regulation, a comparative analysis of the laws of selected European states will be conducted. The inspiration that EU law, European states’ national laws and judicial practices can bring to the PRC legislature and judiciary will be listed at the end of the chapter.

Chapter 4 will describe the efforts that have been made by academic institutions with regard to the law applicable to cross-border copyright and related rights disputes. In this respect, the modern and pragmatic approaches taken by these institutions will be studied and compared. On this basis, the chapter will discuss how they can inspire the PRC legislature and judiciary.

Chapter 5 will examine the law and judicial practice in the PRC. It will describe the PRC legal system and the development of its PIL rules. Additionally, the sources of choice-of-law rules in cross-border copyright and related rights disputes and judicial practice at People’s Courts will be analysed. The newly-adopted choice-of-law rules for IP rights and their possible impacts on Chinese judicial practice will also be evaluated.

Proposed solutions will be presented in the chapter of Conclusion.

Terminology

“copyright” v “*author’s right*”

As this dissertation is conducted in English language, the term “copyright” is generally used throughout the study. And the term of “*author’s right*” will be used in the circumstances referring to the rights granted by the laws of the countries having the author’s rights system.

Jurisdictional issues

Given the scope of this study, this work will focus only on choice-of-law issues, more particularly, the law applicable to cross-border copyright and related rights disputes. Thus, in the course of this study, the analyses and descriptions carried out will presume that the international jurisdiction of courts has been affirmed in the cross-border copyright and related rights disputes being discussed.

CHAPTER 1 – RATIONALES OF COPYRIGHT AND RELATED RIGHTS

For effective copyright enforcement, rules that determine choice of applicable law are important. Additionally, for determining such rules, the legal characteristics of a particular copyright, together with justifications for legal limitations on it, have special importance.

The philosophical underpinnings of most legal orders determine their unique copyright policies, which lead to different degrees of national copyright protection throughout the world. Because of these legal characteristics, a single international copyright law has never materialized, nor has there been any credible harmonization of substantive copyright laws on a worldwide level. Furthermore, in the global milieu, the shift to a knowledge-based economy combined with increases in trade in copyrighted products and in cultural exchanges has magnified the importance of copyright and expanded the role of copyright law. Moreover, advanced technology, primarily the Internet, has changed the methods of reproduction and dissemination of products protected by copyright. That has made some of copyright law problematic insofar as regulation and enforcement are concerned. Under these circumstances, more attention has had to be drawn to choice-of-law issues in cross-border copyright disputes. An understanding of the nature, characteristics and justifications of copyright provided in this chapter will be helpful for a study on how to determine the law applicable to copyright disputes.

In summary, this background chapter begins by describing the general idea of copyright and related rights; secondly, it overviews the four legal rationales for copyright; thirdly, it analyses the legal justifications for copyright, including the justice argument, the utilitarian argument, and the argument based on economic efficiency; fourthly, it describes limitations to the scope of copyright protection and exceptions from it, including justifications for the limitations on the scope of copyright for fundamental rights and freedoms, regulation of competition and industrial practices, promotion of culture and knowledge, as well as responses to market failures. Its fifth section examines the impact of new technology on copyright protection, notably after the Internet became widely used. While the sixth section returns to the basic subject of the dissertation by exploring ways in which copyright with its unique characteristics, as distinguished from other kinds of property rights, say tangibles, specially interacts with rules on choice of applicable law.

1.1 Concept of copyright and related rights

In general, the concept of copyright encompasses legally protecting from unauthorized use of the works that resulted from an author's own intellectual creation by granting that author, or the author's assigns, the exclusive right for a specified time period on making copies of what the author has expressed in those works.¹⁸ The Berne Convention, adopted by 165 countries, lists the categories of such works as

*“books, pamphlets and other writings; lectures, addresses, sermons and other works of the same nature; dramatic or dramatico-musical works; choreographic works and entertainments in dumb show; musical compositions with or without words; cinematographic works to which are assimilated works expressed by a process analogous to cinematography; works of drawing, painting, architecture, sculpture, engraving and lithography; photographic works to which are assimilated works expressed by a process analogous to photography; works of applied art; illustrations, maps, plans, sketches and three-dimensional works relative to geography, topography, architecture or science”.*¹⁹

Classes of rights-owners outside the class of authors, i.e. performers, producers of phonograms and broadcasting organizations are the concern of “related rights”. They protect performances,

¹⁸ J.A.L. Sterling, *World Copyright Law* (3rd edn, Sweet & Maxwell, London 2008) para 1.01; see also analysis in Chapter 2 *infra*.

¹⁹ Art. 2(1) of the Berne Convention,.

phonograms and broadcasts, respectively. Related rights differ from copyright in that they belong to classes of owners regarded as intermediaries, rather than authors. Rights of intermediaries are created by use of means in the process of protecting, recording, or distributing works. Nevertheless, related rights are closely linked with copyright. That linkage forms the reason why copyright and related rights are often considered and used together. Since related rights owners often provide assistance to copyright owners in the communication of the latter's works to the public, their roles are said to be auxiliary to the intellectual creation process.²⁰

The excavations that would hold the foundation pillars of later concepts of copyright consisted of the privileges and legal monopolies that European rulers and ruling bodies, sovereigns if you will, conferred on printers and bookbinders beginning in the second half of the 15th Century CE - spurred on by the proliferation in Europe of the historic invention that enabled simultaneous copying of both sides of a page and copying, i.e. printing, in a relatively short time of many pages, something that could be done regardless whether or not such copying would have been authorized.²¹ Conferring those privileges and legal monopolies converted printer/publishers into participants in the control, censorship, and prohibition of controversial books, for the purpose of protecting their pecuniary interest.²² The privileges and legal monopolies granted were in the form of exclusive rights to print and sell a specific author's manuscript for a limited time in the rulers' respective territories.²³

Attempt to reinstate such privileges, which in England had expired, developed into the first statute that recognized a general right of authors, namely the British Statute of Anne 1709 (1710).²⁴ It provided monopoly rights to copy certain works for a limited number of years.²⁵ A Danish Ordinance of 1741 prohibited printing not authorized by either the author or the first publisher.²⁶ Near the end of the 18th century, on the Continent of Europe, there was developed an "*author's right*" system, widely held to be linked to the concept of an author's personality.²⁷ This system stemmed from the French Revolutionary Decrees of 1791 and 1793,²⁸ and was passed on to Belgium, Holland, Italy and Switzerland under the influence of Napoleon Bonaparte.²⁹ In 1847, the Spain's original Copyright Act was passed,³⁰ and the newly formed German Empire's first copyright statute was enacted in 1871.³¹ Across the Atlantic, the British model was followed in part

²⁰ G. Gregory Letterman, *Basics of International Intellectual Property Law* (Transnational Publishers, New York 2001) 257.

Related rights are also called neighboring rights. Some countries distinguish them from authors' rights, and others do not, while international protection of them under the Berne Convention and other treaties is separate from that of authors.

²¹ Jane C. Ginsburg 1998 A (*supra* n 15) 257-58.

²² For some of the histories of the development of copyright law in England, see John Feather, 'Authors, Publishers and Politicians: The History of Copyright and the Book Trade' (1988) 10(12) EIPR 377-80; P. Prescott 'The Origins of Copyright: a Debunking View' (1989) 11(12) EIPR 453-55; and generally, J.A.L. Sterling (*supra* n 18) paras 1.03-1.08.

²³ Jane C. Ginsburg 1998 A (*supra* n 15) 257-58.

²⁴ 8 Anne, c 19 (1709). As Sterling notes, the queen signed it in 1710, see J.A.L. Sterling (*supra* n 18) para 1.08. Sterling's book contains a copy of the Statute of Anne, see J.A.L. Sterling (*supra* n 18) para 80.04.

²⁵ Simon Fitzpatrick, 'Prospects of Further Copyright Harmonization' (2003) 25(5) European Intellectual Property Review (EIPR) 215, 216.

²⁶ Ordinance of 7 January 1741, referred from J.A.L. Sterling (*supra* n 18) paras 1.09 and 80.05.

²⁷ J.A.L. Sterling (*supra* n 18) paras 1.01, 2.17.

²⁸ The Decree of January 13/19, 1791 and July 19/24, 1793. Referred from J.A.L. Sterling (*supra* n 18) paras 1.11, 2.17 and 80.07.

²⁹ Simon Fitzpatrick (*supra* n 25) 216.

³⁰ The Law of June 10, 1847, referred from J.A.L. Sterling (*supra* n 18) para 80.11.

³¹ German Empire of the Laws of 1871 (literary, musical and dramatic works), referred from J.A.L. Sterling (*supra* n 18) paras 2.18 and 80.09. He also notes that in 1837 the Kingdom of Prussia had enacted a comprehensive author's right code.

by the first US Copyright Act in 1790. Under the US Constitution, copyright is an exclusive subject of federal law.³²

The People's Republic of China (PRC) first promulgated a copyright law, as such, in 1990, followed by amended copyright laws in 2001 and 2010. China has a tradition of being universally recognized as the birthplace of two significant processes: paper making and printing. They became closely connected to the substance and development of early copyright law. Copyright regulation in China can be traced back to before 1068 CE.³³

Before the establishment of the PRC, three modern copyright statutes had been promulgated in China, namely the Copyright Law of the Great Qing adopted by the Government of the Qing Dynasty in 1910, the Copyright Law adopted by the Northern Warlord Government in 1915, and the Copyright Law of the Republic of China adopted by the Guomindang Government in 1928. With the founding of the PRC, the Communist Party repealed all then-existing laws and started to construct a legal order from scratch.³⁴

The history of the development of copyright law in the PRC reveals that it resulted from the PRC's adoption of its Open Door policy and economic reform that began in 1979. From the time the PRC had been founded until 1990, it had no legislation that could be called "copyright law". The protection that was provided for authors was mainly laid down in a number of resolutions, such as the Resolution on the Development and Improvement of Publishing, which set forth basic principles concerning copyright protection.³⁵ The first PRC law that in any way dealt with IP rights protection was the PRC Criminal Law 1979,³⁶ in which criminal sanctions were specified only for trade mark infringement, rather than violation of copyright. Subsequently, in 1986 when the General Principles of the Civil Law of the People's Republic of China (GPCL)³⁷ was adopted, IP rights, including copyright, were for the first time defined in the PRC's basic civil law as a civil right applicable to its citizens and legal residents, and for the first time the citizens' and legal residents' rights of authorship (copyright) were affirmed.

Unlike IP law development in other countries, the PRC's legislative development as to IP, including copyright, followed a reverse course, i.e. acceding to international obligations prior to setting up a

³² Simon Fitzpatrick (*supra* n 25) 216; J.A.L. Sterling (*supra* n 18) para 1.10.

³³ In the Northern Song Dynasty, in order to protect the *JiuShu* (Nine Chinese Classics) that were used by the Imperial College, the superior authority declared that the unauthorized engraving and making of plates from these books was forbidden. Those who wanted to engrave or print those books had to apply to the Imperial College for approval. The privileges granted to printers in 15th and 16th century Europe had some similarity to this, since it was a measure for the protection of the exclusive right of the Imperial College to print, publish and control its own edition of the *JiuShu*. (see Chengsi ZHENG and Michel Pendleton, *Copyright Law in China* (CCH International, Australia 1991) 12) In the Southern Song Dynasty, a book named *Donghu Shilue* (The Summary of Events in the Eastern Capital) even contained a copyright notice which reads, "Registered with the superior authorities – no reprints allowed" (see *Shulin Qinhua* (*Quiet Talks Among Bookstack*) [in Chinese] (Ancient Books Publishing House, Beijing 1957) 36-8), which could be considered as the earliest declaration for protecting copyright. (see Handong WU, *Intellectual Property Law 知识产权法* [in Chinese] (2nd edn Law Press, Beijing 2007) 35)

³⁴ For the legal history of Chinese copyright law, see Chengsi ZHENG and Michael Pendleton (*supra* n 33); Stephen M. Stewart and Hamish Sandison, *International Copyright and Neighboring Rights* volume 2 (2nd edn Butterworths, London 1989) 1-3; Handong WU (*supra* n 33) 35, 38.

³⁵ Adopted at the First National Conference on Publishing and issued by the State Council on 28 October 1950; for details, see Stewart and Sandison (*supra* n 34) 3; Handong WU (*supra* n 33) 38-9.

³⁶ *Criminal Law of the People's Republic of China*, adopted by the 2nd Session of the Fifth NPC 1 July 1979 and amended by the 5th Session of the Eighth NPC 14 March 1997. The 1979 version of the PRC Criminal Law provided only a fine or a maximum 3 years imprisonment, or both, for trade mark infringement.

³⁷ Adopted at the 4th Session of the Sixth NPC, promulgated by Order No. 37 of the President of the PRC on 12 April 1986 and effective as of 1 January 1987.

domestic legal framework.³⁸ In 1979, the PRC started to realize the importance of strengthening IP protection for its new Open Door policy and economic reform. Due to the increasingly urgent need to develop cultural exchange and trade with foreign countries, the PRC took steps to participate in activities organised by the relevant international organizations. It signed the 1979 Sino-US Trade Agreement, which obligated both countries to recognize the other's copyright. In 1980, the PRC submitted its application for accession to the *Convention Establishing the World Intellectual Property Organization* (hereinafter WIPO), and it became a member of WIPO as of 3 June 1980. The PRC's WIPO membership obligated it to establish IP protection in domestic laws, despite the fact that at that moment no conventional IP law was in effect in the PRC.

1.2 Legal characteristics of copyright and related rights

Since the nature and characteristics of a private-law subject will in a particular case be influential in making the determination as to the governing law, it is not only relevant but important to look into the character of, and theories justifying copyright and related rights. The character of copyright has been a subject of long-standing debate. In general, the theories are as summarized in the next four subsections. Given the focus of this book, those subsections describe the four differing theories of copyright and related rights only in a general way.

1.2.1 Property right theory

Among the four types of theories, it is generally accepted that the copyright/author's property right implies a narrower concept of property than what is referred to by the usual private-law meaning of "property". The property theory of copyright originated from John Locke's theory that copyright is derived from natural law.³⁹ According to Locke, it is "*man's labour which is the essential constituent factor in property*". Based on a legal concept that the author is naturally entitled to the property resulting from his intellectual creation, the property right theory is widely adopted in national laws and international treaties.⁴⁰

Like real property, copyright is an absolute subjective right, operating *erga omnes*. As a result, a copyright owner, by having an exclusive entitlement to a work, can prohibit others from using that work until the time period of the copyright expires. This characteristic intertwines also with the theory of monopoly right.⁴¹ In addition, the idea that an intellectual creation generates a property right led to the adoption of the commonly-accepted general concept of "intellectual property".⁴² In ways similar to other types of property, the exclusive rights conferred by copyright can also be transferred to others. A transfer can either be effectuated by law, by a will, or by means of licensing or assignment, and it is even getting more popular that intellectual property, including copyright may be used as security for a loan.⁴³

³⁸ Chengsi ZHENG, 'Chinese IPR Law and International Treaties' in *China Intellectual Property Law Guide* (1st edn Kluwer Law International, Den Haag 2005) §10-200.

³⁹ To summarize John Locke's "natural rights" on property: "1. God has given the world to people in common. 2. Every person has a property right in his own person. 3. A person's labour belongs to him. 4. Whenever a person mixes his labour with something in the commons he thereby makes it his own property. 5. The right of property is conditional upon a person leaving in the commons enough and as good for the other commoners. 6. A person cannot take more out of the commons than they can use to advantage." This is discussed in Matthew Fisher, 'Classical Economics and Philosophy of the Patent System' (2005) 1 I. P. Q. 6-7.

⁴⁰ The fourth indent of the Preamble to the TRIPs Agreement states that it is "[r]econgniz[ed] that intellectual property rights are private rights."

⁴¹ J.A.L. Sterling (*supra* n 18) para 2.09.

⁴² *Ibid.*

⁴³ The United National Commission on International Trade Law working group VI (Security Interests) is drafting a "*UNCITRAL Legislative Guide on Secured Transactions dealing with security rights in intellectual property*", more information, see

Nonetheless, copyright has some characteristics that are not compatible with standard (tangible or corporeal) property. The rest of this subsection summarizes two of them.

1) The nature of the subject matter that copyright protects differs from that of a standard property right. The material subject of a standard property right, a thing or an object, may generally be possessed by a specific person, while copyright protects “*the expression of ideas*”, which is intangible, even though the expression is fixed in a material medium, such as a book or a computer chip. This intangible nature of copyright imparts a ubiquitous character to the right, i.e. it is not constrained in space: as has been stated, “*intellectual property rights in a single object can simultaneously exist, and be exploited, in dozens of countries*”⁴⁴ and possessed by countless people.

2) Unlike rights to real property which are perpetual, copyright protection is limited in temporal duration, at least in relation to economic rights. In addition, statutory copyright and related rights are, to a certain extent, more limited than the legal rights associated with an interest in standard property, for example, property law hardly ever restricts the sale or modification of physical parts of what is subject to a standard property right, while copyright law, in general, does impose restrictions.

Still further, the property theory is not compatible with the concept of *droit moral* (discussed *infra*), which is a common argument made in civil law countries.

1.2.2 Personality right theory

The theory that an author’s right is a right of personality has great influence in civil law countries. This theory puts special emphasis on the moral rights of an author by including a somewhat broader concept that moral rights and similar personal protection cannot be bought or sold. It is of note that this theory did not gain any place in Anglo-American legal systems, and as will be shown in the coming paragraphs, it has never been a popular theory due to the economic importance of copyright, nor will it be in the future. However, just because of the moral rights aspect, this theory has been used as an argument against the property theory of copyright.⁴⁵

1.2.3 *Sui generis* right theory

Sui generis means in a class by itself. As to copyright, it would be a right of its own kind or which is unique in its characteristics. When a copyright/author’s right is involved, the *sui generis* theory implies two meanings: it could be a type of right described other than the traditional copyright/author’s right, such as database protection, or it could be used to explain the nature of a copyright/author’s right.⁴⁶ Since an author’s right contains aspects of both moral rights and economic rights, one could not easily categorize it as a personality right or as a property right, but rather as a *sui generis* right, e.g. German law, which adopts the monist approach, considers economic and moral rights to be different aspects of one general right and, as a result, they cannot be dealt with separately. Therefore, it is neither a property right nor a moral right, but a *sui generis* right. In contrast, French law adopts a dualist approach and regards moral rights and economic rights as two different entities with different sources. As to the practice in Anglo-American legal traditions, there was no recognition of moral rights. However, in order to perform the responsibilities assumed under the international

<http://www.uncitral.org/uncitral/en/commission/working_groups/6Security_Interests.html> accessed on 2 October 2012.

⁴⁴ Paul Goldstein 2008 (*supra* n 14) 10.

⁴⁵ F.W. Grosheide, *Auteursrecht op maat* (Kluwer, Deventer 1986) 156-58; J.A.L. Sterling (*supra* n 18) para 2.14; Mireille van Eechoud 2003 (*supra* n 15) 139.

⁴⁶ J.A.L. Sterling (*supra* n 18) para 2.15.

copyright treaties, the common law countries had to incorporate moral rights into the scope of copyright and related rights.⁴⁷

1.2.4 Monopoly right theory

The concept of monopoly can be categorized as “market monopoly” referring to a situation where one person is the sole owner/seller of certain goods in the market and has no competition. It can also be categorized as “legal monopoly” indicating an exclusive right granted by law.⁴⁸ The monopoly right theory is mainly used in common law countries. According to it, copyright is a grant by a state that gives exclusive rights to right owners. This theory confirms the sovereignty of a state and may be considered as a continuation of the printing/publishing privileges.⁴⁹ Nevertheless, it also explains why certain limitations are imposed on copyright, e.g. a limited time for protection, in contrast to rights to standard kinds of property.⁵⁰

1.2.5 Influence of theories on making choice-of-law

Among the above, the property theory is widely accepted. Considering the similarities it shares with standard property rights, one may consider a choice-of-law rule for cross-border copyright disputes that is similar to the one applied to standard property: *lex rei sitae*. The property aspects of copyright, such as existence of the right and scope of protection would support a *lex rei sitae* approach. However, the intangible and ubiquitous nature of copyright and related rights, as well as its monopoly right nature, place the *lex rei sitae* approach in question. As for standard property, it is relatively easy to identify a place where the property is located and designate the law of that place to a dispute arising from that property; whereas copyright, a subject that came to exist in one place and is simultaneously exploited in several other places would be difficult to be “located” in one place. In addition, the moral rights aspect of copyright would raise a question as to whether and if so, how moral elements can be linked to a connecting factor of the place of its location, or to a connecting factor of a person due to its personality elements.

Furthermore, if a separate choice-of-law rule is to be applied to a moral rights issue, the possible application of two different choice-of-law rules one for moral rights and one for economic rights may seem to contradict the monist concept of copyright, as pointed out by van Eechoud.⁵¹ And if copyright is an exclusive right, one may be concerned to what extent party autonomy may be accepted in copyright disputes in that the exercise of party autonomy may contradict the sovereignty of the state where the copyright has been granted. Still further, since it is evident that the economic character of copyright has gained and will continue to gain more importance than moral rights, one may then wonder whether more flexibility, which is aimed at increasing judicial efficiency in international copyright protection, should in this regard be introduced to choice-of-law,⁵² in particular considering it as a source of inspiration for the PRC legislature and judiciary.

The above questions and concerns will be further compared and analysed in light of more considerations described in chapters 2 through 5 *infra*.

⁴⁷ Mireille van Eechoud 2003 (*supra* n 15) 139.

⁴⁸ J.A.L. Sterling (*supra* n 18) para 2.13.

⁴⁹ F.W. Grosheide 1986 (*supra* n 45) 158-59.

⁵⁰ *Ibid.*

⁵¹ Mireille van Eechoud 2003 (*supra* n 15) 140.

⁵² *Ibid.*

1.3 Legal basis of copyright and related rights

Arguments to justify the grant of copyright or author's right have been classified according to different categories. Grosheide listed seven types of arguments which, according to him, overlap each other.⁵³ Sterling compressed them into five: natural justice, creative incentive, general public interest, social contract and moral, some of which he classified into sub-arguments.⁵⁴ Stewart advanced four major arguments: natural justice, economic, culture and social.⁵⁵ Finally, van Eechoud divided the justifications into two main categories: a justice argument and a utility argument, under the influence of social arguments and cultural policy and freedom of expression.⁵⁶ Since worldwide there are two main differing legal traditions for protecting literary and artistic works - copyright and author's right - it is reasonable to begin with the justice and utility arguments.

The legal justifications on which the two traditions are premised differ from each other sharply. Copyright based on a utilitarian premise is generally adopted in common law countries where granting copyright is considered to stimulate production of the widest possible variety of creative works at the lowest price, and to be an incentive to authors to produce more work. The contrary is the philosophical premise of the author's right in the justice argument: that an author deserves to gain the fruit from his/her work as a matter of right and justice, an argument that is mainly used in civil law traditions.

The two legal justifications are different: the utilitarian argument focuses on the utility of copyright for society, while the justice argument focuses on the author who as a matter of justice must be protected in his work. In other words, the differences between these two arguments boil down to the core issue about whose interests should be protected: the public interest or individual interest. The differing rationales of copyright and author's rights reflect a parting of the ways between "utility" and "efficiency" for the public and "justice" and "fairness" for individual authors. However, as Goldstein rightfully pointed out, "*the traditions of copyright and author's right are far more alike than they are unlike.*"⁵⁷ Many contemporary copyright laws do not strictly follow only one of these justifications any more. This has to do mainly with the wide-spread accessions to the Berne Convention, which bridges the two justifications by laying down minimum protection standards, and which, in turn, leads to substantially similar rules for all Union states.⁵⁸ Nevertheless, with the expansion of so-called international copyright, a shift away from the personality theory/justice theory towards the utilitarian theory has been evident.⁵⁹

1.3.1 Justice argument

According to the 18th century natural law reasoning, an intellectual creation naturally belongs to its author. And the fruits derived from a creation "naturally" belong to their creator. It was deducible from this argument that there should be property-right protection of intellectual creations when a bond between the author and the work was established. It calls for copyright protection as a matter of natural justice. Whether or not a work would have any utility for society would not affect entitlement to property right protection for the creation.⁶⁰ This reasoning influenced the adoption of the *authors' right* tradition in France during the years of the French Revolution. In contrast, a justification based on natural law reasoning was not widely supported in German speaking states.⁶¹

⁵³ F.W. Grosheide 1986 (*supra* n 45) 128-45.

⁵⁴ J.A.L. Sterling (*supra* n 18) paras 2.27-2.40.

⁵⁵ Stewart and Sandison (*supra* n 34) 3-4.

⁵⁶ Mireille van Eechoud 2003 (*supra* n 15) 140-57.

⁵⁷ Paul Goldstein, *International Copyright: Principles, Law and Practice* (OUP, Oxford 2001) 4.

⁵⁸ *Ibid.*

⁵⁹ Simon Fitzpatrick (*supra* n 25) 215.

⁶⁰ Silke von Lewinski, *International Copyright Law and Policy* (OUP, Oxford 2008) para 3.13.

⁶¹ Mireille van Eechoud 2003 (*supra* n 15) 142-43.

While the debate about natural law faded, a related theory - the personality theory - gained importance during the formation of the *author's right* tradition. Under this doctrine, protection of both an author's personal and economic interests in the created work was justified by the personality right. This is reflected in the laws of *author's right* countries that aim, not only at securing the author's economic interests, but also at protecting the author's works against uses that are prejudicial to spiritual interests, and, in particular, moral rights.⁶² All laws in accord with this tradition put the rights of the author, a human being who created the work, at the centre of attention, and they are mainly concerned with the author's relation to the work.⁶³ This focus is reflected in *author's right* statutes, such as Article L111-1 of the French Code of Intellectual Property which in part reads that the “[a]uthor of a work of the mind enjoys an exclusive right... of intangible property in this work, on the basis of the mere fact of its creation.” Also, Article 11 of the German Copyright Act 1965 reads in part “the author's right protects the author in his intellectual and personal relations to the work and in the exploitation of the work”.

1.3.2 Utilitarian argument

This argument, including its incentive and economic efficiency constituents, is based on the general view that copyright law should serve the public interest. Thus, some scholars look at copyright as part of an incentive system for the purpose of motivating production of an optimal quantity of works of authorship, which as a result promotes public welfare, while, the economic efficiency argument derived from it has also been invoked to justify the granting of copyrights.

1.3.2.1 Incentive portion of the utilitarian argument

The incentive argument has a long history in copyright literature. It is premised on beliefs that granting copyright protection will motivate an author to create or disseminate the work, leading to intellectual enrichment of the public.⁶⁴ This justification is more commonly used in the Anglo-American common law countries.

In the early 18th century, the Statute of Anne recited the essential rationale for British copyright law. As the title of the statute indicated, it was “[a]n Act for the encouragement of learning, by vesting the copies of printed books in the authors or purchasers of such copies, during the times therein mentioned”. Accordingly, under this statute, copyright was considered as an incentive to authors to create, so that the public may have access to and be enriched by their works.⁶⁵ The statutory protection granted was considered as an “*encouragement of learned men to compose and write useful books*”.

Somewhat resembling the Statute of Anne's statement of purpose about encouraging learning, the United States Constitution declares that

“[c]ongress shall have power... to promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and discoveries.”⁶⁶

The underlying policy of this provision is to promote the public welfare through private market incentives, i.e. the production of works is encouraged by giving the author a limited economic monopoly in the form of copyright, and the worth of the work is then determined by the market.⁶⁷ More than a century later, the US House of Representatives Committee Report on the comprehensive copyright revision proposed in 1909 supported departure from the justice argument by stating that

⁶² Lionel Bently and Brad Sherman, *Intellectual Property Law* (3rd edn OUP, Oxford 2009) 32.

⁶³ Silke von Lewinski (*supra* n 60) para 3.13.

⁶⁴ Lionel Bently and Brad Sherman (*supra* n 62) 4-5.

⁶⁵ See the title and preamble of Statute of Anne (*supra* n 24).

⁶⁶ Art. 1 § 8, cl.8 of the U.S. Constitution.

⁶⁷ Marshall Leaffer, *Understanding Copyright Law* (3rd edn Matthew & Bender, New York and San Francisco 1999) 18.

copyright “is not based upon any natural right that the author has in his writing... but upon the ground that the welfare of the public will be served.”⁶⁸ According to the constitutional provision, the US Congress has the power to grant rights to copyright owners, provided that the measure of rights granted is apportioned to serve the overall objective of promoting the progress of “Science and useful Arts”. By adopting a positive law approach, under which rights are granted solely as a matter of statute, the legislature will determine the content and the scope of such rights as it sees fit, in accordance with the constitutional goal of promoting the progress of science.⁶⁹

Clearly, the focus of the utilitarian approach is to find a balance between the

“aspects of the common good that are best served by recognizing intellectual property rights and those that are best served by preserving the public domain and disseminating information.”⁷⁰

By the same token, in determining whether protection should be extended to new subjects or rights, the utilitarian argument also plays a role because the legislature should be aided by empirical proof that authors would create more works by granting/extending copyright. As observed by van Eechoud, in practice, IP rights offer limited incentive to create.⁷¹

On the global level, the EU has become an important player in the process of international harmonization of copyright protection. In order to adapt copyright to new technology and new markets, European countries have, over the last centuries, been very active in expanding what is covered by copyright and copyright protection, which in turn also influenced their international law making.

EU legislation in the field of copyright is mainly based on utilitarian justifications. From the 1990’s, the European Community started a process of harmonizing copyright and related rights laws within the EC. Since the adoption of the first EC copyright and related rights Directive - the Software Directive in 1991,⁷² the EU published seven copyright and related rights Directives.⁷³ The adoption of these Directives shows a trend to reach for both horizontal and vertical harmonization among the EU Member States in the fields of copyright and related rights laws. As to the horizontal harmonization, one may see that the EU legislature kept on expanding the subject matter of copyright laws, such as: for the protection of software, databases, and broadcasting. The vertical harmonization leads to higher

⁶⁸ U.S. House Rep. No.60-2222 (“To Amend and Consolidate the Acts Respecting Copyright”) 7 (1909), discussed in Paul Goldstein 2001 (*supra* n 57) 7, fn 31.

⁶⁹ Marshall Leaffer (*supra* n 67) 17.

⁷⁰ Lucie M.C.R. Guibault, *Copyright Limitations and Contracts- An Analysis of the Contractual Overridability of Limitations On Copyright* (Kluwer Law International, London and Norwell 2002) 11.

⁷¹ Mireille van Eechoud 2003 (*supra* n 15) 147.

⁷² Council Directive 91/250/EEC of May 14 1991 on the legal protection of computer programs [1991] OJ L122/42 (Software Directive). For details, see Walter Blocher and Michel M Walter, ‘Commentary on Computer Program Directive’ in Michel M Walter and Silke von Lewinski (eds) (*supra* n 9) 81-248.

⁷³ Council Directive 92/100/EEC of November 19 1992 on rental right and lending right and related rights, [1992] OJ L346/61, codified version Directive 2006/115/EC of December 12 2006 [2006] OJ L376/28 (Rental Directive), for details, see Silke von Lewinski, ‘Commentary on Rental and Lending Rights Directive’ in Michel M Walter and Silke von Lewinski (eds) (*supra* n 9) 249-390; Council Directive 93/83/EEC of September 27 1993 on satellite broadcasting and cable retransmission [1993] OJ L248/15 (Broadcasting Directive), for details, Thomas Dreiersee, ‘Commentary on Satellite and Cable Directive’ in Michel M Walter and Silke von Lewinski (eds) (*supra* n 9) 391-498; the Term Directive; European Parliament and Council Directive of 96/9/EC of March 11 1996 on the legal protection of databases [1996] OJ L77/20 (Database Directive), for details, see Silke von Lewinski, ‘Commentary on Database Directive’ in Michel M Walter and Silke von Lewinski (eds) (*supra* n 9) 678-828; European Parliament and Council Directive 2001/29/EC of May 22 2001 on copyright in the information society [2001] OJ L6/70 (Information Society Directive), for details, see Silke von Lewinski and Michel M Walter, ‘Commentary on Information Society Directive’ in Michel M Walter and Silke von Lewinski (eds) (*supra* n 9) 921-1141; European Parliament and Council Directive 2001/84/EC of September 27 2001 on artist’s resale right [2001] OJ L272/32 (Resale Directive), for details, see Michel M Walter, ‘Commentary on Resale Right Directive’ in Michel M Walter and Silke von Lewinski (eds) (*supra* n 9) 829-920.

levels of protection for the already existing copyright-protected subjects. This higher level of protection was reached by means of introducing more types of uses of a work under exclusive rights, such as introducing rental rights and resale rights, and prolonging the term of protection.

The justifications that EU legislating institutions have advanced in their Directives on copyright can be found in the Recitals of each Directive. In general, the EU applies the utilitarian incentive argument that a high level of copyright protection ensures (continued) protection of intellectual creations.⁷⁴ Examples can be seen, e.g. in Recital 2 of the Software Directive⁷⁵ and Recital 10 of the Term Directive.⁷⁶ Apart from that, the Information Society Directive also recites the incentive justification for copyright and related rights protection. It states that copyright and related rights

*“protect and stimulate the development and marketing of new products and services and the creation and exploitation of their creative content.”*⁷⁷

Another recital of the same Directive also states that copyright and related rights protection helps

*“to ensure the maintenance and development of creativity in the interests of authors, performers, producers, consumers, culture, industry and the public at large. Intellectual property has therefore been recognized as an integral part of property.”*⁷⁸

Recital 10 of the Directive also argues:

*“If authors or performers are to continue their creative and artistic work, they have to receive an appropriate reward for the use of their work, as must producers in order to be able to finance this work. The investment required to produce products such as phonograms, films or multimedia products, and services such as “on-demand” services, is considerable. Adequate legal protection of intellectual property rights is necessary in order to guarantee the availability of such a reward and provide the opportunity for satisfactory returns on this investment.”*⁷⁹

This approach may seem surprising because the justice argument, which has solid roots in European *author’s right* law countries, did not play an important role in the process of legislating EU copyright directives. The historical background of establishing a European Economic Community may, however, explain why the EU has mainly advanced the utilitarian justification in this field.⁸⁰ Nevertheless, the EU legislative institutions’ preference for adopting the utilitarian model is also evident in international instruments pertaining to copyright and related rights.

The utilitarian justification has been adopted in the latest international copyright and related rights treaties. Unlike the earlier Berne Convention, which focused on the rights of authors, the new WIPO Copyright Treaty (WCT), WIPO Performances and Phonograms Treaty (WPPT) and WIPO Beijing Treaty on Audiovisual Performance (WAPT) clearly show preference for the utilitarian justification. It was prevalent at the WIPO Conference in Geneva in 1996.⁸¹ The preamble to the WCT states that the Contracting Parties emphasize *“the outstanding significance of copyright protection as an incentive for literary and artistic creation.”*⁸² Furthermore, these three treaties apply similar wording in their preambles, which are framed to recognize

⁷⁴ Mireille van Eechoud 2003 (*supra* n 15) 149-50.

⁷⁵ *“The development of computer programs requires the investment of considerable human, technical and financial resources while computer programs can be copied at a fraction of the cost needed to development them independently.”*

⁷⁶ It explains that *“the need to harmonize copyright and neighbouring rights at a high level of protection, since these rights are fundamental to intellectual creation and stresses that their protection ensures the maintenance and development of creativity in the interest of authors, cultural industries, consumers and society as a whole”*.

⁷⁷ Recital 2 of the Directive.

⁷⁸ Recital 9 of the Directive.

⁷⁹ Recital 10 of the Directive.

⁸⁰ Mireille van Eechoud 2003 (*supra* n 15) 151.

⁸¹ Simon Fitzpatrick (*supra* n 25) 219.

⁸² Preamble 4 of the WCT.

“the need to maintain a balance between the rights of authors (performers and producers of phonograms) and the larger public interest, particularly education, research, and access to information”.⁸³

As noted, balancing the interests of such groups is a hallmark of the incentive-based conception of copyright.⁸⁴

The World Trade Organization (hereinafter WTO) Agreement on Trade Related Aspects of Intellectual Property Rights (hereinafter TRIPs Agreement) has brought copyright within the sphere of trade regulation. It explicitly states that intellectual property is a property right. Since the TRIPs Agreement is a legal instrument drafted by the WTO, it lays down only rules dealing with economic rights. That inextricably links copyright and related rights to economics. Along with the continuing growth of the knowledge-based economy, it has been argued that the trade-influenced utilitarian model of copyright will certainly gain prevalence worldwide, and a new concept of copyright may even evolve, i.e. copyright as trade for national interests.⁸⁵ As has been predicted,

*“the shadow of international trade led to an inevitable re-examination of not only conventional legal norms and familiar commercial practices, but also of the theoretical and doctrinal underpinnings of copyright as well.”*⁸⁶

1.3.2.2 Economic efficiency part of the utility argument

Derived from the incentive aspect of the utilitarian argument, the efficiency argument is commonly used by Anglo-American commentators to justify copyright protection. For example, in 1954 even the U.S. Supreme Court mentioned the economic justification that

“[t]he economic philosophy behind the clause empowering Congress to grant patents and copyrights is the conviction that encouragement of individual effort by personal gain is the best way to advance the public welfare through the talents of authors and inventors in science and the useful arts”.⁸⁷

The starting point of the economic efficiency argument is the distinguishing character of copyright being a “public good”. Public good is defined as providing indivisible benefits for large numbers of persons at the same time. The typical examples of public goods are traditional governmental services, such as national defence and public safety.⁸⁸ Public good is earmarked by its characteristics of non-excludability and non-rivalous consumption.

An economic good is non-rivalous (without rival, or non-competitive) if it is capable of being consumed so that the use of the good by one consumer does not diminish or affect the consumption by others. For example, music is a non-competitive good in that any number of people may listen to the same music at the same time, without ever using it up or depriving others’ of listening to it; more specifically, one more listeners to the music would involve no additional cost, even though this action leads to additional consumption. Non-excludability means that once a good is made available, it will benefit everyone, even those who choose not to pay for the use of the good but get a free ride as to it. This characteristic leads to the “free-rider” problem. As noted by Baumol and Blinder,

“since the supply of a public good is not depleted by an additional user, the marginal cost of serving an additional user is zero. With zero marginal cost, the basic principle of optimal

⁸³ Preamble 5 of the WCT; emphasis added for the wording of Preamble 4 of the WPPT; Preamble 5 of the WAPT.

⁸⁴ William Landes and Richard Posner, ‘An Economic Analysis of Copyright Law’ (1989) 18(2) JSL 325, 326.

⁸⁵ Simon Fitzpatrick (*supra* n 25) 221.

⁸⁶ *Ibid.*

⁸⁷ *Mazer v. Stein*, 347 U.S. 201, 219 (1954). (Referred to in Marshall Leaffer (*supra* n 67) 18).

⁸⁸ Samuel E. Trosow, ‘Economic Analysis and Copyright Law: Are New Models Needed in the Digital Age?’ in Samuel E. Trosow (ed), *The Political Economy of Legal Information: The New Landscape* (The Haworth Press, New York 1999) 167.

*resource allocation calls for provision of public goods and services to anyone who wants them at no charge.*⁸⁹

As a result, this characteristic makes it impossible for the private sector to provide public goods.

Since they have non-rivalous and non-excludable characteristics, intellectual creations are public goods and suffer from the free-rider problem. Creating intellectual works involves fixed costs, such as time, effort, and money. Once created and made available to the public, the works can be easily used and copied. The first purchaser of the work could make copies and sell them at the marginal cost of copying and distributing the work. As everyone would like to free ride rather than to pay for the work, if the creators cannot prevent others from exploiting their works without having incurred the cost of creation, i.e. if everyone free rides, then surely intellectual creations would never be provided in the first place, at least not at the socially optimal level, simply because the creator will receive no revenue.⁹⁰ The free-rider problem would also discourage other creators from investing in intellectual creations, in particular in the digital environment. The free-rider problem will be exacerbated as the marginal cost of reproduction approaches zero, and the tendency towards market failure increases correspondingly.

Copyright is a device for addressing the following problem. Government grants market power – copyright- to creators, and the rights granted provide incentives for creators to create because with the rights granted, creators are provided with assurance that they can recoup their costs if their intellectual creations prove to be of value to the public.

Granting a property right creates positive incentives for the production of intellectual works because it enables a price to be charged for the work. It can also generate negative incentives: it can stifle dissemination of the ideas contained in the copyrighted work since it will increase cost for consumers and then reduce the dissemination and availability of such work. In the case where consumers may be the producers of further work, granting copyright may reduce the number of intellectual creations and the speed of the dissemination of works. Thus, copyright law is also the mechanism that is generally used to attempt to reach a “socially optimal volume”.⁹¹ As noted by Landes and Posner,

*“copyright protection – the right of the copyright’s owner to prevent others from making copies - trades off the costs of limiting access to a work against the benefits of providing incentives to create the work in the first place. Striking the correct balance between access and incentives is the central problem in copyright law”.*⁹²

Some scholars object to the grant of property right on intellectual creations by arguing that standard property rights protect rivalous goods, e.g. a car that can only be used by one person at a time, while intellectual creations are, in contrast, non-rivalous goods.⁹³ In economic terms, it can be explained that rights attaching to standard property are an accompaniment of scarcity, while rights attaching to intellectual creations artificially create scarcity that would not otherwise exist, and can therefore restrict access to information goods.

⁸⁹ William J. Baumol and Alan S. Blinder, *Economics: Principles and Policy* (3rd edn Harcourt Brace Jovanovich Publishers, New York 1985) 544.

⁹⁰ Richard Watt, *Copyright and Economic Theory: Friends or Foes?* (Edward Elgar, Cheltenham UK and Northampton, MA, USA 2000) 3.

⁹¹ The socially optimal volume of production occurs when the interests of consumers and producers of copyrightable material are jointly maximised.

⁹² William Landes and Richard Posner (*supra* n 84) 326.

⁹³ Christopher May, ‘Thinking, buying, selling: intellectual property rights in political economy’ (1998) 3(1) NPE 59, 73.

Input from economics to justify the expansion of copyright protection or in amending copyright law can be mainly seen in the USA.⁹⁴ Moreover, economic analysis has been relied on, as well, by the European Union in designing copyright protection rules, such as in the Software Directive, the Rental Directive and the Database Directive. In the Rental Directive, Recital 5 states that

“(t)he creative and artistic work of authors and performers necessitates an adequate income as a basis for further creative and artistic work, and the investments required particularly for the production of phonograms and films are especially high and risky. The possibility of securing that income and recouping that investment can be effectively guaranteed only through adequate legal protection of the rightholders concerned.”

In the Database Directive, the European Commission asserted a market failure rationale to justify the issuance of a Directive that requires Member States to adopt *sui generis* protection for controlling the extraction and reuse of data in databases. It is argued that without such a law, there would be too few incentives to invest in database development.⁹⁵

The justifications described above give a picture of the foundations and objectives of a national copyright law system. The French author’s right law is notable for its natural law approach, where author’s right is an absolute, unrestricted, and essentially individualistic natural right.⁹⁶ On the contrary, the utilitarian argument adopted mainly in Anglo-American countries aims at promoting social good and serving the public interest by establishing incentives for creation and dissemination of intellectual works.

1.3.2.2.1 PRC’s perspective

The PRC’s Copyright Law (CRL) models a civil law tradition although it was enacted under pressure from other foreign countries, especially the USA.⁹⁷ As shown in the legislative history of the PRC CRL and its current structure, it is clear that PRC copyright law is mainly characterized as following the civil law tradition, but with a mixture from both continental and Anglo-American systems.⁹⁸

In the PRC, a debate about which system the PRC should adopt had long been discussed during the legislative process in the 1980’s. It was then decided that the term *zhu zuo quan*, which literally means the “right in a work creation” and is similar to the European notion of “*authors’ right*”, should be used in the law of protecting a person’s intellectual creation, and should therefore be used as the title of that law. Article 51 (now Article 56) of the CRL states, however, that in the Chinese version of PRC laws and international treaties, “authors’ right” has the same meaning as “copyright”.⁹⁹ When the PRC law needs to be translated to foreign languages, the term “copyright law” should be used in the English version, and “author’s right law” should be used in the French, German and Spanish versions.

Additionally, modeled largely on the continental civil law tradition, the PRC’s CRL recognizes four moral rights:

- the right of disclosure (or publication)¹⁰⁰: the right to decide whether or not to make a work public;
- right of attribution¹⁰¹: the right to claim authorship and to sign one’s name on a work;

⁹⁴ Pamela Samuelson, ‘Should Economics Play a Role in Copyright Law and Policy’ in Lisa N. Takeyama, Wendy J. Gordon and Ruth Towse (eds) *Developments in the Economics of Copyright: Research and Analysis* (Edward Elgar, Cheltenham UK and Northampton, MA, USA 2005) 8-14.

⁹⁵ Recital 1-12 of the Database Directive.

⁹⁶ F.W. Grosheide, ‘Paradigms in Copyright Law’ in B. Sherman and A. Strowel (eds), *Of Authors and Origins* (Clarendon Press, Oxford 1994) 207.

⁹⁷ The editorial board of China Business Laws and Regulations (ed), *China Business Laws and Regulations: the Complete Reference* (2nd edn Javvin Press, Saratoga CV 2008) 1.

⁹⁸ Adolf Dietz, ‘The Chinese Copyright Law: Copyright or ‘Droit d’auteur’?’ (2004) A&M 14, 14-9.

⁹⁹ Art. 56 of the PRC’s CRL states 本法所称的著作权即版权。 (For the purpose of this Law, the terms ‘zhu zhuo quan’ is ‘ban quan’.) [Translated by NZ] The footnote explains that “‘zhu zhuo quan’ corresponds to ‘author’s right’, but literally translated as ‘right in a work’; ‘ban quan’ is the literal translation of ‘copyright’.”

¹⁰⁰ Art. 10(1) of the PRC’s CRL.

- right of revision (or alternation)¹⁰²: the right to revise a work or authorize another to revise the work;

- right of integrity¹⁰³: the right to prevent the work from being distorted or mutilated.

Still further, the PRC's CRL emphasizes the natural relationship between the author and the author's intellectual creation. This can also be seen from the perspective of copyright ownership: as a general rule, copyright shall belong to the author as the actual creator of the work.¹⁰⁴ However, it does provide for deviations from the European continental author-friendly approach in works created under certain relationships. For the work created under the supervision of and representing the will of a legal person or other organization that bears responsibility for the work and such work represents its will, that legal person or other organization is deemed the author.¹⁰⁵ Under this circumstance, that legal person or other organization will enjoy economic rights as well as moral rights. But if a work is created in the fulfillment of assigned tasks, i.e. referring to the obligations that the employee is required to perform in the course of employment, copyright shall belong to the employed author, but the employer – legal person or other organization shall enjoy a priority right to exploit the work within the scope of its business for two years from the date of the completion of the work.¹⁰⁶ The exception to this author-friendly rule appears in cases where the work consists of engineering drawings or product designs, maps, software or other works created mainly by using the employer's material and technical facilities in the course of employment, and within the employers' responsibility.¹⁰⁷ In this context, the employee author will only enjoy the right of authorship, and the employer will enjoy the other rights. Another author-friendly rule can be found when there is a commissioned work. According to Article 17 of the PRC's CRL, copyright of a commissioned work shall, in the absence of a contractual agreement on the issue of ownership of the work, belong to the commissioned author.

From the foregoing, it can be concluded that the PRC's CRL is mainly characterized as following the civil law tradition; nevertheless, it also shows a mix of both continental and Anglo-American traditions.¹⁰⁸

1.3.3 Short summing up

Within the sphere of the development of international treaties, it can be seen that the importance that the natural rights approach had gradually diminished as the utilitarian approach became dominant. Furthermore, harmonization efforts taken by the international treaties bridge the gaps between the continental European author's right approach and the Anglo-American copyright approach. However, the differences between these two still remain.

Granting exclusive rights to intellectual creators can be justified on the grounds discussed in the preceding sub-sections. Also, what a copyright regime needs to balance are the right of a rights owner to authorize or prohibit the reproduction and/or dissemination of the covered work on the one hand and the availability of this work to the public, on the other. Thus, each national copyright law contains a number of limitations and exceptions that are designed to enhance accessibility to intellectual works.

¹⁰¹ Art. 10(2) of the PRC's CRL.

¹⁰² Art. 10(3) of the PRC's CRL.

¹⁰³ Art. 10(4) of the PRC's CRL.

¹⁰⁴ Att. 11(1), (2) of the PRC's CRL.

¹⁰⁵ Art. 11(3) of the PRC's CRL.

¹⁰⁶ Art. 16(1) of the PRC's CRL.

¹⁰⁷ Art. 16 (2)(1) of the PRC's CRL.

¹⁰⁸ Adolf Dietz (*supra* n 98) 14-9.

1.4 Limitations on and exceptions from copyright

Exceptions and limitations as to copyright differ from country to country. This has to do with general attitudes to copyright, philosophical background, historical traditions, and even to some extent due to constitutional and administrative structure.

The legal construction of exceptions and limitations is as old as copyright itself.¹⁰⁹ They existed in copyright acts and bilateral treaties of the 19th century, as well as in the Berne Convention. For example, the former Article 7 of the Berne Convention allowed the reproduction of newspapers or similar articles for the purpose of reporting current events with a view of guaranteeing the freedom of press.¹¹⁰ In the current version, several limitations and exceptions are scattered throughout the Convention. Article 10 deals with the rights of quotation and uses for teaching purposes; Article 10*bis* with press usages; Article 11*bis* with the conditions for the exercise of broadcasting and other rights; Article 13(2) with the reservations on the exercise of mechanical reproduction rights; and Article 30(2)(b) and the Appendix with developing countries.

A general rule, describing to what extent the Berne Union states could institute permitted limitations and exceptions, can be found in Article 9(2) of the Berne Convention. It provides the Union states with the possibility to permit reproduction of works without the author's authorization, provided that the exemption from the reproduction right is limited to certain special cases, does not conflict with a normal exploitation of the work, and does not unreasonably prejudice the legitimate interests of the author, the so-called "three-step test".¹¹¹ Soon this test became an essential part of various treaties,¹¹² European directives,¹¹³ and national copyright laws.¹¹⁴

Copyright policies as to limitations and exceptions are becoming increasingly important in the modern communications era. Firstly, different national laws in this aspect may raise a concern that an act which is permissible under one country's law will be regarded as an infringing act under another country's law. This would further give rise to a controversy regarding the choice-of-law issue once the act or copyrighted work involves foreign elements. Under this circumstance, an issue could arise as to which law's limitation would govern the use of the work.

Moreover, to strike a balance between the interests of right owners and the interests of the public in having the access to copyrighted works is becoming more difficult nowadays. With the advent of digital and networking communication, on-line dissemination of copyrighted works has been increasing dramatically. Some impacts of digital technology on copyright, e.g. copyrighted works can be digitalized, and can be copied easily, economically, quickly and without losing quality, can cause nightmares for rights owners as they easily lose control over their copyrighted works. Thus, rights owners call for strengthening copyright protection, either by broadening the scope of the reproduction

¹⁰⁹ Marie-Christine Janssens, 'The issue of exceptions: reshaping the keys to the gates in the territory of literary, musical and artistic creation' in Estelle Derclaye (ed), *Research Handbook on the Future of EU Copyright* (Edward Elgar, Cheltenham UK and Northampton MA USA 2009) 317, 319.

¹¹⁰ Sam Ricketson and Jane Ginsburg, *International Copyright and Neighbouring Rights: The Berne Convention and Beyond* (OUP, Oxford 2006) 796.

¹¹¹ For a comprehensive study of this test, see Martin Senftleben, *Copyright, Limitations and the Three-Step Test- An analysis of the Three-Step Test in International and EC Copyright Law* (Kluwer Law International, the Hague 2004).

¹¹² Art. 13 of the TRIPs Agreement, Art. 10 of the WCT and Art. 16(2) of the WPPT. Art. 9(2) of the Berne Convention applies only to the right of reproduction, while Art. 10 of the WCT covers all rights provided in the Treaty and the Berne Convention.

¹¹³ Art. 5(5) of the Information Society Directive; Art. 6 of the Database Directive, etc.

¹¹⁴ Art. 21 of the PRC's Copyright Law Implementation Rules sets forth the "three-step" test. However, this test has not become a legal principle, but remains regulated in the Implementation Rules.

right or introducing a new right of making available to the public.¹¹⁵ Rights owners use technical protection measures to protect against piracy, unauthorized taking and using the digitalized information, and therefore gain the control of the work. Because the strengthened protection hinders public access to works, limitations on these rights in the digital context are therefore required. As provided in the WCT, the existing limitations under the Berne Convention may be extended to the digital environment. Additionally, new exceptions and limitations that are appropriate in the digital network environment can also be devised.¹¹⁶

Limitations and exceptions as to copyright can be divided into two types: the inherent limitations and the external limitations on copyright.¹¹⁷ The former are the actual or potential restrictions arising from the provisions of the law itself which serve to balance the interests of the rights owner and the public. They include the term of protection, the originality requirement, the idea/expression dichotomy, the exhaustion of right, etc. Copyright, in particular the economic rights, is not perpetual. It normally lasts for seventy year *pma* in the western countries,¹¹⁸ and fifty years *pma* under the PRC's CRL. After the expiration of the term, the works will fall within the public domain and serve the public interests. Under these circumstances, the public can then freely use or communicate with the works. The originality requirement and the idea/expression dichotomy limit the scope of the protected subjects, because doing otherwise would hinder scientific progress and unduly restrict the free flow of information.¹¹⁹ According to the doctrine of exhaustion of rights (first use doctrine),¹²⁰ the rights owner will lose (exhaust) certain rights after the first use of the work with his permission. Without the exhaustion doctrine, the original rights holder would perpetually exercise control over the sale, transfer or use of a good or service embodying in intellectual property and therefore control economic life.

The external limitations of copyright are the result of “*the application of legal or other principles which are separate from copyright law, or indeed from the law of intellectual property as a whole*”,¹²¹ which encompass certain acts that are not considered as infringing acts due to the application of legal or other principles. These limitations take the forms of exemptions, statutory or compulsory licenses, and mandatory collective administration of rights.¹²² By conforming to these forms, copyrighted work can be used freely with or without remuneration.

The two legal traditions for protecting literary and artistic works - copyright law and *author's right* law are premised on different legal justifications. These differences can also be seen in the way the rights and limitations are expressed in legislation. Generally, the rights of a copyright owner can be defined in either broad or narrow terms, and such definitions will have a direct impact on the limitations. For example, in *author's right* law countries, the rights of copyright owners are mostly phrased in broad, open terms that allow the exclusive rights to encompass a wide scope of acts or uses, and combine with a system of narrowly defined exemptions, whereas in copyright law countries, the rights are laid down in great detail and are limited with a relatively flexible system of exemptions: e.g. the fair use or fair dealing defence applied in the US and UK copyright laws respectively, leaving courts with sufficient room for interpretation. At the EU level, a technique similar to the civil law tradition was introduced. Article 5 of the Information Society Directive provides an exhaustive list of limitations,¹²³ i.e. no Member States may adopt any limitation other than those laid down in the list.

¹¹⁵ Thomas Dreier, ‘Regulating competition by way of copyright limitations and exceptions’ in Paul Torremans (ed), *Copyright Law: A Handbook of Contemporary Research* (Edward Elgar, Cheltenham UK and Northampton MA USA 2007) 232, 232.

¹¹⁶ Agreed statement concerning Art. 10 of the WCT 1996.

¹¹⁷ J.A.L. Sterling (*supra* n 18) para 10.01; Lucie M.C.R. Guibault (*supra* n 70) 15-6.

¹¹⁸ In Europe, the EC Term Directive; in USA, Pub. L. 105-298, 27 October 1998, 112 Stat. 2829.

¹¹⁹ Mireille van Eechoud 2003 (*supra* n 15) 159.

¹²⁰ It is of note that Art. 6 of the TRIPs Agreement leaves this doctrine intact.

¹²¹ J.A.L. Sterling (*supra* n 18) para 10.01.

¹²² Lucie M.C.R. Guibault (*supra* n 70) 20-7.

¹²³ As stated in Recital 32 of the Directive, “[w]hereas this Directive provides for an exhaustive enumeration of exceptions to the reproduction right and the right of communication to the public.”

Since only one exemption from this list is obligatory on Member States, the diversity in this respect will remain among Member States.¹²⁴

1.4.1 Justifying limitations and exceptions to copyright

The imbalance of the interests between rights owners and the public as a whole may cause some conflicts. In order to avoid the conflicts and calibrate this imbalance, limitations and exceptions to copyright should be adopted. Even though the purpose of limiting copyright is to serve the “public interest”, how to define the “public interest” in this respect is rather difficult.¹²⁵ Guibault distinguishes four types of roles for limitations and exceptions to copyright:

- the fundamental rights: freedom of expression and right to privacy,
- competition law and industrial practice,
- promoting culture and knowledge, as well as
- responding to market failure.¹²⁶

1.4.1.1 Fundamental rights

The fundamental right defence, in particular the freedom of expression, the right to information, and the right to privacy constitute one of the main justifications for limiting copyright.¹²⁷

1.4.1.1.1 Freedom of expression and right to information

Such exceptions serve strong and overriding public interests based on constitutional rights. Freedom of expression has been enshrined as a fundamental right in a wide variety of international and regional treaties,¹²⁸ to name a few: the Universal Declaration of Human rights,¹²⁹ the European Convention on Human Rights¹³⁰ and the Charter of Fundamental Rights of the European Union,¹³¹ which became legally binding along with the entry into force of the Treaty of Lisbon on 1 December 2009. This freedom is codified in European national constitutions: e.g. Article 7 of Dutch Constitution Law (*Grondwet*). In the PRC, Article 35 of the Constitution states that the citizens of the PRC enjoy freedom of speech and freedom of press. This justification forms also the premise for the only instance of a mandatory limitation in an international copyright treaty: the right of quotations in Article 10(1) of the Berne Convention. Furthermore, using protected works for the purpose of caricature, parody,

¹²⁴ An analysis of the limitations and exceptions in the Information Society Directive, see Marie-Christine Janssens 2009 (*supra* n 109) 317 *et seq.*

¹²⁵ Thomas Dreier (*supra* n 115) 235.

¹²⁶ Lucie M.C.R. Guibault (*supra* n 70) 27 *et seq.*

¹²⁷ *Id.*, 28.

¹²⁸ The main instruments include also the European Social Charter (1961), the International Covenant on Civil and Political Rights (1966), the International Covenant on Economic, Social and Cultural rights (1966), the African Charter on Human and People’s rights (1981).

¹²⁹ Art. 19 of Universal Declaration of Human Rights, G.A. res. 217A (III), U.N. Doc A/810 at 71 (1948).

¹³⁰ Art. 10 (1) of the Convention for the Protection of Human Rights and Fundamental Freedoms, Rome, 4 November 1950, Council of Europe, ETS No. 5. “*Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers. This article shall not prevent States from requiring the licensing of broadcasting, television or cinema enterprises.*”

¹³¹ Art. 11 of the Charter of Fundamental Rights of the European Union, OJ C364/1, 18 December 2000. “*Article 11 Freedom of expression and information*

1. *Everyone has the right to freedom of expression. This right shall include freedom to hold opinions and to receive and impart information and ideas without interference by public authority and regardless of frontiers.*
2. *The freedom and pluralism of the media shall be respected.*”

pastiches or criticism are exempted from copyright, and such works can then be used without permission from, or payment to the right owners.¹³²

Freedom of information is to promote the free flow of information. Thus, the use of copyrighted works bearing an informational character, such as news reporting, political speeches or reporting of administrative, parliamentary or judicial proceedings, should be allowed without the authorization of the rights owner and without payment of a fee, for the sake of the general public interest.¹³³

1.4.1.1.2 Right to privacy

A conflict between exclusive copyright and the fundamental right of privacy has been growing gradually. The focus is the limitations on private use. Previously, copying of works by hand for private use did not seriously affect the interests of right owners, and as a result an exception for private use was accepted.¹³⁴ However, with the advent of copying equipment, such as: photocopying machines and scanners, a large amount of copying could be done at home, where monitoring the reproduction of copyrighted works becomes difficult for rights owners. A private copy levy system was then developed with a view to providing some compensation to the right owners. This system is carried out by means of imposing a levy on the sale of copying equipment, or on blank recording media (audio and video tapes, discs etc.), and the sums collected are distributed to the rights owners concerned.

The digital reproduction processes and the Internet pose challenges to the levy system. As individual access to copyrighted material can be easily accessed on line and the worldwide distribution of the copied material can be facilitated via the Internet, private copying in the digital environment inevitably leads to questions about the effectiveness of the levy system. On the other hand, technology development provides rights owners with technological protection measures so as to control the use and distribution of their works. Surely, the right of privacy together with other fundamental rights, namely freedom of expression and right to information will draw more attention in regulating limitations on copyright.

1.4.1.2 Promotion of culture and knowledge

This justification is quite similar to the fundamental rights one, where the right of information should be upheld to promote the flow of information. This justification is of particular importance for institutions like public libraries, public archives, and research and education institutes.

In the education and scientific research sector, providing limitations to copyright would contribute to intellectual development of students and researchers, and the society as a whole in the end. These limitations take the forms of either using without payment,¹³⁵ or using against an equitable remuneration¹³⁶, or under a statutory license.¹³⁷

Public libraries and archives make copies of information, whether for internal purposes or for providing services to the public. Granting limitations and exceptions to copyright for them will encourage the dissemination of knowledge and information in society. Due to the rapid development of technology, notably in the online environment, libraries are interested in mass digitalization projects to preserve and/or disseminate information online. Therefore, some countries adopt complex systems

¹³² Lucie M.C.R. Guibault (*supra* n 70) 32; Thomas Dreier (*supra* n 115) 235.

¹³³ Under the PRC's CRL, Arts. 22 (2), (3), (4), (5), (9); Under the Dutch Copyright Law 1912, Arts. 15, 15(a), (b), Art. 16(a).

¹³⁴ J.A.L. Sterling (*supra* n 18) para 10.03; Lucie M.C.R. Guibault (*supra* n 70) 48.

¹³⁵ Art. 22(6) of the PRC's CRL.

¹³⁶ Art. 5(2)(a) of the Information Society Directive.

¹³⁷ Art. 23 of the PRC's CRL.

for limiting copyright.¹³⁸ Yet other countries provide only a general exemption in the situation where reproducing a work by non-profit libraries or archives is for their own collections and for the purpose of display or preservation of the work.¹³⁹

In order to encourage the creation, circulation and dissemination of knowledge within the Internal Market, the European Commission produced a *Green Paper on Copyright in Knowledge Economy*¹⁴⁰ which focuses on how research, science and educational materials are disseminated to the public and whether knowledge is circulating freely in the Internal Market, particularly in the digital environment. After public consultation, the Commission published a Communication¹⁴¹ which stated (reiterated) the importance of balancing different interests, including those of libraries, archives, teaching and research sectors, and announced a series of preparatory actions contributing to the future strategy on intellectual property.

1.4.1.3 Overcoming market failure

This justification can be explained in the situation where the dealing between the rights owners and the users is so small that the transaction costs of formulating an agreement outweigh the value of any license that might be negotiated between them. A typical example can be seen in the levy system discussed above. Since finding and enforcing copyright among individual users is extremely difficult and inefficient, rights owners can be made better off with an effective right without having to exercise an individual right lacking a real scope. This economic consideration is also the premise for other limitations on copyright: reprographic copies being made for internal use within business or governmental bodies and the mandatory collective administration of rights.¹⁴²

1.4.1.4 Competition law and industrial practice

This reason is used to prevent abuses of economic monopolies and to facilitate trade for certain users of copyrighted works. The competition law justification is reflected in Article 8(2) of the TRIPs Agreement, which allows contracting states to adopt measures to prevent the abuse of IP rights by rights holders. Article 40(2) of the same treaty further complements Article 8(2) in that it allows contracting states to specify “*in their legislation licensing practices or conditions that may in particular cases constitute an abuse of intellectual property rights having an adverse effect on competition in the relevant market*”. Reading these two provisions together, it can be deduced that the TRIPs Agreement contracting states are allowed to codify rules aimed at preventing or restricting anti-competitive practices.¹⁴³

The competition law exemption is often used for the exclusion of ideas and facts from copyright protection.¹⁴⁴ Apart from that, it is also used in the right of users of computer software to reverse-engineer or decompile software to promote interoperability and foster competition.¹⁴⁵ Article 6 of the Software Directive has adopted such a rule for the system of the European copyright regime.

¹³⁸ Lucie M.C.R. Guibault (*supra* n 70) 73-7.

¹³⁹ Art. 22(8) of the PRC's CRL.

¹⁴⁰ Commission of the European Communities, COM (2008) 466/3, Brussels.

¹⁴¹ Commission of the European Communities, *Communication on Copyright in the Knowledge Economy* COM (2009) 532 final, 19 October 2009 Brussels.

¹⁴² Lucie M.C.R. Guibault (*supra* n 70) 81-2.

¹⁴³ P. Bernt Hugenholtz and Ruth L. Okediji, ‘Conceiving an International Instrument on Limitations and Exceptions to Copyright’, a final report presented on 06 March 2008, <http://www.soros.org/initiatives/information/articles_publications/publications/copyright_20080506> accessed on 2 October 2012.

¹⁴⁴ This aspect has been considered in the section of inherent limitation of copyright.

¹⁴⁵ Lucie M.C.R. Guibault (*supra* n 70) 65-8.

1.5 Influence of technology on copyright protection

Copyright has always been in an evolving scenario.¹⁴⁶ As stated by Justice Stevens of the US Supreme Court, “[f]rom its beginning, the law of copyright has developed in response to significant changes in technology.”¹⁴⁷ Since the invention of the printing process, copyright law, along with the development of technology, has been developed by experiencing four waves of technological development. Each development, such as: the invention of photocopying, telefax, and the utilization of cable and satellite, required considerable investment. By applying these new technologies, copyrighted works can be produced and disseminated efficiently, in the meantime they can also be copied or infringed quickly and cheaply. Moreover, these new technologies enable the works to cross borders more easily. For copyright holders, such changes make them feel that the traditional copyright systems are not strong enough to retain or regain control over the dissemination of their works. They then call for the amendment or expansion of copyright protection. Hence, copyright law itself has to be adapted to the new technology and to the new commercial realities that it brings to bear.

It is also of note that the value of copyrighted work becomes increasingly important in economic terms. This increase is the result of information and communications technologies, which have formed fundamental bases in a wide variety of industrial sectors. The creation of the information society has placed copyright in the centre of economic development because it is copyright that motivates provision of information that is essential to economic development.

The development of information and communication technology, in particular the Internet, has impacted copyright mainly in two aspects: the creation of new subject matters of copyright and the rapid dissemination of the works. These are due to the fact that digital technology enables intellectual creators to use the Internet with confidence to create and distribute their works within the digital environment.

1.5.1 Creation of new subject matter

Copyright was born into a world of print and scripted live theater in the 18th century. The protected subject matters were limited only to books, plays, etc. Along with technological development and international harmonization of copyright, the scope of copyright protected works has been expanded greatly. The international treaties have witnessed this expansion. The Berne Convention specifies the scope of copyrighted works as “literary and artistic works”;¹⁴⁸ the TRIPs Agreement, on top of the Berne Convention, adds the protection of computer programs and compilations of data. In addition, copyright and related rights protection has been expanded to apply to performances and phonograms.¹⁴⁹

Moreover, technological developments have facilitated the availability of information in electronic form, i.e. copyrighted materials can be digitalized. As a result, they can be used in many different media, and stored in different forms. For example, music can be produced in digital form by using high tech equipment, and it can be easily, cheaply and speedily recorded, saved and reproduced in extensive amounts in digital storage devices, such as “memory sticks” or MP3 or MP4 players.

¹⁴⁶ More details, see Yijun Tian, *Re-thinking Intellectual Property-the political economy of copyright protection in the digital era* (Routledge, Cavendish Taylor & Francis Group, London and New York 2009) 13-22.

¹⁴⁷ *Sony Corp. Of Am. v. Universal City Studios, Inc.*, 464 US 417, 430-31 (1984), explaining the inherent connection between technology and copyrights.

¹⁴⁸ Art. 2 of the Berne Convention provides a list of works which enjoy copyright law protection; however, the protection of works and the extent of protection of such works, such as: applied art and industrial designs and models, are a matter of legislation in the countries of the Union. More details, see *infra* 2.2.1.2.3 Protected works.

¹⁴⁹ The WPPT.

1.5.2 Rapid dissemination of work

Technological development has also made changes in the speed of distribution of copyrighted works. Originally, copyrighted works were contained in books and play scripts, which, due to the limitation of technology, could normally be distributed in restricted forms, e.g. print or theatre, etc. With the utilization of cable and satellite, the means of transmission are no longer limited to conventional hardcopy reproduction. Even later, broadcasting is not confined to traditional cable or wireless broadcasting, because the Internet makes the transmission more efficient: a work put on the Internet can be quickly accessed by everyone who has access to the Internet in virtually every place in the world. Thus, by using digital technologies, a copyrighted work can be rapidly distributed and can easily reach global audiences. There is little doubt that the digital dissemination of copyrighted work will also affect the enforcement of copyright on the work, since “[m]ulti-state distribution of intellectual property and multi-state infringements are corollaries of the worldwide web”.¹⁵⁰ Hence, once on-line copyright infringement claims become common, the difficulties in defining the places of infringement and the infringers will be magnified.

Reaching global audiences raises another concern about copyright: the inconsistencies among national copyright laws. In practice, so-called “international copyright” has no existence, and what exists is only a bundle of national copyright protection regimes,¹⁵¹ each of them reflecting a country’s own perception of exclusive rights of the creator and the importance of public access to the works created. The differences in national copyright laws may have practical influences on the activities of an intellectual creation: e.g. a creator that is an author of a work according to one country’s law may not be an author of the same work under another law. Differences in limitations on copyright may also mean that an activity that is non-infringing under one country’s law may be infringing under another. Therefore, it raises concerns about choice-of-law when cross-border communications are involved.

1.6 Copyright and choice-of-law

1.6.1 The multiplication of choice-of-law problems in cross-border copyright and related rights protection

As Grosheide pointed out, historically there was no link between copyright law and private international law (PIL), since both fields of law “*depend entirely on the assumption that legally relevant phenomena can be located territorially*” and they should be applied to regulate actions or behaviours within a territory.¹⁵² Conventional PIL analysis looks to geography for connecting factors to determine the applicable law, while copyright law traditionally is also territorial in nature, which is to be understood as invoking the national law that will apply to acts of copyright infringement in a particular country, regardless of the national origin of the work infringed.¹⁵³

However, both fields of law have strong international dimensions, e.g. the domicile of the parties, the place of infringement, etc. For copyright, literary and artistic works are independent of a physical link with any territory and can therefore be easily transmitted across borders and simultaneously exploited in a great number of countries, whether legally or illegally. Moreover, the fact that the copyrighted

¹⁵⁰ Jürgen Basedow, ‘Foundations of Private International Law in Intellectual Property’ in Jürgen Basedow, Toshiyuki Kono and Axel Metzger (eds) (*supra* n 15) 11.

¹⁵¹ Jane C. Ginsburg, ‘Putting Cars on the “Information Superhighway”’: Authors, Exploiters, and Copyright in Cyberspace’ (1995) 95 Colum. L. Rev. 1466.

¹⁵² Willem Grosheide, ‘Experiences in the Field of Intellectual Property’ in Katharina Boele-Woelki and Catherine Kessedjian (eds), *Internet Which Court Decides? Which Law Applies?* (Kluwer Law International, the Hague 1998) 37-40.

¹⁵³ Christopher Wadlow, *Enforcement of Intellectual Property in European and International Law* (Sweet & Maxwell, London 1998) 1, 18-23.

works continue to have a legal link with the creator even after the work has been transferred amplifies the involvement of foreign elements in copyright.¹⁵⁴

Along with the enhanced mobility of authors and copyrighted works, concern is raised as to the law applicable to a situation where a copyright claim involves several legal systems, e.g. Harry Potter, a work that was published simultaneously in many countries.

In the age when copyright law had recently been born, courts could easily pinpoint the territories in which works, namely books or dramatic scripts, were originated and disseminated. Even in the 20th century, courts could still tie the applicable law to points fixed in geographical locations, because in that time the published works or broadcasts were most often from known centres to surrounding audiences. Nowadays, the global economy and advanced information technology, notably the Internet, challenges the choice-of-law determination. The Internet is not territorially based. Physical territory does not exist on the Internet; works put on the Internet cannot be stopped at any border; and they can be made simultaneously accessible everywhere in the world. Additionally, in the global economy, the collaboration to create a work by diverse authors located around the world also has become usual in business practice.¹⁵⁵ Under these circumstances, it is no longer possible to localize works or authors at any single point upon which the applicable law can be determined.

Due to the lack of a uniform legal source in international copyright and related rights protection, national courts are, inevitably, forced to use their own choice-of-law rules to designate the law applicable to a copyright claim involved with several legal systems. As will be seen in the following section, more complex situations can be brought before national courts in cases where the Internet and digital communication are involved.¹⁵⁶

1.6.2 Main characteristics of copyright

Copyright and related rights are property rights under which a creator enjoys an exclusive use of the created work, bounded by limitations. Despite that, the immaterial character of copyright and related rights and the other characteristics that distinguish them from standard property rights need to be scrutinized because their special characteristics exert influence on the respective choice-of-law rules in cross-border copyright and related rights cases.

1.6.2.1 Intangibility

The feature of copyright and related rights that is first and foremost encountered is intangibility. The law of standard property protects property rights in tangible, material things, such as a car or piece of land, while the law of copyright concerns expressions of human thinking and feeling and other expressions or information, all of which are intangible although always expressed through a tangible medium.

1.6.2.2 Its ubiquity

Due to copyright's intangibility, copyrighted work, e.g. information, can be in existence at different places at the same time. An expression can be first read in many copies of the same book at the same time, and be seen in a drawing, and be experienced by viewing a motion picture of it. At the same time, the non-rivalous character of an intellectual creation provides it with a tendency to be spread around since it cannot be circumscribed with physical boundaries. In comparison, standard property must normally have a definite location in space.

¹⁵⁴ Georges Koumantos, 'Private International Law and the Berne Convention' (1988) Copyright 415, 415.

¹⁵⁵ Mireille van Eechoud 2003 (*supra* n 15) 132-35; Jürgen Basedow 2010 (*supra* n 150) 10-1.

¹⁵⁶ For more information, see Christian A. Camarce, 'Harmonization of International Copyright Protection in the Internet Age' (2007) 1 Global Business & Development Law Journal 435, 439.

1.6.2.3 No erosion by use

Information is a public good. Its intangible characteristics of non-opposability and non-excludability mean that others cannot be excluded from making use of it, and that it can be readily copied without any direct taking from its initial owner, with the result that others can still continue to use it. The use of a copyrighted work by one person will not affect its use by others. By contrast, exercise of a standard property right in something tangible will oppose a single act of possession, i.e. once someone possesses a car, it cannot be used by others at the same time, and once the car has been destroyed, the property right in it will be extinguished, while, in the case of copyright, erosion of the medium will not affect the copyright on what it is used to express, e.g., if the book gets burned that physical thing will come to an end, but the copyright on what the book expresses will remain.

1.6.2.4 Territoriality

Territoriality is a universally accepted concept in copyright law. This concept is however not explicitly defined, as it is provided for neither in international treaties, nor in domestic laws.¹⁵⁷

At the outset, territoriality means that powers of the legislature to legislate are normally limited to the territory of the state concerned. In the context of copyright law, this principle means that copyright law is limited to the national territory of the legislator, which amounts to a limitation on the effect of rights created. Furthermore, since copyright is an exclusive right to use or exploit material within the borders of the country concerned, an infringement of those rights involves improperly using or exploiting such materials only in that country. A national copyright law cannot extend to any territory outside that country. In other words, it does not have an extra-territorial effect.¹⁵⁸ Imposing the restrictions of a national copyright law outside the national territory where they have been legislated, or applying one country's copyright law to an alleged copyright infringement occurring in another country would in effect contravene the territoriality principle.

Thus, the application of such a principle responds to two interests. One is the interest of state sovereignty. To impose a country's copyright law on alleged activities that occurred in another country might be considered by the latter country as a violation of its sovereignty, in particular where under the latter country's copyright law such activities are not considered to be infringements.¹⁵⁹ The second interest is in securing reasonable investment expectations. By knowing the extent of protection and enforcement of copyright and related rights in certain countries, those who want to exploit intellectual works can decide where and in which market they can bring their works.¹⁶⁰

The concept of territoriality in copyright has long existed. It started to exist in the medieval systems of privileges, when kings, princes, dukes, city councils and church officials in Europe granted privileges to individual publishers.¹⁶¹ Under this system, the privileges had to be limited to the territory governed by the relevant sovereign. Foreign rulers would theoretically have no obligation to recognize or honour the privileges granted by others.¹⁶² The territorial concept remained with the arrival of copyright legislation that arose later on, even though copyright legislation had the purpose of protecting the interest of authors by rewarding their effort or investment. A multilateral treaty - the

¹⁵⁷ Georges Koumantos (*supra* n 154) 417; Paul Torremans, 'Questioning the principle of territoriality: the determination of territorial mechanisms of commercialization' in Paul Torremans (ed) (*supra* n 115) 460; Rita Matulionytė (*supra* n 15) 17-8.

¹⁵⁸ György Boytha, 'Some Private International Law Aspects of the Protection of Author's Rights' (1988) Copyright 399, 400; Eugen Ulmer (*supra* n 5) 9.

¹⁵⁹ Paul Goldstein 2001 (*supra* n 57) 63.

¹⁶⁰ *Ibid*; Silke von Lewinski (*supra* n 60) para 1.07.

¹⁶¹ Jane C. Ginsburg 1998 A (*supra* n 15) 257-58; Silke von Lewinski (*supra* n 60) para 1.07.

¹⁶² Jane C. Ginsburg 1998 A (*supra* n 15) 257-58.

Berne Convention that was concluded by the end of 19th century adopted the “national treatment” principle by providing that a Berne Union state must offer the same protection to the nationals of other states as it offers to its own nationals, and set up the “minimum protection” standard requiring Union states to establish certain minimum standards specified in the Convention into their own substantive laws. Reading the principles of national treatment and minimum protection together, it is submitted that each Union state meeting the minimum protection standard required by the Convention, was able to develop and enforce its own laws, and to have its own particular copyright legislation. In other words, it is submitted that the Convention confirmed the territoriality principle.

The territorial character of copyright was also confirmed in rule-generating studies and proposals of academically-linked institutions. The ALI Principles adopted by the American Law Institute confirmed that “[i]t has simply been assumed that each State’s rules apply to anything transpiring within its borders, and no further.”¹⁶³ The Max Planck Institute Principles for Conflict of Laws in Intellectual Property¹⁶⁴ (CLIP Principles) recite in the Preamble that “*intellectual property rights are private rights, limited in its exercise and enforcement to specific territories, and that each sovereign State is free, subject to international obligations, to regulate whether and under which conditions intangible goods shall enjoy legal protection.*”

Clearly, the IP community still favors territoriality. This principle envisages that a copyright or related rights owner will have to manage a bundle of independent national rights, as many as there are territories where protection can be found.¹⁶⁵ Each national copyright law of concern regulates the existence and content of the right and the conditions for protection, provided that the claimant is eligible for protection in the respective country.¹⁶⁶

The Internet has seriously complicated the situation for copyrighted works. As mentioned earlier, a work that is put on the Internet can become simultaneously accessible throughout the world. This renders the principle of territoriality much more problematic because the laws of every country in which the work may be received come into play, and these laws may differ in substance. The absence of international copyright law sparks consideration of choice-of-law rules once a copyrighted work becomes available across national borders.

The above characteristics distinguish standard property rights in tangible things from intellectual property in intangibles: the exclusive rights that vest in intellectual creations rely on a grant from a legislature, whilst the exclusiveness involved in owning tangible properties derives from their physical nature. Thus, “*property rights in tangibles must be protected to avoid conflicts and even social unrest whereas the protection of intellectual property rights is rather a matter of maximizing social welfare.*”¹⁶⁷

When a choice-of-law issue arises, any international copyright protection would have to confront a question about which choice-of-law rule should apply. Even though copyright is considered as a sort of property right, its intangible nature, the non-formality requirement and the fact that the right is created by operation of law -automatically so to speak- makes any application of the standard property approach using *lex rei sitae* to copyright and related rights subject to serious question, since these characteristics cannot place copyright at a given location.¹⁶⁸ Furthermore, a debate about whether the territoriality principle, the dominant principle in copyright protection, should be considered as a choice-of-law rule also arises. Section 1.6.3.4, next, deals with these issues.

¹⁶³ American Law Institute, *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes* (American Law Institute Publishers, 2008) 193.

¹⁶⁴ The Final Text of the CLIP Principles, <<http://www.cl-ip.eu/>> accessed on 2 October 2012.

¹⁶⁵ Silke von Lewinski (*supra* n 60) para 1.06; Georgios Koumantos (*supra* n 154) 417.

¹⁶⁶ Silke von Lewinski (*supra* n 60) para 1.06.

¹⁶⁷ Jürgen Basedow 2010 (*supra* n 150) 6.

¹⁶⁸ Eugen Ulmer (*supra* n 5) 9; Fawcett and Torremans 2011 (*supra* n 13) paras 13.30-13.31.

1.6.3 Choice-of-law rules in cross-border copyright claims

Three considerations make copyright choice-of-law rules special: 1) the public character of copyright, 2) the regulation of copyright protection through supra-national norms, and 3) the territorial scope of such protection. The next three subsections expand on them.

1.6.3.1 Public character of copyright

Copyright is a right to exclude others from copying a work granted or protected by a state, and the holder of it normally engages in economic activities such as reproduction and exploitation of the work within that state. Although the vesting of a copyright does not require a registration procedure, copyright does have a public character. Respect for national interests and public interests, both in terms of economic and cultural development, makes copyright especially important. When a choice-of-law problem is involved, several concerns can be raised. First, it can make the application of foreign law unusually problematic, as it may seem to impinge on the sovereignty of the state where the rights are in question. In addition, this public character of copyright can often mean that where enforcement of local rights is involved, application of the *lex fori* is mandated.¹⁶⁹ Second, due to the public character of copyright, it is commonly accepted that party autonomy is out of bounds because individual parties should not be permitted to contract out state sovereignty. However, considering the facts that copyright law enforcement is also a private law matter and that copyright deals with relationships between private parties, one may wonder whether a certain extent of party autonomy should be allowed in cross-border copyright infringement claims, at least in the litigation phase of calculating damages.

1.6.3.2 International copyright treaties

As indicated above, there is no such thing called international copyright law. The most widely used multi-lateral copyright treaty, namely the Berne Convention, aims for greater uniformity of the protection levels on the basis of substantive national law by, as stated above, setting minimal standards for protection in those situations involving the laws of more than one country. The Berne Convention also establishes the “national treatment” principle according to which, as also stated above, each country promises to grant the same protection to nationals of the other country as it grants to its own nationals.

However, whether and to what extent the substantive principles encompassed by the Berne Convention and other multi-lateral treaties provide or imply any particular choice-of-law rules has always been a much debated issue among academics and national courts.¹⁷⁰ It has also been debated whether the national treatment principle actually functions as a choice-of-law rule in cross-border copyright disputes. This debate separates scholars into two groups: one maintains that the national treatment clause is only a non-discrimination clause, i.e. a mechanism for ensuring equal treatment of foreigners in relation to protection of their copyrighted works in countries other than the country of origin, while the other group contends that this clause is also a choice-of-law rule requiring application of the law of the country in or for which protection is claimed.¹⁷¹ Furthermore, Article 5(2) of the Berne Convention is considered by some as amounting to a *lex loci protectionis* rule, but others object to such a conclusion.¹⁷²

Additionally, Article 5(2) of the Berne Convention provides for the non-formality requirement, i.e. coming into existence of copyright does not rely on any governmental registration procedures. From

¹⁶⁹ Richard Fentiman, ‘Choice of Law and Intellectual Property’ in J. Drexl and A. Kur (eds) (*supra* n 15) 132.

¹⁷⁰ For discussion, see *infra* 2.2.1.4 Does the Berne Convention contain choice-of-law rules?

¹⁷¹ More details, see *infra* 2.2.1.4.2 Does national treatment entail a choice-of-law rule?

¹⁷² More details, see *infra* 2.2.1.4.3 Does Article 5(2) have a choice-of-law rule function?

the perspective of choice-of-law, this non-formality requirement distinguishes copyright from other types of IP rights, such as patent, trade mark. Thus, specific choice-of-law rules for copyright are needed.

1.6.3.4 Territoriality: could it be a choice-of-law rule?

The concept of territoriality is many-headed.¹⁷³ Apart from what described in the preceding section 1.6.2.4, this concept leads to the issue whether the territoriality principle functions as a choice-of-law rule. Among the scholars who answer it affirmatively, some interpret the principle strictly, referring it to the *lex fori*, and in such a way that they do not recognize a copyright acquired from abroad, or an infringement from abroad. Others connect the principle with the law of the country for which protection is sought, i.e. the *lex loci protectionis*.

However, that connection is questionable. First, the territoriality principle is not specific to copyright or other industrial property rights. In fact, it is applied in other fields of law as well.¹⁷⁴ Since applying territoriality in other fields of law hardly ever leads to a point of view that the principle is a choice-of-law rule, neither should it be so in the context of copyright law. Similarly, as rightly stated by these scholars, the territoriality principle exists also in choice-of-law rules. National legislatures develop national choice-of-law rules either by means of drafting their own rules or by entering into international or regional treaties in this respect, and the effects of the national choice-of-law rules are also confined to that state.¹⁷⁵ Furthermore, whether to apply a choice-of-law rule is also determined by the national (territorial) law of the forum. Holding on to the territorial character of the choice-of-law rule here would mean that the choice-of-law rule would be eliminated entirely and the *lex fori* would be applied exclusively. Under such a circumstance, nothing in the forum's law could justify the inclusion of foreign laws.¹⁷⁶ That would certainly be against the spirit of the Berne Convention. Additionally, the argument that “each country legislate its own copyright law that applies only within its borders” cannot justify the territoriality principle as a choice-of-law rule, since the existence of choice-of-law rules depends on the existence of states having different private laws.¹⁷⁷ That copyright is territorial does not distinguish copyright laws, bearing a private law character, from other laws that are subject to choice-of-law rules.¹⁷⁸ Therefore, it is submitted that the territoriality principle, in the context of copyright, should be interpreted as admitting the independence of copyright, i.e. that copyright exists separately in each country to the extent that each country recognizes it, representing the culture and social policies of that country. In fact, if copyright laws were the same in all countries, there would be no need for a rule of territoriality.¹⁷⁹ As Fentiman pointed out, “the territoriality of national intellectual property protection is not a peculiarity of some legal systems, but an inherent and universal feature of such protection.”¹⁸⁰

Copyright is an intangible right not connected with any material thing that has its source in legislation. Therefore, the spatial scope of that right is logically limited to the territory of the legislating state.¹⁸¹ Additionally, observations that the territoriality principle equates with *lex loci protectionis* are similarly questionable. Territoriality means that each sovereign state may apply its own laws to claims that the copyright be enforced in its territory. It also means that in such a case no effect would be given to foreign law; the *lex loci protectionis* rule may, however, designate the application of foreign law in

¹⁷³ William Cornish and David Llewelyn, *Intellectual Property: Patents, Copyright, Trade Marks and Allied Rights* (5th edn Sweet & Maxwell, London 2003) 26-7.

¹⁷⁴ Mireille van Eechoud 2003 (*supra* n 15) 97-9; Paul Torremans 2007 (*supra* n 157) 461; Rita Matulionytė (*supra* n 15) 13-4.

¹⁷⁵ Mireille van Eechoud 2003 (*supra* n 15) 97; M.H. ten Wolde, K.C. Henckel and J.N. de Haan (*supra* n 8) 4-5.

¹⁷⁶ Dário Moura Vicente (*supra* n 15) 268.

¹⁷⁷ Mireille van Eechoud 2003 (*supra* n 15) 97; M.H. ten Wolde, K.C. Henckel and J.N. de Haan (*supra* n 8) 3-4.

¹⁷⁸ Mireille van Eechoud 2003 (*supra* n 15) 97-9.

¹⁷⁹ Paul Goldstein 2001 (*supra* n 57) 62.

¹⁸⁰ Richard Fentiman 2005 (*supra* n 169) 143.

¹⁸¹ Paul Torremans 2007 (*supra* n 157) 461.

a situation where, e.g. foreign copyright claims are brought before the court where the alleged defendant is domiciled. Under such circumstances, the territoriality principle differs from the *lex loci protectionis*.¹⁸² They cannot be equated with each other. Nevertheless, the *lex loci protectionis* is compatible with the concept of territoriality to the extent that this concept allows for certain extra-territorial effects. This widely-interpreted concept of territoriality in use today differs from medieval territoriality principles.¹⁸³

1.7 Conclusion

This chapter describes the idea, nature and characteristics of copyright by looking into the legal justifications for it. It also describes limitations to the scope of copyright protection and exceptions from it. By studying these justifications, it demonstrates that, in relation to pertinent choice-of-law rules, the importance of knowing the rationales for copyright and related rights is because these rationales constitute the basic assumptions for the copyright and related rights policy that a particular legal order has adopted. This chapter also examines the impact on copyright protection of new technologies, namely the Internet. It discusses the challenges brought to international copyright protection by using new technologies, not only in terms of the expanded categories of copyright subject matter and the rapid reproduction and dissemination of copyrighted works, but also in view of the ease of committing copyright infringement worldwide. The latter presents even greater challenges for choice-of-law issues in that there will be greater numbers of countries involved in copyright claims. This chapter further highlights the unique characteristics of copyright that distinguish it from other kinds of property rights, say from rights to tangibles. On that basis, this chapter argues that, from the perspective of choice-of-law rules, IP rights should be dealt with specifically. Furthermore, by pinpointing the territorial character of copyright, this chapter argues that the territoriality principle should not be too readily equated with the *lex loci protectionis* rule because the strict interpretation of the former gives no effect to foreign laws, whereas the latter may afford leeway for the application of foreign law.

¹⁸² Dário Moura Vicente (*supra* n 15) 268-69.

¹⁸³ *Id.*, 268.

CHAPTER 2 INTERNATIONAL COPYRIGHT AND RELATED RIGHTS TREATIES

Copyright protection has gone for a long way: starting from the 18th century for the only protection to domestic works, till the earlier part of the 19th century, under which bilateral treaties were concluded with regard to the protection of copyright, due to the increased negative economic impact of piracy abroad, and finally in the second half of the 19th century, efforts were made to improve international copyright and related rights protection. They led to a series of multi-lateral treaty instruments on copyright and related right protection: for copyright, the Berne Convention, the Universal Copyright Convention (hereinafter UCC) and the WIPO Copyright Treaty (hereinafter WCT); and for related rights, the Rome Convention 1961, the Geneva Phonograms Convention 1971 and the WIPO Performers and Phonograms Treaty (hereinafter WPPT). More recently, the most important treaty covering the major types of intellectual property is the TRIPs Agreement.

As copyright and related rights have been the subjects of a number of international treaties, one may enquire whether these treaties contain or entail any rules specifying which country's copyright laws will apply. If the answer is affirmative, states that adhered to these treaties will be obliged to honor those choice-of-law rules in cross-border copyright disputes that fall within the scope of these treaties; if there are no choice-of-law rules contained in these treaties, references to national choice-of-law rules then have to be made.

Having these questions in mind and to understand the influence of international copyright and related rights protection on the choice-of-law issue, this chapter will briefly describe the development of international copyright protection in the first section. An analysis of the international copyright and related rights treaties, including the Berne Convention, the UCC, the Rome Convention 1961, the TRIPs Agreement, the WCT, the WPPT and the envisaged WAPT, will be carried out in the second section. Since the purpose of this chapter is to elucidate the relationship between international copyright and related rights treaties and the choice-of-law rules, there is no need to deal with all copyright and related rights treaties. As the most important copyright treaty, the Berne Convention, which serves as a model for other copyright treaties, will be given more attention so as to illustrate the law created by international treaties. In addition, a search as to whether substantive principles embodied in the international copyright treaties ordain or imply any particular choice-of-law rules will be conducted. Notably, the role of the principle of national treatment, a rule preventing discrimination on the basis of nationality, will be looked at, since it is a topic having been much debated among national courts and academics.

2.1 Development of International copyright protection

2.1.1 Some historical facts about international copyright protection¹⁸⁴

The spread of printing presses in 15th century Europe enabled rapid multiple copying. In order to protect printers' and bookbinders' interests, state authorities granted legal protection in a form of "privileges" or exclusive rights to print and sell copies of a book for a limited time within their respective territories.¹⁸⁵ In succeeding centuries, a series of modern statutes were adopted. Under them a general right of authors was recognized,¹⁸⁶ and that became a subject of private law. Among these

¹⁸⁴ For a concise overview of the historical background of all international copyright and related rights treaties administered by WIPO, see Mihály Ficsor, *Guide to the Copyright and Related Rights Treaties Administered by WIPO and Glossary of Copyright and Related Rights Terms* (WIPO Publication No.891(E), Geneva 2003) paras 5-33.

¹⁸⁵ Jane C. Ginsburg 1998 A (*supra* n 15) 257-58.

¹⁸⁶ For the development of national copyright laws: see Sam Ricketson, *The Berne Convention for the Protection and Literary and Artistic Works: 1886-1986* (Kluwer, Deventer 1987) 4-8.

statutes, two legal traditions were discernable: the copyright laws in Anglo-Saxon law countries and the *author's right* laws in Continental European law countries.

An attempt to achieve international copyright protection was mainly facilitated by the motivation to prevent the gradual increase of international “piracy” during those days. By the beginning of the 19th century, it was realized that works produced in one country could be profitably exploited in another: for example, a book or a play script could be appreciated also by the citizens of other countries or even be translated into other languages. Moreover, continuous improvements in printing technology made such works more vulnerable to piracy.¹⁸⁷ As a result, unauthorized reproduction and use of foreign works became “established features” of the then European cultural and social life.¹⁸⁸ This practice even continued for a considerable period of time after most countries adopted national copyright laws.¹⁸⁹ In fact, considerable differences existed among national copyright laws.¹⁹⁰ In particular, there were the extremely different results from applying various national provisions, and that failed to provide sufficient copyright protection for foreign works.

Nevertheless, there was a gradual move towards elimination of international “piracy” and, in consequence, the recognition of the rights of foreign authors in most European countries. The so-called copyright-exporting countries, like France and Great Britain, which occupied pre-eminent positions in the areas of literature and the arts, wanted to have their copyrights protected outside their territories.

France had tried in a decree of 1852¹⁹¹ to unilaterally extend the protection under French law to all works published abroad, without requiring reciprocal protection of French works in those countries. As explained, the philosophical rationale for this national altruism was that “*author's rights, being natural rights of property, should not be restricted by artificial restraints such as nationality or geographical boundaries*”.¹⁹² This national altruism was however only followed by Belgium in 1886,¹⁹³ and no other countries recognized that kind of unilateral grant of protection to the works of foreign authors. The lack of reciprocity by other states made both Belgium and France terminate their relevant decrees in 1921 and 1964, respectively.¹⁹⁴

Gradually, every country that had some kinds of cultural products was taking steps to have its cultural products protected in foreign countries. Mutual recognition of each other's copyright then became the necessary approach. The copyright-exporting countries started to exercise pressure on countries that were exploiting their publications, and gradually a series of bilateral treaties were concluded. More than 100 such treaties had already been concluded before the coming into force of the Berne Union in 1886.¹⁹⁵

2.1.2 Protection of foreign works by national laws

As described above, France and Belgium adopted a kind of national altruism to unilaterally grant protection to foreign works of foreign authors within their respective countries. Even then, the extent of protection in these countries differed. As explained by Ricketson and Ginsburg, the 1852 French Decree only allowed a foreign author to enjoy in France the rights granted to him under the laws of his

¹⁸⁷ For details, see Stewart and Sandison (*supra* n 34) 15.

¹⁸⁸ Sam Ricketson 1987 (*supra* n 186) 17-21.

¹⁸⁹ Ricketson and Ginsburg (*supra* n 110) paras 1.20-1.24.

¹⁹⁰ For details, see Sam Ricketson 1987 (*supra* n 186) 8-17; Ricketson and Ginsburg (*supra* n 110) paras 1.07-1.19.

¹⁹¹ Decree-Law of 28 March 1852.

¹⁹² Ricketson and Ginsburg (*supra* n 110) para 1.24.

¹⁹³ Art. 38 of the Belgium Law of 1886.

¹⁹⁴ György Boytha (*supra* n 158) 401.

¹⁹⁵ *Ibid.*

own country.¹⁹⁶ Thus, foreigners' rights were not assimilated to those of French nationals, and a foreigner could not enjoy the rights further accorded under the French law in addition to his own. The Belgian Law of 1886 provided, however, complete assimilation of foreign authors, with the exception of the duration of protection. According to the Belgian Law, the term of protection accorded to foreign authors' works in Belgium could not exceed that granted to the foreign authors by their own countries; furthermore, if a foreign work ceased to be protected in the author's country of origin, the protection accorded in Belgium would cease simultaneously with it.¹⁹⁷

Unlike France and Belgium, other countries adopted more restrictive approaches in granting copyright protection to foreign works. Some countries required a criterion based on the nationality of the author, such as the German Copyright Act which protected all works of German nationals, wherever published.¹⁹⁸ Foreign authors whose works were published in Germany were also protected but only if the works were published by a German publisher.¹⁹⁹ The same approach was applied in Norway.²⁰⁰ Similarly, Swiss law²⁰¹ and Hungarian law²⁰² adopted an approach based on domicile, rather than nationality, as a criterion of protection. Some countries adopted only the nationality criterion, which meant works of foreigners would not be protected, even if they were published locally.²⁰³ Other countries applied the criterion of the place of publication. According to it, all works published within the territory of a country would be protected under that country's law, irrespective of the nationality of the author or the publisher. This approach was adopted in Great Britain²⁰⁴, Austria²⁰⁵, the Netherlands²⁰⁶, Italy²⁰⁷ and others.

2.1.3 Bilateral treaties

Along with the enhanced movement of cultural works and people, as well as the need to combat "piracy", most countries were ready to grant protection to foreign works, but on condition that their own works also receive protection in the country of the origin of the foreign works. Reciprocal protection formed the basis of bilateral copyright treaties.

The first bilateral copyright treaty was concluded between German states during the first part of the 19th century. The use of such treaties spread to other European states, such as Great Britain, France,²⁰⁸ Belgium and Spain.²⁰⁹ Those 19th century bilateral treaties rested, however, on different types of reciprocity. Some treaties required material reciprocity, according to which country A would accord protection to works originating in country B only if the latter gave comparable protection to works from country A. Other treaties required formal reciprocity, i.e. national treatment, meaning that

¹⁹⁶ Ricketson and Ginsburg (*supra* n 110) para 1.25.

¹⁹⁷ *Ibid.*

¹⁹⁸ Art. 61 of the German Law of 11 June 1870; Art. 20 of the Law of 9 Jan 1876. (referred into Ricketson and Ginsburg (*supra* n 110) para 1.26.)

¹⁹⁹ *Ibid.*; Paul Goldstein 2001 (*supra* n 57) 16.

²⁰⁰ Art. 451 of the Norwegian Law of 8 June 1876; Art. 15 of the Law of 12 May 1877. (artistic property) (referred into Ricketson and Ginsburg (*supra* n 110) para 1.26.)

²⁰¹ Art. 10 of the Swiss Law of 1883. (referred into Ricketson and Ginsburg (*supra* n 110) para 1.26)

²⁰² Art. 79 of the Hungarian Law of 1884. (referred into Ricketson and Ginsburg (*supra* n 110) para 1.26)

²⁰³ In Greece, Art. 433 of the Greek Penal Code 1833; in Portugal, Art. 576 of the Portuguese Civil Code 1867; in Spain, Art. 50 of the Spanish Law of 1879; in Sweden, Art. 19 of the Swedish Law of 10 May 1877; Art. 8 of the Law of 8 May 1867; in Finland, Art. 32 of the Finnish Law of 1880; in U.S., ss 4952 and 4971 of the US Copyright Act of 1870. (referred into Ricketson and Ginsburg (*supra* n 110) para 1.26)

²⁰⁴ S 1 of the UK Literary Copyright Act 1842; see also *Routledge v Low* (1868) LR 3 HL 100. (referred into Ricketson and Ginsburg (*supra* n 110) para 1.26)

²⁰⁵ Art. 36 of the Austrian Law of 1846. (referred into See Ricketson and Ginsburg (*supra* n 110) para 1.26)

²⁰⁶ Art. 27 of the Dutch Law of 1881. (referred into See Ricketson and Ginsburg (*supra* n 110) para 1.26)

²⁰⁷ Art. 42 of the Italian Law of 1882. (referred into see Ricketson and Ginsburg (*supra* n 110) para 1.26)

²⁰⁸ France concluded the most bilateral treaties on copyright (13).

²⁰⁹ For details, see Ricketson and Ginsburg (*supra* n 110) paras 1.29 – 1.42.

country A could accord protection to works originating in country B on condition that the latter would give works from country A the same protection as it accorded to works of its own nationals. Unlike material reciprocity, formal reciprocity did not necessarily require a comparable degree of protection by each state, but only required the assimilation of the works of another state to those of its own authors.²¹⁰ As will be seen in the following section, formal reciprocity (national treatment) is one of the fundamental principles in the Berne Convention. Its application of formal reciprocity differs, however, from the one in the bilateral treaties in that the Convention lays down the minimum standard of protection that every Union state must follow.

Despite their contribution to the establishment of international copyright regime, bilateral treaties proved unsatisfactory.²¹¹ First, there were great variations in terms of the contents of the treaties. The provisions concerning covered persons and protected works, the duration of protection, restrictions on reproduction rights, etc. were framed in different ways, and as a result it was troublesome for authors/publishers to figure out whether and/or to what extent a work could be protected in a country or countries other than their own.²¹² Second, in practice, some treaty countries failed to abide by their treaty obligations.²¹³ Furthermore, most of the bilateral treaties were not just for copyright. They were, rather, trade treaties containing a copyright clause. These types of treaties led to several drawbacks in terms of copyright protection in foreign countries. One drawback was the uncertain duration of treaties. Since trade treaties were dependent on the political and economic situations of a state, these treaties could be denounced or renegotiated on short notice. Once that occurred, authors would face a sudden loss of their rights in foreign countries.²¹⁴ Another drawback was the “most favoured nation” clause often used in trade treaties. Under such a clause, a state needs to extend benefits accorded to one state to all other states. In the copyright context, in a situation where country A and country B agreed to grant each other the benefit of the “most favored nation”, once country A subsequently concluded an agreement with country C offering a higher level protection to the authors of country C than those provided in the agreement between country A and B, then the “most favored nation” clause would enable the authors of country B to claim in country A the more favorable treatment accorded to the authors of country C. Consequently, the operation of bilateral treaties would not be certain because the level of copyright protection could shift whenever a treaty partner entered into bilateral relations with a new partner.²¹⁵

By the end of the 19th century, around 100 bilateral treaties had been concluded. They formed an extensive web for protection of foreign authors and foreign works.²¹⁶

2.2 International copyright and related rights treaties

2.2.1 The Berne Convention

2.2.1.1 Origins of the Berne Convention²¹⁷

Due to the different fundamental characteristics of copyright in different countries, national copyright laws differed extensively, not only in terms of the categories of works protected, but also of their

²¹⁰ Ricketson and Ginsburg (*supra* n 110) para 1.27; Paul Goldstein 2001 (*supra* n 57) 16-7.

²¹¹ Paul Goldstein 2001 (*supra* n 57) 18; Jane C. Ginsburg 1998 A (*supra* n 15) 261; Simon Fitzpatrick (*supra* n 25) 217.

²¹² Ricketson and Ginsburg (*supra* n 110) para 1.41; Paul Goldstein 2001 (*supra* n 57) 18.

²¹³ Jane C. Ginsburg 1998 A (*supra* n 15) 261.

²¹⁴ Ricketson and Ginsburg (*supra* n 110) para 1.42; Mireille van Eechoud 2003 (*supra* n 15) 56.

²¹⁵ Ricketson and Ginsburg (*supra* n 110) para 1.42; Paul Goldstein 2001 (*supra* n 57) 18.

²¹⁶ Ricketson and Ginsburg (*supra* n 110) 40.

²¹⁷ For details, see Sam Ricketson 1987 (*supra* n 186) 39-80; Ricketson and Ginsburg (*supra* n 110) paras 2.01 *et seq*; Stewart and Sandison (*supra* n 34) 100-01; W. Nordemann, K. Vinck, P. Hertin and G. Meyer, *International Copyright and Neighbouring Rights Law: Commentary with special emphasis on the European Community* (VCH, Weinheim 1990), introduction nn 2-4.

scope and the duration of protection. Neither were bilateral treaties an effective means of guaranteeing protection on the international level. With the increased growth in trade and the continuous flow of printed material among countries, it was realized that copyright protection could be much more effectively established if common rules were applied.

An attempt to establish a universal copyright law could be found in a relatively early period. In a series of international congresses, in particular the 1858 Brussels congress, the issue of the nature of copyright was intensely debated. That led to the highly controversial issue concerning the duration of protection. Nevertheless, a general consensus on the need for international copyright protection was reached, which was reflected in the following Resolution, to just name the core of the Resolution: authors of literary and artistic property should enjoy the exclusive right to authorize publication, reproduction and distribution of their works, so should the composers for dramatic and musical works and artists for their drawings, paintings and other works; the duration of protection in all laws should be the life of the author plus 50 years after the death of the surviving spouse; authors should have the exclusive right to authorize translations of their work, provided they make their first use of this right within three years after publication of the original; as to foreign authors and owners of copyright in works published abroad, the principle of national treatment and simplification of formalities were adopted.²¹⁸ The subsequent congresses, such as the 1861 one in Antwerp, and others, supported the 1858 Brussels Resolution.

A further step was taken by authors, artists and publishers, who assembled together at the 1878 international literary congress in Paris, where the ALAI, the *Association Littéraire Internationale* eventually renamed being *Association Littéraire et Artistique Internationale* was founded under Victor Hugo's leadership. It is noteworthy that at the 1882 Congress in Rome, a proposal was put forward by Dr. Schmidt of the German Publishers' Guild, who suggested forming an international copyright union for drafting a universal law on literary works. That paved a road to an international copyright convention.

Following-up on the proposal adopted at the 1882 Rome Congress, the Conference, that was conducted over three days in September 1883 in Berne, Switzerland, produced a draft convention consisting ten articles. The draft convention dealt with the general principle of national treatment in Article 1, which was based on the place of publication or performance; a definition of "literary and artistic works" in Article 2; protection for manuscripts and unpublished works in Article 3; according the same rights to successors in title as those given to authors in Article 4; translation rights in Articles 5 and 6; that foreigners should have the same legal remedies against infringement as nationals do in Article 7; retroactivity of the draft convention in Article 8, namely that the Convention would apply to all works which had not yet fallen into the public domain in their countries of origin at the moment of the Convention's entry into force; that Union states have the right to enter separate agreements between themselves as long as these agreement would not contravene the Convention in Article 9; and establishing an international office for the deposit of national copyright laws in Article 10.

After several conferences that occurred over the next three years, delegates produced a final draft of a Convention for the Protection of Literary and Artistic Works. The Convention was signed on 9 September 1886 by ten countries - Germany, Belgium, Spain, France, Great Britain, Haiti, Italy, Liberia,²¹⁹ Switzerland, and Tunisia - and it came into effect on 5 December 1887.

2.2.1.2 Basis of the Berne Convention

From its inception in 1886, the Berne Convention has, in accord with its Article 17, been revised on several occasions: in 1896 (Paris), 1908 (Berlin), 1928 (Rome), 1948 (Brussels), 1967 (Stockholm),

²¹⁸ Ricketson and Ginsburg (*supra* n 110) para 2.05-2.06 (para 2.05 contains the details of the Resolution); also discussed in Mireille van Eechoud 2003 (*supra* n 15) 57-9; Silke von Lewinski (*supra* n 60) paras 2.26-2.29.

²¹⁹ Liberia failed to ratify the Convention.

with the last revision in 1971 (Paris).²²⁰ These revisions attempted to clarify and expand the substantive minimum rights “so as to increase their scope in favour of industrialized producer countries.”²²¹ Since the Berne Convention can be amended only by unanimous agreement of Union states, with the increasing membership of the Berne Union including both developing countries and developed countries, a unanimous agreement on revising the Convention became almost impossible. The reform of copyright did not, however, stop, and it was carried on in the legislative processes leading to the TRIPs Agreement in the field of trade law and the formulation of a new WCT: Article 9(1) of the TRIPs Agreement incorporates most of the Berne provisions, and Article 1(4) of the WCT requires compliance with the Berne Convention.

The membership of the Berne Convention has expanded over time. Currently, the Union has reached 165 member states.²²² Due to its connection with the TRIPs Agreement, which requires the WTO member states to comply with its substantive provisions (except those covering moral rights) and the Appendix to the 1971 Paris Act of the Convention, the Berne Convention not only regulates copyright relations between its Union states, but also provides international standards of protection for all Members of the WTO, whether or not they are the Berne Convention Union states. As such, it provides the basic standard of copyright protection throughout most of the world.

In addition to its influence on the development of national copyright laws, the Convention has had profound influence on the formation of the international copyright treaties that were established afterwards. These treaties include the UCC, the Rome Convention for the Protection of Performing Artists, the WCT and the WPPT.

The history of the Berne Convention demonstrates that the Convention is the one that was begun with the establishment of basic principles. The pivotal principle of the Convention is national treatment. Accordingly, there is an extensive series of provisions obligating Union states to provide national treatment to authors protected under the Convention. Also, the Convention contains certain minimum rights that all Union states must grant to such authors. Establishing minimum rights was to do with the considerations that the sole principle of national treatment may lead to the situation where an inadequate level of protection accorded by a Union state to its own rights holders could be extended to foreign authors; in order to avoid such an undesirable result of national treatment, a minimum level of protection for foreigners should be established in the Convention and imposed on Union states' laws.²²³

In dealing with new modes of exploitation and technological development, the Convention incrementally extended the scope of rights and protected subjects in its revisions. For the purpose of this work, there is no need for a detailed study of the Berne Convention. The important matters i.e. no requirement of formality, entitlement to protection, term of protection, expanded categories for copyright protection, and the ownership issue receive extra attention in the following subsections, since these topics have relevance to the topic of this study insofar as they help to identify the law applicable to international copyright protection.

For the sake of clarity, in the work at hand, all references will be made to the Convention text adopted in Paris in 1971, unless otherwise stated.

²²⁰ For details of revisions, see Stewart and Sandison (*supra* n 34) 102-13; Silke von Lewinski (*supra* n 60) paras 4.01-4.28; Paul Goldstein 2001 (*supra* n 57) 19-23; Ricketson and Ginsburg (*supra* n 110) paras 3.01-3.68.

²²¹ W. R. Cornish, ‘The International Relations of Intellectual Property’ (1993) 52(1) CLJ 46, 48.

²²² <http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=ALL&start_year=ANY&end_year=ANY&search_what=C&treaty_id=15> accessed on 2 October 2012.

²²³ Mihály Ficsor 2003 (*supra* n 184) BC-5.2.

2.2.1.2.1 Non-formality

The 1886 version of the Convention adopted the common practice under the then national law of recognizing national use of formalities such as registration and deposit for the enjoyment of the prescribed rights “to the accomplishment of the conditions and formalities prescribed by law in the country of origin of the work”.²²⁴ A notable change was, however, made in the 1908 Berlin Act, which abolished the formality requirement as a condition for the acquisition, exercise, or enjoyment of copyright.²²⁵ Under this circumstance, Convention protection became fully independent from the conditions and formalities in the countries of origin of a work, except for national provisions governing the duration of the protection. The 1971 Paris Act reiterated this by stating that “enjoyment and the exercise” of copyright “shall not be subject to any formality”.²²⁶ Dispensation from any requirement of a formality now leads to the automatic existence/creation of copyright. The non-formality provision was actually one of the reasons why the United States initially declined to join the Union, since under the then US Copyright Act 1909, notice, deposit, registration and a domestic manufacture clause were required for copyright protection. With adherence to the Berne Convention on 1 March 1989, the USA also dispensed with formality as a requirement in its national copyright law.

The non-formality feature distinguishes copyright from other forms of intellectual properties, specifically patent and trade marks, which do require registration and government issuance as a condition for legal protection. As far as a choice-of-law rule is concerned, the non-formality/non-registration rule leads to the situation in which copyright law protection will not be linked or attached to a specific territory of registration in dealing with issues of the existence and initial ownership of the right.

2.2.1.2.2 Entitlement to protection

The Berne Convention requires the Union states to give copyright protection to works that are eligible for such protection. It is then important to know which authors and which works will be eligible for protection under the Berne Convention’s provisions. To receive such protection, an author or a work has to be within one of the requirements established in the Convention. The eligibility of authors for protection under the Convention is generally dealt with in Article 3, and Article 4 specifically deals with cinematographic works, works of architecture and artistic works incorporated in a building. On the whole, the Convention offers three connecting factors: 1) nationality, 2) first publication of the work in a Union state and 3) habitual residence. It is, nevertheless, to be noted that these factors are for determining the scope of the Convention in regard to works and authors. They are “in no respect connecting principles as regards the applicability of the law of that country.”²²⁷

1) *Nationality*: as mentioned in Article 3, copyright protection is granted to all works of the author who is a national of one of the Union states, whether or not the works have been published in non-Union state or are unpublished. The nationality rule has been revised at the 1967 Stockholm Revision Conference.

2) *Habitual residence*: authors who have their habitual residence in a Union state are also eligible for protection under Article 3(2) of the Convention if they do not possess the nationality of one of the Union states. This factor was proposed, but rejected, for the 1886 Act, and was finally inserted by the 1967 Revision. The reason for introducing this criterion had to do with the consideration that authors from non-Union states living in a Union state established a close link to the Union and, as a result, they are entitled to the protection. Such an introduction was, however, opposed because it would

²²⁴ Art. II(2) of the Berne Convention 1886 Act.

²²⁵ Art. 4(2) of the Berne Convention 1908 Act.

²²⁶ Art. 5(2) of the Berne Convention. For details, see Nordemann and others (*supra* n 217) Art. 5 BC n.7; Mihály Ficsor 2003 (*supra* n 184) BC-5.4-BC-5.8.

²²⁷ György Boytha (*supra* n 158) 407.

discourage non-Union states from adhering to the Union.²²⁸ The discussion as to whether the term of “domicile” should be introduced was conducted during the 1967 Revision Conference. However given the diverse interpretation of this term, “domicile” was not accepted at the end and instead, the term of “habitual residence” is adopted with a view that it embodies a factual criterion rather a legal one.²²⁹

As for the timing when nationality or habitual residence should be established in a Union state, the Berne Convention does not provide any guidance and leaves it for the national laws of Union states to determine. As to the effects of changes in these factors, e.g., does a work lose Convention protection if its author abandons his nationality or moves his habitual residence out of a Union state? Alternatively, for example, if the author changes his habitual residence or nationality from a non-Union state to a Union state, is Convention protection gained from the moment of change? Such questions remain to be determined by national courts in accord with the national laws that such courts will apply. For answers to these questions, some scholars have distinguished between published and unpublished works. For the former, if the changes of the nationality or habitual residence are to a non-Union state, an author should not lose Convention protection if at that time he has already established his eligibility for Convention protection. Conversely, in the situation where the author changes its habitual residence or nationality from a non-Union state to a Union state after his work is first published outside the Union, then the author should not gain Convention protection for it.²³⁰ For unpublished works, the date that should be determinative becomes controversial: should it be the date on which the work was created, or the date on which it, without being published, “became available” to members of the public, or the date on which protection is claimed? Again, these questions are for national law.²³¹

3) *First publication of the work in a Union state*: this forms another of the connecting factors in Article 3 of the Convention. Additionally, simultaneous publication in a non-Union state and publication in a Union state within 30 days of that first publication will be deemed simultaneous so that the non-Union state publication will be assimilated to the first publication in a Union state.²³² This connecting factor operates independently, without requiring the existence of another connecting factor, such as nationality. As to the concept of “publication”, the Convention defines it in Article 3(3) by describing published works as

“works published with the consent of their authors, whatever may be the means of manufacture of the copies, provided that the availability of such copies has been such as to satisfy the reasonable requirements of the public, having regard to the nature of the work.”

However, the same provision excludes the following from the definition of publication:

*“[t]he performance of a dramatic, dramatico-musical, cinematographic or musical work, the public recitation of a literary work, the communication by wire or the broadcasting of literary or artistic works, the exhibition of a work of art and the construction of a work of architecture”.*²³³

As for cinematographic works, works of architecture or artistic works incorporated in a building or another structure, Article 4 of the Convention provides other connecting factors. Thus, Article 4 provides for protection: in the case of cinematographic works, if the maker of the work has his headquarters or habitual residence in one of the Union states; in the case of works of architecture, if the place where the work was erected in a Union state; in the case where artistic works are incorporated in a building or other structure, if the place where the building or other structure is located is in a Union state.

²²⁸ Ricketson and Ginsburg (*supra* n 110) para 6.05.

²²⁹ For details, see Ricketson and Ginsburg (*supra* n 110) paras 6.05-6.06; Silke von Lewinski (*supra* n 60) para 5.16.

²³⁰ Ricketson and Ginsburg (*supra* n 110) para 6.07; Silke von Lewinski (*supra* n 60) para 5.13.

²³¹ For details, see Ricketson and Ginsburg (*supra* n 110) para 6.08.

²³² Art. 3(1)(b) of the Berne Convention.

²³³ For details on publication, see Ricketson and Ginsburg (*supra* n 110) paras 6.31-6.52; Silke von Lewinski (*supra* n 60) paras 5.32-5.34.

Each of the above connecting factors establishes a link between a work and a Union state. In fact, the Union state that the connecting factor designates will be the country of origin of that work. As will be analysed below, the country of origin is an important principle of the Convention, which determines whether a work can benefit from minimum Convention protection in other Union states.

2.2.1.2.3 Protected works

According to the Berne Convention, only works protected under the Convention can be subject to national treatment and minimum protection. Thus, Union states are not obliged to grant national treatment to a work that is not protected under the Berne Convention. In a similar vein, such a work would not be entitled to the Convention's minimum protection in a Union state.

The listing of the works entitled to protection is given in Articles 2 and *2bis*. According to Article 2(1), the Convention protects expressions of "literary and artistic works", which shall "*include every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression enumerates a list of protected subject matters*". The provision follows up with a comprehensive list of examples, which had, since the 1886 Berne Act, been expanded during the successive revisions: photographs were added in the 1896 Paris Addition Act;²³⁴ choreographic and architectural works in the 1908 Berlin Act; lectures and other oral works in the 1928 Rome Act; works of applied art and industrial design in the 1948 Brussels Act,²³⁵ and folklore in the 1967 Stockholm Act. This list includes the principal categories of works that have been recognized in most national copyright laws, and ensures copyright protection under the Convention. It is of note that the works enumerated in Article 2(1) are not defined in the Convention, and as a result of that the definitions and scope of these works are subject to national laws.

The Convention also contains provisions under which translations, adaptations, arrangements of music and other alterations of a literary and artistic work,²³⁶ collections such as encyclopedias, etc. that constitute intellectual creations²³⁷ are protected without prejudice to the copyright in the original work. News of the day and miscellaneous facts having the character of mere items of press information are excluded from protection.²³⁸ Protection for official texts of a legislative, administrative or official legal nature, and official translations of such texts, is left to the national legislation of the signatory powers to determine.²³⁹

Works of applied art: giving special attention to works of applied art is due to the fact that this category of work is used for industrial purposes; for instance, a piece of furniture has designs, shape, and other artistic elements, but these elements are part of the furniture - the industrial product itself. This utilitarian character of works of applied art could make one wonder whether such works should be considered as artistic works when artistic elements can be identified in the works, and whether the maker of such works should be granted the status of an author and enjoy copyright protection as an author does.²⁴⁰

Before the entry into force of the Berne Convention, different approaches had been taken to regulate the extent of the protection of artistic works in the industrial sphere, e.g. in France, a model for dealing with this issue was gradually developed during the course of the 19th century, even though the course of that development was uneven. It was generally agreed that the makers of such works were entitled to copyright protection under the law of 1793, i.e. an artist did not lose the protection which he

²³⁴ Art. II(I)(B) of the Berne Convention 1896 Paris Additional Act.

²³⁵ Art. 2(1), (5) of the Berne Convention 1948 Act.

²³⁶ Art. 2(3) of the Berne Convention.

²³⁷ Art. 2(5) of the Berne Convention.

²³⁸ Art. 2(8) of the Berne Convention.

²³⁹ Art. 2(4) of the Berne Convention.

²⁴⁰ Ricketson and Ginsburg (*supra* n 110) para 8.59.

enjoyed in relation to his “pure” intellectual work for the mere reason that said work was turned into an industrial product. The absolute cumulative protection based on the principle of the “unity of art” was then developed, and according to it there is no problem in excluding one or another type of legal protection.²⁴¹ In other national laws, such as German and Italian laws, attempts were made to fix a boundary between works of “pure” art and those of art applied in industry, according to which works that are more industry-oriented could be excluded from copyright protection. In Great Britain (later the UK), a more rigid rule was applied, and accordingly after its 1911 Copyright Act, copyright protection was denied altogether in the case of an artistic work that was “industrially applied”.²⁴²

The question how to deal with works of applied art was not discussed as part of the early revisions of the Berne Convention. Later in the 1908 Berlin Act, national treatment without any requirement of reciprocity was adopted,²⁴³ which was, however, considered unsatisfactory. During the revision process of the Brussels Act, a regime for the protection of applied arts was established, and this regime is continuously in use in the current version of the Convention. First, works of applied art were inserted into the list of the matters enumerated in Article 2(1) of the Convention. As a result, Union states are obliged to protect works of applied art. As further provided in the Brussels Act, it is left to Union states to determine the extent to which such works would be protected under their copyright laws or their laws on industrial designs and models. However, they must provide reciprocity: where one Union state only protects a particular work of applied art as a design or model, the author of that work would only be entitled in other Union states to the protection that the laws of those Union states accord to designs and models.²⁴⁴ The Paris Act further completed the rule by adding that the works which only enjoy industrial design protection in their countries of origin but not so in other Union states for the reason that those other states do not accord the same industrial design protection, shall be protected in those states as artistic works.²⁴⁵

The effect of this Article is that Union states are not required to protect works of applied art under national copyright laws; rather they may protect them under the laws on industrial designs. In fact, such legislative effort has been reflected in the Paris Convention for the Protection of Industrial Property. According to it, the Paris Union states are obliged to protect industrial designs.²⁴⁶ Since the memberships in both the Berne Convention and the Paris Convention largely overlap, most Berne Union states have enacted laws on industrial designs. Thus, Article 2(7) of the Berne Convention stipulates that as long as the law of the country where protection is claimed accords industrial design protection to works of applied art, regardless how the law of the country of origin operates in this regard, such works will enjoy industrial design protection in the former country. If, however, the law of the country where protection is claimed does not provide industrial design protection to works of applied art, then the law of that country shall grant copyright protection for such works treating them as artistic works.

²⁴¹ For details, see Ricketson and Ginsburg (*supra* n 110) para 8.60.

²⁴² S 22(1) of the 1911 Copyright Act and r 92 of the 1932 Design Rules. (referred into Ricketson and Ginsburg (*supra* n 110) para 8.60)

²⁴³ Art. 2(4) of the Berne Convention 1914 Act. “*Works of art applied to industry are protected to the extent permitted by the internal legislation of each country.*”

²⁴⁴ Art. 2(5) of the Berne Convention 1948 Act. “*It shall be a matter for legislation in the countries of the Union to determine the extent of the application of their laws to works of applied art and industrial designs and models, as well as the conditions under which such works, designs and models shall be protected. Works protected in the country of origin solely as designs and models shall be entitled in other countries of the Union only to such protection as shall be accorded to designs and models in such countries.*”

²⁴⁵ Art. 2(7) of the Berne Convention. For details, see Nordemann and others (*supra* n 217) Art. 2/2bis BC n.13; see also Mihály Ficsor 2003 (*supra* n 184) BC-2.67-BC-2.70.

²⁴⁶ Art. 5*quinquies* of the Paris Convention, “Industrial designs shall be protected in all the countries of the Union.” For details, see Georg Hendrik Christiaan Bodenhausen, *Guide to the application of the Paris Convention for the Protection of Industrial Property: as revised at Stockholm in 1967* (United International Bureaux for the Protection of Intellectual Property (BIRPI), Geneva 1968) 86.

2.2.1.2.4 Duration of protection

Prior to 1886, there were substantial differences in national laws in respect of the lengths of temporal duration of copyright, for example, Belgium²⁴⁷ and France²⁴⁸ adopted the term of protection of the author's life plus fifty years; life plus thirty years in Germany²⁴⁹ and Switzerland²⁵⁰; life plus eighty years in Spain,²⁵¹ and so on. Due to these differences, it was proposed to have a uniform term among Union states. The 1886 Act, however, prescribed only the minimum term of ten years for translation right.²⁵² For the rest of rights, the Convention did not grant national treatment, instead it subjected the term of protection to a rule of national reciprocity, which was the approach taken in bilateral agreements.²⁵³

The 1896 Paris Act did not address the issue of duration, but the perceived need to adopt a uniform time period of protection continued. The 1908 Berlin Act established a non-mandatory minimum term of protection of life, plus 50 years after the author's death, together with comparable terms for photographic and other works.²⁵⁴ Due to the non-mandatory nature of the provision, Union states could still determine the protection according to their own laws and limit the term of protection for foreign works to those in their countries of origin. The 1928 Rome Act further added the minimum term of protection for joint works as 50 years from the death of the last surviving author.²⁵⁵ Finally, the 1948 Brussels Act stipulated a mandatory minimum term of protection of life plus fifty years.

The Paris Act kept the minimum term of protection at the life of the author plus fifty years after his death. It also prescribed alternative minimum terms for cinematographic works, anonymous and pseudonymous works and photographic works, e.g. for photographs and works of applied arts, Union states may maintain a protection of a minimum of 25 years from their completion;²⁵⁶ for cinematographic works, Union states may choose protection for 50 years from completion or from the time the work was first made available to the public.²⁵⁷ A comparison of terms is preserved in Article 7(8),

“the term shall be governed by the legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the term shall not exceed the term fixed in the country of origin of the work”.

Clearly, this provision is not subject to national treatment. As will be seen in a later section, this provision concerns a limitation on the duration of protection under the law of the country where protection is claimed, because it does not apply at all when the term of protection under that country's law is shorter than the one provided for in the country of origin of the work.²⁵⁸

2.2.1.2.5 Ownership

Authorship plays an important role in the application of the Berne Convention. The Convention requires, among other things, that the author to be a national or resident of a Union state. Still further, the concept of authorship attaches to application of two main principles laid down by the Convention:

²⁴⁷ Art. 2 of the Law of 22 March 1886.

²⁴⁸ Law of 14 July 1866.

²⁴⁹ Art. 8 of the Law of 11 June 1870.

²⁵⁰ Art. 2 of the Law of 15 June 1883.

²⁵¹ Art. 6 of the Law of 1879.

²⁵² Art. V of the Berne Convention 1886 Act.

²⁵³ Art. II(2) of the Berne Convention 1886 Act.

²⁵⁴ Art. 7 of the Berne Convention 1908 Act.

²⁵⁵ Art. 7bis(1) of the Berne Convention 1928 Act.

²⁵⁶ Art. 7(4) of the Berne Convention. For details, see Mihály Ficsor 2003 (*supra* n 184) BC-7.23-BC-7.25.

²⁵⁷ Art. 7(2) of the Berne Convention. For details, see Nordemann and others (*supra* n 217) Art. 7 BC nn.1-2; Mihály Ficsor 2003 (*supra* n 184) BC-7.9-BC-7.16.

²⁵⁸ For details, see György Boytha (*supra* n 158) 411; Nordemann and others (*supra* n 217) Art. 7 BC nn.4-6; Mihály Ficsor 2003 (*supra* n 184) BC-7.30.

minimum protection and national treatment. The Convention does not set forth a definition of “author”. It has, however, been commented that the Convention does make an implied reference to an individual creator in the part of its preamble maintaining its purpose is the protection of “the rights of authors in their literary and artistic works”, and in some other provisions, such as Article 6*bis* and Article 7.²⁵⁹ Nevertheless, the Convention lays down rebuttable presumptions for defining authorship: in the absence of the proof to the contrary, the person whose name appears on the work “in the usual manner” is the author of the work.²⁶⁰ Furthermore, it lays down a rule for determining copyright ownership of cinematographic works.²⁶¹

From the outset, the Berne Convention did not define who or what an author is. This may have something to do with the general consensus on this issue among the states represented at the early conferences: the creator of a work is to be the author of a work, and that author is to be the first owner of the copyright in the work.²⁶² In the subsequent revisions, the concept of author had still not been defined. That was the result of the divergence of national laws in this regard, in particular the two distinct rationales underpinning the *author’s right* law tradition and the copyright law tradition.²⁶³ As to the former, only an individual who is the human creator of the original works can be qualified as an author, though in certain cases legal persons may be vested with the rights of an author,²⁶⁴ and for the latter, a legal person, such as a corporation can be an author, too.²⁶⁵ With ownership also not defined, the Berne Convention refers to national law to determine who qualifies as an author and thus the initial owner of copyright in a literary or artistic work. Nevertheless, an attempt at defining ownership can be seen in the area of cinematographic works.

Cinematographic works: the ownership issue concerning cinematographic works has long posed problems for the protection of copyright in an international context. This issue is special in the sense that making a cinematographic work requires many participants’ creative contributions. Since whether these contributors should be entitled to be treated as the co-authors of a film and, as a result, entitled to exploit the right were regulated differently in common law and civil law systems,²⁶⁶ a risk that those treated as authors would be different in different countries will become real and affect the position of the film producers who make investments in cinematographic works and their financial motive to produce films. Hence, with a goal of enhancing and facilitating dissemination of cinematographic works across borders, an initiative to harmonize laws dealing with ownership issues in connection with cinematographic works had moved forward in the revision processes of the Berne Convention.

Common law countries recognize that it is only producers who can be granted copyright in cinematographic works.²⁶⁷ An exception can, however, be seen in the present UK law. As a result of the entry into force of, and requirement to implement the EC Directives, the UK amended its law to add the principal director as an author. In the case where the principal director is the producer’s employee, the producer will be the sole initial owner of the copyright on the film concerned. The United States follows a similar approach: the producer of a cinematographic work owns the economic

²⁵⁹ Ricketson and Ginsburg (*supra* n 110) paras 7.02-7.15; Silke von Lewinski (*supra* n 60) paras 5.84-5.86.

²⁶⁰ Art. 15 of the Berne Convention.

²⁶¹ Art. 14*bis*(2) of the Berne Convention.

²⁶² Ricketson and Ginsburg (*supra* n 110) para 7.02; Fawcett and Torremans 2011 (*supra* n 13) para 13.80.

²⁶³ Stewart and Sandison (*supra* n 34) 113. For differences of the philosophical backgrounds of these two traditions, see *supra* 1.3 Legal basis of copyright and related rights.

²⁶⁴ For example: Art. 7 of the German Copyright Law of 1965 provides that the author is the creator of the work, and the creator does not include a judicial person; Art. L. 111-1 of the French Intellectual Property Code provides the author of a work of the mind with an exclusive incorporeal right of property valid against everyone.

²⁶⁵ See Arts. 6-8 of the Dutch Copyright Act 1912; US Copyright Act, 17 USC §§ 101, 201(b) the work for hire doctrine; s 9(2)(a) of the UK Copyright, Designs and Patents Act 1988 defines that the author of a sound recording or film as “*the person by whom the arrangements necessary for the making of the recording or film are undertaken*” and this person may be a legal person.

²⁶⁶ For details, see Ricketson and Ginsburg (*supra* n 110) para 7.24.

²⁶⁷ This approach is adopted by Commonwealth countries, such as New Zealand and Australia.

exploitation rights in the work. Such a result is achieved by the application of the work-made-for-hire doctrine.²⁶⁸ As provided in Title 17 section 201(b), in the case of a work made for hire, the employer or other person for whom the work was prepared is deemed to be the author and, unless the parties have expressly agreed otherwise in writing, owns all of the rights encompassed by the copyright. In practice, the producer will establish the film as a work-made-for-hire and therefore own the copyright on the film.

Civil law systems also demonstrate complexity in this respect.²⁶⁹ They take three main approaches: ownership by creative contributors, a legal assignment, and a presumption of assignment. For the first, the creative contributors, such as directors and camera operators are the owners of the right in the cinematographic work unless and until they have made an agreement transferring their rights.²⁷⁰ The legal assignment approach uses the device of a legal assignment of these rights which are deemed or implied to have been made by the co-authors. Under this approach, the producer is the initial owner of the exploitation rights, and the contract with the creative contributors cannot declare such contributors to be the initial owners.²⁷¹ The presumption of assignment approach proceeds on the basis of an assumption that the economic rights in the film have been transferred to the producer of the film, unless there is a contract that expressly agrees otherwise.²⁷²

Copyright protection of cinematographic works was first introduced in the 1908 Berlin Act, which, however, did not provide for who should be treated as the authors of such works. The situation remained the same in the subsequent revisions and is retained in the current version of the Convention, even though there were attempts to harmonize this subject on a worldwide level. Thus, the question who may be the author(s) of a cinematographic work is still subject to national legislation.

As explained in the preceding paragraphs, the approaches to determine ownership in cinematographic works are so different in national laws that reaching a consensus on adopting one uniform system is virtually impossible. It is beyond any doubt that these approaches led to difficulty for international protection of cinematographic works. For example, creative contributors, such as directors of a film, are treated as initial owners in one country, but will not be treated so in another. This problem was dealt with during the revision process of the Stockholm Act, under which an attempt was made to

*“establish a system which would, as far as possible, provide clarity as to the person entitled to exercise the film exploitation rights in countries where the law provides that it is the creative contributors who are the initial owners of the authors’ rights in the cinematographic work”.*²⁷³

Article 14bis of the Berne Convention was then added in the Stockholm Act. It forms a rather *“intricate reaffirmation of the national treatment principle, coupled with a substantive clause and a conflict rule”*.²⁷⁴ Article 14bis (1) reiterates that a cinematographic work shall be protected as an original work. Since Union states could not agree on who was to be the author of a cinematographic work,²⁷⁵ Article 14bis(2)(a) provides that the ownership of copyright in such works shall be a matter for the legislation in a country where protection is claimed. As such, Union states are free to maintain the systems they prefer. Articles 14bis2 (b)(c)(d) and 14bis3 provide a solution to the authorship issue in cinematographic works. First, these provisions do not apply to the countries where the initial owner of cinematographic works is the producer, but only to the countries where the initial owners are persons who have brought contribution to the making of the work. Furthermore, in the countries

²⁶⁸ The definition of “the work of hire” is provided in the section 101 of Title 17, United States Code.

²⁶⁹ For details, see J.A.L. Sterling (*supra* n 18) para 5.06; Ricketson and Ginsburg (*supra* n 110) para 7.24.

²⁷⁰ This approach is adopted in Sweden and Switzerland.

²⁷¹ This approach is adopted in Austria and Italy.

²⁷² This approach is adopted in France and Germany, see e.g. Article L. 132-24 of French Intellectual Property Code.

²⁷³ J.A.L. Sterling (*supra* n 18) para 5.06. For details of Stockholm Revision with this regard, see Ricketson and Ginsburg (*supra* n 110) paras 7.25-7.30.

²⁷⁴ Mireille van Eechoud 2003 (*supra* n 15) 65.

²⁷⁵ Fawcett and Torremans 2011 (*supra* n 13) para 13.81.

involved, these provisions do not apply to works that pre-exist the film, such as “*scenarios, dialogues and musical works created for the film, or to the principal director thereof, unless the national legislation provides otherwise*”.²⁷⁶ In these countries, the contributors cannot object to normal exploitation, including reproduction, distribution of copies, screening in public, broadcast, etc, with regard to the film to which they have agreed to contribute, unless there is an agreement to the contrary.²⁷⁷ The form of such an agreement, i.e. whether a written one or one with the same legal effect is required, should be subject to the law of the country where the producer has his seat or habitual residence. This choice-of-law rule has the effect that all such agreements are governed by just one, single national law. Nevertheless, this choice-of-law rule can be set aside by the Union state where protection is claimed if that state requires that the agreement must be in writing.²⁷⁸

Clearly, the Convention now recognizes the “film copyright” system embodied in the legislation of the common law countries.²⁷⁹ An effective harmonization of ownership in cinematographic works has, however, not been achieved by Article 14*bis*. First, in this regard, maintaining national treatment in ownership in cinematographic works keeps the national law systems intact. Furthermore, Article 14*bis* concerns only the limited number of Union states in which the initial owners of the film are contributors to its making, since a majority of the countries’ laws recognize the producer as an initial owner either by law or by contract, so that this article has only limited scope of application, and therefore only limited effect on harmonization of authorship in cinematographic works.²⁸⁰

The Berne Convention does not directly deal with the issue of initial ownership. Thus, this issue remains subject to national legislation. Even for cinematographic works, the Convention has only limited effect. When concerned with the cross-border exploitation of cultural works, a more difficult issue of choice-of-law with respect to initial ownership may often arise.²⁸¹

2.2.1.2.6 Rights of protection

From its very beginning, the Berne Convention sought to establish rights that are granted by the Convention. In responding to the challenges posted by contemporary needs, such as technological development, the list of exclusive rights has been gradually expanded during the processes of revising the Convention.

The 1886 Berne Act expressly guaranteed two rights that were generally protected under the then national laws: the rights in relation to the making and public performance of translations of works.²⁸² The right of reproduction, which was also regularly protected under national law, was not included in the 1886 Act. The reasons for this omission may have been that the right was assured through national treatment²⁸³ so that it “*was so much taken for granted that it was not even mentioned*”,²⁸⁴ or it may have been because the scope and content of the reproduction right were so different under various national laws that omitting it was the only realistic option at the moment.²⁸⁵

The 1908 Act added protection for cinematographic productions as derivative works.²⁸⁶ The same Act also added a qualified right to make recordings of musical works²⁸⁷ and established a principle that a

²⁷⁶ Art. 14*bis*3 of the Berne Convention.

²⁷⁷ Art. 14*bis*2(b) of the Berne Convention.

²⁷⁸ Art. 14*bis*2(c) of the Berne Convention; for the choice-of-law function, see *infra* 2.2.1.4.4 .

²⁷⁹ Silke von Lewinski (*supra* n 60) para 5.88.

²⁸⁰ Ricketson and Ginsburg (*supra* n 110) para 7.41; Silke von Lewinski (*supra* n 60) para 5.92.

²⁸¹ Ricketson and Ginsburg (*supra* n 110) para 4.06.

²⁸² Arts. 5 and 6 of the Berne Convention 1886 Act.

²⁸³ Ricketson and Ginsburg (*supra* n 110) para 11.01; Silke von Lewinski (*supra* n 60) para 5.114.

²⁸⁴ Stewart and Sandison (*supra* n 34) 103.

²⁸⁵ Paul Goldstein 2001 (*supra* n 57) 20; Ricketson and Ginsburg (*supra* n 110) para 11.04.

²⁸⁶ Art. 14(2) of the Berne Convention 1908 Act.

²⁸⁷ Art. 13 of the Berne Convention 1908 Act.

work's protection in any country of the Union is independent of its protection in its country of origin.²⁸⁸ The exclusive right in relation to broadcasting and public communication of works,²⁸⁹ and moral rights of attribution and integrity²⁹⁰ were introduced in the 1928 Rome Act. The 1948 Brussels Act further strengthened several minimum Convention rights, including moral rights, the right of adaptation, and the right of translation. It expanded the broadcasting right to include television,²⁹¹ and clarified rights in cinematographic works,²⁹² and recognized the *droit de suite* (the resale right). The exclusive reproduction right as a minimum right with permitted exceptions was finally established in the 1967 Stockholm Act. It was the 1971 Paris Act that included for the first time the reproduction right as a minimum standard.²⁹³

Moral rights: rights accorded to authors are generally classified into “moral rights” and “economic rights”. The former relates to protection of the author's personality and the integrity of his work. In contrast, economic rights by themselves are not to protect the reputation of the author and/or the integrity of the work; rather, they aim at giving the rights owner control over commercial exploitation and use of the work, such as the rights of reproduction and distribution.

Moral rights were first recognized in France and Germany long before their inclusion in 1928 in the Berne Convention, as a minimum standard.²⁹⁴ There were, however, no moral right protections in the common law countries. The differences between the civil law and common law countries in this regard originated from the tradition, indicated in Chapter 1, that in civil law countries an author's right is considered to be a right stemming from personality, so that moral rights can only vest in, and initially be granted to individual human beings. Thus, only certain civil law countries supported the proposal for incorporating moral rights into the Convention at the 1928 Rome Revision Conference, and the provision that was finally adopted resulted from a compromise that took into account the concerns of the common law countries. Similar compromises were then made in the Revision Conferences of 1948 and 1967.²⁹⁵

Article 6*bis*(1) of the Convention recognizes two moral rights: the right to claim authorship of the work one has created (the paternity right), and the right to object to any distortion, mutilation or other modification of, or other derogatory action in relation to, the work that would be prejudicial to the author's honor or reputation (the integrity right). Article 6*bis*(1) expressly provides these rights are independent from the author's economic rights, and are reserved to the author even after a transfer of the author's economic rights. As to any question whether moral rights could be assigned or transferred, the Convention, as a part of a compromise in favor of common law countries, leaves it to the national laws of the Union states.²⁹⁶ Such a compromise can also be seen in Article 6*bis*(2) of the Convention, providing, after the author's death, these rights shall be maintained at least until the expiration of the corresponding economic rights and further providing that they shall be exercisable by the persons or institutions authorized by the legislation of the country where protection is claimed. In the same provision, the Convention left an option for those countries whose legislation at the moment of their ratification of, or accession to the Convention did not provide for the protection of all the rights set out in Article 6*bis*(1) after the death of the author. These countries could choose to provide that some of these rights may cease to be maintained after the death of the author. Article 6*bis*(3) then

²⁸⁸ Art. 4(2) of the Berne Convention 1908 Act.

²⁸⁹ Art. 11*bis* of the Berne Convention 1928 Act.

²⁹⁰ Art. 6*bis* of the Berne Convention 1928 Act.

²⁹¹ Art. 11*bis* of the Berne Convention 1948 Act.

²⁹² Art. 14 of the Berne Convention 1948 Act.

²⁹³ Art. 9(1) of the Berne Convention.

²⁹⁴ For a detailed discussion on history, development and contents of moral rights, see E. Adeney, *The Moral Rights of Authors and Performers: An International and Comparative Analysis* (OUP, Oxford 2006); Ricketson and Ginsburg (*supra* n 110) paras 10.01-10.48; J.A.L Sterling (*supra* n 18) paras 8.01-8.25; Silke von Lewinski (*supra* n 60) paras 5.96-5.109.

²⁹⁵ For details, see Ricketson and Ginsburg (*supra* n 110) paras 10.07-10.14.

²⁹⁶ Silke von Lewinski (*supra* n 60) para 5.97.

provides that the legislation of the country where protection is claimed is to govern the means of redress for safeguarding the rights granted in that article.

The reluctance of common law countries to recognize moral rights is, as will be seen in the coming sections, reflected in Article 9(1) of the TRIPs Agreement, which, while imposing on member states the obligation to comply with the substantive provisions of the Berne Convention, makes an express exclusion of the moral rights provision. Notwithstanding the TRIPs provision, moral rights protection gained recognition in the WIPO Treaties: the WCT obliges member states to, unlike the TRIPs Agreement, comply with substantive provisions of the Berne Convention, including moral rights and, as a result, all WCT member states are under a treaty obligation to recognize an author's rights of paternity and integrity; the WPPT also provides in its Article 5 for performers' rights of attribution and integrity in live and recorded aural performances.

2.2.1.3 The basic principles

The Berne Convention requires a Union state to provide copyright protection to those "foreign" (i.e. non-domestic) works that are related to another Union state in the manner specified in the Convention. Animated by the desire "to protect, in as effective and uniform a manner as possible, the rights of authors in their literary and artistic works",²⁹⁷ the Convention establishes two main principles: minimum right (*jus conventionis*) and national treatment. Minimum rights that are accorded in the Convention itself are granted to authors who are entitled to protection under the Convention irrespective of the national law of the country where protection is claimed.²⁹⁸ National treatment means that works originating in one of the Union states must be granted the same protection in each of the other Union states as the latter grant to the works of their own nationals.

These two principles are interrelated. Since merely granting national treatment to foreign authors could occur in a situation where a lower level of protection is accorded by a Union state to its own authors, which would be the level of protection that would be extended to foreign authors, as well. Consequently, foreign authors would be under-protected in that Union state. In order to avoid such an undesirable result, the Convention's drafters inserted minimum levels of protection for foreigners and foreign works. As a result, foreign authors who are entitled to protection under the Convention shall enjoy in all Union states other than the country of origin of their works, not only those rights which the law of the countries concerned grant or may grant in the future to their nationals, but also the rights specially set forth in the Convention.

Article 5(2) of the Convention embodies two additional principles that are important: the principle of automatic protection and the principle of independent protection. According to the terms of the former, Union states may not require that the existence of protection be conditioned on compliance with any formality.²⁹⁹ Under the principle of independent protection, Convention protection is independent of the terms of protection provided by the country of origin of the work.³⁰⁰ Article 5(3) states that protection in the country of origin is governed by that country's domestic law. It follows that the Convention deals only with copyright protection that has an international feature. In accord with this, the principles of national treatment and minimum rights do not apply in the country of origin, but only in Union states other than that country. There is one exception to this, where the author is not a national of the country of origin of a work as to which he enjoys Convention protection. Thus, it is important to first identify the country of origin, because that determines which works, as well as what persons, are entitled to Convention protection.

²⁹⁷ The Preamble of the Berne Convention.

²⁹⁸ Art. 5(1) of the Berne Convention refers to the minimum rights as "*the right specially granted by this Convention*".

²⁹⁹ For description, see *supra* 2.2.1.2.1 Non-formality.

³⁰⁰ An exception to this principle can be seen in the term of protection, where a comparison of term test is provided.

2.2.1.3.1 Country of origin

Country of origin is a fundamental concept used in the Berne Convention to distinguish domestic works from foreign ones and thereby determine whether a work can benefit from the Berne minimum standards of protection in other Union states. However, this concept has limited effect, because it does not prescribe the level of protection for a work protected under the Convention, except for what is provided as to duration of certain protections in Article 7(8),³⁰¹ dealing with the protections for applied art³⁰² and the *droit de suite* (artists' resale right). While the Convention does not oblige the country of origin to afford minimum Convention rights to its own nationals, which is a matter for its national legislation as already noted above,³⁰³ it does, however, require a Union state to grant minimum Convention rights to authors whose countries of origin are other Union states. Under such a circumstance, it might occur that a Union state discriminates for its own authors against foreign authors,³⁰⁴ even though this may hardly ever happen because most Union states would not be willing to do that. Thus, in terms of the practical level of protection that a work receives, the country of origin concept may have limited effect.³⁰⁵

Article 5(4) of the Convention sets forth a general rule for the process of identifying the country of origin, which in general is the Union state of first publication. The reasons for choosing the country of first publication as the country of origin were probably three-fold. First, this criterion was commonly used in national copyright laws and bilateral treaties. Second, this criterion respects the distinct legal relation created between an author and his/her published work.³⁰⁶ Third, this criterion would make it easier for users to discern where and whether a work is protected and would thereby facilitate exploitation of the work, since a published work will most probably be labeled with information about its publication, such as the place and date.³⁰⁷

Article 5(4) also deals with such particulars as the authors' nationality or habitual residence in situations of non-published works and where the first or simultaneous publication has not taken place in a Union state. According to these particulars: if a work is initially published in a Union state, that state is the country of origin; if the work is simultaneously published³⁰⁸ in several Union states, the state granting the shortest term of protection is the country of origin;³⁰⁹ if the work is simultaneously published in a Union state and a non-Union state, the Union state is the country of origin,³¹⁰ in the situation where a work is not published, or is firstly published in a non-Union state without simultaneous publication in a Union state, if the author is a national or habitual resident³¹¹ of a Union state, that state is the country of origin.³¹² Article 5(4) deals with other particulars. For cinematographic works, the country of origin is the Union state where the maker of the work has his headquarters or habitual residence.³¹³ In such a case, the place where the maker of the work is incorporated or registered is not relevant; as for works of architecture, it is the Union state where the work is erected; in the case where other artistic works are incorporated in a building or other structure, the Union state where the building or other structure is located is the country of origin.³¹⁴

³⁰¹ For discussion, see *supra* 2.2.1.2.4 Duration of protection.

³⁰² For discussion, see *supra* 2.2.1.2.3 Protected works.

³⁰³ Art. 5(3) of the Berne Convention.

³⁰⁴ An example can be seen in the protection of works of applied art in China. See *infra* 5.3.2.4 Judgments.

³⁰⁵ Ricketson and Ginsburg (*supra* n 110) para 6.53.

³⁰⁶ György Boytha (*supra* n 158) 408.

³⁰⁷ Mireille van Eechoud 2003 (*supra* n 15) 72; Fawcett and Torremans 2011 (*supra* n 13) para 12.14.

³⁰⁸ Simultaneous publication means that the work is published within thirty days of the first publication.

³⁰⁹ Art. 5(4)(a) of the Berne Convention.

³¹⁰ Art. 5(4)(b) of the Berne Convention.

³¹¹ Though Art. 5(4) does not mention "habitual residence", authors with a habitual residence in a Union state are assimilated to nationals of a Union state, according to Art. 3(2) of the Berne Convention.

³¹² Art. 5(4)(c) of the Berne Convention.

³¹³ Art. 5(4)(c)(1) of the Berne Convention.

³¹⁴ Art. 5(4)(c)(2) of the Berne Convention.

Determining the country of origin under the rules in Article 5(4) may encounter problems. First, it may be difficult to find the country of origin in the circumstance of simultaneous publication on a worldwide scale. Nowadays, worldwide simultaneous publication is a rather common phenomenon in the information society. For example, Harry Potter 6, also 7, was published at the same time worldwide; in the IT software sector, the copies of a new program are commonly published simultaneously in several countries; similarly, a work can be published simultaneously online once the work is put on the Internet, provided that electronic publication is considered as publication under the meaning of Article 5 of the Convention.³¹⁵ In such circumstances, difficulty in identifying a country of origin may arise if the Union states involved grant the same shortest term of protection. Looking to Article 5(4) for any specific solution could be of no avail. However, some scholars suggest that the country of origin should be decided by the date of the actual first publication, provided that such a date can be ascertained;³¹⁶ or the country of the author's nationality; or the country with the most author-favorable national law.³¹⁷

Potential problems may also arise when the nationality or habitual residence of an author is used to determine the country of origin as provided in Article 5(4)(c).³¹⁸ First, a difficulty may arise when authors change nationality, or more often than not, habitual residence. Furthermore, difficulty may be encountered in cases where co-authors have different nationalities or habitual residences, or where the authors have several nationalities. It is suggested that if the countries concerned are only one Union state and one non-Union state, then the Union state should be the country of origin; when several Union states are involved, the country of origin should be the Union state granting shortest term of protection;³¹⁹ when several Union states grant the same term of protection, then the solutions suggested by the scholar cited in the preceding paragraph should be considered.

2.2.1.3.2 Minimum standards of protection

The Convention establishes its minimum standards in respect of the persons qualified for protection under the Convention, the protected subjects, the right to be protected, the duration of protection, as well as limitations and exceptions subjecting to the three-step test. As to persons qualified for protection, authors and their successors in title mentioned in Article 2(6) and presumptive authors in Article 15 are the persons entitled to the protection. Protected subjects include the works laid down in Articles 2 and *2bis*. Fundamental substantive rights to protection include moral rights of the authors in Article *6bis*, and other rights: the translation right in Article 8, the reproduction right in Article 9, the public performance right in Article 11, the broadcasting right in Article *11bis*, the public recitation right in Article *11ter*, the right of adaptation in Article 12, the recording right in Article 13, the film right in Article 14 and the *droit de suite* in Article *14ter*.³²⁰ There are also mandatory provisions concerning the absence of formalities in Article 5(2), the duration of protection in Article 7, and the three-step test enshrined in Article 9(2).³²¹

The minimum standards of protection are more in favor of the interests of authors and their successors in title. They concern any work protected under the Convention in all Union states other than the country of origin of the work,³²² irrespective whether the law of the country where protection is claimed provides the same level of protection.³²³

³¹⁵ Mireille van Eechoud 2003 (*supra* n 15) 75; Ricketson and Ginsburg (*supra* n 110) para 6.59.

³¹⁶ György Boytha (*supra* n 158) 408.

³¹⁷ Ricketson and Ginsburg (*supra* n 110) para 6.57 (ii).

³¹⁸ Silke von Lewinski (*supra* n 60) para 5.25; Ricketson and Ginsburg (*supra* n 110) para 6.55.

³¹⁹ Silke von Lewinski (*supra* n 60) para 5.25; Ricketson and Ginsburg (*supra* n 110) para 6.57 (iii).

³²⁰ For details of the minimum rights, see Stewart and Sandison (*supra* n 34) 120-34; J.A.L Sterling (*supra* n 18) paras 18.08-18.09; Silke von Lewinski (*supra* n 60) paras 5.94-5.147.

³²¹ For details of "three-step" test in general, see Martin Senftleben (*supra* n 111).

³²² Art. 5(1) of the Convention.

³²³ György Boytha (*supra* n 158) 412.

While the Convention deals only with the treatment of foreign works in a country other than their country of origin, it neither imposes an obligation on Union states about the way they treat their own nationals, nor introduces minimum rights for domestic works. In any event, since its minimum standards of protection cannot hinder Union states from providing higher levels of protection, Union states are free to apply higher levels of protection to works also protected under the Convention, as they desire.³²⁴

Article 5(1) of the Berne Convention stipulates that protected authors are entitled to the rights accorded by the Convention. In cases where the application of national treatment leads to a lesser degree of protection than that required as a minimum under the Convention, rights holders may invoke the Convention's minimum standards of protection before national courts of Union states. In fact, however, although the Convention does not oblige Union states to introduce the Berne minimum rights for domestic works, most countries have actually done so because they usually prefer not to discriminate against domestic works in favor of foreign works.³²⁵ Thus, despite its restriction to international situations, its principle of minimum rights has indirectly caused harmonization, to a certain degree, of substantive laws of Union states.³²⁶

2.2.1.3.3 National treatment³²⁷

National treatment had been the general method of providing for reciprocal protection in bilateral treaties in the 19th century. It usually required that a state would accord protection to works originating in another state on the condition that the latter would give works from the former the same protection as it gave to works of its own nationals. This was, however, formulated differently in different treaties in terms of the scope and conditions of its application, for example some treaties would require the work in question to be protected in the country of origin.³²⁸

During the process of drafting the Berne Act, a matter as to whether the principle of national treatment should be included was not as intensively debated as other matters, although in the 1884 Diplomatic Conference the German delegation did raise this matter and made further proposals for the unification of copyright law. The French, Swedish and Swiss delegates did not approve of such a proposal in view of the divergences that existed among national copyright laws and held that attempting to unify substantive copyright laws was not realistic. Then in the same Conference, they reached a compromise by adopting an approach of maintaining different national laws as the basis for international protection, combined with the principles of national treatment and minimum rights.

The principle of national treatment was not completely adopted in the 1886 Berne Act, mainly due to the questions of compliance with formalities and duration of protection, as discussed in the preceding paragraphs.³²⁹ Nevertheless, the final version of the Convention follows the basic requirement of national treatment, which read as follows:

“[a]uthors shall enjoy, in respect of works for which they are protected under this Convention, in countries of the Union other than the country of origin, the rights which their respective

³²⁴ Art. 19 of the Convention.

³²⁵ Silke von Lewinski (*supra* n 60) para 5.30; Stewart and Sandison (*supra* n 34) 40; Stig Strömholm (*supra* n 6) 14.

³²⁶ Silke von Lewinski (*supra* n 60) para 5.30.

³²⁷ For more information, see Sam Ricketson 1987 (*supra* n 186) 195-210; Stewart and Sandison (*supra* n 34) 38-48; Wilhelm Nordemann, ‘The Principle of National Treatment and the Definition of Literary & Artistic Works’, (1989) Copyright, 300; Eugen Ulmer (*supra* n 5) 1-3; Silke von Lewinski (*supra* n 60) paras 5.01-5.61; Ricketson and Ginsburg (*supra* n 110) paras 6.93-6.100; Mireille van Eechoud 2003 (*supra* n 15) 67-70.

³²⁸ For details, see Silke von Lewinski (*supra* n 60) paras 2.05-2.13; Mireille van Eechoud 2003 (*supra* n 15) 68; Sam Ricketson 1987 (*supra* n 186) 195-98.

³²⁹ For details, see Ricketson and Ginsburg (*supra* n 110) c 9 and para 6.83; Mireille van Eechoud 2003 (*supra* n 15) 67-70.

*laws do now or may hereafter grant to their nationals, as well as the rights specially granted by this Convention”.*³³⁰

As to the works subjected to national treatment, the above-quoted provision requires the grant of national treatment to authors “*in respect of works for which they are protected under this Convention.*” This is presumably in reference to the general scope of works which Article 2(1) describes as “*every production in the literary, scientific and artistic domain, whatever may be the mode or form of its expression*”, including, but not limited to, the list of examples enumerated in Article 2(1), as quoted in Chapter 1, section 1.1 *supra*.

The principle of national treatment as augmented by minimum rights and the rule of retroactivity,³³¹ is subject to any reservations a Union state may have made under the Paris Act or under some earlier Act, if it has preserved them under the Paris Act.³³² Also, as explained in the preceding paragraphs, some exceptions to the principle of national treatment have been stipulated.

Exceptions and limitations to the principle of national treatment

It has been submitted that the reason for introducing exceptions to material reciprocity had mainly to do with the fact that national laws of Union states were so different that applying national treatment would lead to unreasonable imbalances of protection: a country with stronger protection would, according to the principle of national treatment, have to provide its stronger protection for foreign works, while its own works would not receive a similar level of protection in other Union states.³³³

In order to correct such imbalances, the Berne Convention stipulates several exceptions to national treatment. Article 2(7) deals with the works of applied art, designs and models: works protected in the country of origin solely as designs and models are entitled in other countries of the Union only to such protection as is granted in that country to designs and models; however, if no such special protection is granted in that country, such works must be protected as artistic works;³³⁴ Article 6(1) deals with restricted protection for nationals of non-Union states that do not grant adequate protection: where a non-Union state does not adequately protect the works of authors of a Union state, that state may restrict the protection of works of nationals of the non-Union state, unless the author concerned habitually resides in a Union state. If the country of first publication avails itself of this right, other Union states need not grant greater protection to the work than that granted in the country of first publication;³³⁵ Article 7(8) deals with the duration of protection, and authorizes the “comparison of terms” test: the temporal period of protection is governed by legislation of the country where protection is claimed; however, unless the legislation of that country otherwise provides, the period shall not exceed the one fixed in the country of origin of that work;³³⁶ Article 14*ter*(2) deals with the *droit de suite*, which requires reciprocity for the recognition of the right: the *droit de suite* may be claimed in a Union state only if legislation in the country to which the author belongs so permits, and to the extent permitted by the country where this protection is claimed.

From the above analysis, it is clear that the structure of Berne Convention is rather complex. Some provisions are the combination of harmonization, national treatment and reciprocity, such as the term of protection in Article 7 and the protection of works of applied arts and industrial designs in Article 2(7). Other provisions are mandatory, such as: the exclusive right to authorize translation in Article 8 and the freedom of citation in Article 10(1).

³³⁰ Art. 5(1) of the Berne Convention.

³³¹ Art. 18 of the Berne Convention.

³³² Art. 30 of the Berne Convention.

³³³ Silke von Lewinski (*supra* n 60) para 5.40.

³³⁴ For details, see *supra* section 2.2.1.2.3 Protected works.

³³⁵ This provision enables reciprocal measures to be taken against non-Union states which seek to obtain Convention benefits through simultaneous publication in a Union state. It can be applied where “back door” protection is established, as where, before the United States joined the Berne Convention, US works were simultaneously published in Canada.

³³⁶ For details, see *supra* section 2.2.1.2.4 Duration of protection.

This complexity is further shown by the inter-relation of national treatment and minimum standards. As discussed in the sections 2.1.3.2 and 2.1.3.3 of this chapter, mere application of national treatment could lead to an imbalance of protection for a work in the country of origin and other Union states, and the Convention's minimum rights correct this imbalance to a great extent by obliging Union states to accord minimum rights to foreign authors. Eventually, these minimum rights, indirectly, reach a certain degree of harmonization of copyright law of the Union states. However, given the diversity existing among national copyright laws, it is factually impossible to achieve total harmonization of copyright law worldwide. The legislative processes of the Berne Convention and its complex structure have proved this impossibility.³³⁷

2.2.1.4 Does the Berne Convention contain choice-of-law rules?

Whether and to what extent the Berne Convention may contain choice-of-law rules or may address solutions to the choice-of-law problem has been much debated among scholars and national courts.³³⁸ Some scholars have submitted that the Berne Convention does contain such rules, or that it addresses such solutions.³³⁹ Their reasons for that are mainly two-fold. One dwells on the fact that the Convention stipulates only certain rights. Rights that are not regulated in the Convention are left for determination by national laws. In view of that, it has been maintained that the Convention needs choice-of-law rules to designate which national law shall apply to those rights not dealt with in the Convention. A second reason is based on the consideration that national treatment does not obviate dealing with problems that choice-of-law is needed for, and accordingly choice-of-law rules should be in the Convention.³⁴⁰

This choice-of-law rule discussion is related to several aspects of the Berne Convention: those dealing with the application of the law of the country of origin, the principle of national treatment, and the laws of the country where protection is claimed. On that basis, some scholars argue that the law of the country of origin (the *lex originis*) constitutes a general choice-of-law in international copyright protection matters, or that the principle of national treatment entails a choice-of-law rule, or that Article 5(2) of the Convention is a choice-of-law rule referring to the application of the law of country where protection is claimed.

2.2.1.4.1 The *lex originis*

As discussed in the preceding paragraphs on the Berne Convention, the notion of country of origin is rather important for it because it establishes the reference points for the application of the basic principles of the Convention, namely national treatment and minimum standards. Additionally, this concept often appears in legal writings as a choice-of-law rule concerning copyright protection in the international arena, particularly the issues of the existence, content and initial ownership of right.

³³⁷ Mireille van Eechoud 2003 (*supra* n 15) 66-7.

³³⁸ For discussion, see Nerina Boschiero, 'Infringement of Intellectual Property Rights' (2007) IX YPIL 87 94-9. More detailed, see *infra* in 2.2.1.4.2 Does national treatment entail a choice-of-law rule? and 2.2.1.4.3 Does Article 5(2) have a choice-of-law rule function?

³³⁹ Recognizing choice-of-law rules: for the *lex loci protectionis*: see Eugen Ulmer (*supra* n 5) 1, 29-30; S. J. Schaafsma 2009 (*supra* n 15); György Boytha (*supra* n 158) 399; Javier Carrascosa González, 'Conflicts of laws in a centenary convention: Berne convention 9th September 1886 for the protection of literary and artistic works' in Heinz-Peter Mansel and Thomas Pfeiffer etc (eds), *Festschrift für Erik Jayme* (Sellier European Law Publisher, München 2004); Dário Moura Vicente (*supra* n 15) 270; for *lex originis*: see Georges Koumantos (*supra* n 154) 418. Those do not recognize a choice-of-law rule: Mireille van Eechoud 2003 (*supra* n 15); Marta Pertegás, 'Intellectual Property and Choice of Law Rules' in: Alberto Malatesta (ed), *The Unification of Choice of Law Rules on Torts and Other Non-Contractual Obligations in Europe, the Rome II Proposal* (CEDAM, Padova 2006); Rochelle Dreyfuss, 'The ALI Principles on Transnational Intellectual Property Disputes: Why Invites Conflicts' (2005) 30 Brook. J. Int'l L. 819, 838.

³⁴⁰ Javier Carrascosa González (*supra* n 339) 110.

The law of the country of origin – *lex originis* - is often stated to emanate from the “principle of universality”, directly linking copyright with one particular country. This theory had been presented by Bartin. According to him, for artistic and literary works, published and unpublished works should be treated differently: for published works, the existence and scope of the copyright should conform to the law of the country in which the first publication took place, and for unpublished works, to the law of the country to which the author belongs.³⁴¹

Some academics have observed that the Berne Convention makes partial reference to the *lex originis* in relation to the matters of duration of protection and the recognition of a *droit de suite*.³⁴² Still others contend that Articles 5(1) and 5(3) of the Berne Convention lead to a choice-of-law rule designating the *lex originis*, even though that would clearly be a unilateral choice-of-law rule only determining when domestic law applies to foreigners. They contend that it “*must be interpreted bilaterally*”, leading to a conclusion that the law applicable is the law of the country where the work was produced.³⁴³ Accordingly, they view the *lex originis* as a general rule that applies in all situations where the Berne Convention does not provide otherwise, e.g. the *lex originis* does not govern the matters of extent of protection and means of redress, as Article 5(2) expressly mentions but in reference to the laws of the country where protection is claimed.³⁴⁴

On the other hand, there are scholars who argue that the Berne Convention does not contain a *lex originis* rule.³⁴⁵ First, defining the country of origin is only for establishing certain conditions or limitations on the application of the national laws of the countries where the protection is claimed under the Convention, and consequently it is not a choice-of-law rule. The definition of the country of origin had been rather important in the 1886 Berne Act, because under it an author could claim rights under the Convention only upon the fulfillment of the conditions and formalities described by the law of the country of origin, i.e. as to the author’s capacity to enjoy rights in any other countries, the rights first had to be established in the country of the origin of his work. This situation was, however, changed by the 1908 Berlin Act. Under it the enjoyment and exercise of the rights granted by the Convention “*are independent of the existence of protection in the country of origin of the work*”.³⁴⁶ In other words, the protection of a work under the *lex originis*, regardless of the definition of the country of origin, does not extend outside that country.

Moreover, since the application of the *lex originis* is based either on nationality or the place of publication, such application would afford foreigners degrees of copyright protection higher or lower than those accorded to nationals and consequently would contradict the spirit of the Convention, which is aimed at avoiding discrimination against foreign authors.³⁴⁷ In fact, as will be analysed in the following paragraphs, the principle of national treatment includes a negative feature excluding application of the *lex originis*.³⁴⁸

What is more, the *lex originis* approach was recognized only in the Montevideo Convention on Literary and Artistic Property.³⁴⁹ According to that Convention, authors of a work and their successors enjoy in the signatory states the rights granted to authors by the law of state in which first publication or production of the work took place, i.e. the law of the country of origin.³⁵⁰ The less successful record

³⁴¹ Discussed in detail by Eugen Ulmer (*supra* n 5) 8, fn 4.

³⁴² Eugen Ulmer (*supra* n 5) 30-1; Sam Ricketson 1987 (*supra* n 186) 195.

³⁴³ Georges Koumantos (*supra* n 154) 418, 424-25. (He held also that a specific aspect of copyright “the extent of protection” and “the means of redress” should be governed by the *lex fori*)

³⁴⁴ Georges Koumantos (*supra* n 154) 425.

³⁴⁵ Richard Fentiman 2005 (*supra* n 169); Eugen Ulmer (*supra* n 5) 29 (only a partial reference to the *lex originis* about the matter of duration of protection); Fawcett and Torremans 2011 (*supra* n 13) paras 12.44-12.47.

³⁴⁶ Art. 5(2) of the Convention.

³⁴⁷ Richard Fentiman 2005 (*supra* n 169) 135.

³⁴⁸ *Ibid.*

³⁴⁹ Signed on 11 January 1889.

³⁵⁰ Art. 2 of the Montevideo Convention.

of the Montevideo Convention in being accepted also causes doubt about the *lex originis* approach. Because certain works can originate in more than one country, applying the *lex originis* leads to a situation where different rights will attach to the same works. One can imagine the inefficiency that would result from one right originating in a country granting a higher level of protection and the other in a country with a lower level of protection.³⁵¹ This potential for inefficiency clearly demonstrates that universal application of the *lex originis* would be unworkable for copyright protection in an international context.³⁵²

In addition, it is submitted that the *lex originis* rule³⁵³ should not be accepted as a general choice-of-law rule in cross-border copyright claims, or as a choice-of-law rule in any dispute regarding to issues of the content, existence and initial ownership of copyright. First, the concept of the *lex originis* is not clear. Does it refer to the law of nationality, or habitual residence of the creator, or the place of publication? Defining the *lex originis* becomes more complicated when there is co-operative creating or in regard to work for an employer. If the *lex originis* refers to the place of publication, one may still wonder: what about unpublished works? Hence, predictability cannot be served by it.

Although one might argue that adopting the *lex originis* would be in the interest of both the rights owners and the authorized copyright users in that for authors it would guarantee predictability and continuity of their copyright when their works cross borders³⁵⁴ and for authorized right users it would ensure that the work will receive the same treatment in all states,³⁵⁵ which could in turn facilitate international exploitation of copyright and international trade.³⁵⁶ It is still questionable whether adopting one single law- the *lex originis* - would really be an advantage, because doing so would lead to a situation where different copyright law systems would govern different works in the same country depending on their respective countries of origin.³⁵⁷ Consequently, it would be cumbersome in practice, since users, lawyers and courts would continuously have to become acquainted with a very large number of national copyright laws.³⁵⁸

Applying the *lex originis* to international copyright protection also attracts criticism on the following additional grounds. As has been pointed out above, copyright granted by a particular legal order reflects that country's economic and cultural policies and balances public and private interests at stake in that country. Thus, considering the bundle of independent copyrights created in different countries, one may question why copyright created in one country, reflecting the values of that country and its rules on the existence, content and initial ownership of the right, should be extended to cover literary or artistic works existing in another country.³⁵⁹

In conclusion, the Berne Convention does not contain a choice-of-law rule that designates the *lex originis*, and, in fact, the *lex originis* should not be adopted for making a general choice-of-law in the context of cross-border copyright claims.

³⁵¹ Stewart and Sandison (*supra* n 34) 45.

³⁵² György Boytha (*supra* n 158) 406; Silke von Lewinski (*supra* n 60) para 1.10; Stewart and Sandison (*supra* n 34) 45; Fawcett and Torremans 2011 (*supra* n 13) para 12.46.

³⁵³ For discussion, see Dário Moura Vicente (*supra* n 15) 261-62.

³⁵⁴ *Id.*, 261.

³⁵⁵ Stewart and Sandison (*supra* n 34) 38; György Boytha (*supra* n 158) 406.

³⁵⁶ Paul Goldstein 2001 (*supra* n 57) 102-05; Dário Moura Vicente (*supra* n 15) 261.

³⁵⁷ Fawcett and Torremans 2011 (*supra* n 13) para 12.45; Dário Moura Vicente (*supra* n 15) 262.

³⁵⁸ Stewart and Sandison (*supra* n 34) 38; Silke von Lewinski (*supra* n 60) para 1.10; Richard Fentiman 2005 (*supra* n 169) 135; György Boytha (*supra* n 158) 399, 406; Sam Ricketson 1987 (*supra* n 186) 194; Fawcett and Torremans 2011 (*supra* n 13) para 12.45.

³⁵⁹ Dário Moura Vicente (*supra* n 15) 262.

2.2.1.4.2 Does national treatment entail a choice-of-law rule?

National treatment is the bedrock principle of the Berne Convention that guarantees that rights owners protected in one Union state can claim in other Union states the same protection that the latter grant to their own nationals. Whether this principle should also be viewed as a choice-of-law rule has been much debated. The opinions in this regard are quite divided. Some commentators observe that this principle is simply a non-discrimination rule, requiring foreign and national authors to be treated in the same way under national law³⁶⁰ and restricting Union states from enacting laws that treat national authors more favorably than foreigners.³⁶¹ In their view, the aim of this rule is to remove the differences between domestic authors and foreign authors, and consequently this principle cannot be considered as ordaining or implying any choice-of-law rule.³⁶²

It is believed that national treatment will only be applied once the applicable national law has been determined through the use of national choice-of-law rules.³⁶³ This view point was also upheld by the U.S. Court of Appeals for the Second Circuit in the *Itar-Tass* case stating that “(...) *the Convention’s principle of national treatment simply assures that if the law of the country of infringement applies to the scope of substantive copyrights protection, that law will be applied uniformly to foreign and domestic authors*”.³⁶⁴ Hence the principle concerns applying the same substantive laws to foreigners and citizens or habitual residents.³⁶⁵

Others, however, contend that the principle of national treatment should be applied in advance, i.e. taking effect before dealing with the problem of choice-of-law, or it should be applied by the competent court *before* investigating the applicable law.³⁶⁶ This opinion is based on the argument that “*the problem of the applicable law to intellectual property only arises if the subject, - normally a foreigner-, has the right to be the titleholder of the intellectual property. If the subject does not enjoy this right, the problem of the law which is applicable to the intellectual property would not arise and there would be no problem of ‘conflict of Laws’ in the case.*”³⁶⁷

According to this, the principle of national treatment should be interpreted in the sense that in applying the choice-of-law rule an obligation not to discriminate first applies.

In contrast, most academics agree on a choice-of-law interpretation of the national treatment principle,³⁶⁸ even though their opinions differ as to which choice-of-law rule that principle refers to.

³⁶⁰ Javier Carrascosa González (*supra* n 339) 108-09.

³⁶¹ William Patry, ‘Choice of Law and International Copyright’ (2000) 48 Am. J. Comp. L. 383, 405.

³⁶² *Ibid*; Mireille van Eechoud 2003 (*supra* n 15) 107; Mireille van Eechoud, ‘Alternatives to the *lex protectionis* for Initial Ownership of Copyright’ in Josef Drexler and Annette Kur (eds) (*supra* n 15) 293; Richard Fentiman 2005 (*supra* n 169) 133-37; Javier Carrascosa González (*supra* n 339) 107-09; G. B. Dinwoodie, ‘Conflicts and International Copyright Litigation: the Role of International Norms’ in Jürgen Basedow and others (eds) 2005 (*supra* n 15) 201; Sam Ricketson 1987 (*supra* n 186) 194; Nerina Boschiero (*supra* n 338) 97; Marta Pertegás 2006 A (*supra* n 339) 228; Dário Moura Vicente (*supra* n 15) 271-72; Georges Koumantos (*supra* n 154) 426 *et seq*; A.A. Quaadvlieg, ‘Een multiple personality syndrom in het i.p.r.: wie is auteursrechthebbende?’ (1997) 8 Informatierecht/AMI 155, 157.

³⁶³ Paul Goldstein 2008 (*supra* n 14) 46.

³⁶⁴ *Itar-Tass Russian News Agency v. Russian Kurier Inc.*, 153 F 3d 82 C.A.2 (N.Y. 1998) at 89. For the comments on the private international law perspective of this case, see A. Tydniouk, ‘From Itar-Tass To Films By Jove: The Conflict of Laws Revolution in International Copyright’ (2004) Brook. J. Int’l L. 899; Paul Goldstein 2008 (*supra* n 14) 41-50.

³⁶⁵ Mireille van Eechoud 2005 A (*supra* n 362) 293.

³⁶⁶ Georges Koumantos (*supra* n 154) 426 *et seq*.

³⁶⁷ Javier Carrascosa González (*supra* n 339) 108.

³⁶⁸ S. J. Schaafsma 2009 (*supra* n 15) 31-45, 48, 84-6, 116-18; S. J. Schaafsma, ‘Rome II: intellectuele eigendom en oneerlijke concurrentie’ (2008) 6780 WPNR 998, 999 (“*Mijns inziens bevat het beginsel van nationale behandelings zowel een discriminatieverbod als een conflicregel.*” (My opinion is that the national treatment principle is a non-discrimination rule as well as a conflict rule) [translated by NZ]; Stewart and Sandison (*supra* n 34) 37-9; Eugen Ulmer (*supra* n 5) 2, 19; Jane C. Ginsburg, ‘Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitting through Global Digital Networks’ (WIPO

Some distinguished scholars believe that it should be interpreted as the application of the law of the country of origin,³⁶⁹ while others observe that that principle refers to the law of the forum country.³⁷⁰ Stewart points out that the principle of national treatment indicates application of the law of protecting countries. As to the concept of “the law of protecting countries”, his interpretation is that it should be accepted as “*broadly speaking the lex fori*”.³⁷¹ He further argues two reasons for that interpretation. First, adopting the *lex fori* would improve the quality of judgments and guarantee more certainty, since each court prefers to apply their own law, which they know best. Second, applying the *lex fori* would enable gradually attaining uniform higher levels of protection, since the countries providing lower level copyright protection will encounter the situation in which their nationals would get higher protection in other Union states, and the pressure of providing a higher level protection to their own nationals would induce those countries to raise the level of copyright protection in their domestic laws.³⁷²

Still other scholars maintain that national treatment points to the application of the law of the protecting country, i.e. the *lex loci protectionis*.³⁷³ As has been argued, the Convention “*specifically refer(s) to the law of the country of protection as regards the application of the principle of national treatment.*”³⁷⁴ Since this principle is understood as taking a territorial approach, it leads to the opinion that the law of a protecting country applies to all issues of cross-border copyright disputes, even “*the question of who is the first owner of copyright is also decided in accordance with the law of the country where protection is claimed*”.³⁷⁵

It should, nevertheless, be repeated here that national treatment is merely a non-discrimination rule ensuring equal treatment to foreigners in relation to the rights on their works in countries other than the country of origin, and it provides no guidelines on the issue of choice-of-law in cross-border copyright disputes.³⁷⁶

First, the historical development of national treatment in international copyright protection demonstrates that national treatment has facilitated the extraterritorial recognition of foreign authors’ capacity of enjoying and exercising their rights in the countries other than the one where the rights have been granted. It has been argued that, from the perspective of this historical development, the principle of national treatment provides a solution to the so-called “legal vacuum” problem, which

document GCPIL/2), 30 November 1998, Geneva, 35; Paul Goldstein 2001 (*supra* n 57) 103-07; Wilhelm Nordemann (*supra* n 327) 301; György Boytha (*supra* n 158) 409; Fawcett and Torremans 2011 (*supra* n 13) (who advocate that from an old approach, national treatment is a choice-of-law rule, paras 12.18-12.19; from a modern approach, national treatment however does not contain a choice-of-law rule, but it implies the application of the law of the country for which protection is sought in a number of situations, para 12.28); Josef Drexl, ‘The Proposed Rome II Regulation: European Choice of Law in the Field of Intellectual Property’ in J. Drexl and A. Kur (eds) (*supra* n 15) 165-66; the Nimmers have argued that national treatment provisions create choice-of-law rules on ownership, see William Patry (*supra* n 361) 413.

³⁶⁹ Batin, discussed in Nerina Boschiero (*supra* n 338) 95, fn 34; *contrary*, Richard Fentiman 2005 (*supra* n 169) 135-37.

³⁷⁰ Stewart and Sandison (*supra* n 34) 37-9.

³⁷¹ *Id.*, 37.

³⁷² *Id.*, 38-9.

³⁷³ Eugen Ulmer (*supra* n 5) 2, 19; Jane C. Ginsburg 1998 B (*supra* n 368)35; Paul Goldstein 2001 (*supra* n 57) 103-07; Wilhelm Nordemann (*supra* n 327) 301; S.J. Schaafsma 2008 (*supra* n 368) 999 (“*Mijns inziens bevat het beginsel van nationale behandeling zowel een discriminatieverbod als een conflictregel. Die conflictregel verklaart de lex loci protectionis exclusief van toepassing op alle aspecten van de bescherming van intellectuele-eigendomsrechten.*” (My opinion is that national treatment is a non-discrimination rule as well as a conflict rule. This conflict rule declares that the *lex loci protectionis* exclusively applies to all aspects of intellectual property rights protection) [translated by NZ]; György Boytha (*supra* n 158) 409; Josef Drexl 2005 (*supra* n 368) 165-66.

³⁷⁴ Wilhelm Nordemann (*supra* n 327) 301.

³⁷⁵ Eugen Ulmer (*supra* n 5) 11.

³⁷⁶ Mireille van Eechoud 2003 (*supra* n 15) 107; William Patry (*supra* n 361) 405; Sam Ricketson 1987 (*supra* n 186) 194; Nerina Boschiero (*supra* n 338) 97; Dário Moura Vicente (*supra* n 15) 271-72.

could occur if a national law insists on dealing with national authors and foreign authors whose own law of the country of origin was territorially limited and as a result they would be left without protection by any law, and therefore the principle of national treatment must be a choice-of-law rule coupled with the rule of non-discrimination.³⁷⁷ Nevertheless, one cannot ignore the fact that a rule for ensuring equality of treatment says nothing about the applicable law. In reality, national treatment is a rule for foreigners, aiming at protecting foreigners from any discrimination due to their capacity as foreigners, and it ensures that foreigners will enjoy copyright in the country where they claim such protection within the ambit of the Convention.

Furthermore, as pointed out by the distinguished scholar A. Lucas, such a rule confirming the status of foreigners should be distinguished from a rule on choice-of-law,

*“an ancient temptation to lump together the status of foreigners and the choice-of-law’ has weighed heavily, and still does so, on the interpretation to be given to what is known as the principle of national treatment contained in Article 5(1) of the Berne Convention and adopted in many other international instruments.”*³⁷⁸

In addition, the opinion that national treatment does not function as a choice-of-law rule is shared by the WIPO, the international organization that administers the Berne Convention. It confirms that

*“neither does the national treatment principle reflect a private international law approach, as it does not purport to designate the law of any particular country that is to govern an intellectual property issue involving a foreigner, but merely states that foreigners should not be treated differently than nationals with respect to intellectual property issues”.*³⁷⁹

Some case law has upheld this opinion, as well. In *Tod’s* case, the ECJ held that “[a]s is apparent from article 5.1 of the Berne Convention, the purpose of that convention is not to determine the applicable law”.³⁸⁰ Judge Newman also concluded in the *Itar-Tass* case that the principle of national treatment enshrined in the Berne Convention does not contain a choice-of-law rule.³⁸¹

Insisting that national treatment includes a choice-of-law function may be irreconcilable with the purpose and the spirit of the Berne Convention. As stated in the preceding paragraphs, historically, the drafting of the Berne Convention was aimed at providing protection to a work with a foreign origin or a foreign author, and there was no choice-of-law issue in the picture. Insisting on doing so may lead to the reliance on “nationality” as a proper connecting factor and may consequently lead to different degrees of protection being granted to national and foreign rights owners, which would be contrary to the aim of the Convention to remove discrimination on the basis of nationality.³⁸²

If one were to persist in holding that the principle of national treatment has something to do with a choice-of-law issue, then the only relevance of that issue would be its negative way of operation, more precisely, by denying the possibility of applying “nationality” as a connecting factor and denying the *lex originis* approach.³⁸³

³⁷⁷ S. J. Schaafsma 2009 (*supra* n 15) 186.

³⁷⁸ André Lucas, ‘Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted Through Digital Networks’ (WIPO Document GCPIC/1), 15 November 1998, Geneva, <www.wipo.int/edocs/mdocs/mdocs/en/gcpic/gcpic_1.doc> 3-4, accessed on 2 October 2012.

³⁷⁹ WIPO document ‘Intellectual Property on the Internet: A Survey of Issues’ (WIPO/INT/02) December 2002 Geneva, <<http://www.wipo.int/export/sites/www/copyright/en/e-commerce/pdf/survey.pdf>> 118, accessed on 2 October 2012.

³⁸⁰ ECJ Case C-28/04 *Tod’s SpA, Tod’s France SARL v Heyraud SA, interveners: Technisynthès* [2005] ECR I-5781, para 32 (*Tod’s*).

³⁸¹ *Itar-Tass* (*supra* n 364) 89.

³⁸² Marta Pertegás 2006 A (*supra* n 339) 228.

³⁸³ Richard Fentiman 2005 (*supra* n 169) 135; Marta Pertegás 2006 A (*supra* n 339) 228.

In fact, the same discussion on the principle of national treatment may also be encountered in regard to Article 3(1) of the TRIPs Agreement,³⁸⁴ Article 2 of the Rome Convention 1961³⁸⁵ and Article II of the UCC.³⁸⁶ As will be analysed later, national treatment is simply a rule requiring non-discrimination, confining its effect to domestic contexts, and does not imply a choice-of-law rule.

2.2.1.4.3 Does Article 5(2) have a choice-of-law rule function?

The question as to whether Article 5(2) of the Berne Convention is a choice-of-law rule has also been debated among scholars. Article 5(2) of the Berne Convention reads as following:

“(2) *The enjoyment and the exercise of these rights shall not be subject to any formality; such enjoyment and such exercise shall be independent of the existence of protection in the country of origin of the work. Consequently, apart from the provisions of this Convention, the extent of protection, as well as the means of redress afforded to the author to protect his rights, shall be governed exclusively by the laws of the country where protection is claimed.*”

Some scholars contend that this provision is a choice-of-law rule because its wording clearly states “...shall be governed exclusively by the laws of the country where protection is claimed.” However, their opinions differ on how to interpret “the laws of the country where protection is claimed”. Some commentators interpret it as referring to the *lex loci protectionis* (the law of the country for which protection is sought), others as the *lex fori* (the law of the country before whose court the case is brought),³⁸⁷ yet others as the *lex loci delicti* (the law of the country where the alleged violation of the right has committed).

As to the *lex fori*, it is argued that when Article 5(2) refers to the laws of the country where protection is claimed in regard to “the means of redress afforded to the author”, since the means of redress arguable refer solely to rules of procedure in relation to the means available for the copyright owner to bring a claim in the forum country, it is generally governed by the *lex fori* and, as a result, one may adhere to a view that the laws of the country where protection is claimed refers to the *lex fori*.³⁸⁸ It is also argued that, because the place of the forum is often the place where the alleged violation of the right was committed, the *lex fori* of that place shall then apply to the disputes. What is more, the literal reading of “the laws of the country where protection is claimed”³⁸⁹ leads to an inference that it designates the *lex fori*. Somehow, this also has to do with the belief that the drafters of Article 5(2) may have assumed that the place of forum and the place of infringement would in practice coincide. This might have been a reasonable factual assumption at the time the provision was drafted.³⁹⁰ As a result, confusion arises as to whether “the laws of the country where protection is claimed” designates the *lex fori*.

These arguments should not, however, be upheld. As to the first argument, “the extent of protection”, just like “the means of redress”, is also stated to be subject to the laws of the country where protection is claimed. So merely relying on “the means of redress” for designating the *lex fori* is not sufficient, let alone the fact that “the means of redress” are sometimes not exclusively judicial. As to the second, although the coincidence of the two places would often occur in practice, the place of forum may have no relation with the alleged copyright claim. In other words, authors may bring a claim before a court

³⁸⁴ See *infra* 2.2.4.2.2 National treatment principle.

³⁸⁵ See *infra* 2.2.3.1.1 National treatment.

³⁸⁶ See *infra* 2.2.2.1.1 National treatment.

³⁸⁷ For discussion, see André Lucas (*supra* n 378) 12-3; Georges Koumantos (*supra* n 154) 426.

³⁸⁸ Georges Koumantos (*supra* n 154) 426, 428. (He argues that the matters of “the means of redress afforded to the author” and “the extent of protection” should be governed by the *lex fori*. Nevertheless, Koumantos concludes that Art. 5(2) does not contain a general choice-of-law in the field of copyright. Instead, a unilateral choice-of-law rule the *lex originis* as enshrined in the first sentence of Art. 5(3) should be a general rule.)

³⁸⁹ Emphasis added by the author.

³⁹⁰ Ricketson and Ginsburg (*supra* n 110) para 20.10; Mireille van Eechoud 2003 (*supra* n 15) 108; Eugen Ulmer (*supra* n 5) 10.

other than the place of alleged infringement, e.g. the country where the alleged defendant has assets.³⁹¹ Under this circumstance, application of the *lex fori* cannot be justified. Moreover, there are circumstances under which the applicable law is necessary to be defined in a legal relationship but outside of a court proceeding, such as in the context of contractual negotiation.³⁹² Furthermore, applying the *lex fori* may also be contrary to the general objectives of the Berne Convention which ensure that “*authors be protected in as uniform a manner as possible*”,³⁹³ because applying the *lex fori* may result in a disjunction

“*between the law applied to the claim and the law that governs in the place where the infringement occurred; that in turn may mean that the author does not receive the same level of protection as do authors in the country of infringement.*”³⁹⁴

Additionally, applying the *lex fori* in cross-border copyright disputes may frustrate the parties’ reasonable expectations. In practice, a plaintiff could bring a copyright dispute before a court where the alleged infringer is domiciled, if this place had nothing to do with the copyright at stake, the parties’ interest would be jeopardised if the *lex fori* denies such copyright protection or rejects the existence of the right.³⁹⁵ Furthermore, the application of the *lex fori* in this case would be incompatible with the rationale of copyright, which is to reflect the economic and cultural policy of the country that granted such rights.

Still further, applying the *lex fori* would encourage forum shopping. Since the same individual right will be governed by different laws depending on the place of the submission of the dispute, the plaintiff could choose to bring the suit in a court of a country that grants greater advantages to himself.³⁹⁶

Other experts and courts contend that the expression of “the laws of the country where protection is claimed” that is set forth in Article 5(2) designates the *lex loci delicti*.³⁹⁷ Such an interpretation should not be supported because the fact that the place where the work is used and the place where the work is allegedly infringed are often identical cannot just because of that fact justify designation of the *lex loci delicti*. Additionally, since the Berne Convention is aimed at establishing a “*comprehensive legal system of lawful uses of works*”, concern should be given to the exploitation or use of the copyrighted work, rather than infringement only.³⁹⁸ Furthermore, since wording similar to “the laws of the country where protection is claimed” is used in other provisions of the Convention, such as Articles 14*bis*(2)(a) and (2)(c), which deal with ownership and the limitation of certain rights of certain contributors to cinematographic works, and since the *lex loci delicti* is only for infringement claims and cannot be applied to determine issues such as initial ownership, an interpretation of “the laws of the country where protection is claimed” as referring to the *lex loci delicti* would not be appropriate.

The predominant opinion on the interpretation of the term “the laws of the country where protection is claimed” is that it refers to the *lex loci protectionis*.³⁹⁹ It is argued that the wording of Article 5(2)

³⁹¹ J.C. Ginsburg 1998 A (*supra* n 15) 322-23; Georges Koumantos (*supra* n 154) 426.

³⁹² Fawcett and Torremans 2011 (*supra* n 13) para 12.25.

³⁹³ Ricketson and Ginsburg (*supra* n 110) para 20.10.

³⁹⁴ *Ibid.*

³⁹⁵ Dário Moura Vicente (*supra* n 15) 263.

³⁹⁶ *Id.*, 263-64.

³⁹⁷ French Cour de Cassation, *Sté informatique service realization organization v. Société de droit néerlandais en liquidation Ampersand Software BV et al.* (1st Civil Chamber, 5 March 2002). (published on (2003) 34 IIC 701); *contra*, Georges Koumantos (*supra* n 154) 426; Fawcett and Torremans 2011 (*supra* n 13) para 12.26; György Boytha (*supra* n 158) 410.

³⁹⁸ György Boytha (*supra* n 158) 410; Fawcett and Torremans 2011 (*supra* n 13) para 12.26.

³⁹⁹ P.E. Geller, ‘International copyright; an introduction’ in P.E. Geller (ed), *International Copyright Law and Practice* (Matthew Bender, New York 1998), INT-41; Dário Moura Vicente (*supra* n 15) 270; A. A. Quaedvlieg (*supra* n) 157; Javier Carrascosa González (*supra* n 339) 111-12; J.A. Pontier, *Onrechtmatige Daad: Praktijkreeks IPR nr. 16* (Kluwer, Deventer 2001) 95-6; Stig Strömholm (*supra* n 6) 19-21 (who argues for an

shows the drafters' preference for choosing the law of the country of protection as the applicable law rule and rejecting the *lex originis*.⁴⁰⁰ To further support this opinion, some scholars maintain that the imprecision of Article 5(2) of the Berne Convention, which causes the confusion about *lex fori* or *lex loci protectionis*, occurred because the drafters of the Convention during the drafting process could not imagine that a copyright claim could be brought to a court of country different from the country where the alleged violation had been committed.⁴⁰¹ Moreover, adopting this interpretation guarantees legal certainty, because the law applicable will be the same irrespective of the place of the court hearing the claim.⁴⁰² What is more, this interpretation promotes judicial security in that the law applicable will be that of the country where the author's right is effective,⁴⁰³ which is similar to the opinion that Article 5 refers to the law of the country where the work is used.⁴⁰⁴ Hence, it has been suggested that the expression "the laws of the country where protection is claimed" should be interpreted to mean the law of the country for which protection is claimed - the *lex loci protectionis*-, rather than the *lex fori*.⁴⁰⁵

As a number of commentators have rightly observed, it is again repeated that Article 5(2) is not a choice-of-law rule.⁴⁰⁶ First, given the public law nature of copyright in history and the drafting process of Article 5(2), it is unlikely that the drafters of the Convention intended to introduce a choice-of-law rule for copyright disputes.⁴⁰⁷ Second, Article 5(2) stipulates that the matters of "means of redress" and "extent of protection" be governed by "the laws of the country where protection is claimed". As the preceding paragraphs indicate, any interpretation of the language in question as designating a choice-of-law rule would be a cause for controversy. The Berne Convention does not provide a clear definition or definite interpretation of "means of redress". It would follow that such a matter should then be subjected to classification under national law to determine whether it is part of substantive law or part of procedural law. If it is classified as substantive law, the *lex causae* should apply, and if classified as procedural law, then the *lex fori* should apply.⁴⁰⁸ Among scholars, opinions in this regard also vary. Some observe that the "means of redress" should be in reference to the *lex fori*,⁴⁰⁹ others maintain that this refers to the *lex causae*, as provided by certain rules of national private international law.⁴¹⁰ Still others submit that the "means of redress" in Article 5(2) is not exclusively judicial, which is the same as what is enumerated in the Part III of the TRIPs Agreement. As a result it does not need to be made subject to the *lex fori*.⁴¹¹ Thus, if for the sake of argument, the *lex fori* governs the "means of redress", how about "the extent of protection", a matter generally governed by the *lex loci protectionis*? It would be incredible for a Convention to have one of its expressions interpreted in two different ways, i.e. that "the laws of the country where protection is claimed" would mean both the *lex fori* and the *lex loci protectionis* at the same time.

implied choice-of-law rule of the law of the country of protection); Fawcett and Torremans 2011 (*supra* n 13) paras 12.23-12.24.

⁴⁰⁰ Javier Carrascosa González (*supra* n 339) 111.

⁴⁰¹ Discussed in Javier Carrascosa González (*supra* n 339) 111-12.

⁴⁰² Javier Carrascosa González (*supra* n 339) 112.

⁴⁰³ *Id.*, 112; Fawcett and Torremans 2011 (*supra* n 13) para 12.24.

⁴⁰⁴ Eugen Ulmer (*supra* n 5); Fawcett and Torremans 2011 (*supra* n 13) para 12.24.

⁴⁰⁵ Javier Carrascosa González (*supra* n 339) 111-12; Fawcett and Torremans 2011 (*supra* n 13) para 12.25.

⁴⁰⁶ Nerina Boschiero (*supra* n 338) 97-9; J.C. Ginsburg 1998 A (*supra* n 15) 257-58; Jürgen Basedow 2010 (*supra* n 150); Mireille van Eechoud 2003 (*supra* n 15) 107-09; Marta Pertegás 2006 A (*supra* n 339) 227-28; Richard Fentiman 2005 (*supra* n 169) 133-37; François Dessemontet, 'Conflict of Laws for Intellectual Property in Cyberspace' (2001) 18(5) J. Int'l Arb. 487, 489-91; S. J. Schaafsma 2009 (*supra* n 15) 120, 168-71 (He advocates that Article 5(2), especially the second sentence of the article is not a choice-of-law rule, but an embodiment of the independence principle. Instead, the principle of national treatment is a choice-of-law rule.).

⁴⁰⁷ Jürgen Basedow 2010 (*supra* n 150) 9; Mireille van Eechoud 2003 (*supra* n 15) 108.

⁴⁰⁸ E.g. the assessment of damages in England is a procedural matter and governed by the *lex fori*. The House of Lords in *Harding v Wealands* [2007] 2 AC 1.

⁴⁰⁹ Georges Koumantos (*supra* n 154) 426.

⁴¹⁰ Mireille van Eechoud 2003 (*supra* n 15) 108-09.

⁴¹¹ André Lucas (*supra* n 378) 13.

Even if someone insists that Article 5(2) by referring to “the laws of the country where protection is claimed” is a choice-of-law rule, the opinions regarding the scope of Article 5(2) would again have to deal with the question whether this provision actually performs a choice-of-law function. Some experts interpret that the choice-of-law rule referred in Article 5(2) applies only to the matters of “extent of protection” and “means of redress”.⁴¹² Hence, the law applicable to the matters other than these two will have to be determined by courts according to their national choice-of-law rules. Consequently, it could be the *lex loci protectionis*, or the *lex loci delicti*, the *lex fori* or the *lex originis* that will be applied, e.g. French courts apply the *lex originis* to determine the initial ownership and existence of copyright;⁴¹³ Austrian laws provide the application of the *lex loci delicti* to the creation and termination of IP rights;⁴¹⁴ and German courts accord a wider scope of the application of the *lex loci protectionis* in cross-border copyright disputes.⁴¹⁵ Under this circumstance, different laws could be applied to different matters of copyright claims. Then, one might deliberate on two further issues: why would the drafters of the Berne Convention deal with only two aspects of copyright claims when they had the choice-of-law consideration in mind,⁴¹⁶ and would the results of applying such an interpretation be consistent in terms of adjudicating cross-border copyright disputes and providing certainty and predictability for both rights owners and users?

Some scholars maintain that a choice-of-law rule embedded in Article 5(2) has a wider application of “the laws of the country where protection is claimed” that extends to all matters of copyright claims.⁴¹⁷ If Article 5(2) is to be so interpreted, the references in favor of the legislation of “*the country where protection is claimed*” in Articles 6bis(2), 6bis(3), 10bis(1), 14bis(2)(a) would then make no sense, because the wider interpretation of Article 5(2) should have covered the matters laid down in these provisions.

Moreover, the imprecise wording of the connecting factor, i.e. “*where protection is claimed*” used in Article 5(2) raises a concern about whether it should be considered as a choice-of-law rule. The wording “the laws of the country where protection is claimed” is ambiguous in that it may be interpreted, as discussed above, as the *lex fori*, the *lex loci delicti*, or the *lex loci protectionis*. From the very disagreement about what choice-of-law rules the Berne drafters purported to introduce, it may be inferred that Article 5(2) cannot be construed as a choice-of-law rule.

Based on the above arguments, it is submitted that Article 5(2) is not a choice-of-law rule. As to what has been observed, this provision is no more than “*another illustration of the efforts to abolish discrimination against foreign authors.*”⁴¹⁸

2.2.1.4.4 Short summary

To conclude, the Berne Convention consists of a body of substantive rules, not choice-of-law rules, except where it deals with contracts concerning contributions to cinematographic works (Article

⁴¹² Javier Carrascosa González (*supra* n 339) 116.

⁴¹³ The French *Cour de Cassation* held in the “Rideau de fer” case that, “*applying the law of the country of origin for the issues of existence, originality, and initial ownership of works, and the lex loci protectionis to the content of the rights and the scope of protection.*” (referred in Nerina Boschiero (*supra* n 338) 101). More details, see *infra* Chapter 3.

⁴¹⁴ Article 34(1) of the Austrian PIL provides that “*the creation, scope and termination of intellectual property rights are determined by the law of the state where the act of exploitation or the act of infringement occurred*”. More details, see *infra* Chapter 3.

⁴¹⁵ German Courts adopts the *Schutzlandsprinzip*, designating to the *lex loci protectionis*, i.e. the law of the country for which protection is sought in international copyright disputes. More details, see *infra* Chapter 3.

⁴¹⁶ Koumantos argued that the choice-of-law issues dealt with in the Berne Convention are not meant to be systematic, but empiric and fragmentary, and such an approach can be seen in substantive rules laid down in the Berne Convention as well. (see Georges Koumantos (*supra* n 154) 419)

⁴¹⁷ Eugen Ulmer (*supra* n 5) 11.

⁴¹⁸ Marta Pertegás 2006 A (*supra* n 339) 227.

14bis(2)(c)). According to that the question whether a contract for cinematographic adaptation of a work has to be made in writing, shall be a matter for the legislation of the country of the Union where the maker of the cinematographic work has his headquarters or habitual residence. This provision further stipulates that if a written form is required under the law of the country where the protection is claimed, that applies even where the country of the maker of the work does not require such a form.⁴¹⁹ Thus, the exception combines the *lex originis* and *lex protectionis* rules.

As discussed earlier, the Berne Convention is the most important copyright convention, not only because of its great practice importance, but also because of its influence on the formation of international treaties that were established afterwards. Since above sections have reviewed the structure and the principles of the Berne Convention for their choice-of-law relevance, it is necessary to briefly also study those treaties.

2.2.2 The Universal Copyright Convention (UCC)

The Berne Convention had a European origin, and its influence spread to other continents. Until the 1948 Brussels Revision of that Convention, important states like the United States, the Soviet Union and other countries in Asia and Africa had, however, not adhered to the Berne Convention. The primary reason had to do with the consideration that the Berne minimum standards were incompatible with their domestic laws.⁴²⁰ For example, as for the United States, the Berne minimum standards of moral rights, the non-formality requirement and the minimum duration of 50 years *pma* differed from the then copyright law – US Copyright Act 1909. According to the latter, moral rights were not recognized, certain formalities were required for the protection of copyright and copyright protection lasted for 28 years from the first publication with the possibility of renewal for another 28 years.⁴²¹

The UCC was intended to bring these countries into the international copyright sphere. The initiative of establishing an international treaty bridging Berne Union states and non-Union states could be traced back to the 1928 Rome revision of the Berne Convention, when a discussion was undertaken to include the United States as a party.⁴²² Under the auspices of UNESCO, a separate copyright convention – the Universal Copyright Convention - was adopted in 1952 and revised in 1971.⁴²³

2.2.2.1 Basis and structure

Like the Berne Convention, the UCC provides for national treatment and minimum rights. The general standard of protection is, however, lower than that established in the Berne Convention. The UCC requires contracting states to provide “*adequate and effective*” protection as a minimum right and grant four exclusive rights: reproduction by any means, public performance, broadcast,⁴²⁴ and translation.⁴²⁵ As to the first three, contracting states may adopt exceptions that “*do not conflict with the spirit and provisions of this Convention*”.⁴²⁶ Unlike the Berne Convention, the UCC lays down a maximum of formalities which may be required to secure protection with the symbol © accompanied by the name of the copyright owner and the year of first publication,⁴²⁷ and it does not include moral rights. As for the duration of protection, Article IV of the UCC prescribes a minimum term of twenty-

⁴¹⁹ György Boytha (*supra* n 158) 411-12.

⁴²⁰ Stewart and Sandison (*supra* n 34) 146; J.A.L. Sterling (*supra* n 18) para 19.01; Mihály Ficsor 2003 (*supra* n 184) para 13.

⁴²¹ J.A.L. Sterling (*supra* n 18) para 19.01; Nordemann and others (*supra* n 217) introduction n. 5.

⁴²² Paul Goldstein 2001 (*supra* n 57) 28.

⁴²³ For details of revision, see Nordemann and others (*supra* n 217) introduction n. 5; Stewart and Sandison (*supra* n 34) 146-82.

⁴²⁴ Art. IV *bis* (1) of the UCC. For details, see Nordemann and others (*supra* n 217) Art. IV*bis* UCC nn. 1-4.

⁴²⁵ Art. V of the UCC. For details, see Nordemann and others (*supra* n 217) Art. V UCC n. 3.

⁴²⁶ Art. IV *bis* (2) of the UCC. For details, see Nordemann and others (*supra* n 217) Art. IV*bis* UCC n. 5.

⁴²⁷ Art. III (1) of the UCC. For details, see Nordemann and others (*supra* n 217) Art. III UCC nn. 3-6.

five years *pma*, or if the protecting country does not compute the copyright term on the basis of the author's life, twenty-five years from publication or registration of the work.⁴²⁸ Unlike the Berne Convention, the UCC contains no provisions on determination of authorship.

2.2.2.1.1 National treatment

Article II⁴²⁹ of the UCC briefly lays down the principle of national treatment, stating that the works protected by that Convention enjoy in each contracting state the “*same protection as that... State accords to works of its nationals.*” It prescribes a concrete obligation to assimilate foreign authors with national authors. Under the UCC, every contracting state has to grant the works of those who are nationals of another contracting state or who have first published in a contracting state the same protection that such other contracting state accords to works of its own nationals that are published for the first time in its own territory. Unpublished works by nationals of other contracting states shall also enjoy the same protection as corresponding domestic works. The sole exception to the principle of national treatment in the UCC is a provision regarding the term of protection in Article IV (4) (a). According to it, no contracting state is obliged to grant a longer period of protection than that fixed for corresponding works in the country of origin.

One scholar observes that the UCC contains a “more disguised” choice-of-law rule, which is due to the fact that the UCC does not operate on the basis of the concept of “country of origin”.⁴³⁰ He further explains that the national treatment principle enhanced in the UCC requires the contracting states to accord the same protection to foreign works eligible for protection as they accord to works of their own nationals, and as a result, a kind of *lex loci protectionis* applies to works protected by the UCC.⁴³¹ Nevertheless, it is concluded herein that the wording of Article II only requires the contracting states to treat qualifying works no less favorably than they treat the works of their own nationals, and as has been argued with respect to the above comparable sections on the Berne Convention, the principle of national treatment has nothing to do with designating the law that is applicable to international copyright protection.

2.2.2.2 Relation to the Berne Convention

Since the UCC offers a lower level of copyright protection than the Berne Convention, a Berne Union state could withdraw from the Berne Union and join the UCC. To discourage this from happening, the drafters of the UCC introduced the so-called “Berne Safeguard Clause” in Article XVII. Under this clause, when a country has withdrawn from the Berne Convention, works that have that country as their country of origin shall not be protected by the UCC in the Berne Union states.⁴³² In addition, the UCC states that it will not apply to the “*relationship among countries of the Berne Union in so far as it relates to the protection of works having as their country of origin, within the meaning of the Berne*

⁴²⁸ Art. IV (2) (a) (b) of the UCC.

⁴²⁹ “1. *Published works of nationals of any Contracting State and works first published in that State shall enjoy in each other Contracting State the same protection as that other State accords to works of its nationals first published in its own territory, as well as the protection specially granted by this Convention.* 2. *Unpublished works of nationals of each Contracting State shall enjoy in each other Contracting State the same protection as that other State accords to unpublished works of its own nationals, as well as the protection specially granted by this Convention.*”

⁴³⁰ György Boytha (*supra* n 158) 413; similarly, Wilhelm Nordemann (*supra* n 327) 301, who considers that “the convention refers to the law of the country of protection as regards the application of the principle of national treatment”.

⁴³¹ György Boytha (*supra* n 158) 414; Eugen Ulmer (*supra* n 5) 30; similarly Dário Moura Vicente (*supra* n 15) 270.

⁴³² Appendix Declaration Relating to Art. XVII of the UCC, (a). For details, see Nordemann and others (*supra* n 217) Art. XVII UCC, n. 3.

*Convention, a country of the Berne Union*⁴³³ and that it will not “*in any way affect*” the provisions of the Berne Convention or membership of the Berne Union.⁴³⁴ Nowadays, the above provisions are of limited practical importance because of the full incorporation clause of the TRIPs Agreement, which requires the contracting states to fully comply with the Berne Convention.⁴³⁵

As a whole, the UCC has been successful in terms of membership. The two important states, the United States and the Soviet Union joined the UCC in 1955 and 1973 respectively, while both countries were not yet Union states of the Berne Convention. Although the UCC has a large membership -100 contracting states,⁴³⁶ its importance in the international copyright regime is diminishing. Since the UCC aims at bringing more countries together on a “lowest common denominator” basis, it cannot catch up with the trend towards increasing the level of copyright protection, especially, with the accession of the USA to the Berne Convention in 1989 and the subsequent advent of the TRIPs Agreement, to which almost all countries are conforming and which, in turn, guarantees a higher level of copyright protection.⁴³⁷

2.2.3 The Rome Convention 1961⁴³⁸

The appearance of the technology of electronic recording, then radio and later on television in the early 20th century created a need for protection of works derived from these technologies, such as protection against unauthorized reproductions of sound recordings, performances and broadcasts. The producers/creators of such works, who made investments of skill, expertise and finance, initially called for protection within the ambit of the Berne Convention.

The issue of international protection for such rights was first raised in the 1908 Berlin Revision when the British government proposed international protection for phonograph record producers. However, that proposal was not considered because the subject might more properly be protected as industrial property rather than copyright.⁴³⁹ In subsequent Berne Convention revision processes, the subjects of protecting performing artists and recorded performances had been raised in the 1928 Rome Revision and the 1948 Brussels Revision. In the latter Revision, the Conference passed resolutions calling for Union states to study the issues on the protection of broadcasters, performers and sound recording producers.

Since then, a need to adopt a separate, self-standing international instrument to protect performers, sound recording producers and broadcasters had become accepted. The reasons for a separate convention may have had to do with the unique inter-related nature of the three subjects. All sound recordings that are commercially exploited involve performances and they function as important constituents of broadcasting. Thus, the best and most convenient way of achieving protection for such presentations and establishing balanced protection among them was to formulate a separate legal instrument specifically dealing with the rights of performers, sound recording producers and broadcasters.⁴⁴⁰ There had been difficulties making the Berne Convention encompass those three rights within its scope. As described in the preceding section, the Berne Convention accords protection

⁴³³ Appendix Declaration Relating to Art. XVII of the UCC, (c). For details, see Nordemann and others (*supra* n 217) Art. XVII UCC, n. 5.

⁴³⁴ Art. XVII of the UCC. For details, see Art. XVII UCC, nn. 1-2.

⁴³⁵ J.A.L. Sterling (*supra* n 18) para 19.15. For details of the full incorporation clause, see the section TRIPs Agreement, see *infra* **Error! Reference source not found.**

⁴³⁶ <<http://portal.unesco.org/la/convention.asp?KO=15381&language=E&order=alpha>> accessed on 2 October 2012.

⁴³⁷ J.A.L. Sterling (*supra* n 18) para 19.01.

⁴³⁸ Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organizations. For the history of the convention, see Nordemann and others (*supra* n 217) Preliminary Note RT nn. 2-4.

⁴³⁹ Stephen M. Stewart and Harmish Sandison (*supra* n 34) 221-22.

⁴⁴⁰ *Id.*, 223; J.A.L. Sterling (*supra* n 18) para 20.01.

mainly to individual creators of a work, while the typical owners of the three related rights,⁴⁴¹ particularly sound recording producers and broadcasters are always companies or corporations. That difficulty in including these their rights may explain why a separate convention was believed to be needed.⁴⁴²

The preparatory work for a separate convention was carried out by three intergovernmental organizations: BIRPI (the predecessor to WIPO), UNESCO and the International Labour Office (ILO) and by three international non-governmental organizations: FIM (the International Federation of Musicians) later joined by FIA (the International Federation of Actors); IFPI (the International Federation of Producers of Phonograms) and EBU (the European Broadcasting Union).⁴⁴³ A final text of the convention was signed on 26 October 1961 in Rome and came into force on 18 May 1964.

2.2.3.1 Basis and structure

The Rome Convention 1961 establishes the principle of national treatment, accompanied by minimum rights accorded to the beneficiaries of the Convention: performers, phonogram producers and broadcasting organizations. The basis of protection under the Convention is, however, not the same for each of them. Phonogram producers are granted an exclusive reproduction right (Article 10).⁴⁴⁴ Similarly, broadcasting organizations are accorded an exclusive right of reproduction, rebroadcasting and the fixation of their broadcast (Article 13).⁴⁴⁵ However, performers are not granted an exclusive right, but the “possibility of preventing” certain acts (Article 7), such as preventing unauthorized fixation of performances.⁴⁴⁶ Performers may (like phonogram producers) have a right to receive a single equitable remuneration for the secondary use of the phonograms as provided in Article 12.⁴⁴⁷ The Convention permits contracting states to provide exceptions for e.g. private use, the purposes of teaching, etc. (Article 15)⁴⁴⁸ and to make reservations from the Convention in the circumstances described in Articles 5(3), 6(2), 16, and 17. A minimum period of protection of 20 years is provided (Article 14).⁴⁴⁹ Furthermore, the Rome Convention 1961 does not require a formality as a condition for the Convention protection, but permits a contracting state to do so subject to a maximum of formality (Article 11). According to it, a contracting state requiring a compliance with a formality should consider any formality to be fulfilled by the symbol © accompanied by the year date of the first publication, and the rights owners and producers’ names or trade marks applied on the published phonograms or their containers.⁴⁵⁰ It is of note that the Rome Convention 1961 does not contain any provision as regards moral rights, infringement, remedies, penalties or enforcement.

⁴⁴¹ The expression “neighbouring rights” and “related rights” are used alternatively in legal literature. While it is noted that in the TRIPs Agreement, the expression “related right” is used, see the title of Section 1 of Part II of the TRIPs Agreement.

⁴⁴² Stephen M. Stewart and Harmish Sandison (*supra* n 34) 223.

⁴⁴³ For details, see Abraham L. Kaminstein, *Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcasting Organisations, General Report* (s.n., Geneva 1961) 25-30.

⁴⁴⁴ For details, see Nordemann and others (*supra* n 217) Art. 10 RT nn.1-7; Mihály Ficsor 2003 (*supra* n 184) RC-10.1-RC-10.4.

⁴⁴⁵ For details, see Mihály Ficsor 2003 (*supra* n 184) RC-13.1-RC-13.5; Nordemann and others (*supra* n 217) Art. 13 RT nn. 1-7.

⁴⁴⁶ For details, see Mihály Ficsor 2003 (*supra* n 184) RC-7.1-RC-7.17; Nordemann and others (*supra* n 217) Art. 7 RT nn. 1-13.

⁴⁴⁷ For details, see Mihály Ficsor 2003 (*supra* n 184) RC-12.1-RC-12.5; Nordemann and others (*supra* n 217) Art. 12 RT nn.1-13.

⁴⁴⁸ For details, see Mihály Ficsor 2003 (*supra* n 184) RC-15.1-RC-15.3; Nordemann and others (*supra* n 217) Art. 15 RT nn. 1-9.

⁴⁴⁹ For details, see Mihály Ficsor 2003 (*supra* n 184) RC-14.1-RC-14.4; Nordemann and others (*supra* n 217) Art. 14 RT nn. 1-3.

⁴⁵⁰ For details, see Mihály Ficsor 2003 (*supra* n 184) RC-11.1; Nordemann and others (*supra* n 217) Art. 11 RT nn. 1-4.

As a rule, the Rome Convention 1961, like the Berne Convention, applies only for the protection of the enumerated kinds of beneficiaries in international situations, i.e. the situations where foreign rights owners are involved.⁴⁵¹ Thus, protection of these beneficiaries in their own countries is left to their domestic laws. In fact, similar to what happened in the case of the Berne Convention, the minimum rights described above have also been regularly applied by the contracting states in domestic situations so as to avoid any discrimination to their own rights holders.⁴⁵²

2.2.3.1.1 National treatment

Modeled on the Berne Convention, the Rome Convention 1961 provides national treatment to foreign works. Article 2 defines national treatment as the treatment accorded “*by the domestic law of the Contracting State in which protection is claimed*”. This conception of national treatment is further specified in respect of each of the three groups of beneficiaries.⁴⁵³ Adopting such an approach had to do with the potential that the criteria for national treatment could vary in the respective national legislations.⁴⁵⁴ Unlike the Berne Convention, the Rome Convention 1961 does not provide for a concept of the country of origin, and, as a result, it provides for a more simple method for the application of national treatment in comparison with that of the Berne Convention.⁴⁵⁵

The application of national treatment to performers means that performers protected under the Convention can claim in a contracting state the same treatment as provided under its domestic law for national performers in respect of performances taking place, first fixed or broadcast in that state. For example, Contracting state A grants its own national performers the right to authorize recording of any of their performance taking place in its territory, then state A must accord the same treatment to the performers who are entitled to claim national treatment under the Rome Convention 1961, subject to certain limitations provided in the Convention. Similar provisions are also provided to the other two groups of beneficiaries. In short, it is the treatment that “*a State grants under its domestic law to domestic performances, phonograms, and broadcasts*”.⁴⁵⁶

The Rome Convention 1961 includes a few exceptions to national treatment. These are in the cases concerning the remuneration right for performers and phonograms producers for secondary uses,⁴⁵⁷ and the communication right of broadcasting organizations.⁴⁵⁸ Under these circumstances, “*contracting States may make reservations in order to limit the protection granted, while the other contracting States may limit their protection towards the one making the reservation accordingly*”.⁴⁵⁹

The principle of national treatment, together with minimum rights and the limited reciprocity rules, is to avoid injustice caused by large divergences in levels of protection among contracting states.⁴⁶⁰ It should be submitted that national treatment here is only concerned with treatment under the domestic laws of a protecting country, and as analysed above in relation to the almost identical wording in Article 5 of the Berne Convention, national treatment does not function as a choice-of-law rule.⁴⁶¹

⁴⁵¹ Silke von Lewinski (*supra* n 60) para 6.01; Stewart and Sandison (*supra* n 34) 224; Nordemann and others (*supra* n 217) Preliminary Note RT n. 7.

⁴⁵² Silke von Lewinski (*supra* n 60) para 6.01.

⁴⁵³ Art. 4 for performers, Art. 5 for producers of phonograms, Art. 6 for broadcasting organizations.

⁴⁵⁴ For details, see Nordemann and others (*supra* n 217) Art. 2 RT n. 2.

⁴⁵⁵ Silke von Lewinski (*supra* n 60) para 6.01.

⁴⁵⁶ Abraham L. Kaminstein (*supra* n) 33; Silke von Lewinski (*supra* n 60) para 6.26.

⁴⁵⁷ Art. 12 in connection with Art. 16(1)(a). For details, see Nordemann and others (*supra* n 217) Art. 16 RT nn. 1-4.

⁴⁵⁸ Art. 13(d) in connection with Art. 16(1)(b). For details, see Nordemann and others (*supra* n 217) Art. 16 RT n. 6.

⁴⁵⁹ For details, see Silke von Lewinski (*supra* n 60) paras 6.28-6.31.

⁴⁶⁰ Stephen M. Stewart and Harmish Sandison (*supra* n 34) 40.

⁴⁶¹ Richard Fentiman 2005 (*supra* n 169) 135; *contra*, Fawcett and Torremans 2011 (*supra* n 13) para 12.51.

2.2.4 The TRIPs Agreement

The TRIPs Agreement is a legal instrument on intellectual property protection for international trade. That is administered by the WTO. Prior to TRIPs, copyright and related rights were, at the international level, regulated by the treaties administered by the WIPO or jointly by UNESCO and the ILO. From the late 1970s, the developed countries expressed increasing concerns that the Berne Convention fails to provide adequate protection for their copyrights, especially in the area of audiovisual entertainment, such as the music and film industries. This concern was also added to by the emerging technological changes, in particular the Internet, which has dramatically enhanced the distribution of copyrighted works on a vastly wider scale.

Dissatisfaction with the Berne Convention has mainly been caused by two drawbacks inherent in it. First, that Convention does not provide adequate mechanisms for enforcing rights before national judicial or administrative bodies. Second, that Convention does not provide effective mechanisms for settling disputes between Union states.⁴⁶² Although the Berne Convention contains a theoretical right of access to the International Court of Justice “*concerning the interpretation or application of this Convention*”,⁴⁶³ that provision had never been invoked and its effectiveness was substantially reduced due to the fact that it allows Union states to declare they were not bound by the jurisdiction of the court.⁴⁶⁴ Furthermore, experience with the most recent attempt to revise the Berne Convention in 1971 has showed that it will be difficult to reach a consensus on a further revision of the Convention. As required by Article 27(3) of the Convention, unanimity of all Union states is needed for a further revision. Given the conflicts of interest between developed and developing countries, and even those between the industrialized countries, reaching such unanimity is bound to be rather difficult.⁴⁶⁵ Taking a trade-based approach to intellectual property protection, other than through the WIPO treaties was then conceived. Within the framework of the GATT, negotiations and discussions about intellectual property protection were initiated.⁴⁶⁶ In 1994, the member states to the Uruguay Round of the GATT concluded the TRIPs Agreement, which aims at contributing

*“to the promotion of technological innovation and to the transfer and dissemination of technology, to the mutual advantage of producers and users of technological knowledge and in a manner conducive to social and economic welfare, and to a balance of rights and obligations.”*⁴⁶⁷

Several main features of TRIPs deserve to be highlighted here. TRIPs covers all intellectual property rights that come within its scope, including copyright and related rights. It requires Members to adhere to national treatment and the most-favored nation principle. Based on the Paris and Berne conventions, it incorporates substantive rules enshrined in those treaties. Furthermore, it increases the level of protection in all fields of intellectual property: e.g. in the fields of copyright, including the subjects of computer programs, compilations of data, and some aspects of related rights. More strikingly, it fills in gaps that were left by the Paris and Berne Conventions, i.e. it introduces substantial procedural requirements so as to achieve effective enforcement of IP rights within national administrative and judicial systems, e.g. to order a party to desist from an infringement, to order the infringer to pay the

⁴⁶² Daniel Gervais, *The TRIPS Agreement: Drafting History and Analysis* (3rd edn Sweet & Maxwell and Thomson Reuters, London 2008) 10; Duncan Matthews, *Globalising Intellectual Property Rights: the TRIPs Agreement* (Routledge, London and New York 2002) 11; Silke von Lewinski (*supra* n 60) paras 9.04-9.05; Mihály Ficsor 2003 (*supra* n 184) para 25.

⁴⁶³ Art. 33(1) of the Berne Convention.

⁴⁶⁴ Art. 33(2) of the Berne Convention. Sam Ricketson, ‘The Berne Convention: the continued relevance of an ancient text’ in *Intellectual Property in the New Millennium: essays in honour of William R. Cornish* (CUP, Cambridge 2004) 219.

⁴⁶⁵ Silke von Lewinski (*supra* n 60) para 9.05.

⁴⁶⁶ For the history and the origins of the TRIPs Agreement, see UNCTAD-ICTSD, *Resource Book on TRIPs and Development* (Cambridge University Press, Cambridge 2005) 1-16; Duncan Matthews (*supra* n) 7-28;

⁴⁶⁷ Art. 7 of the TRIPs Agreement.

rights holder damages, and so on. Moreover, it establishes an effective dispute settlement mechanism among member states within the system of the WTO.⁴⁶⁸

2.2.4.1 Relation with the Berne Convention

The relationship between the Berne Convention and the TRIPs Agreement is established in Article 9(1) of the TRIPs Agreement.⁴⁶⁹ It requires that Members shall comply with specified articles of the Berne Convention and its Appendix. The technique of full incorporation of the substantive provisions of another convention is rather new in international treaty law.⁴⁷⁰ Because of the full incorporation, rights and obligations already long established in the Berne Convention will assist in the interpretation of the TRIPs Agreement. Full incorporation also means that even the members that are not parties to the Berne Convention are obliged to abide by its substantive provisions. In that way it keeps these states from engaging in lengthy negotiations on the specifics of the Berne standards.⁴⁷¹ Furthermore, it assures that disputes involving the Berne Convention between WTO members can also be resolved under the WTO dispute settlement mechanism, even in a situation where the TRIPs member is not an adherent to the Berne Convention.⁴⁷² What is more, the obligation of full compliance actually resulted in an increase to the membership of the Berne Union states from 47 to 165.

Moral rights (Article 6*bis* of the Berne Convention) are expressly excluded from TRIPs. Such exclusion may have something to do with the nature of the Agreement, which is trade and economics related, whereas moral rights are not “trade related”.⁴⁷³ Notably, this exclusion does not derogate from the rights and obligations that the contracting states to the Berne Convention have under its Article 6*bis*. In fact, such rights and obligations remain in force, but cannot be made applicable to the WTO members that have not adhered to the Berne Convention, and such states therefore cannot, in any event, make a complaint under the WTO dispute settlement rules based on such ground.⁴⁷⁴

For copyright protection, the TRIPs Agreement extends coverage further than the Berne Convention.⁴⁷⁵ The TRIPs Agreement supplements the provisions laid down in the Convention, particularly by introducing rules for the protection of computer programs and compilations of data (Article 10), and the recognition of rental rights, at least for computer programs, except where the program itself is not the essential object of the rental (Article 11). Besides, TRIPs stresses the often-described “idea/expression dichotomy” in its Article 9(2) so that its copyright protection can apply to an expression, but not to ideas, procedures, methods of operation or mathematical concepts as such.

⁴⁶⁸ For the effect of protecting IP rights within the WTO, see Thomas Cottier, ‘The Value and Effects of Protecting Intellectual Property Rights within the World Trade Organization’ in Thomas Cottier, *Trade and Intellectual Property Protection in WTO Law: Collected Essays* (Cameron May, London 2005).

⁴⁶⁹ “Members shall comply with Articles 1 through 21 of the Berne Convention (1971) and the Appendix thereto. However, Members shall not have rights or obligations under these Agreements in respect of the rights conferred under Article 6*bis* of that Convention or of the rights derived therefrom.” For details, see Carlos M. Correa, *Trade Related Aspects of Intellectual Property rights: A Commentary on the TRIPS Agreement* (OUP, Oxford 2007) 116-23.

⁴⁷⁰ Thomas Cottier, ‘The Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”)’ in Thomas Cottier (*supra* n 468) 147.

⁴⁷¹ Silke von Lewinski (*supra* n 60) para 10.50.

⁴⁷² Thomas Cottier (*supra* n 470) 147; Silke von Lewinski (*supra* n 60) paras 10.50-10.51.

⁴⁷³ Ricketson and Ginsburg (*supra* n 110) para 10.41. *Contra*, Silke von Lewinski (*supra* n 60) para 10.54.

⁴⁷⁴ Carlos M. Correa (*supra* n 469) 117-18; Silke von Lewinski (*supra* n 60) para 10.54; Ricketson and Ginsburg (*supra* n 110) paras 6.136-6.137.

⁴⁷⁵ For details, see UNCTAD-ICTSD (*supra* n 466) 135-77; Carlos M. Correa (*supra* n 469) 123-34; Silke von Lewinski (*supra* n 60) paras 10.55-10.82, 10.143.

2.2.4.2 Basic principles of the TRIPs Agreement

2.2.4.2.1 Most-favored Nation Principle (MFN)⁴⁷⁶

Article 4 of TRIPs stipulates an obligation of most-favored nation treatment,⁴⁷⁷ which requires all members to extend advantages, favors, privileges or immunity accorded to one member state immediately and unconditionally to all other member states. Incorporating the MFN principle into TRIPs ensures that all member states would obtain an equivalent level of protection when more extensive protection was granted to some foreigners.⁴⁷⁸ Therefore, nationals of other member states will be treated in the same way. It is notable that the MFN, a feature of tariff treaties, was not traditionally incorporated in the WIPO Conventions.

The MFN is not limited to TRIPs obligations, but extends to all protection for intellectual property rights, except for the rights of performers, producers of phonograms and broadcasting organizations.⁴⁷⁹ Several other exceptions to the MFN treatment are also provided: privileges that consist of judicial assistance or law enforcement of a general nature, not particularly confined to IP protection;⁴⁸⁰ privileges contained in the Berne Convention and the Rome Convention 1961 providing for reciprocity which exclude not only national treatment, but also MFN;⁴⁸¹ privileges existing prior to the entry into force of the TRIPs Agreement to the extent that agreements with respect to them are notified to the TRIPs Council and, do not amount to “an arbitrary and unjustifiable discrimination” against nationals of other member states.⁴⁸²

2.2.4.2.2 National treatment principle

Although the national treatment principle has been applied in the Berne Convention and the Rome Convention 1961, Article 3⁴⁸³ of the TRIPs Agreement reiterates it,⁴⁸⁴ requiring that each WTO member state should treat nationals of the other member states as least as well as the former treats its own nationals in relation to the protection of intellectual property. Being a part of “General Provisions and Basic Principles”, national treatment applies to all aspects of IP rights laid down in Article 1(2), and includes copyright and related rights. Of course, national treatment is the key principle of the Berne Convention. With the full incorporation of the substantive provisions of the Berne Convention into TRIPs, the principle of national treatment in the Berne Convention is also incorporated, along with the exceptions to that principle that the Berne Convention provides. Additionally, the exceptions from it in the Rome Convention 1961 also have to be respected.

⁴⁷⁶ The application and effect of the MFN, see Silke von Lewinski (*supra* n 60) paras 10.40-10.49.

⁴⁷⁷ Art. 4 of TRIPs reads, “(w)ith regard to the protection of intellectual property, any advantage, favour, privilege or immunity granted by a Member to the nationals of any other country shall be accorded immediately and unconditionally to the nationals of all other Members.”

⁴⁷⁸ For interpretation of the MFN principle, see UNCTAD-ICTSD (*supra* n 466) 77-82; Carlos M. Correa (*supra* n 469) 65-72.

⁴⁷⁹ Art. 4(c).

⁴⁸⁰ Art. 4(a).

⁴⁸¹ Art. 4(b).

⁴⁸² Art. 4(d).

⁴⁸³ “1. Each Member shall accord to the nationals of other Members treatment no less favourable than that it accords to its own nationals with regard to the protection of intellectual property, subject to the exceptions already provided in, respectively, the Paris Convention (1967), the Berne Convention (1971), the Rome Convention or the Treaty on Intellectual Property in Respect of Integrated Circuits. In respect of performers, producers of phonograms and broadcasting organizations, this obligation only applies in respect of the rights provided under this Agreement. Any Member availing itself of the possibilities provided in Article 6 of the Berne Convention (1971) or paragraph 1(b) of Article 16 of the Rome Convention shall make a notification as foreseen in those provisions to the Council for TRIPS.”

⁴⁸⁴ As to the need for restating national treatment in the TRIPs Agreement, see J. Reinbothe and A. Howard, ‘The State of Play in the Negotiations on TRIPS (GATT/Uruguay Round)’ (1991) 5 EIPR 157, 159.

National treatment is further extended to performers, producers of phonograms and broadcasting organizations whose rights are provided for under TRIPs. With regard to the subjects and rights that are not covered by the above-mentioned Conventions but are dealt with in the Agreement, such as database and exclusive rental rights, Article 3 of TRIPs ensures application of the national treatment principle.⁴⁸⁵ Thus, any other rights provided under international agreements, such as the Rome Convention 1961 and the post-TRIPs treaties like the WPPT, do not have to be extended to nationals of WTO member states that are not parties to these other agreements.⁴⁸⁶

National treatment enhanced by TRIPs involves the protection of intellectual property. The concept of “protection” is broadly defined in footnote 3 to Article 3 of TRIPs, which includes, with the intent to prevent discrimination based on nationality, not only the availability and scope of IP rights, and their maintenance and enforcement, but also their acquisition and use.

As mentioned earlier in this chapter, some scholars consider the principle of national treatment as encompassing a choice-of-law rule that designates the law of the protecting country to govern the scope of protection for a foreign work.⁴⁸⁷ Accordingly, any alternative interpretation favoring the application of the law of the country of origin or of the forum as a general rule could not be accepted.⁴⁸⁸

It is, nevertheless, submitted by this writer again that national treatment enhanced in TRIPs is, as argued above with respect to Article 5 of the Berne Convention, a mere non-discrimination rule, ensuring application of the same protection of intellectual property both to foreigners and nationals. As observed by Pertegás, the mere relevance of Article 3 of TRIPs to a choice-of-law rule would be its negative exclusion, i.e. nationality in this context cannot be used as a connecting factor, as “*this may lead to a different degree of protection granted to national and foreign right owners*”.⁴⁸⁹ As to claims arising from cross-border copyright or related rights, a specific reference to a national choice-of-law rule is therefore necessary.

All in all, the TRIPs Agreement has been very significant for improving and expanding copyright protection on an international plane. It not only increased the membership of the Berne Convention Union: the fact that 157 countries (as at 24 August 2012) are bound to the TRIPs Agreement increased the membership in the Berne Convention due to the requirement of full incorporation of the Berne Convention, but also increased the level of protection that countries must accord to intellectual achievements and extends the enforcement mechanism of the WTO to intellectual property obligations. According to some scholars, the TRIPs Agreement clearly “*reflects the overall expansion of copyright law into the field of the industrial activities of the information age*”.⁴⁹⁰

2.2.5 The WIPO Treaties 1996

As discussed above, a further revision of the Berne Convention was considered no longer feasible. Meanwhile, along with globalization and development of new technology for communication, notably the Internet, international copyright protection needed to again adapt in order to react to challenges brought on by the new phenomena. In the field of related rights, it was the same. Similar to the Berne Convention, a further revision of the Rome Convention 1961 was also seen as difficult to achieve, which may also have been due to the facts that three separate international organizations: the WIPO,

⁴⁸⁵ Carlos M. Correa (*supra* n 469) 56.

⁴⁸⁶ UNCTAD-ICTSD (*supra* n 466) 77; Paul Goldstein 2001 (*supra* n 57) 84.

⁴⁸⁷ Paul Goldstein 2001 (*supra* n 57) 72, fn. 43; Fawcett and Torremans 2011 (*supra* n 13) paras 12.66-12.68.

⁴⁸⁸ Fawcett and Torremans 2011 (*supra* n 13) para 12.68.

⁴⁸⁹ Marta Pertegás 2006 A (*supra* n 339) 228; similarly, Richard Fentiman 2005 (*supra* n 169) 134-37.

⁴⁹⁰ Thomas Cottier, ‘The Agreement on Trade-Related Aspects of Intellectual Property Rights (“TRIPS”)’ in Thomas Cottier (*supra* n 468) 174.

UNESCO and the ILO were involved and three different subject areas had to be dealt with: performances, phonograms and broadcasts.

Finally, at the WIPO diplomatic conference held in 1996, the WIPO Copyright Treaty and WIPO Performances and Phonograms Treaty were adopted.⁴⁹¹ The adoption of these two treaties was a milestone for international protection of copyright and related rights, since they not only improved traditional copyright and related rights protection, but also contained distinct features for solving problems arising from the Internet. Due to their relevance to the Internet, these treaties have been labeled as “Internet treaties”.⁴⁹²

2.2.5.1 WIPO Copyright Treaty

The WCT is closely related to the Berne Convention and the TRIPs Agreement. Some provisions of the WCT clarify the contents of the former treaties, whereas others clearly provide new and supplementary protection. As to its relation with the Berne Convention, the WCT is a “special agreement” within the meaning of Article 20 of the Convention, and as a result, any restriction of the principles of the Berne Convention is not permitted, and nothing in the WCT is to derogate from existing obligations of contracting states under the Berne Convention.⁴⁹³ Furthermore, Article 1(4) of the WCT requires contracting states to comply with Articles 1-21 and the Appendix of the Berne Convention,⁴⁹⁴ however, it does not require contracting states to adhere to the Berne Convention, as is required by TRIPs.⁴⁹⁵ Such compliance with the Berne Convention means that the principles of national treatment, minimum rights and no formality requirement were effectively incorporated from the Berne Convention into the WCT without any modification. Furthermore, Article 3 of the WCT reiterates the clarification that contracting states are obliged to apply Articles 2 through 6 of the Berne Convention *mutatis mutandis* “in respect of the protection provided for in this Treaty”. Consequently, by reference to the Berne Convention, protected subjects, criteria of eligibility and national treatment are applicable under the WCT. The Berne exceptions to national treatment are also applicable in the context of the WCT.⁴⁹⁶

As to its objects of protection, the WCT extends further than the Berne Convention.⁴⁹⁷ The WCT introduces new categories of protectable subject areas: computer programs are given the status of literary works,⁴⁹⁸ and compilations of data (databases) must be protected if, by reason of selection or arrangement of their contents, they constitute intellectual creations.⁴⁹⁹ In addition, the WCT again clarifies that copyright protection “*extends to expressions and not to 184ideas, procedures, methods of*

⁴⁹¹ As to history and origin of the WIPO Treaties 1996, see Silke von Lewinski (*supra* n 60) paras 17.01-17.28; Jörg Reinbothe and Silke von Lewinski, *The WIPO Treaties 1996: the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty: commentary and legal analysis* (Butterworths LexisNexis, London 2002) 5-16; Mihály Ficsor, *The Law of Copyright and the Internet: The 1996 WIPO Treaties, their Interpretation and Implementation* (OUP, Oxford 2002) paras 2.01-2.41.

⁴⁹² Silke von Lewinski (*supra* n 60) para 17.08; Silke von Lewinski and Jörg Reinbothe, ‘The WIPO Treaties 1996: ready to come into force’ (2002) 24(4) EIPR 199, 200; Mihály Ficsor 2003 (*supra* n 184) paras 32-3.

⁴⁹³ Art. 1(1)(2) of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C1.08-C1.15; Reinbothe and von Lewinski (*supra* n 491) 26-35; Mihály Ficsor 2003 (*supra* n 184) CT-1.1- CT-1.2, CT-1.6-CT1.8.

⁴⁹⁴ For details, see Silke von Lewinski (*supra* n 60) para 17.102; Mihály Ficsor 2002 (*supra* n 491) C1.19-C1.44; Reinbothe and von Lewinski (*supra* n 491) 35-6; Mihály Ficsor 2003 (*supra* n 184) CT-1.12-CT-1.39.

⁴⁹⁵ Art. 9(1) of the TRIPs Agreement.

⁴⁹⁶ For all exceptions to national treatment in the Berne Convention, see *supra* 2.2.1.3.3 National treatment.

⁴⁹⁷ Von Lewinski and Reinbothe (*supra* n 492) 200; Reinbothe and von Lewinski (*supra* n 491) 495.

⁴⁹⁸ Art. 4 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C4.01-C4.21; Silke von Lewinski (*supra* n 60) paras 17.103-17.104; Reinbothe and von Lewinski (*supra* n 491) 64-9; Mihály Ficsor 2003 (*supra* n 184) CT-4.1-CT-4.14.

⁴⁹⁹ Art. 5 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C5.01-C5.10; Silke von Lewinski (*supra* n 60) paras 17.105-17.106; Reinbothe and von Lewinski (*supra* n 491) 70-9; Mihály Ficsor 2003 (*supra* n 184) CT-5.1-CT-5.9.

*operation or mathematical concepts as such.*⁵⁰⁰ It is of note that the newly-introduced protectable subjects and clarifications about copyright protection are not new for international copyright treaties because such subjects had already been introduced by the TRIPs Agreement.

The WCT introduced several improvements to minimum rights:⁵⁰¹ a distribution right,⁵⁰² which goes beyond what is in Articles 14(1)(i) and 14*bis*(1)(2) of the Berne Convention; an exclusive right to authorize commercial rental for computer programs, cinematographic works and works recorded in phonograms,⁵⁰³ and an exclusive right to authorize any communication to the public of works by wire or wireless means, including public release of the works in a manner that the members of the public may access works from a place and at a time individually chosen by them.⁵⁰⁴ In addition, the WCT prolongs the duration of the protection for photographic works to a general term of fifty years *pma*.⁵⁰⁵

In a situation where contracting states national laws provide for limitations and exceptions to WCT granted rights, Article 10(1) of the WCT requires those states to abide by the three-step test set forth in Article 9(2) of the Berne Convention relating to limitations on the reproduction right.⁵⁰⁶ The test is given a wider scope in Article 10(2), where it states that when applying the Berne Convention, the parties shall confine any limitations of or exceptions to rights provided for therein to such special cases as are defined in Article 10(1). The Agreed Statement concerning Article 10 states it is to be understood that the provisions of that article permit contracting states to carry forward and appropriately extend into the digital environment limitations and exceptions in their national laws which have been considered acceptable under the Berne Convention. Similarly, it should also be understood that these provisions permit contracting states to devise new exceptions and limitations that are appropriate to the digital network environment. As a precaution, the Agreed Statement provides that Article 10(2) shall neither reduce nor extend the scope of applicability of the limitations and exceptions permitted by the Berne Convention.

Furthermore, for more effective enforcement of rights in the digital environment, the WCT introduces new obligations and requires contracting states to protect against circumvention of effective technological measures of copyrighted works⁵⁰⁷ and against interference with electronic rights management information.⁵⁰⁸ Such obligations are a novelty since they were mostly unknown in national and international law up to that time. In addition, the WCT requires effective enforcement

⁵⁰⁰ Art. 2 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C2.01-C2.07; Reinbothe and von Lewinski (*supra* n 491) 47; Mihály Ficsor 2003 (*supra* n 184) CT-2.1-CT-2.2.

⁵⁰¹ Reinbothe and von Lewinski (*supra* n 491) 495-97.

⁵⁰² Art. 6 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C6.01-C6.04; Silke von Lewinski (*supra* n 60) paras 17.59-17.66; Reinbothe and von Lewinski (*supra* n 491) 80-7; Mihály Ficsor 2003 (*supra* n 184) CT-6.1-CT-6.4.

⁵⁰³ Art. 7 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C7.01-C7.12; Silke von Lewinski (*supra* n 60) paras 17.67-17.71; Reinbothe and von Lewinski (*supra* n 491) 88-99; Mihály Ficsor 2003 (*supra* n 184) CT-7.1-CT-7.14.

⁵⁰⁴ Art. 8 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C8.01-C8.10, C8.24; Silke von Lewinski (*supra* n 60) paras 17.72-17.82; Reinbothe and von Lewinski (*supra* n 491) 100-13; Mihály Ficsor 2003 (*supra* n 184) CT-8.1-CT8.21.

⁵⁰⁵ Art. 9 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C9.01-C9.09; Silke von Lewinski (*supra* n 60) paras 17.111-17.114; Reinbothe and von Lewinski (*supra* n 491) 114-17; Mihály Ficsor 2003 (*supra* n 184) CT-9.1-CT-9.3.

⁵⁰⁶ For details, see Mihály Ficsor 2002 (*supra* n 491) C10.01-C10.38; Silke von Lewinski (*supra* n 60) paras 17.83-17.87; Reinbothe and von Lewinski (*supra* n 491) 118-34; Mihály Ficsor 2003 (*supra* n 184) CT-10.1-CT-10.12.

⁵⁰⁷ Art. 11 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C11.01-C11.31; Silke von Lewinski (*supra* n 60) paras 17.93-17.98; Reinbothe and von Lewinski (*supra* n 491) 135-47; Mihály Ficsor 2003 (*supra* n 184) CT-11.1-CT-11.23.

⁵⁰⁸ Art. 12 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C12.01-C12.13; Silke von Lewinski (*supra* n 60) paras 17.99-17.101; Reinbothe and von Lewinski (*supra* n 491) 148-60; Mihály Ficsor 2003 (*supra* n 184) CT-12.1-CT-12.7.

procedures in national laws, including “*expeditious remedies to prevent infringements and remedies which constitute a deterrent to further infringements*”.⁵⁰⁹

2.2.5.2 WIPO Performances and Phonograms Treaty (WPPT)

The WPPT was aimed at solving problems arising from new technologies, particularly the Internet in relation to the protection of performances and phonograms. The WPPT does not follow the general principles as they are prescribed in earlier international related rights treaties, namely the Rome Convention 1961 and the TRIPs Agreement. Instead, it provides for a clearer and larger scope of protection than what is in those treaties.⁵¹⁰ The WPPT announces a principle of “no formality”,⁵¹¹ which is a step beyond those in the earlier treaties. Accordingly, formalities, such as registration or use of the notice consisting of the symbol © cannot be required as conditions of protection under the WPPT.

The WPPT also modifies the principle of national treatment in its Article 4, which is defined in a way clearer than earlier treaties, and expressly restricts the scope of national treatment to the “exclusive” rights specifically granted in the WPPT and the right to equitable remuneration for secondary uses contained therein.⁵¹² Accordingly, as to the rights that are not specifically provided in the WPPT, contracting states are not required to grant national treatment, even if such rights are provided under their national laws.⁵¹³ The sole exception to national treatment is related to the remuneration right for secondary uses under Article 15 of the WPPT: where a contracting state makes a reservation permitted under Article 15(3) of the WPPT, the other contracting states may apply material reciprocity instead of national treatment.⁵¹⁴ The Rome criteria of eligibility for protection are, however, applied by analogy in Article 3(2) of the WPPT.⁵¹⁵ Accordingly, the minimum rights and national treatment laid down in Article 3(1) and Article 4(1) respectively should be accorded to those that fulfill the Rome criteria.

The WPPT provides for minimum rights to both performers and phonogram producers, but not for broadcasting organizations. Nor does the WPPT resolve the protection of audiovisual performances. In comparison with those provided in the Rome Convention 1961 and the TRIPs Agreement, the minimum rights required in the WPPT are more specific and wider in scope. Notably, along the lines of Article 6*bis* of the Berne Convention, the WPPT adopts an approach to require that performers receive rights of paternity and integrity in their live aural performances or performances fixed in phonograms. This is the first time that performers’ moral rights are recognized in international related rights treaties.⁵¹⁶

⁵⁰⁹ Art. 14 of the WCT. For details, see Mihály Ficsor 2002 (*supra* n 491) C14.01-C14.09; Reinbothe and von Lewinski (*supra* n 491) 168-75; Mihály Ficsor 2003 (*supra* n 184) CT-14.1-CT-14.10.

⁵¹⁰ Silke von Lewinski (*supra* n 60) paras 17.172-17.180; Von Lewinski and Reinbothe (*supra* n 492) 201-02; Reinbothe and von Lewinski (*supra* n 491) 500.

⁵¹¹ Art. 20 of the WPPT. For details, see Silke von Lewinski (*supra* n 60) para 17.50; Reinbothe and von Lewinski (*supra* n 491) 433-35.

⁵¹² For details, see Mihály Ficsor 2002 (*supra* n 491) PP4.01-PP4.15; Silke von Lewinski (*supra* n 60) paras 17.43-17.47; Reinbothe and von Lewinski (*supra* n 491) 279-89; Mihály Ficsor 2003 (*supra* n 184) PPT-4.1-PPT-4.8.

⁵¹³ For details, see Silke von Lewinski (*supra* n 60) paras 17.45-17.46; Mihály Ficsor 2003 (*supra* n 184) PPT-4.6.

⁵¹⁴ For details, see Silke von Lewinski (*supra* n 60) para 17.47; Mihály Ficsor 2002 (*supra* n 491) PP15.06; Reinbothe and von Lewinski (*supra* n 491) 289, 385-86.

⁵¹⁵ Silke von Lewinski (*supra* n 60) paras 17.35-17.42; Mihály Ficsor 2002 (*supra* n 491) PP3.03-PP3.07; Reinbothe and von Lewinski (*supra* n 491) 269-78; Mihály Ficsor 2003 (*supra* n 184) PPT-3.4-PPT-3.10.

⁵¹⁶ Art. 5 of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP5.01-PP5.05; Silke von Lewinski (*supra* n 60) paras 17.115-17.122; J.A.L Sterling (*supra* n 18) para 24.08; Reinbothe and von Lewinski (*supra* n 491) 290-302; Mihály Ficsor 2003 (*supra* n 184) PPT-5.1-PPT-5.5.

In addition, the WPPT grants performers economic minimum rights in their unfixed performances. As to such rights, which have never been accorded in international treaties, the WPPT requires performers to receive exclusive economic rights for the fixation of their unfixed performances and the broadcasting and communication to the public of their unfixed reproduction.⁵¹⁷ Furthermore, the WPPT grants performers an exclusive right of reproduction for their performances fixed in phonograms, directly or indirectly,⁵¹⁸ a distribution right for their performances fixed in phonograms broadcast or distributed to the public,⁵¹⁹ a commercial rental right as to performances fixed in phonograms,⁵²⁰ and a right of making available, which corresponds to the one provided in the WCT.⁵²¹ As to the phonogram producers, the WPPT provides for equitable rights of reproduction,⁵²² distribution,⁵²³ rental⁵²⁴ and making available.⁵²⁵ In addition, it provides common rights to equitable remuneration from secondary users of broadcasts and communications to the public.⁵²⁶

The WPPT adds, for the first time in international related rights treaties, the three-step test for related rights to calibrate the limitations that contracting states may impose on exclusive rights.⁵²⁷ As to the duration of protection, the WPPT requires a longer term of protection than the Rome Convention 1961. The minimum twenty years protection required in the Rome Convention is extended, in the WPPT, for a performance fixed in phonogram to fifty years from the year of fixation;⁵²⁸ as for phonogram producers, protection lasts for fifty years from the phonogram's publication, or else, fifty years from the year of fixation.⁵²⁹ Although the TRIPS also provides for fifty years protection, the term of protection for phonogram producers is potentially longer in the WPPT, because the term of protection in the TRIPS calculates from the fixation or the taking place of the performance, rather than

⁵¹⁷ Art. 6 of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP6.01-PP6.08; Silke von Lewinski (*supra* n 60) para 17.125; Reinbothe and von Lewinski (*supra* n 491) 303-07; Mihály Ficsor 2003 (*supra* n 184) PPT-6.1-PPT-6.9.

⁵¹⁸ Art. 7 of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP7.01-PP7.06; Silke von Lewinski (*supra* n 60) paras 17.52-17.58; Reinbothe and von Lewinski (*supra* n 491) 308-16; Mihály Ficsor 2003 (*supra* n 184) PPT-7.1-PPT-7.4.

⁵¹⁹ Art. 8(1) of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP8.01-PP8.02; Silke von Lewinski (*supra* n 60) paras 17.59-17.66; Reinbothe and von Lewinski (*supra* n 491) 317-23.

⁵²⁰ Art. 9 of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP9.01-PP9.02; Silke von Lewinski (*supra* n 60) paras 17.67-17.71; Reinbothe and von Lewinski (*supra* n 491) 324-32; Mihály Ficsor 2003 (*supra* n 184) PPT-9.1-PPT-9.4.

⁵²¹ Art. 10 of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP10.01-PP10.07; Silke von Lewinski (*supra* n 60) paras 17.72-17.82; Reinbothe and von Lewinski (*supra* n 491) 333-41; Mihály Ficsor 2003 (*supra* n 184) PPT-10.1-PPT-10.4.

⁵²² Art. 11 of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP11.01-PP11.03; Silke von Lewinski (*supra* n 60) paras 17.52-17.58; Reinbothe and von Lewinski (*supra* n 491) 342-50; Mihály Ficsor 2003 (*supra* n 184) PPT-11.1-PPT-11.3.

⁵²³ Art. 12 of the WPPT. For details, see Silke von Lewinski (*supra* n 60) paras 17.59-17.66; Reinbothe and von Lewinski (*supra* n 491) 351-56.

⁵²⁴ Art. 13 of the WPPT. For details, see Silke von Lewinski (*supra* n 60) paras 17.67-17.71; Mihály Ficsor 2002 (*supra* n 491) PP13.01-PP13.02; Reinbothe and von Lewinski (*supra* n 491) 357-63; Mihály Ficsor 2003 (*supra* n 184) PPT-13.1-PPT-13.3.

⁵²⁵ Art. 14 of the WPPT. For details, see Silke von Lewinski (*supra* n 60) paras 17.72-17.82; Reinbothe and von Lewinski (*supra* n 491) 364-73.

⁵²⁶ Art. 15 of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP15.01-PP15.10; Silke von Lewinski (*supra* n 60) paras 17.126-17.130; Reinbothe and von Lewinski (*supra* n 491) 374-86; Mihály Ficsor 2003 (*supra* n 184) PPT-15.1-PPT-15.16.

⁵²⁷ Art. 16(2) of the WPPT. For details, see Mihály Ficsor 2002 (*supra* n 491) PP16.01-PP16.04; Silke von Lewinski (*supra* n 60) para 17.83; Reinbothe and von Lewinski (*supra* n 491) 387-403; Mihály Ficsor 2003 (*supra* n 184) PPT-16.1-PPT-16.5.

⁵²⁸ Art. 17(1) of the WPPT. For details, see Silke von Lewinski (*supra* n 60) para 17.131; Reinbothe and von Lewinski (*supra* n 491) 404-08.

⁵²⁹ Art. 17(2) of the WPPT.

from the publication as what the WPPT requires.⁵³⁰ Like the WCT, the WPPT requires contracting states to provide protection for technological measures⁵³¹ and rights management information.⁵³²

When compared with the other international copyright and related rights treaties, the WIPO Treaties have considerably increased the minimum level of protection, both in the traditional areas and in the new areas responding to the latest technological development, in particular the Internet. In addition to that, the WIPO Treaties extend or clarify the rights that are equally important for the traditional environment of exploitation of copyright and related rights, such as the right of distribution or rental rights. Along with the increase of the membership of these Treaties: 89 countries have become parties to the WCT⁵³³ and also 89 to the WPPT,⁵³⁴ these Treaties will contribute to a higher level of protection on a wider scale.

2.2.5.3 WIPO Audiovisual Performances Treaty (WAPT)

As summarized above, the Rome Convention 1961 clearly recognizes international protection of audiovisual performances by granting rights to prevent unconsented to audiovisual broadcasting, communication to the public and fixation of live performances, and also recognizes rights to prevent reproduction of performances which are incorporated in a visual or audiovisual fixation (Articles 7.1 and 19). However, the TRIPs Agreement and the WPPT have not appeared to emphasize this, in particular, the WPPT has updated the rights of phonogram producers and of performers in respect of the use of their sound recordings but has not extended the protection of performers to their performances fixed in audiovisual fixation, such as television, film and video. Instead, a Resolution was adopted at the conclusion of the Conference in 1996 which called for the WPPT to be complemented by a protocol to the WPPT on the protection of audiovisual performers. Thus, a substantial gap was left in the protection of audiovisual performances.

At the Diplomatic Conference held by the WIPO on the Protection of Audiovisual Performances in Geneva in 2000, a Basic Proposal for the Substantive Provisions of an Instrument on the Protection of Audiovisual Performances (Basic Proposal) was presented.⁵³⁵ The provisions and the structure of the Basic Proposal largely reflected the WPPT. The major difference between the Proposal and the WPPT was, in addition to their scopes of the application, that the Basic Proposal would extend performers' rights to include protection for audiovisual performances, and address the issue concerning transfer of the economic rights granted to performers. A treaty could not be finalized by the end of the Diplomatic Conference due to the much-debated fundamental issues in relation to a transfer of rights from the performer to the film producer and the ownership of the rights concerned. Again, that's the battle between the opposing entrenched positions by certain countries concerning ownership of rights: the copyright system and the *author's right* system. Having the divergences in mind, the treaty drafters provided four alternatives (E to H) ranging from one extreme of having a rebuttable presumption of transfer of the performers' economic rights to the producers to the other extreme of having no provision on transfer at all. It is noteworthy that the drafters also suggested a solution in between, i.e. providing for a choice-of-law solution that would apply the law of the country most closely connected with the particular audiovisual fixation. In such a way, contracting states would not be required to amend their domestic laws (Alternative G). Nevertheless, due to the differences in concepts put

⁵³⁰ Art. 14(5) of the TRIPs Agreement. For details, see Silke von Lewinski (*supra* n 60) para 17.179; Jörg Reinbothe, 'The New WIPO Treaties: a first résumé' (1997) 19(4) EIPR 171, 175; J.A.L Sterling (*supra* n 18) para 24.11; Mihály Ficsor 2002 (*supra* n 491) PP17.02; Reinbothe and von Lewinski (*supra* n 491) 406; Mihály Ficsor 2003 (*supra* n 184) PPT-17.3.

⁵³¹ Art. 18 of the WPPT. For details, see Reinbothe and von Lewinski (*supra* n 491) 409-18.

⁵³² Art. 19 of the WPPT. For details, see Reinbothe and von Lewinski (*supra* n 491) 419-32.

⁵³³ <http://www.wipo.int/treaties/en/ShowResults.jsp?lang=en&treaty_id=16> accessed on 2 October 2012

⁵³⁴ <http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=ALL&start_year=ANY&end_year=ANY&search_what=C&treaty_id=20> accessed on 2 October 2012.

⁵³⁵ WIPO Document IAVP/DC/3; for detailed study, see Owen Morgan, 'The Problem of the International Protection of Audiovisual Performances' (2002) Heft 07 IIC 810, 820-24.

forward by the countries, an agreement on a proposed substantive rule could not be reached, neither could choice-of-law provisions on ownership and transfer be agreed upon.⁵³⁶

Concession on the transfer of economic rights was made in the later meetings. Member states at the Standing Committee on copyright and related rights agreed to make the rule on this issue sufficiently flexible to adapt to different national laws.⁵³⁷ The WIPO reconvened the Diplomatic Conference in June 2012 in Beijing, the PRC. After a high level negotiation with the aim of concluding an international treaty protecting the rights of performers in their audiovisual performances, a treaty was finalized, 122 countries signed the final Act, and 48 countries have signed the treaty itself. The treaty will enter into force after ratification by 30 eligible parties.⁵³⁸

The treaty provides for national treatment (Article 4), economic rights covering performers for their unfixed performances (Article 6), rights of reproduction (Article 7), rights of distribution (Article 8), rental rights (Article 9), rights of making available of fixed performances (Article 10), rights of broadcasting and communication to the public (Article 11), protection against circumvention of technological protection measures (Article 15), and so on. For the first time audiovisual performers would also be accorded moral rights protection against the distribution or modification of their performances that would be prejudicial to their reputations (Article 5).

As to the difficult issue concerning transfer of economic rights, the treaty establishes some balance between performers' and producers' rights.⁵³⁹ However, since the question of transfer of rights from the performer to the producer is strongly related to the specific copyright culture of the signatory parties and the national industry standards, one may wonder whether the treaty would gain full-hearted support from a country that is wedded to either of the opposing concepts. Additionally, all the discussions and negotiations on the issues of transfer of economic rights and the ownership concerned during the legislative process of the treaty prove the difficulty in copyright and related rights protection in the international arena. Related to the topic of this dissertation, such difficulty is also encountered in the context of choice-of-law rules.

Once the WAPT is ratified, both performers and producers will gain benefits. Although the Rome Convention 1961 provides certain protections for performers, it cannot respond to the challenges brought by new means of distribution of audiovisual works, in particular via the Internet. Furthermore, as stated above, the WPPT does not extend protection to performers in respect of their performances fixed in audiovisual fixations. The gap that was left will be filled by the WAPT. In this respect, performers not only receive a wide scope of economic rights, but are also entitled to moral rights for the first time. As for producers, they will gain international recognition of the importance of the transfer of economic rights. Nevertheless, only time will tell if the WAPT, an international legal instrument aimed at promoting international protection of performers, will be effective for these purposes.

⁵³⁶ Catherine Kessedjian, 'Current International Developments in Choice of Law: An Analysis of the ALI Draft' in Jürgen Basedow and others (eds) 2005 (*supra* n 15) 24.

⁵³⁷ WIPO Document, 'Recommendation on Holding of a Diplomatic Conference on the Protection of Audiovisual Performances', WO/GA/40/11.

⁵³⁸ For details, see <http://www.wipo.int/meetings/en/details.jsp?meeting_id=25602> accessed on 2 October 2012.

⁵³⁹ "Art. 12(1) Transfer of rights

A Contracting Party may provide in its national law that once a performer has consented to fixation of his or her performance in an audiovisual fixation, the exclusive rights of authorization provided for in Articles 7 to 11 of this Treaty shall be owned or exercised by or transferred to the producer of such audiovisual fixation subject to any contract to the contrary between the performer and the producer of the audiovisual fixation as determined by the national law. [...]"

2.3 Conclusion

This chapter briefly describes the historical development of copyright protection, demonstrating stages of such protection under the privileges system, private statutory law, bilateral treaties and multi-lateral treaties. Along with this process, the Berne Convention became regarded as the most important international copyright treaty. Accordingly, this chapter describes the basis and structure of the copyright protection set forth in that Convention, and further discusses that Convention's general principles: automatic copyright protection (non-formality requirement), minimum standards of protection, and national treatment of foreign works. A survey of the UCC, the Rome Convention 1961, the TRIPs Agreement, the WCT, the WPPT and the WAPT demonstrates that in the field of substantive copyright and related rights laws, the contemporary trend is towards harmonization. As analysed, the international harmonization of copyright law in fact sets up bundles of copyrights. As a result, the territoriality principle remains important for copyright and related rights. The chapter then argues that applying international substantive copyright rules as substitutes for choice-of-law rules in cross-border copyright and related rights claims should not be supported.

As to the heavily debated issue whether the treaty required national treatment principle is a choice-of-law rule, the chapter argues that this principle is merely an anti-discrimination rule only requiring national laws to treat foreign and national authors in the same way. It therefore has no impact on the choice-of-law issue. Similarly, this chapter also submits that certain provisions laid down in international copyright and related rights treaties such as Article 5(2) of the Berne Convention stating the application of the laws of the country where protection is claimed do not directly or expressly refer to choice-of-law rules, with the limited exception of Article 14*bis*(2)(c) of the Berne Convention.

In summary, from this general study of international copyright and related rights treaties, it can be concluded that, insofar as international copyright and related rights protection is concerned, these international treaties have largely harmonized substantive protection within their adhering states. As to the choice-of-law discussion often raised in reference to these treaties, this writer reiterates that these treaties do not contain or imply a rule designating the law applicable to cross-border copyright and related rights disputes. Thus, when a choice-of-law issue is raised in the course of such disputes, reference should be made to the rules codified or used for that purpose in regional or national legislation and practice.

CHAPTER 3 EUROPEAN APPROACH

As Chapter 2 demonstrates, the international copyright and related rights treaties do not contain solutions to the problem of identifying the law applicable to cross-border copyright and related rights disputes – or they only provide for them in a very limited way. So, continuing the enquiry would normally call for recourse to domestic choice-of-law rules of concerned individual countries; however, since European Union (EU) law prevails in most European countries, such rules are mostly the same or similar in them. EU law is a body of treaties and treaty-authorized European-wide legislation enacted by EU institutions, aimed at unifying or harmonizing certain law in the Member States.⁵⁴⁰ This legislation occurs not only with respect to substantive law, but also with respect to private international law (PIL) and is primarily aimed at proper functioning of the European internal market – i.e. the European “common market”. As part of EU “Europeanization” of PIL, domestic PIL rules of the Member States were gradually displaced by the common European rules.

In order to learn how the body of European supra-national law deals with choice-of-law problems in cross-border copyright and related rights disputes, light must be shined on a series of EU directives that have the purpose of harmonizing certain aspects of copyright within the EU, and then on the EU’s Regulation on the Law Applicable to Non-Contractual Obligations (Rome II).⁵⁴¹ Accompanying all that, given the limited scope of Rome II, which deals, *inter alia*, with non-contractual obligations arising from IP rights infringement, the chapter will also carry out a comparative analysis of the laws of some major European states with regard to the law applicable when matters fall outside the scope of Rome II. This chapter’s analysis of the European approach in this respect will provide inspiration for, and be helpful in assessing and commenting on, this aspect of PRC law addressed later in this book.

To summarize in advance, at its outset, this chapter describes the “Europeanization” process of PIL rules and looks into how PIL rules have been unified under the aegis of EU laws. It then examines the European copyright directives so as to explore whether, in the process of harmonizing European copyright and related rights, any choice-of-law rule for cross-border copyright and related rights disputes appears in these directives. The third section looks into the background and general structure of the Rome II Regulation. Special attention is given to its provisions dealing with infringement of IP rights, including copyright and related rights. The effect of these rules will be discussed. Based on the observation that the issues of existence, content and termination of copyright, as well as the initial ownership of copyright, are not dealt with in Rome II, section 4 is a comparative analysis of the laws of certain European states in these respects. Inspiration that EU laws and European states’ national law and practice may provide for the PRC legislature or judiciary is analysed in section 5. The chapter then concludes in section 6.

3.1 European Union Laws

The roots of what is now the European Union were planted in the 1950s.⁵⁴² They started with the European Coal and Steel Community, which entered into force in 1952 and ended on the expiry of its 50-year term.⁵⁴³ A Treaty to similarly control atomic energy (EURATOM) was signed in 1957, and the Treaty establishing the European Economic Community (EEC) was signed in Rome on 25 May

⁵⁴⁰ The EU is an international organization embracing separate institutions that exercise its legislative, judicial and executive functions.

⁵⁴¹ As to regulations and directives and their differences in EU law, see the second and third footnotes of 3.2.1, *infra*.

⁵⁴² For an overview of the history of the European Union, see P. Craig and G. de Burca, *EU Law* (4th edn, OUP, Oxford 2008) 1-36.

⁵⁴³ Treaty establishing the European Coal and Steel Community, 18 April 1951, Paris.

1957.⁵⁴⁴ Since then, the international organization called a Community developed both in its scope and function. The EEC Treaty was subsequently revised several times: in 1986, the Single European Act was signed with the aim of eliminating remaining barriers to the single internal market; effective 1 November 1993, the Treaty on European Union (TEU) renamed the EEC to EC, enlarged the scope and activities of the Community and established fixed arrangements for intergovernmental cooperation parallel to the EC to be called the European Union; effective 1 May 1999, the Treaty of Amsterdam retained the overall three-pillar structure of the EC Treaty, even though it moved functions among the three pillars; in 2003, the Treaty of Nice was signed so as to improve the efficiency of the EU's institutions in an enlarged Community;⁵⁴⁵ and the latest revision – the Treaty of Lisbon was signed on 13 December 2007 and entered into force on 1 December 2009 which bases the European Union on two Treaties of equal legal standing:⁵⁴⁶ the Treaty on European Union (TEU), and the Treaty on the Functioning of the European Union (TFEU),⁵⁴⁷ which amended the EC Treaty and renamed the EC to the EU.

For the development of the “Europeanized” PIL rules, it can be noted from the following that it has been a rather recent process.⁵⁴⁸ The turning point for its development was the entry into force in 1999 of the Treaty of Amsterdam, which made a fundamental change in this field of law. Nevertheless, the treaties adopted before and after the Amsterdam Treaty have certain relevance in the development of the European PIL rules.

3.1.1 Article 220 of the EEC Treaty⁵⁴⁹

Prior to the Treaty of Amsterdam, PIL matters were dealt with by means of inter-governmental cooperation, i.e. no competence was transferred to the European institutions. Under the EEC Treaty, Article 220 empowered the Member States “so far as is necessary” to enter into negotiation with each other with a view to securing for the benefit of their nationals, *inter alia*, the simplification of formalities governing the reciprocal recognition and enforcement of judgments of courts or tribunals and of arbitration awards. Even though, normally speaking, a state can decide itself whether it wants to enter into a negotiation in order to make an agreement with the other state, the purpose of introducing this article is to oblige Member States to start negotiations about certain matters and in certain situation that are not covered by the Treaty insofar as four freedoms in the Treaty (right of establishment, free movement of labour, services and capital) can be fully effective.⁵⁵⁰

Although this provision encouraged Member States to cooperate regarding the recognition of judgments, it has been extensively interpreted to go beyond that.⁵⁵¹ It became the legal basis for several international conventions: the Convention on Jurisdiction and the Recognition and Enforcement of Judgments in Civil and Commercial Matters⁵⁵² and the parallel Lugano Convention

⁵⁴⁴ Treaty establishing the European Economic Community, 25 March 1957, Rome.

⁵⁴⁵ At present, there are 27 Member States: Belgium, France, Germany, Luxembourg, Italy and the Netherlands, Austria, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Republic of Ireland, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom. Arrangements have been made to admit a 28th, Croatia, in 2013.

⁵⁴⁶ Art. 1 of the EU.

⁵⁴⁷ [2008] OJ C-115/47.

⁵⁴⁸ Jürgen Basedow, ‘The Communitarization of the Conflict of Laws under the Treaty of Amsterdam’ (2000) vol. 37 (3) CML Rev 687.

⁵⁴⁹ This provision is repealed by the Lisbon Treaty.

⁵⁵⁰ Conventions Under Art. 220 of the EEC Treaty June 1977, <<http://aei.pitt.edu/14088/1/Art.-220-conventions.PDF>> (accessed on 2 October 2012) 1-2.

⁵⁵¹ As to the relationship between this provision and the Brussels Convention, see Oliver Remien, ‘European Private International Law, the European Community and its emerging area of freedom, security and justice’ (2001) 38 (1) CML Rev 53, 55.

⁵⁵² Signed in 1968 in Brussels, OJ L299/32.

dealing also with the matter of jurisdiction but in regard to affiliated states that had not become full EC Member States.⁵⁵³

3.1.2 Title VI of the Maastricht Treaty

While the Treaty of Maastricht renamed the EEC to European Community (EC), revised and expanded the working and scope of its legislative process, and established the fixed intergovernmental arrangement newly called European Union, it did not make great changes with respect to PIL: it merely maintained Article 220 and in the mean time introduced some new provisions. The Treaty of Maastricht did revise the organizational arrangement into three pillars: the Community Pillar, the Second Pillar of common foreign and security policy, and the Third Pillar of justice and home affairs. As to the Third Pillar, Title VI of the Treaty of Maastricht contained provisions on cooperation in the field of Justice and Home Affairs, in particular, Article K.1(6) of the Treaty classified judicial cooperation in civil matters as one of the areas of common interest to the Member States of the European Union. While PIL was referred to as “judicial cooperation in civil matters”, it remained an intergovernmental topic and was placed in the Third Pillar.⁵⁵⁴

3.1.3 The Amsterdam Treaty

The Treaty of Amsterdam made a fundamental change in the development of the entire PIL of the European Community.⁵⁵⁵ It granted legislative competence for EC institutions to enact PIL measures. It also integrated the Third Pillar on cooperation between Member States in the field of judicial cooperation in civil matters into the EC’s First Pillar with the result that the Community could enact relevant legislation and the Member States no longer needed to negotiate and ratify treaties on those subjects. As the legal basis for that, Article 65 EC Treaty (now Article 81 of TFEU) empowers the enactment of measures in the field of judicial cooperation in civil matters that have cross-border implications, insofar as “*necessary for the property functioning of the internal market*”. On the basis of this provision, all three of PIL’s major issues, namely jurisdiction, choice-of-law and recognition and enforcement of foreign judgments began to be and will continue to be dealt with within the scope of EU law.

The European Commission has extensively interpreted Article 65 of the EC Treaty (now Article 81 of TFEU) and relied on this competence norm to enact regulations in the areas of jurisdiction, recognition and enforcement of foreign judgments, judicial cooperation between Member States and choice-of-law rules: for example the Brussels I Regulation, the Brussels II *bis* Regulation⁵⁵⁶, the Insolvency Regulation,⁵⁵⁷ the Service Regulation,⁵⁵⁸ the Evidence Regulation,⁵⁵⁹ the Rome I Regulation⁵⁶⁰ and the Rome II Regulation. The last one will be intensively studied as one of the topics of this dissertation.

⁵⁵³ The drafters of the Convention considered adopting a double convention, i.e. having unified jurisdiction rules helpful for facilitating recognition and enforcement of judgments. See Thalia Kruger, *Civil Jurisdiction Rules of the EU and Their Impact on Third States* (OUP, Oxford 2007) 12-4.

⁵⁵⁴ For details, see R. Bieber and J. Monar (eds), *Justice and Home Affairs in the European Union: the development of the Third Pillar* (European Interuniversity Press, Brussels 1995).

⁵⁵⁵ For details, see Jürgen Basedow 2000 (*supra* n 548); Paul Beaumont, ‘Interplay of private international law and the European Community’ in Claire Kilpatrick, Tonia Novitz and Paul Skidmore (eds), *The Future of Remedies in Europe* (Hart Publishing, Oxford 2000) 137-90; Andrew Dickinson, ‘European Private International Law: embracing new horizons or mourning the past’ (2005) JPIL 197-236.

⁵⁵⁶ Council Regulation (EC) 2201/2003 of 27th November 2003 Concerning Jurisdiction and the Recognition and Enforcement of Judgments in Matrimonial Matters and the Matters of Parental Responsibility, OJ L338.

⁵⁵⁷ Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings, OJ L160.

⁵⁵⁸ Regulation (EC) No 1393/2007 of the European Parliament and of the Council of 13 November 2007 on the service in the Member States of judicial and extrajudicial documents in civil or commercial matters (service of documents), OJ L324.

⁵⁵⁹ Council Regulation (EC) No 1206/2001 of 28 May 2001 on cooperation between the courts of the Member States in the taking of evidence in civil or commercial matters, OJ L174.

3.1.4 The Nice Treaty and the Lisbon Treaty

The changes made by the Treaty of Nice in terms of PIL were restricted to legislative points, namely except for family law matters, the previous voting requirement by unanimity in the Council was changed to qualified majority voting.⁵⁶¹

When the Treaty of Lisbon entered into force, the three pillars structure ended and, as a result, the First and Third Pillars of the pre-Lisbon organizational structure have in effect been merged to be governed by the TFEU. The Treaty of Lisbon also brought a number of changes in the field of PIL.⁵⁶² Article 81 of the TFEU enlarged the legislative competences of the Union to adopt decisions so that they no longer depend upon the internal market criteria, which have now been replaced by the phrase “*particularly when necessary for the proper functioning of the internal market*”. While retaining the special legislative procedure for family law matters, the TFEU introduced a special Passerelle Clause, through which the Union’s legislators may make some aspects of family law having cross-border implications subject to its ordinary legislative procedure, with the consensus of national Parliaments.⁵⁶³ Furthermore, the Treaty of Lisbon expanded the matters that the EU addresses,⁵⁶⁴ even though some of those matters such as development of alternative dispute resolution and support for judicial training had already been dealt with under Article 65 of the former EC Treaty (now Article 81 of the TFEU). Additionally, with the entry into force of the Treaty of Lisbon, every national court, except in Denmark, Ireland and the United Kingdom, which opted out of that treaty provision, may refer a preliminary question to the Court of Justice of the European Union.⁵⁶⁵

As discussed, Rome II should be understood in the context of the Europeanization of PIL. It is one of a series of regulations in the field of PIL that have been established following the Treaty of Amsterdam, pursuant to the competence provided in Title IV of the former EC Treaty (ex-Articles 61-68). According to ex-Article 65 (now Article 81 of the TFEU), measures in the field of judicial cooperation in civil matters having cross-border implications, insofar as necessary for the proper functioning of the internal market, cover, among others, those promoting compatibility of conflict-of-law rules.

⁵⁶⁰ Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations (Rome I), [2008] OJ L177/6.

⁵⁶¹ Qualified majority voting (QMV) in the Council allocates the number of each Member State’s votes loosely based on that State’s population. (From 1 January 2007, the numbers of the total 345 qualified majority votes that have been allocated among the Member States have been: Germany, France, Italy and the UK: 29 each; Spain and Poland: 27 each; Romania: 14; the Netherlands: 13; Belgium, Czech Republic, Greece, Hungary and Portugal: 12 each; Austria, Bulgaria and Sweden: 10 each; Denmark, Ireland, Lithuania, Slovakia and Finland: 7 each; Cyprus, Estonia, Latvia, Luxembourg and Slovenia: 4 each; and Malta: 3. See generally, <http://www.consilium.europa.eu/council?lang=en> (accessed on 2 October 2012). Under the current Protocol, to adopt a decision on a proposal that the treaties require the Commission to originate (which covers almost all proposals) QMV requires 255 votes by a majority of Member States, and to adopt all other proposals QMV requires 255 votes by at least 2/3 of Member States. Issues like defence and taxation (and family law) still require unanimous votes in the Council. For most other issues, including virtually all common market issues, QMV prevails. Under Art. 16(4) of the TEU, in 2014 these QMV numbers and percentages will be revised and become permanent.

⁵⁶² Gerard-René de Groot and Jan-Jaap Kuipers, ‘The New Provisions on Private International Law in the Treaty of Lisbon’ (2008) 15 (1) MJ 109; Koen Lenaerts and Piet van Nuffel, *European Union Law* (3rd edn Sweet & Maxwell/Thomson Reuters, London 2011) 327-34; Paul Craig, *The Lisbon Treaty: Law, Politics, and Treaty Reform* (OUP, Oxford 2010) 357-59.

⁵⁶³ Art. 81(3) of the TFEU.

⁵⁶⁴ Art. 81(2) of the TFEU.

⁵⁶⁵ Art. 267 of the TFEU.

3.2 European Protection of Copyright and Related Rights

3.2.1 Harmonization of copyright and related rights features

From the 1990's, the EC started a harmonization process as to copyright and related rights laws within the Community. The initiative taken by the EC Commission was due to two urgent needs: copyright and related rights laws were affected by technological developments in producing and disseminating protected materials, and the increasing importance of copyright and related rights as an economic factor in the internal market. This process led to harmonization of national laws on particular aspects of copyright and related rights throughout the Union.⁵⁶⁶

Due to the divergence of national laws, the harmonization process was taken up by means of Directives. It was believed that harmonization of this subject matter would be more appropriate for attaining the goal than unification, because a Directive, unlike a Regulation,⁵⁶⁷ leaves Member States with a certain amount of leeway as to the exact rules to be adopted.⁵⁶⁸ Thus, Member State laws enacted on the basis of a Directive will not have exactly the same rules among the Member States. Insofar as copyright and related rights are concerned, there are only certain aspects that have been harmonized, and even among those aspects, the Directives do not deal with all the copyright subjects.

Already in 1986, the Council of Ministers had issued a Directive on the legal protection of semiconductor topography, which subsequently extended protection to persons from certain non-EEC countries, as well as nationals of Member States.⁵⁶⁹ Afterward, the Commission published a Green Paper on Copyright and the Challenge of Technology dealing with certain issues pertaining to copyright that required immediate action,⁵⁷⁰ including matters of piracy, home copying of sound and audiovisual material, distribution and rental rights covering certain material, as well as protection of computer programs and databases. Subsequently, on 5 December 1990, the Commission undertook an extensive Working Programme in the field of copyright and related rights.⁵⁷¹

Following the Green Paper and the Working Programme, the EC took steps to adopt directives on the matters discussed in those two documents. Following adoption of the first European Copyright Directive – the Software Directive in 1991, the EC has adopted seven directives in the fields of copyright and related rights including: the Rental Directive in 1992, the Broadcasting Directive and the Term Directive in 1993, the Database Directive in 1996, as well as the Information Society Directive and the Resale Directive in 2001.⁵⁷²

⁵⁶⁶ J.A.L. Sterling (*supra* n 18) para 26.05; for the detailed harmonisation process, see H. Cohen Jehoram, 'Harmonizing Intellectual Property Law within the European Community' (1992) 23 IIC 622; Mireille van Eechoud and others, *Harmonizing European Copyright Law: The Challenges of Better Lawmaking* (Kluwer Law International, Alphen aan den Rijn 2009) 1-29.

⁵⁶⁷ Art. 288 TFEU (ex Art. 249 EC Treaty) provides "[...] A regulation shall have general application. It shall be binding in its entirety and directly applicable in all Member States."

⁵⁶⁸ Art. 288 TFEU (ex Art. 249 EC Treaty) provides "[...] A directive shall be binding, as to the result to be achieved, upon each Member State to which it is addressed, but shall leave to the national authorities the choice of form and methods. [...]". Whilst a Regulation takes effect on the 20th day after it is published in the EU Official Register (unless it provides for another time), a Directive does not because time is needed for Member State authorities to choose the form and method for implementing the objectives in the Directive. So, a Directive will specify a period of time for Member State authorities to act - usually about two years. In the meanwhile, since EU law supersedes Member State national law, existing Member State domestic law must not be construed in a way that conflicts with the objective that the Directive requires. Once a Directive has been fully implemented by all the Member States, its EU law objectives are said to be "harmonised".

⁵⁶⁹ Council Directive 87/54/EEC of 16 December 1986 on the legal protection of topographies of semiconductor products [1987] OJ L24/36.

⁵⁷⁰ COM (88) 172 final.

⁵⁷¹ Working Program of the Commission in the field of copyright and neighboring rights, COM (90) 584 (final).

⁵⁷² List of the citation of these Directives and their sequel directives, *supra*, 9, 72, 73.

It must be noted, nevertheless, that these directives aim at harmonizing certain aspects of copyright and related rights laws within the EC, rather than focusing on PIL issues. Even the most comprehensive European copyright directive - the Information Society Directive - was enacted to implement a number of new international obligations as to copyright arising from EU signing of the WIPO Copyright Treaty and Performances and Phonograms Treaty.⁵⁷³ It lays down only substantive rules harmonizing some aspects of copyright and related rights among Member States and does not provide any choice-of-law rules.

Arguably, certain provisions laid down in these copyright directives may have an effect on identifying the applicable law, in particular Article 1(2) (b) of the Broadcasting Directive, and the Enforcement Directive.⁵⁷⁴ Article 1(2) (b) of the Broadcasting Directive provides

“the act of communication to the public by satellite occurs solely in the Member State where, under the control and responsibility of the broadcasting organization, the program-carrying signals are introduced into an uninterrupted chain of communication leading to the satellite and down towards the earth.”

An exception to this rule is provided for a situation where the act of communication occurs in a third state that does not provide the level of protection as that stated under Chapter II of the Directive. Under the latter circumstance, the act of communication to the public shall be deemed to have occurred in the Member State where an uplink station is situated or in the Member State where a broadcasting organization has its principal establishment if there is no use of an uplink station situated in a Member State.⁵⁷⁵ Strictly speaking, Article 1(2) (b) is not a private international law rule. It is a substantive rule.⁵⁷⁶ Some scholars may nevertheless contend that this provision has a determinative effect on the choice-of-law issue⁵⁷⁷ because the definition provided in the provision indicates that a rights holder may invoke his exclusive right only in one state, i.e. where the program-carrying signals are introduced. In other words, the rights holder can only make a claim under the law of the state of uplink.⁵⁷⁸ Thus, to a certain extent, Article 1(2) (b) may be considered to be a choice-of-law rule, though such a choice-of-law interpretation would raise some concerns as to its effectiveness.⁵⁷⁹

In addition to the harmonization achieved within the EC as to certain substantive aspects of copyright and related rights, the Community adopted an Enforcement Directive aimed at addressing the difficulties arising from the disparities among the legal systems of Member States with regard to the means of enforcing IP rights.⁵⁸⁰ The Directive requires Member States to apply effective, dissuasive and proportionate remedies and penalties against those engaged in counterfeiting and piracy.⁵⁸¹ The measures required include evidence⁵⁸², evidence protection measures,⁵⁸³ provisional and precautionary measures⁵⁸⁴, injunctions⁵⁸⁵ and damages⁵⁸⁶ etc. It is of note that the purpose of the Directive is to

⁵⁷³ Council Decision of 16 March 2000 on the approval, on behalf of the European Community, of the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (2000/278/EC) OJ L89, 6–7; Recital 15 of the Information Society Directive.

⁵⁷⁴ European Parliament and Council Directive 2004/48/EC of April 29 2004 on the enforcement of intellectual property rights [2004] OJ L195/16. (Enforcement Directive) For details, see Michel M Walter and Dominik Goebel, ‘Commentary on Enforcement Directive’ in Michel M Walter and Silke von Lewinski (eds) (*supra* n 9) 1193-364.

⁵⁷⁵ Art. 1(2)(d) of the Broadcasting Directive.

⁵⁷⁶ Josef Drexler 2005 (*supra* n 368) 158; Fawcett and Torremans 2011 (*supra* n 13) 13.61.

⁵⁷⁷ Fawcett and Torremans 2011 (*supra* n 13) 13.61; Ricketson and Ginsburg (*supra* n 110) paras 20.22-20.24; Eckart Gottschalk, ‘The Law Applicable to Intellectual Property Rights: Is the Lex Loci Protectionis a Pertinent Choice-of-Law Approach?’ in E. Gottschalk, R. Michaels, G. Rühl and J. von Hein (eds), *Conflict of Laws in a Globalized World* (CUP, Cambridge 2007) 215.

⁵⁷⁸ Fawcett and Torremans 2011 (*supra* n 13) 13.61.

⁵⁷⁹ Ricketson and Ginsburg (*supra* n 110) paras 20.22-20.24.

⁵⁸⁰ Recital 8 of the Enforcement Directive.

⁵⁸¹ Art. 3(2) of the Enforcement Directive.

⁵⁸² Art. 6 of the Enforcement Directive.

⁵⁸³ Art. 7 of the Enforcement Directive.

⁵⁸⁴ Art. 9 of the Enforcement Directive.

regulate enforcement of IP rights, rather than the rights themselves. Although the Directive regulates the procedural aspect of laws, it has no direct impact on choice-of-law rules in IP disputes, as explicitly stated in recital 11 of the Directive:

“(t)his Directive does not aim to establish harmonised rules for judicial cooperation, jurisdiction, the recognition and enforcement of decisions in civil and commercial matters, or deal with applicable law.”

3.2.2 The principle of anti-discrimination

Article 18 TFEU (ex-Article 12 EC Treaty) prohibits any discrimination on the ground of nationality. Thus, a Member State cannot maintain a law which gives nationals of other Member State different treatment from its own, provided that it falls within the scope of the Treaty. In 1993, the anti-discrimination principle was applied by the ECJ in the joined cases *Phil Collins*⁵⁸⁷ and *Cliff Richard*⁵⁸⁸. In those judgments, the ECJ held that ex-Article 12 EC Treaty applies to copyright and related rights, particularly because of their effects on trade in goods and services in the Community.⁵⁸⁹ In the course of its judgments, it ruled that the facts that there are differences in national laws relating to the protection of copyright and related rights, and that not all Member States acceded to the Rome Convention 1961 do not justify an infringement of the anti-discrimination principle enshrined in ex-Article 12 EC Treaty.⁵⁹⁰

The ECJ reiterated the principle in a 2005 copyright case, *Tod's*.⁵⁹¹ That case concerned an action brought by an Italian company and its French affiliate against a French company that allegedly infringed the former's registered designs of shoes bearing Tod's trademark in France. The defendant claimed that under Article 2(7)⁵⁹² of the Berne Convention, Tod's was not entitled to claim author's right protection in France for designs that do not qualify for such protection in Italy.⁵⁹³ The question referred to the ECJ was whether

"[...] Article 12 EC, which lays down the general principle of non-discrimination on grounds of nationality, mean that the right of an author to claim in a Member State the copyright protection afforded by the law of that State may not be subject to a distinction based on the country of origin of the work".

The ECJ, referring to *Phil Collins*, affirmatively answered the protection may not be subjected to such a distinction. It is of note that the *Tod's* decision does not mean that the French court has to give the Italian claimants in France the benefit of legal rights available to the Italian claimants in Italy. Instead, it only means that the French court should not withhold from the Italian claimants in France the enjoyment of rights that French claimants in France have.

The anti-discrimination principle enshrined in Article 18 TFEU provides only a duty of Member States: they cannot refuse to grant a national of another Member State the protection under copyright or related rights which the former state grants to its own nationals. This principle constitutes, in fact, another form of the national treatment principle within the EU and supersedes any restrictions by

⁵⁸⁵ Art. 11 of the Enforcement Directive.

⁵⁸⁶ Art. 13 of the Enforcement Directive.

⁵⁸⁷ ECJ Case C- 92/92 *Phil Collins v IMTRAT Handels-GmbH* [1993] ECR I-5145. (*Phil Collins*)

⁵⁸⁸ ECJ Case C-326/92 *Patricia Im- und Export Verlagsgesellschaft mbH and Leif Emanuel Kraul v EMI Electrola GmbH* [1993] ECR I-5145. (*Cliff Richard*)

⁵⁸⁹ *Id.*, paras 27 and 28.

⁵⁹⁰ *Id.*, paras 31-33.

⁵⁹¹ *Tod's* (*supra* n 380).

⁵⁹² “Works protected in the country of origin solely as designs and models shall be entitled in another country of the Union only to such special protection as is granted in that country to designs and models; however, if no such special protection is granted in that country, such works shall be protected as artistic works.”

⁵⁹³ *Tod's* (*supra* n 380) paras 6-8.

international conventions.⁵⁹⁴ As analysed in the preceding chapter, since the purpose of the principle of national treatment is not to function as a rule to identify the law applicable to copyright or related rights claims, neither for such claims should the related principle of anti-discrimination on nationality grounds lead to application of a particular national law.⁵⁹⁵

3.2.3 Summary

Based on the foregoing, it is concluded that the process of harmonizing copyright and related rights within the EU has not directly dealt with rules on choice-of-law. In order to identify such rules, as applied in copyright and related rights claims, one should refer to the EC Regulation on the law applicable to non-contractual obligations (Rome II) because it aims at unifying choice-of-law rules regarding certain kinds of tort claims, which may include copyright and related rights infringement.

3.3 Rome II Regulation

The Rome II Regulation on the law applicable to non-contractual obligations was adopted on 11 July 2007. As its name indicates, this Regulation provides choice-of-law rules for non-contractual obligations to be uniformly applicable in Member States with respect to each other, as well as to all non-EU countries. According to the recitals of the Regulation, the proper functioning of the internal market created a need to establish the same choice-of-law rules in order to improve the predictability of the outcome of litigation, certainty as to the applicable law and free movement of judgments.⁵⁹⁶ As a result, courts in each Member State (except Denmark) will apply identical choice-of-law rules to disputes involving non-contractual obligations irrespective of the substantive law they designate. This Regulation is relevant to another EU legal instrument that provides unified choice-of-law rules for contractual obligations, the Rome I Regulation, which except for three opting-out states replaced the Rome Convention 1980.⁵⁹⁷ With Rome I and Rome II, together, Union legislators unified choice-of-law rules for all but a very few states within the Union. As a result, greater predictability is available as to the outcome of litigation before Member States courts. As commented by an American conflicts scholar,

*“Rome II is a dramatic step in the federalization or ‘Europeanization’ of private international law in the EU member states, a step that has been aptly characterized as the European conflicts revolution”.*⁵⁹⁸

3.3.1 Legislative process⁵⁹⁹

The origins of the Rome II Regulation date all the way back to negotiations that took place in the 1970s for a European Convention on the law applicable to contractual and non-contractual obligations.

⁵⁹⁴ Andreas Wiebe, ‘Perspectives of European Intellectual Property Law’ (2000) 8 IJL & IT, 146 (Available at SSRN: <http://ssrn.com/abstract=242156>); J.A.L. Sterling (*supra* n 18) para 3.55.

⁵⁹⁵ Martin Illmer in Peter Huber (ed), *Rome II Regulation Pocket Commentary* (Sellier European Law Publisher, Munich 2011) 237.

⁵⁹⁶ Recital 6 of the Rome II Regulation.

⁵⁹⁷ Convention on the law applicable to contractual obligations (1980) OJ L266. (Rome Convention)

⁵⁹⁸ S.C. Symeonides, ‘Rome II and Tort Conflicts: A missed Opportunity’ (2008) 56 AM. J. COMP. L. 173, 174.

⁵⁹⁹ For a detailed description, see Andrew Dickinson, *The Rome II Regulation: The Law Applicable to Non-Contractual Obligations* (OUP, Oxford 2008) 23-60; Diana Wallis, ‘Introduction: Rome II – A Parliamentary Tale’ in John Ahern and William Binchy (eds), *The Rome II Regulation on the Law Applicable to Non-Contractual Obligations: A New International Litigation Regime* (Martinus Nijhoff Publishers, Leiden 2009) 1-7; Richard Plender and Michael Wilderspin, *The European Private International Law of Obligations* (3rd edn, Sweet & Maxwell, Thomson Reuters, London 2009) 461-64; Halfmeier in Graf-Peter Callies (ed), *Rome Regulations: Commentary on the European Rules of the Conflict of Laws* (Kluwer Law International, the Netherlands 2011) 372-73.

A preliminary draft EEC convention containing both aspects had been prepared by 1972.⁶⁰⁰ A number of disagreements and the accession of new Member States to the EEC, however, eventually prevented the finalization and adoption of the preliminary draft convention.⁶⁰¹ In 1978 the then Member States decided to limit the scope of the convention to the contractual obligations. As a result, the Rome Convention 1980 on the law applicable to contractual obligations was opened for signature on 19 June 1980. Further negotiation on the law applicable to non-contractual obligations was, however, not continued. Then in October 1998, the Council adopted a joint Action Plan of the Commission and the Council with regard to how to best implement the provisions of the Treaty of Amsterdam in the area of freedom, security and justice. It was named the Vienna Action Plan.⁶⁰² Since then, the project to draw up a legal instrument on the law applicable to non-contractual obligations was again on the agenda. At the same time, a proposal for a convention on the law applicable to non-contractual obligations was finalized by the European Group for Private International Law (GEDIP).⁶⁰³ This proposal helped to form the basis of the Rome II Regulation, since a number of points have been referred to in the current Regulation.

Instead of publishing a green paper, in 2002 the Commission launched on the Internet a wide-ranging consultation on the subject of a preliminary draft proposal for a Council Regulation on the law applicable to non-contractual obligations.⁶⁰⁴ The Commission received in response around 80 contributions from both industry and academics, who heavily criticized the preliminary draft proposal.⁶⁰⁵ The industry commentators believed that there is no need for such a legal instrument and questioned the competence of the Commission to deal with this subject. Based on follow-up consultations and a public hearing, the Commission in July 2003 presented a proposal for a Regulation of the European Parliament and the Council on the law applicable to non-contractual obligations.⁶⁰⁶ In this proposal, special rules for non-contractual obligations arising from infringement claims of IP rights were introduced;⁶⁰⁷ but with respect to such claims, parties would not be allowed to choose the law to apply.⁶⁰⁸ In response to the Commission 2003 Proposal, the European Parliament (hereinafter EP) published its First Reading with some recommendations.⁶⁰⁹ The standing point of the First Reading was that it advocated greater flexibility in the general rule for torts/delict and less reliance on special rules for particular torts.⁶¹⁰ It is of note that the Parliament First Reading suggested eliminating the non-inclusion of party autonomy for intellectual property claims.⁶¹¹ In light of the amendments proposed by the Parliament First Reading, the Commission adopted a modified proposal

⁶⁰⁰ Commission document XIV/398/72.

⁶⁰¹ For some commentaries on the 1972 draft, see Jessurun D'Oliveira, 'Observations concerning the preliminary draft EEC Convention on the law applicable to contractual and non-contractual obligations' (1975) 22 NILR 194.

⁶⁰² Acts adopted pursuant to Title VI of the Treaty on European Union Action plan of the Council and the Commission on how best to implement the provisions of the Treaty of Amsterdam on an area of freedom, security and justice [1998] OJ C19/1.

⁶⁰³ <<http://www.gedip-egpil.eu/documents/gedip-documents-8pe.html>> accessed on 2 October 2012.

⁶⁰⁴ <http://ec.europa.eu/justice/news/consulting_public/rome_ii/news_hearing_rome2_en.htm> accessed on 2 October 2012.

⁶⁰⁵ <http://ec.europa.eu/justice_home/news/consulting_public/rome_ii/news_summary_rome2_en.htm> accessed on 4 December 2008.

⁶⁰⁶ The Commission proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-Contractual Obligations ("Rome II"), COM (2003) 427 final (2003/0168/(COD)), 22 July 2003. (Commission 2003 Proposal)

⁶⁰⁷ Art. 8 of the Commission 2003 Proposal.

⁶⁰⁸ Art. 10(1) of the Commission 2003 Proposal.

⁶⁰⁹ The European Parliament, Position of the European Parliament adopted at First reading on 6 July 2005 with a view to the adoption of Regulation (EC) No .../2005 of the European Parliament and of the Council on the law applicable to non-contractual obligations ("Rome II") P6_TC1-COD(2003)0168. (Parliament First Reading)

⁶¹⁰ Andrew Dickinson 2008 (*supra* n 599) para 1.75; Diana Wallis (*supra* n 599) 3-5.

⁶¹¹ Art. 3(1) of the Parliament First Reading.

in February 2006.⁶¹² From its contents, it is clear that the Commission upheld its own approach in general.⁶¹³ Subsequently, the Council's Common Position supported the Commission 2006 Proposal.⁶¹⁴ For example, it rejected party autonomy as to the non-contractual obligations arising from IP rights infringement claims. Responding to that Common Position, the EP published its Second Reading,⁶¹⁵ in which the EP again put forward those issues that had been raised in the Parliament First Reading but had not been reflected in the Council's Common Position. Since all amendments put forward in the Parliament Second Reading could not be accepted by the Council, a conciliation process was formally opened on 15 May 2007. During this process, common agreement regarding the text of the Regulation was achieved. The disagreement on the substantive provisions was resolved in the Council's favour. The EP nevertheless succeeded in adding a review clause to the Regulation that requires the Commission to submit reports on several matters, including the treatment of foreign law.⁶¹⁶

It is also noteworthy that, unlike other EC PIL instruments, such as the Rome Convention 1980, Rome II was not accompanied by any explanatory report, which could have been helpful in the interpretation of terms and provisions. As a result, the recitals in its Preamble, which provide general principles of the Regulation, should be given close attention when the interpretation of the rules and provisions contained therein are at stake. Furthermore, the legislative history of this Regulation and the documents provided by different EU institutions will also shed some light in terms of the interpretation of the Regulation.

3.3.2 The structure of the Rome II Regulation

The Rome II Regulation consists of seven chapters. Chapter I states the scope of the Regulation and the definition of terms it uses. Chapter II provides a choice-of-law scheme for torts and delicts, consisting of a general rule in Article 4, and specific rules in the fields of product liability (Article 5), unfair competition and acts restricting free competition (Article 6), environmental damage (Article 7), infringement of IP rights (Article 8) and industrial action (Article 9). Article 4 is a residual rule to be applied only when the specific rules, which have limited application, do not apply. Chapter III provides choice-of-law rules for obligations arising out of unjust enrichment (Article 10), *negotiorum gestio* (Article 11) and *culpa in contrahendo* (Article 12), which are the concepts having no equivalent in the substantive laws of some Member States. It is of note that general torts/delicts in Article 4 and the matters laid down in Chapter III are mutually exclusive categories, i.e. if an obligation arises from a tort/delict, it cannot at the same time arise from e.g. *negotiorum gestio*.⁶¹⁷ Chapter IV deals with freedom of choice. General provisions, in particular those dealing with the scope of the applicable law, overriding mandatory rules, prohibition of *renvoi*, *ordre public*, as well as the transitional and final provisions, are in Chapters V, VI and VII.

⁶¹² The amended proposals by the Commission, COM (2006) 83 final, 21 February 2006. (Commission 2006 proposal)

⁶¹³ With regard to the 54 amendments adopted by the European Parliament, the Commission accepted 16 amendments in its entirety, 13 in modified form, and 5 in part, it rejected the remaining 20 amendments.

⁶¹⁴ Common Position (EC) No 22/2006 adopted by the Council on 25 September 2006 with a view to adopting Regulation (EC) No .../... of the European Parliament and of the Council of ... on the law applicable to non-contractual obligations (Rome II) 2006/C 289 E/04, OJ C 298E/68. (Common Position)

⁶¹⁵ The draft resolution of the European Parliament on the common position of the Council 22 December 2006 and European Parliament legislative resolution on the Council common position with a view to the adoption of a regulation of the European Parliament and of the Council on the law applicable to non-contractual obligations ("Rome II"), A6-0481/2006, 18 January 2007. (Parliament Second Reading)

⁶¹⁶ Art. 30 of the Rome II Regulation.

⁶¹⁷ Andrew Dickinson 2008 (*supra* n 599) paras 3.233, 4.08.

3.3.3 Scope of the Rome II Regulation

For the substantive scope of Rome II, its Article 1 states that it shall “*apply, in situations involving a conflict of laws, to non-contractual obligations in civil and commercial matters.*” Matters that specifically fall outside the scope of Rome II include revenue, customs, administrative law matters, the liability of the state for acts and omissions in the exercise of state authority (*acta iure imperii*), and those laid down in Article 1(2) of the Regulation dealing with non-contractual obligations arising out of family relationships, matrimonial property regimes, wills and succession, bills of exchange, promissory notes and other negotiable instruments, directors’ liability, auditors’ liability, the relations between the settlors, trustees and beneficiaries of a voluntary trust, and nuclear damage, as well as violations of privacy and rights relating to personality. The restriction to civil and commercial matters put forward in this provision has no impact in relation to copyright and related rights infringement disputes because the latter arise in civil and commercial circumstances.

3.3.3.1 “Non-contractual obligations”

Although the Rome II Regulation determines the law applicable to non-contractual obligations, it contains no definition of the concept of “non-contractual obligation”. Nonetheless, the Community legislators did state that the concept should have an “autonomous” definition,⁶¹⁸ i.e. reference shall not be made to the law of one of the states concerned, but rather to the “*objectives and the scheme*” of the Regulation and to the “*principles that stem from the corpus of the national legal systems*”.⁶¹⁹ This is because among Member States the concept of “non-contractual obligation” varies from one Member State to another, in particular the demarcation line between contractual obligations and obligations based on tort or delict varies.⁶²⁰ An “autonomous” definition of “non-contractual obligation” avoids a risk that one obligation is considered contractual under one state’s law but not so in accordance with the law of another and, as a result, ensure that this concept is given full effect and applied uniformly in all the Member States.

“Non-contractual obligations” in the Rome II Regulation come under two main categories, those that arise out of a tort or delict and those that are not considered so under certain countries’ substantive laws, such as unjust enrichment, *negotiorum gestio* and *culpa in contrahendo*. Further, Rome II contains no explanation of this concept. It is widely accepted that the concept of “non-contractual obligations” is intended to complement the concept of “contractual obligations” in both the Rome Convention 1980 and the Rome I Regulation.⁶²¹ Such an interpretation is supported not only by the terminology applied in those instruments, - “contractual obligations” v. “non-contractual obligations” - , but also by Recital 7 of Rome II, which states that

“the substantive scope and the provisions of this Regulation should be consistent with Council Regulation (EC) No 44/2001 of 22 December 2000 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (Brussels I) and the instruments dealing with the law applicable to contractual obligations.”

⁶¹⁸ Recital 11 of the Rome II Regulation.

⁶¹⁹ ECJ Case 29/76 *LTU Lufttransportunternehmen GmbH & Co. KG v. Eurocontrol* [1976] ECR 1541, para 5. (*Eurocontrol*); ECJ Case 814/79 *Netherlands v. Rüffer* [1980] ECR 3807, para 7; ECJ Case C-172/91 *Volker Sonntag v Hans Waidmann, Elisabeth Waidmann and Stefan Waidmann* [1993] ECR I-1963, para 18; ECJ Case C-167/00, *Verein für Konsumenteninformation v Karl Heinz Henkel* [2002] ECR I-8111, para 35; ECJ Case C-271/00, *Gemeente Steenbergen v Luc Baten* [2002] ECR I-10489, para 28; ECJ Case C-266/01, *Préservatrice foncière TIARD SA v Staat der Nederlanden* [2003] ECR I-4867, para 20; ECJ Case C-433/01, *Freistaat Bayern v Jan Blijdenstein* [2004] ECR I-981, para 24; ECJ Case C-265/02, *Frahuil SA v. Assitalia SPA* [2004] ECR I-1543, para 22; ECJ Case C-343/04 *Land Oberösterreich v ČEZ* as [2006] ECR I-4557, para 22; ECJ Case C-292/05, *Lechouritou v. Germany* [2007] ECR I-01519, para 29.

⁶²⁰ The Commission 2003 Proposal, Explanatory Memorandum, 8.

⁶²¹ Michael Bogdan, ‘General Aspects’ in Alberto Malatesta (ed) (*supra* n 362) 39; Andrew Dickinson 2008 (*supra* n 599) para 3.104; Andrew Scott, ‘The Scope of ‘Non-Contractual Obligations’ in John Ahern and William Binchy (eds) (*supra* n 599) 61.

Therefore, there should be no overlap between Rome I and Rome II Regulations when distinguishing contractual and non-contractual obligations.⁶²² In reference to the above-quoted Recital 7, Article 5(3) of Brussels I (No 44/2001) deals with “matters relating to tort, delict or quasi-delict”, which correspond with the term “matters relating to a contract” as used in Article 5(1) of the same Regulation. That may give an indication as to the meaning of the concept of “non-contractual obligations”.

It is of particular note that such a general explanation may cause ambiguity or similar difficulty in the context of copyright and related rights claims.

In defining non-contractual obligations in copyright and related rights disputes difficulty may arise from the interface between the contract law aspect, particularly licensing contract,⁶²³ and tort law, which is what infringement claims are. For example, if parties to a licensing contract agreed that a licensee, who has his habitual residence in the Netherlands, would only distribute a copyrighted work in the Netherlands, but the licensee then also distributes the work to China, shall the licensor who habitually resides in Germany bring the dispute as a contract or non-contract claim or both? The possibility of concurrent liability makes the demarcation of contractual and non-contractual obligations more difficult since not all countries recognize the concurrent claims. As a result, the treatment of the obligations, even based on the same factual situation, could in theory differ from one country’s law to another’s.⁶²⁴ When the issue of applicable law is involved, a question may arise as to whether all claims should be governed by the *lex contractus*, and if not, how the applicable law issue should be dealt with in the context of concurrent contract and non-contract claims. Although the Rome Convention 1980 and its successor the Rome I Regulation do not contain any specific provision on IP rights, there is no doubt that contractual obligations arising from copyright transaction shall fall within the scope of those instruments.⁶²⁵ Accordingly, both instruments may be applicable to licensing contracts and to assignment contracts, as well.⁶²⁶ However, non-contractual obligations arising from copyright infringement claims are dealt with in the Rome II Regulation.

Among the laws of the Member States, the demarcation lines between contractual and non-contractual obligations are not identical.⁶²⁷ Insofar as IP rights are concerned, only the Belgian PIL Code remedies the classification issue between contractual and non-contractual obligations. Under it, transferability

⁶²² Andrew Dickinson 2008 (*supra* n 599) para 3.104; Andrew Scott (*supra* n 621) 59.

⁶²³ Contracts in relation to copyright and related rights are often assignment contracts. This type of contract dealt not only with the rights and obligations of the parties, but also the transfer of proprietary rights. Since as concluded in the preceding paragraph, the ownership issue of copyright would not fall within the scope of the Rome II Regulation, irrespective whether the issue is raised alone or as an accessory claim to the infringement claims, the contractual claims relating to proprietary rights have no relevance here. Another type of contract in relation to copyright and related rights is licensing contract, which only authorize someone to do an act which would otherwise amount to an infringement.

⁶²⁴ Andrew Dickinson 2008 (*supra* n 599) para 3.124; Halfmeier in Graf-Peter Calliess (ed) (*supra* n 599) 383.

⁶²⁵ Proposal for a Regulation of the European Parliament and the Council on the law applicable to contractual obligations (Rome I), presented by the Commission on 15 December 2005, COM (2005) 650 final. The Proposal contained an explicit choice-of-law rule for licence agreement in Art. 4(1)(f). This provision is, however, deleted from the final version of the Regulation for the technical and political reasons, see Yuko Nishitani, ‘Contracts Concerning Intellectual Property Rights’, in: F. Ferrari et al. (eds.), *Rome I Regulation the Law Applicable to Contractual Obligations in Europe* (Sellier European Law Publishers, Munich 2009) 60; Thomas Petz, ‘Austria’ in Toshiyuki Kono T (ed) (*supra* n 15) 229-30; Peter Mankowski, ‘Contracts Relating to Intellectual Property Rights under the Rome I Regulation’ in Stefan Leible and Ansgar Ohly (eds) (*supra* n 7) 55-6. The deletion of this provision does not mean that the licence agreement is excluded from the Regulation, and in fact it raises the discussion of how to deal with contract involving the licensing of IP rights within the framework of the Rome I. It is generally agreed that such contracts fall within the general choice-of-laws rules of the Rome I, see Yuko Nishitani *id* 60-70; Thomas Petz 2012 *ibid*; Peter Mankowski *id* 31 *et seq*.

⁶²⁶ The Giuliano & Lagarde Report on the Rome Convention, OJ C282, (31 October 1980); Yuko Nishitani (*supra* n 625).

⁶²⁷ The Commission 2003 Proposal, Explanatory Memorandum, 8.

and the manner of transfer of IP rights are subject to the *lex protectionis*.⁶²⁸ While other PIL codes, such as the Austrian PIL provide for the application of the *lex loci protectionis* to a wide scope of IP rights, including existence and termination, but in the context of IP rights transfer, the nature of transfer as such is still debatable: is it a matter that is contractual in nature, or a non-contractual one?⁶²⁹ Thus, the existence of different demarcation lines could lead to different ways of characterizing a claim, and on that basis, different choice-of-law rules would be applied in the courts of different Member States.

The importance of clarifying the demarcation lines between contractual and non-contractual obligations in copyright disputes is also due to a certain rigidity of the choice-of-law rules provided in the Rome II Regulation. The commonly applied exceptions, such as: party autonomy and the escape clause where there is “a manifestly closer connection” are not to be found in connection with copyright infringement claims.⁶³⁰ In contrast, the Rome I Regulation does provide such exception rules. The fact that characterizing a claim as contractual or non-contractual leads to the application of Rome I or Rome II will, in turn, result in the application of different national laws. Thus, in reference to the example given two paragraphs above, if the claimant were to allege the case as a contract claim in order to maintain that a choice-of-law clause in the contract states that all disputes that arise or are related to it should be governed by Dutch law, the latter may be the law applicable to the dispute, provided that application of Dutch law does not affect the forum’s public policy and overriding mandatory rules. Even if the parties were not to have agreed on the applicable law, in such a case the court would choose, as the law governing the contract, the law of the country in which the party required to effect the characteristic performance of the contract has his habitual residence,⁶³¹ or the law of the country with which the contract is from all the circumstance of the case manifestly more closely connected,⁶³² or the law of the country with which the contracted performance is most closely connected, if the law applicable cannot be determined according to the choice-of-law rules of the law of the country where the party required to effect the characteristic performance of the contract has his habitual residence. Consequently, the law governing the contract claim could be either Dutch law or PRC law or German law. In contrast, if the claimant were to allege the cause of action as a pure IP infringement claim, Rome II will apply to the dispute, and in that context, the rule of the *lex loci protectionis* laid down in Article 8(1) of Rome II will designate the application of PRC law.

To some extent, a claimant can in practice choose how to allege claims.⁶³³ In academic or judicial theory, the determination should not depend merely on how the claimant labels the claim as either contractual or non-contract.⁶³⁴ Nevertheless, for interpreting “non-contractual obligations” the Community instruments of the Brussels Regime and the Rome Regime provide some guidance and should be looked at in the next two subsections.

3.3.3.1.1 Brussels Convention and Brussels I Regulation

It is of note that the Brussels Regime does not use the terminology of “contractual obligations” and “non-contractual obligations”. Instead, they use “matters relating to contract” in Article 5(1) and “matters relating to tort, delict or quasi-delict” in Article 5(3). Except for that difference in

⁶²⁸ Art. 94 §1, “The law applicable by virtue of this section determines notably: 1. Whether an asset is movable or immovable; 2. The existence, nature, content and scope of the rights in rem that can affect an asset, as well as of intellectual property rights; 3. The holders of such rights; 4. The possibility to dispose of such rights; 5. The manner of constitution, modification, transfer and extinction of those rights; 6. The effects of the rights in property vis-à-vis third parties.”

⁶²⁹ Thomas Petz 2012 (*supra* n 625).

⁶³⁰ For more discussion, see *infra* 3.3.7.3.2 The effectiveness of the Rome II rules in copyright and related rights infringement.

⁶³¹ Art. 4(2) of the Rome I Regulation.

⁶³² Art. 4(3) of the Rome I Regulation.

⁶³³ Lawrence Collins, ‘Interaction Between Contract and Tort in the Conflict of Laws’ (1967) 16 ICLQ 103, 107.

⁶³⁴ Andrew Dickinson 2008 (*supra* n 599) para 3.128.

terminology, Rome II, unlike the Brussels Regime, does not treat unjust enrichment, *negotiorum gestio* and *culpa in contrahendo* as tort or delict claims and, as a result, provides them with special choice-of-law rules. Therefore, it is submitted that the terminology used in the Brussels Regime regarding “matters relating to contract” and “matters relating to tort, delict or quasi-delict” should not be directly applied in the Rome II Regulation insofar as the characterization of non-contractual obligations is concerned,⁶³⁵ but the key elements of the ECJ interpretation in this regard should be taken well into consideration.⁶³⁶ Thus, the ruling rendered by the ECJ in this regard as to the Brussels Regime can shine some light on the Rome II Regulation.

The ECJ has ruled that the phrase “matters relating to tort, delict and quasi-delict” in the Brussels Convention should be autonomously interpreted in the light of the Convention’s objectives and general scheme⁶³⁷ to cover all actions which seek to establish the liability of a defendant and which are not related to a contract within the meaning of Article 5(1) of the Convention.⁶³⁸ Thus, the concepts of “matters relating to a contract” and “matters relating to tort, delict or quasi-delict” should be mutually exclusive. The ECJ left this to national laws and did not give a clearer characterization.⁶³⁹ Scholars have argued the definition the ECJ employed in its ruling was overbroad.⁶⁴⁰

When tentatively applying the ECJ interpretation of the concept of “matters relating to tort, delict and quasi-delict” in Article 5(3) of the Brussels Convention to the concept of the non-contractual obligation in Rome II, it can be clearly seen that some important rulings would be transplanted to Rome II, such as giving an interpretation that is autonomous (i.e. EU law, rather than national laws) to the concept of “non-contractual obligation”,⁶⁴¹ applying them to non-contractual obligations that are likely to arise,⁶⁴² and covering non-contractual obligations arising out of strict liability, as well.⁶⁴³ Therefore, it can be maintained that, in the absence of further explanation about this, the ECJ rulings on the concept of “matters relating to tort, delict or quasi-delict” have not provided clear enough references to the concept of “non-contractual obligation”. Nevertheless, the negative definition given by the ECJ which requires “*not related to a contract within the meaning of Article 5(1)*” can lead to further analysis of the definition of “matters relating to contracts” in that Article 5(1). That may provide an opposing picture as to the concept of “matters relating to tort, delict and quasi-delict” and may, in turn, shine some light on the concept of “non-contractual obligations” required by Rome II.

The ECJ observed that, based on the system and objectives of the Convention, the definition of “matters relating to a contract” in Article 5(1) should be given an independent concept.⁶⁴⁴ The Court

⁶³⁵ Andrew Dickinson 2008 (*supra* n 599) para 3.110; Andrew Scott (*supra* n 621) 61-2; Richard Plender and Michael Wilderspin (*supra* n 599) 55.

⁶³⁶ Ivo Bach in Peter Huber (ed) (*supra* n 595) 36-7; Alexander Bělohávek, *Rome Convention: Rome I Regulation: Commentary: New EU Conflict-of-Laws Rules for Contractual Obligations: December 17 2010* (Juris, New York 2010) 111-12.

⁶³⁷ ECJ Case 189/87 *Kalfelis v Bankhaus Schröder Münchmeyer, Hengst & Co* [1988] ECR 5565. (*Kalfelis*), paras 15, 16.

⁶³⁸ *Kalfelis*, para 17; ECJ Case C-261/90 *Mario Reichert, Hans-Heinz Reichert and Ingeborg Kockler v Dresdner Bank AG* [1992] ECR I-2149, para 16; ECJ Case C-51/97 *Réunion européenne SA and Others v Spliethoff's Bevrachtungskantoor BV and the Master of the vessel Alblasgracht V002* [1998] ECR I-6511, para 22; ECJ Case C-167/00 *Verein für Konsumenteninformation v. Karl-Heinz Henkel* [2002] ECR I-8111, para 36 (*Henkel*); ECJ Case C-27/02 *Petra Engler v Janus Versand GmbH* [2005] ECR I-1481, para 29 (*Engler v Janus Versand*).

⁶³⁹ Andrew Dickinson 2008 (*supra* n 599) para 3.105.

⁶⁴⁰ Andrew Dickinson 2008 (*supra* n 599) para 3.234; Magnus/Mankowski/Mankowski, *Brussels I Regulation* (European Law Publisher, München 2007) Art. 5 note 194.

⁶⁴¹ Recital 11 of the Rome II Regulation.

⁶⁴² Art. 3(3) of the Rome II Regulation.

⁶⁴³ Recital 11 of the Rome II Regulation.

⁶⁴⁴ ECJ Case 34/82 *Martin Peters Bauunternehmung GmbH v Zuid Nederlandse Aannemers Vereniging* [1983] ECR 987, para 10; ECJ Case C 9/87 *Arcado SPRL v Haviland SA* [1988] ECR I-1539, para 11; ECJ Case C-26/91 *Jakob Handte & Co. GmbH v Traitements Mécano-chimiques des Surfaces SA* [1992] ECR I-3967, para

further observed that the concept is not to be understood as covering a situation in which there is no obligation freely assumed by one party towards another.⁶⁴⁵ In order for Article 5(1) to apply, the existence of a contract is not an essential element.⁶⁴⁶ Instead establishing a legal obligation which is freely assumed by one party towards another and which is also the basis for the claimant's action is a key condition in interpreting "matters relating to a contract" set forth in Article 5(1) of the Brussels Regime.⁶⁴⁷

Furthermore, Advocate General Jacobs's opinion on *Engler v Janus Versand* has identified certain generally recurring features regarding the concept of "matters relating to tort, delict or quasi-delict", and that is important for clarification of "non-contractual obligations". He wrote

"first, one usual element in a tortious, delictual or quasi-delictual act is that it is in breach of a legal rule... Second, a claim in tort, delict or quasi-delict generally, perhaps always, requires at least an allegation of harm or damage suffered - reflected in the expression 'harmful event' in Article 5(3) of the Convention... Third, it is commonly the case that any amount awarded by a court to a claimant in tort, delict or quasi-delict takes account, primarily, of the nature and degree of harm suffered and perhaps, secondarily, of the seriousness of the (unlawful) act giving rise to the claim. There is generally a central element of compensation, though the final award may in some cases be increased to a dissuasive, or reduced to a symbolic, level".⁶⁴⁸

The above ECJ observations may be applied to distinguish "contractual" in Rome I from "non-contractual" in Rome II. Accordingly, one may consider an obligation as contractual when the contract fulfils two conditions: first, following the ECJ's factual analysis, an intentional and voluntary act by one party to another should be required, maybe some reciprocal voluntary acts; second, the contract concerned must be the basis for the claimant to initiate his action. Therefore, it can be further concluded that if an obligation-based claim does not fulfil the above two conditions, the claim will not be considered as contractual and it will consequently fall within the scope of Rome II as a "non-contractual obligation".⁶⁴⁹

3.3.3.1.2 Rome Convention and Rome I Regulation

The Rome Convention 1980 and its successor Rome I (except the Convention, not the Regulation, still applies in the UK and Denmark) deal with choice-of-law rules for contractual obligations.⁶⁵⁰ As to the concept of contractual obligations, there is however no clear guidance that can be found in either instrument. As stated in Recital 7 of that Regulation, its substantive scope and provisions should be consistent with those of the Brussels I Regulation on jurisdiction and judgments. The conditions for constituting a contractual obligation were defined by the ECJ in the course of interpreting "matters relating to a contract" under Article 5(1) of the Brussels Regime, in particular in *Engler v Janus Versand*, *supra*, which may provide some support in defining the concept of "contractual obligation" for purposes of the Rome I Regulation. The two phrases, "matters relating to a contract" and "contractual obligation", should, however, not be interpreted identically because they serve different purposes. The former serves only the purpose of establishing special jurisdiction, whereas the latter is the basic term of the Rome I Regulation.⁶⁵¹ Additionally, the practical consequence of a matter falling

10 (Jakob Handte); ECJ Case C-334/00 *Fonderie Officine Meccaniche Tacconi SpA v Heinrich Wagner Sinto Maschinenfabrik GmbH(HWS)* [2002] ECR I-7357, para 19 (Tacconi).

⁶⁴⁵ *Jakob Handte*, para 15; *Tacconi*, para 23.

⁶⁴⁶ *Tacconi*, para 22.

⁶⁴⁷ *Engler v Janus Versand*, para 51.

⁶⁴⁸ *Engler v Janus Versand*, Advocate General Opinion, paras 59, 61 and 64.

⁶⁴⁹ Andrew Dickinson 2008 (*supra* n 599) para 3.121.

⁶⁵⁰ For the relation of the Rome Convention and the Rome I Regulation, see Cathalijne Van der Plas, 'Verbintenissen uit overeenkomst: van EVO- Verdrag naar Rome I- Verordening' (2008) NTER 318, *et seq*; Luc Strikwerda, *De Overeenkomst in het IPR* (3 edn, Maklu Apeldoorn/Antwerpen 2010) 95-9; Alexander Bělohávek (*supra* n 636) 8-16, 32-3; Richard Plender and Michael Wilderspin (*supra* n 599) 13-6, 22-6.

⁶⁵¹ Alexander Bělohávek (*supra* n 636) 111-12.

either within the scope of Rome I or Rome II differs from those of falling within Articles 5(1) or 5(3) of the Brussels Regime.⁶⁵² However, as maintained by certain scholars, it is not possible to render the Rome and Brussels systems foreign to each other.⁶⁵³

Since, just as with the Brussels Regime and the Rome II Regulation, the Rome I and Rome II Regulations are also intended to complement one another,⁶⁵⁴ contractual obligation claim in relation to copyright and related rights should be within the scope of either Rome I or Rome II. The criteria for characterizing a copyright obligation claim as contractual or non-contractual could be influenced by the ruling handed down in *Engler v Janus Versand*, *supra*, i.e. an intentional and voluntary act by one party to another, e.g. a licensor to a licensee, and probably some reciprocal voluntary act, must be established, and the contract between the licensor and the licensee must be the basis for one of the parties' action. Once a contractual obligation is established, the choice-of-law issue will be governed by the Rome I Regulation. If not, the Rome II Regulation will be applied to determine the law that is applicable.

It is mentionable that the test in *Engler v Janus Versand* provides a rather straight-forward solution to copyright related obligation claims, in particular in some cases where characterizing contractual and non-contractual obligations would be difficult, for example, in a dispute involving a licensee who sold products to a state other than the one agreed on in the licensing contract, or a dispute involving a licensee who continues to sell the licensor's products when the licensing contract has expired and when the contract does not contain a provision specifying whether the licensee would still be entitled to sell the product after termination of the contract. When applying the first prong of the *Engler v Janus Versand* test to the above examples, it can be seen that the act of the licensee selling the products in the state where the parties did not agreed on it or the act of the licensee selling the products after the termination of the contract can be considered as unilateral acts of the licensees because the consents of the licensor for selling the products in other states or selling the products after the termination of the contract were not given. When applying the second prong of the *Engler v Janus Versand* test to the above examples, it is clear that the existing contracts could not be the bases for the licensors to bring their claims, even though one may argue that the disputes have a relation to the contracts, or the disputes are subject to the interpretation of the contracts, or a choice-of-law clause of the contract provides that the chosen law governs all the claims arising out of the contract. It is of note that the mere existence of a contract is not crucial; instead, the *Engler v Janus Versand* test requires establishing that the contract is the basis for the licensors to bring their claims.

Additionally, this point has been implicitly confirmed in Rome II in the context of IP rights infringement claims because the legislators of the Rome II Regulation were unwilling to introduce an escape clause for IP infringement claims, i.e. a clause under which a non-contractual obligation that has a close connection with a contractual or other pre-existing relationship may be governed by the law applicable to that relationship. While such a clause has been accepted as to several other kinds of matters provided for in Rome II,⁶⁵⁵ it is not available for IP rights claims. This unwillingness may be interpreted as that the legislators intended to apply a stricter rule to IP rights infringement claims, i.e. even though an IP right infringement claim might have a close connection with a contractual or pre-existing relationship, this claim may still fall within the scope of Rome II and may still be governed by the law that is designated according to the choice-of-law rules written in Article 8 of Rome II. It can be further concluded that, with regard to obligation claims arising from IP rights, if claims are directly based on the contract, they will be considered as contractual obligations, and for claims that, such as the examples given above, are only related to a contract, they should not be considered as contractual obligations, but as non-contractual obligations.

⁶⁵² Andrew Scott (*supra* n 621) 63.

⁶⁵³ *Ibid*; Magnus/Mankowski/Mankowski (*supra* n 640) Art. 5 note 32.

⁶⁵⁴ Andrew Dickinson 2008 (*supra* n 599) para 3.128.

⁶⁵⁵ Art. 4(3) general rule, Art. 5(2) product liability, Art. 10(1) unjust enrichment and Art. 11(1) *negotiorum gestio* of the Rome II Regulation.

The Rome I and II Regulations, together, cover the whole field of obligation claims in relation to IP rights. It is of note that, in the absence of any statement that Rome I is subordinate to Rome II, or *vice versa*, these two Regulations should be considered to stand on equal footing, so as to completely complement each other. There is no doubt that infringement of IP rights has to be characterized as tortious and falls within the scope of Rome II. It is, however, inevitable that certain obligations at the boundaries between these two could become difficult to characterize. So, when doubts arise from the characterization of contractual or non-contractual obligations relating to IP rights for which the *Engler v Janus Versand* test cannot provide an answer, it is suggested that characterizing the claim as a non-contractual obligation should be preferred. This is because, in this writer's view, the Rome II Regulation contains stricter choice-of-law rules for IP rights for the purpose of protecting public interests, e.g. it excludes an escape clause and the possibility of party autonomy,⁶⁵⁶ whereas Rome I protects mainly private interests. If a preference for characterizing an IP rights obligation as contractual, which accordingly enables application of the escape clause or party autonomy, it will seem to conflict with the territorial character of IP rights where the protection of public or policy interests are at stake. Thus, when the two interests seem to conflict, a higher ranking should be given to the public interests over private interests. Having this in mind, when there is difficulty in characterizing copyright obligation claims as contractual or non-contractual for the purpose of finding the law applicable within the EC, a preference for characterizing the claim as one for a non-contractual obligation may be supported because this preference, leading to application of Rome II, will enhance the protection of public interests.

3.3.4 Temporal scope

Although the temporal scope of the Rome II Regulation is laid down in Articles 31 and 32, those articles did not make a clear statement about its entry into force.⁶⁵⁷ According to the general rules on the entry into force of Community instruments, a regulation shall enter into force on the twentieth day from the day of its publication in the Official Journal.⁶⁵⁸ Since the Regulation was published on 21 July 2007, the date of its entry into force would normally have been 20 August 2007.⁶⁵⁹ So the Regulation was not clear about the date of its application. That gave rise to discussions among scholars.⁶⁶⁰ A November 2011 CJEU decision clarified this by reading Articles 31 and 32 together with Article 297 of the TFEU, with the effect that the date of application of the Rome II Regulation was fixed at 11 January 2009, with the consequence that it applies only to events giving rise to damage occurring from that date.⁶⁶¹ Such an interpretation ensures, according to the CJEU, “*the predictability of the outcome of litigation, legal certainty as to the law applicable and the uniform application of that regulation in all the Member States*”.⁶⁶²

⁶⁵⁶ Art. 8(3) of the Rome II Regulation.

⁶⁵⁷ Art. 31 states: “This Regulation shall apply to events giving rise to damage which occur after its entry into force.” Art. 32 states: “This Regulation shall apply from 11 January 2009, except for Article 29, which shall apply from 11 July 2008.”

⁶⁵⁸ Art. 297(1) of TFEU (ex 254(1) of the EC Treaty).

⁶⁵⁹ CJEU Case C-412/10 *Deo Antoine Homawoo v GMF Assurances SA* 17 November 2011, para 30. (*Homawoo v GMF*)

⁶⁶⁰ Andrew Dickinson 2008 (*supra* n 599) para 3.322; Fawcett and Torremans 2011 (*supra* n 13) para 15.13; J.A. Pontier, ‘Rome II: Geen Revolutionaire Omwentelingen, Wel Tal van Vraagpunten Bij de Inwerkingtreding ervan’, in: *Europese conflictregels voor de overeenkomst en de onrechtmatige daad: Rome I en II* (Mededelingen NVIR nr. 136) (T.M.C. Asser Press, Den Haag 2008) 70-1; Bart Volders, ‘Europees Conflictrecht voor Niet-Contractuele Verbintenissen’ in J. Erauw and P. Taelman (eds), *Nieuw Internationaal privaatrecht: meer Europees, meer globaal* (Kluwer, Mechelen 2009), 203-04; Richard Plender and Michael Wilderspin (*supra* n 599) 29, 468-72; Halfmeier/Sonder in Graf-Peter Calliess (ed) (*supra* n 599) 651-54.

⁶⁶¹ *Homawoo v GMF*, para 37.

⁶⁶² *Id.*, para 34.

3.3.5 Universal application

Article 3 of the Rome II Regulation provides that “[A]ny law specified by this Regulation shall be applied whether or not it is the law of a Member State.” This universal application of the Regulation means that the uniform choice-of-law rules can designate the law of a Member State or of any non-Member State. The principle of universal application was not new. It had been used in the Rome Convention, the Conventions concluded by the Hague Conference,⁶⁶³ and domestic laws of some Member States.⁶⁶⁴

The purpose of adding this principle to Rome II has to do with “*the proper functioning of the internal market as avoiding distortions of competition between Community litigants*”,⁶⁶⁵ and it “*may avert the risk of distortions of competition between litigants*”.⁶⁶⁶ However, a question has been raised as to the legality of the Regulation in relation to adoption of the universality principle.⁶⁶⁷ The legal basis of Rome II - Article 81 of the TFEU (ex-Article 65 of the EC Treaty)⁶⁶⁸ - requires that the measures adopted be for the proper functioning of the internal market. As argued by some scholars, the effect of the provision for designation of the law of a non-EU state may have little or no connection with the internal market.⁶⁶⁹ That would then challenge the legality of at least part of Rome II.

This argument cannot be supported. Since the Commission made it clear in its 2003 Proposal that equal treatment for Community litigants should be preserved in disputes regardless whether they are purely “intra-Community” or “extra-Community”. Furthermore, “*the separation between ‘intra-Community’ and ‘extra-Community’ disputes is by now artificial*”.⁶⁷⁰ From a practical point of view, having two sets of choice-of-law rules in Member States’ national laws, under which Rome II would be applicable only to “intra-Community” disputes and another set of rules would be for “extra-Community” disputes that are within the material scope of the Rome II Regulation, would increase the complexity of the application of the rules,⁶⁷¹ cause further fragmentation of conflict of law rules⁶⁷² and be overly time-consuming.⁶⁷³ As concluded by the Commission, the universal application of Rome II will meet “*the concern for certainty in the law and the Union’s commitment in favour of transparent legislation*”.⁶⁷⁴ Thus, in the author’s view, the legality argument for disfavouring the “universal application” should not be supported, and the universal application of the rules set out in the Regulation should be welcomed because doing so in the Regulation will serve the interests of clarity

⁶⁶³ Convention of 14 March 1978 on the law applicable to matrimonial property regimes, Art. 2; Convention of 14 March 1978 on the law applicable to agency, Art. 4; Convention of 22 December 1986 on the law applicable to contracts for the international sale of goods, Art. 6; Convention of 1 August 1989 on the law applicable to succession to the estates of deceased persons, Art. 2.

⁶⁶⁴ The Commission 2003 Proposal, Explanatory Memorandum, 9; for legislative history, see Halfmeier/Sonder in Graf-Peter Calliess (ed) (*supra* n 599) 396-97.

⁶⁶⁵ The Commission 2003 Proposal, Explanatory Memorandum, 9.

⁶⁶⁶ Recital 13 of the Rome II Regulation.

⁶⁶⁷ Tolek Petch, ‘The Rome II Regulation: An Update’ (2006) 21 JIBLR 449, 452.

⁶⁶⁸ “*Measures in the field of judicial cooperation in civil matters having cross-border implications, ... and insofar as necessary for the proper functioning of the internal market, shall include: ... (b) promoting the compatibility of the rules applicable in the Member States concerning the conflict of laws and of jurisdiction*”.

⁶⁶⁹ Andrew Dickinson 2008 (*supra* n 599) para 2.110.

⁶⁷⁰ The Commission 2003 Proposal, Explanatory Memorandum, 10.

⁶⁷¹ *Ibid*; similarly P. Stone, ‘The Rome II Proposal on the Law Applicable to Non-Contractual Obligations’ (2004) EuLF 213, 214 who argues that the approach adopted in the Regulation “*avoids the entirely perverse complexity which would arise from any attempt to distinguish between intra-Community and extra-Community Disputes*”.

⁶⁷² Xandra E. Kramer, ‘The Rome II Regulation on the Law Applicable to Non-Contractual Obligations: The European Private International Law Tradition Continued’ (2008) 4 NIPR 414, 415.

⁶⁷³ Janeen M Carruthers and Elizabeth B Crawford, ‘Variations on a Theme of Rome II. Reflections on Proposed Choice of Law Rules for Non-Contractual Obligations: Part I’ (2005) 9 ELR 65, 69-70.

⁶⁷⁴ The Commission 2003 Proposal, Explanatory Memorandum, 10; for discussion, see Richard Plender and Michael Wilderspin (*supra* n 599) 465-68; Halfmeier/Sonder in Graf-Peter Calliess (ed) (*supra* n 599) 397-99.

and legal certainty: the parties can predict the law applicable to their disputes without having to consider whether their dispute has a sufficient connection with the internal market.

The result of the universal application is that the law of a non-EU, non-EEA state could be applicable, e.g. PRC law. Thus, as of 11 January 2009, PRC legal practice will be confronted with over 26 EU and EEA states that have this fundamentally uniform choice-of-law system. If a Member State court (except in Denmark) can establish jurisdiction, whether on the basis of the Brussels I Regulation or its own national PIL rules, for a cross-border tort case that is within the scope of Rome II, that court will apply Rome II, which may designate application of PRC law to the disputes. It is very difficult to judge whether the outcome of applying PRC law to e.g. copyright infringement disputes, would be welcomed, but the fact that applying PRC law in such a circumstance would also be the result in another 25 or more Member States' courts will certainly guarantee certainty and foreseeability of the law applicable. Meanwhile, the universal application of the Rome II Regulation does not prevent courts in non-Member States from reaching different results regarding to the law applicable to the situations that have contacts with the EU.⁶⁷⁵ Therefore, in order to enhance legal certainty and foreseeability of the applicable law as well as the proper functioning of the internal market, it was required to adopt the universal principle part of the Rome II Regulation.

3.3.6 Choice-of-law Rules for Torts/delicts

Within the system of the Rome II Regulation, Article 4 deals with the general choice-of-law rules for torts/delicts. It contains a basic rule of the *lex loci damni* in paragraph 1, a common habitual residence rule in paragraph 2, which can set aside paragraph 1, and an escape clause in paragraph 3, which may replace the above two connecting factors.

3.3.6.1 General rule

Article 4(1) provides that in the situation where a non-contractual obligation arises out of a general tort, it is the place of direct damage that plays a primary role, and the law of that place will be the law applicable to the claim (the *lex loci damni*). According to Recital 16 of the Regulation, unified choice-of-law rules should enhance foreseeability of court decisions and ensure a reasonable balance between the interests of the person claimed to be liable and the person who has sustained damage. A connection with the country where the direct damage occurred strikes a fair balance between these interests, and reflects the modern approach to civil liability.

Under its Article 4(1), the rule of the *lex loci damni* applies irrespective of any subsequent consequences that might occur in a country or countries other than where the initial damage occurred. This is in accord with the ECJ judgment as to Article 5(3) of the Brussels Regime in *Marinari v Lloyd's Bank* case, under which the concept of the place where the harmful event occurred would not include the place where the victim suffered financial damage following upon the initial damage arising and suffered by him in another state.⁶⁷⁶

Applying the *lex loci damni* as a general rule also has drawbacks. The Commission claimed that the *lex loci damni* strikes a balance between the interests of the tortfeasor and the victim.⁶⁷⁷ However, this rule does not take much of the interests of the former into account, since a non-intentional tortfeasor will not be able to foresee the places of damage in some situations. Under such circumstances, an escape clause of Article 4(3) may provide some way out for such a tortfeasor. Furthermore, the

⁶⁷⁵ Luís de Lima Pinheiro, 'Choice of Law on Non-contractual Obligations Between Communitarization and Globalization- A First Assessment of EC Regulation Rome II' (2008) 44 *Rivista di diritto internazionale private e processuale* 5, 41-2.

⁶⁷⁶ *Marinari v Lloyd's Bank*, para 14.

⁶⁷⁷ The Commission 2003 Proposal, Explanatory Memorandum, 11.

Regulation does not address cross-border torts e.g. multi-state torts.⁶⁷⁸ As a result, those situations will be subject to the general rule of the *lex loci damni*, but application of the *lex loci damni* will not be practical, since in situations where the damages occur in different states, the laws of the states concerned will have to be applied on a distributive basis, like the so-called *Mosaikbetrachtung* in German law, the mosaic rule.⁶⁷⁹ The effect of this would be that Rome II will have to designate the application of multiple laws.

It is true that there is no single solution that will be wholly satisfactory for all torts.⁶⁸⁰ The solution adopted by the Commission has been deemed to be a compromise between the two extreme solutions of applying the law of the place where the event giving rise to the damage occurs and giving the victim the option.⁶⁸¹ Opting for a rule of *lex loci damni* is justifiable on the grounds that it promotes legal certainty and gives priority to protection of the victim without, however, completely neglecting the interests of the tortfeasor. In addition, this principle is in line with the evolution of comparative law in Europe, not only in the field of choice-of-law, but also in substantive law where under modern civil liability trends the objective of compensation supersedes the aim of deterrence, and this principle will certainly serve that objective.⁶⁸²

3.3.6.2 Exceptions to the general rule

The Commission pointed out in its 2003 Proposal that the application of the *lex loci damni* “*might well be inappropriate where the situation has only a tenuous connection with the country where the damage occurs*”⁶⁸³ and as a result it would be necessary to provide exceptions to be applied in specified circumstances.⁶⁸³ Similarly, it had been common for most modern European PIL rules to have exceptions to the general rule of the *lex loci delicti* for certain circumstances.⁶⁸⁴ In that context, two exceptions were adopted in Rome II in its Articles 4(2) and (3).

3.3.6.2.1 Common habitual residence exception

The common habitual residence rule in Article 4(2) represents the first of the two factors enabling flexibility. It takes into account a situation in which personal contacts with a state may not be with the state where the injury occurs.⁶⁸⁵ Accordingly, the place of habitual residence of “both” parties becomes the rule, since designation of that location is a way party expectations can be protected.⁶⁸⁶ In that event, the place of both parties’ habitual residence supersedes, as the connecting factor, the place of the damage.⁶⁸⁷

⁶⁷⁸ Alex Mills, ‘The Application of Multiple Laws Under the Rome II Regulation’ in John Ahern and William Binchy (eds) (*supra* n 599) 134-36; Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 407.

⁶⁷⁹ The Commission 2003 Proposal, Explanatory Memorandum, 11.

⁶⁸⁰ I.G.F. Karsten, ‘Tort: General Principles’ in Kurt Lipstein (ed), *Harmonization of private international law by the E.E.C.* (Institute of Advanced Legal Studies, University of London, London 1978) 56-7.

⁶⁸¹ The Commission 2003 Proposal, Explanatory Memorandum, 12.

⁶⁸² Marc Fallon, ‘Law Applicable to Specific Torts’ in Jürgen Basedow, Harald Baum, and Yuko Nishitani (eds), *Japanese and European Private International Law in Comparative Perspective* Max-Planck-Institut für ausländisches und internationales Privatrecht 48 (Mohr Siebeck, Tübingen 2008) 278; Gerhard Hohloch, ‘Basic Principles of Rome II’ (2007) IX Yearbook of Private International Law 1, 8; M.H. ten Wolde, K.C. Henckel and J.N. de Haan (*supra* n 8) 60.

⁶⁸³ The Commission 2003 Proposal, Explanatory Memorandum, 12.

⁶⁸⁴ Thomas Kadner Graziano, ‘General Principles of Private International Law of Tort’ in Jürgen Basedow, Harald Baum, and Yuko Nishitani (eds) (*supra* n 682) 248.

⁶⁸⁵ Luís de Lima Pinheiro (*supra* n 675) 18.

⁶⁸⁶ Peter Hay, ‘Contemporary Approaches to Non-Contractual Obligations in Private International Law (Conflict of Laws) and the European Community’s “Rome II” Regulation’ (2008) 11 CYPIL&CL 33, 53.

⁶⁸⁷ Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 407, 416.

The concept of habitual residence of both parties should receive an autonomous interpretation.⁶⁸⁸ In that regard, Article 23 of the Regulation contains only a partial definition in that it only concerns business. As to habitual residence of companies and other bodies, whether or not having corporate form, the place of habitual residence will be the place of central administration or, alternatively, where the damage occurs in the operation of a branch, agency or establishment, the place of its location.⁶⁸⁹ As to damage by the tort of a natural person in the course of a business activity, it shall be that person's principal place of business.⁶⁹⁰

As to habitual residences of other natural persons, the Regulation does not specify any designation. Since the latter concept is also used in the Rome Convention 1980, the Rome I Regulation and the Brussels II *bis* Regulation, it is assumed that the ECJ ruling in analogous situations may be referred to. In an ECJ ruling relating to the interpretation of the definition of a child's habitual residence for the purpose of establishing jurisdiction in the context of the Brussels II *bis* Regulation, the ECJ ruled that the concept of "habitual residence" under Article 8(1)⁶⁹¹ of the Brussels II *bis* Regulation must be established on the basis of all the circumstances specific to each individual case⁶⁹² and should be interpreted as meaning that "*it corresponds to the place which reflects some degree of integration by the child in a social and family environment*".⁶⁹³ The ECJ further listed some factors that should be taken into consideration when establishing the habitual residence of a child, such as the duration, regularity, conditions and reasons for the stay on the territory of a Member State and the family's move to that state, the child's nationality, the place and conditions of attendance at school, linguistic knowledge and the family and social relationships of the child in that state.⁶⁹⁴ By citing this ruling in reference to the Rome II Regulation, it is suggested that determining the habitual residence of a natural person should be based on the factual criteria listed by the ECJ, with the result that the place of a natural person's habitual residence should reflect some degree of integration of that person in a social and family environment.

3.3.6.2.2 Escape clause exception

Article 4(3) contains an "escape clause" which "*aims to bring a degree of flexibility, enabling the court to adapt the rigid rule to an individual case so as to apply the law that reflects the centre of gravity of the situation*".⁶⁹⁵ This clause should be applied as an exception and only in the situation where a manifestly closer connection with another country has been established.⁶⁹⁶ Article 4(3) embodies a test of close connection. It has been argued that the concept of "close connection" should be defined on the factual base of the case and to require consideration of the significance of the territorial connecting factors.⁶⁹⁷ To discern the meaning of "close connection", Article 4(3) includes, as an example of a connecting factor, "*a pre-existing relationship between parties*", which is an

⁶⁸⁸ For details, see Richard Plender and Michael Wilderspin (*supra* n 599) 78-89; Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 415-16; Baetge in Graf-Peter Calliess (ed) (*supra* n 599) 606-12.

⁶⁸⁹ Art. 23(1) of the Rome II Regulation.

⁶⁹⁰ Art. 23(2) of the Rome II Regulation.

⁶⁹¹ Art. 8(1) of the Brussels II *bis* Regulation states "*The courts of a Member State shall have jurisdiction in matters of parental responsibility over a child who is habitually resident in that Member State at the time the court is seized.*"

⁶⁹² ECJ Case C-523/07 A [2009], para 37.

⁶⁹³ A, para 44.

⁶⁹⁴ A, para 39.

⁶⁹⁵ The Commission 2003 Proposal, Explanatory Memorandum, 12.

⁶⁹⁶ *Ibid.* For details, see Richard Fentiman, 'The Significant of Close Connection' in John Ahern and William Binchy (eds) (*supra* n 599) 85-112, who contends that Article 4(3) is less significant in the Rome II than it seems; Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 418-30.

⁶⁹⁷ Richard Fentiman 2009 (*supra* n 696) 91-8.

“accessory attachment” approach in tort claims that is commonly applied in Member States.⁶⁹⁸ The Commission stated that, although applying the same law to the pre-existing relationship and tort claim would respect the parties’ legitimate expectation and meet the need of having sound administration of justice, the law applicable to the pre-existing relationship should not be applied automatically to tort claims, and it is the courts that are vested with discretion to decide “*whether there is a significant connection between the non-contractual obligations and the law applicable to the pre-existing relationship.*”⁶⁹⁹

In the Regulation, pre-existing contractual relationship is stated only as an example. Once a court decides that a contract is manifestly more closely connected with the tort in question, the law applicable to that contract will apply to that tort claim, and the Rome I Regulation will come to play a role because Article 4(3) of Rome II will lead to the result that the choice-of-law rules of Rome I govern both the contractual and non-contractual obligations.

In addition to pre-existing contractual relationship, the Commission mentioned in its 2003 Proposal that it allows “*the court to take account of a contractual relationship that is still only contemplated, as in the case of the breakdown of negotiations or of annulment of a contract, or of a family relationship.*”⁷⁰⁰ Unlike the situation of an existing contract where the law applicable is to be governed by Rome I, the law applicable to the pre-existing relationship other than contracts, such as property should be decided according to national PIL rules, and that may cause inconsistency in the application of Article 4(3) of Rome II.⁷⁰¹

The second sentence of Article 4(3) uses the wording “*in particular*”, which indicates, to repeat, that a “pre-existing relationship” is only an example of the circumstances that amount to a “manifestly closer connection”. As to how Article 4(3) should operate in the situation where there is no pre-existing relationship between parties, the Regulation does not provide a specific answer. For the sake of clarity, consistency and an appropriate measure of flexibility, the EP suggested listing a set of factors that may be taken into account as manifestly connecting a non-contractual obligation with another country.⁷⁰² The Commission did not accept it, the reason being that an escape clause should be applied only “*by way of exception*” and the EP’s approach would “*substantially alter the spirit of the instrument*”.⁷⁰³ Thus, it is suggested that courts should apply an objective test to ascertain “manifestly close” connecting factors and apply Article 4(3) only in exceptional circumstances.

3.3.6.2.3 Party autonomy

The principle of party autonomy has long been accepted for choice-of-law rules as to contracts.⁷⁰⁴ As for non-contractual obligations, it is generally recognized that the parties’ choice should be respected, subject to various restrictions.⁷⁰⁵ Article 14 of Rome II provides the possibility for parties to choose the law applicable to non-contractual obligations that fall within the scope of the Regulation, with the exception of unfair competition and infringement of intellectual property rights. It demonstrates that “freedom of choice” is a sort of main theme in Rome II. However, it imposes certain limitations on the application of party autonomy. First, the choice of law agreement must be an express agreement, or be

⁶⁹⁸ Art. 41(2) of the German EGBGB; Art. 133(2)(3) of the Swiss PIL; Art. 5 of the Dutch Act on PIL in the field of tort liability. Art. 100 of Belgian PIL. Austrian Supreme Court (OGH) also upheld this solution, 29 October 1987, IPRax (1988) 363, 364; OGH 30 March 2001, ZfRV (2002) 149, 152.

⁶⁹⁹ The Commission 2003 Proposal, Explanatory Memorandum, 12.

⁷⁰⁰ *Id.*, 13.

⁷⁰¹ Andrew Dickinson 2008 (*supra* n 599) para 4.91.

⁷⁰² The Parliament First Reading, Art. 4(3) and amendment 26 justification.

⁷⁰³ The Commission 2006 Proposal, Explanatory Memorandum, 4.

⁷⁰⁴ Peter Nygh, *Autonomy in International Contract* (OUP, Oxford 1999) Chapter 1.

⁷⁰⁵ Thomas Kadner Graziano (*supra* n 684) 249; Adam Rushworth and Andrew Scott (*supra* n 621) 291-93; for detailed discussion see Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 535-52; Richard Plender and Michael Wilderspin (*supra* n 599) 763-81.

demonstrated by the circumstances of the case with reasonable certainty.⁷⁰⁶ Second, the timing of such an agreement will be crucial. Such an agreement can be concluded either *ex ante* or *ex post*. An *ex ante* agreement will only be valid where two conditions are fulfilled: 1) all parties are pursuing a commercial activity and 2) the agreement was freely negotiated.⁷⁰⁷ These conditions aim at protecting weaker parties.⁷⁰⁸ Third, the choice must not prejudice the rights of third parties. Fourth, in a domestic case, a choice of foreign law cannot displace mandatory provisions of the law that would have been applied without that choice.⁷⁰⁹ Similarly, as provided in Article 14(3), in the intra-Community case, a choice of a non-Member State's law cannot displace mandatory provisions of Community law. In addition, Article 16 also gives the priority over the parties' choice of law to the forum's overriding mandatory provisions.

The adoption of party autonomy in Rome II should be welcomed because it can improve legal certainty and foreseeability of the law applicable to non-contractual obligations, in particular in multi-state infringement claims. In addition, by respecting the parties' choice this principle implicitly acknowledges that parties are entitled to dispose of their civil rights. Introducing the principle of party autonomy in Rome II also demonstrates that autonomy within limits is among the central general principles of contemporary European PIL rules in tort.⁷¹⁰ It continues the trend of expanding this freedom in the field of choice-of-law.⁷¹¹ It can be concluded that Article 14 of Rome II improves the existing situation in the legal systems of many Member States, even though the exclusion of party autonomy from copyright and related rights infringement claims, a matter of concern in the current work, is being questioned.⁷¹²

3.3.6.2.4 Public policy

Article 26 of Rome II provides for the overriding effect of the forum's public policy by stating, "*the application of a provision of the law of any country specified by this Regulation may be refused only if such application is manifestly incompatible with the public policy (ordre public) of the forum*".

This wording is very similar to Article 16 of the Rome Convention 1980, which the Giuliano & Lagarde Report described as "*a precise and restrictively worded reservation*".⁷¹³

Recital 32 of Rome II emphasizes that Article 26 should be construed narrowly. In part, it recites, "*[c]onsideration of public interest justify giving the courts of the Member States the possibility, in exceptional circumstances, of applying exceptions based on public policy and overriding mandatory provisions.*"

However, the public policy exception will only be invoked in unusual situations. Since this exception is to guard against results of applying foreign law that will be repugnant to the forum in a particular case and not to nullify the content of foreign law designated by the Regulation,⁷¹⁴ the fact that a foreign policy in regulating non-contractual liability differs from the one of the forum could not, by itself, justify the displacement of the foreign law in favour of the forum's rule.⁷¹⁵ To define public policy in the context of Rome II, reference may be made to the same concept interpreted by the ECJ in relation to recognition and enforcement of judgments under Article 34(1) of the Brussels I Regulation and Article 27(1) of the Brussels Convention, even though the aim of Rome II is different, i.e. to

⁷⁰⁶ Art. 14(1) of the Rome II Regulation.

⁷⁰⁷ *Ibid.*

⁷⁰⁸ Recital 31 of the Rome II Regulation.

⁷⁰⁹ Art. 14(2) of the Rome II Regulation.

⁷¹⁰ Thomas Kadner Graziano (*supra* n 684) 251.

⁷¹¹ Luís de Lima Pinheiro (*supra* n 675) 13.

⁷¹² For details, see *infra* section 3.3.7.3.2 The effectiveness of the Rome II rules in copyright and related rights infringement.

⁷¹³ The Giuliano & Lagarde Report (*supra* n 626) 38.

⁷¹⁴ Von Hein in Galf-Peter Calliess (ed) (*supra* n 599) 625.

⁷¹⁵ Andrew Dickinson 2008 (*supra* n 599) para 15.04.

determine applicable law for non-contractual obligations in contrast to declining to enforce a judgment when the result of enforcing it would violate public policy. The ECJ pointed out that the concept of public policy and its limits are matters within its jurisdiction in interpretation of the Brussels Convention.⁷¹⁶ However, the content of the public policy of a Member State is not for the ECJ to define, rather

“it is none the less required to review the limits within which the courts of a Contracting State may have recourse to that concept for the purpose of refusing recognition to a judgment emanating from a court in another Contracting State”.⁷¹⁷

According to the ECJ, recourse to a public order clause can only be envisaged where recognition or enforcement of the judgment delivered in another contracting state would be at variance to an unacceptable degree with the legal order of the state in which enforcement is sought inasmuch as it infringes a fundamental principle, and

“the infringement would have to constitute a manifest breach of a rule of law regarded as essential in the legal order of the State in which enforcement is sought or of a right recognized as being fundamental within that legal order”.⁷¹⁸

It has nevertheless been argued that public policy used as a corrective measure to applying a foreign law would be stronger than public policy as a bar to recognition of a foreign judgment.⁷¹⁹ In any event, it may be deduced that the concept of public policy is not subject to definition by the Regulation, but the limits of the concept are subject to judicial review. The public policy exception may be raised by a court of a Member State seized of a case only when the application of a provision of the law of a country designated by the Regulation would infringe a principle that is fundamental to the legal order of the Member State forum.

If a court invokes the public policy exception and thereby refuses to apply a foreign law that violates the forum’s public policy, what should the court then do? The Regulation does not provide any answer. The Commission assumed in its 2003 Proposal Explanation Memorandum that the odious foreign law would be allowed to be replaced by the *lex fori*.⁷²⁰ Although such an application would serve practical convenience and certainty, its legal position is still doubtful since such an application would hardly be in line with the principle of applying the law having the closest connection with the dispute.⁷²¹ Thus, others advocate that the court should dismiss the case under such circumstance, or leave this issue to the laws of the Member States.⁷²² In any event, in the absence of an autonomous interpretation from the CJEU on this issue, the courts of the Member States should keep the approach they had adopted before the Regulation came into force.

3.3.6.2.4.1 Moral rights

In view of the topic of this dissertation, attention needs to be focused on the moral rights involved in a copyrighted work. Moral rights are those related to the protection of the personality of an author and the integrity of this work, and they are commonly recognized by countries that have an *author’s right* feature.⁷²³ Moral rights are granted only to the author, i.e. the identification of authorship determines who the beneficiary of the moral rights will be, as well as the extent of the moral rights protection.

⁷¹⁶ ECJ Case C-7/98 *Dieter Krombach v André Bamberski* [2000] ECR I-1935, para 22. (*Krombach v Bamberski*); ECJ Case C-38-98 *Régie Nationale des Usines Renault SA v Maxicar SpA and Orazio Formento* [2000] ECR I-2973, para 27. (*Renault v Maxicar*)

⁷¹⁷ *Krombach v Bamberski* para 23; *Renault v Maxicar* para 28; ECJ Case C-394/07 *Marco Gambazzi v Daimlerchrysler Canada Inc., CIBC Mellon Trust Company* [2009], para 26. (*Gambazzi*)

⁷¹⁸ *Krombach v Bamberski* para 37; *Renault v Maxicar* para 30; *Gambazzi* para 27.

⁷¹⁹ Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 626-27.

⁷²⁰ The Commission 2003 Proposal, Explanation Memorandum, 28.

⁷²¹ For details, Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 630.

⁷²² *Ibid.*

⁷²³ J.A.L. Sterling (*supra* n 18) para 8.01; *supra*, section 2.2.1.2.6 Rights of protection.

Since the authorship issue is dealt with differently in copyright law countries and *author's right* countries, moral rights beneficiaries and the extent of moral rights granted are, in practice, treated differently. Further, as discussed in the previous chapters, France and Germany belong to the *author's right* countries, but in their ways of dealing with moral rights they still differ from each other. French law adopts a "dualist" approach, according to which the author enjoys two separate sets of rights: "*an incorporeal property right*" that "*includes attributes of an intellectual and moral order, as well as attributes of an economic order*".⁷²⁴ In France, moral rights may be claimed by all authors.⁷²⁵ Under the German Copyright Law (hereinafter UrbG),⁷²⁶ as to the rights granted to the author, it adopted a "monist" approach. According to this approach, moral rights and economic rights of an author cannot be separated, rather they are intertwined and influence each other in the way of their application, their exercise, and in the way the rights are recognized.⁷²⁷ In Germany, an author's personality right (*Urheberpersönlichkeitsrecht*) shall be enjoyed by foreign nationals for all their works.⁷²⁸

In contrast, the copyright law system recognizes limited moral rights protection. Under the UK's Copyright, Designs and Patents Act 1988 (CDPA), for general works, an author is the one who creates it,⁷²⁹ while for other categories of works, authorship is attributed differently: a sound recording producer is the author of sound recording works; a producer and a principle director of a film, a broadcaster of a broadcast, and a publisher of the typographical arrangement of a published edition are authors.⁷³⁰ As to a work made by an employee in the course of employment, the employer is the first owner of any copyright in the work, subject to agreement to the contrary.⁷³¹ Moral rights will be granted to the author of a work or the director of a film, provided the work is protected by copyright.⁷³²

The following example can demonstrate the different treatment of moral rights. Moral rights in computer programs: Article 2(3) of the EC Software Directive provides that

"when 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".

There is, however, no guidance on moral rights, which will be left to national laws. In the UK CDPA, Sections 79(2) and 81(2) state that the computer program authors enjoy no moral rights in the computer programs that they created. German law is the opposite: the creators of computer programs retain all moral rights in the program. Article 69(b) of the UrbG states the employer may exercise economic rights, unless otherwise agreed. As to the way that moral rights are to be exercised, German law does not have a provision to dismiss or disrespect it, in fact, it is believed that the employer needs to arrange for it with the author of computer programs.⁷³³ According to French law, the creators of computer programs are vested with authorship, but they cannot prevent the adaptation of the program within the limit of the rights which they have ceded, nor can they exercise the right of revision or retraction.⁷³⁴ As to the rest of moral rights, it appears that the authors will still be vested with the rights.⁷³⁵

⁷²⁴ Art. L.111-1 of the French Code on Intellectual Property 1992.

⁷²⁵ John Huston (*supra* n 11).

⁷²⁶ Urheberrechtsgesetz, UrhG, of 9 September 1965, amended on 8 May 1998.

⁷²⁷ J.A.L. Sterling (*supra* n 18) para 8.09.

⁷²⁸ Art. 121(6) of the UrhG, "*(f)oreign nationals shall enjoy protection under Articles 12 to 14 (Urheberpersönlichkeitsrecht) with respect to all of their works, even if the conditions contained in paragraphs (1) to (5) are not fulfilled.*" translation provided by the International Bureau of WIPO.

⁷²⁹ Art. 9(1) of the CDPA 1988.

⁷³⁰ Art. 9(2) of the CDPA 1988.

⁷³¹ Art. 11(2) of the CDPA 1988.

⁷³² Art. 77 of the CDPA 1988.

⁷³³ J.A.L. Sterling (*supra* n 18) para 8.10.

⁷³⁴ Art. L.127-7 of French Code of Intellectual Property 1992.

⁷³⁵ J.A.L. Sterling (*supra* n 18) para 8.10.

Given the different statuses of moral rights in national copyright/*author's right* law systems and the different scopes of their application, one may raise a question whether moral rights should be considered, as discussed in the preceding section, as fundamental rights that can be invoked under a public policy exception before the court seized of the dispute.

Under the UK's approach, moral rights are seen as fundamental rights, since they are the minimum guarantees to protect the basic rights of an author.⁷³⁶ Accordingly, they form part of public policy and should be applied by UK courts in a situation where the standard of moral rights protection in the otherwise applicable law is lower than the one in the CDPA.⁷³⁷ However, as rightly pointed out by van Eechoud, when the standard of moral rights protection of a *lex causae* is higher, it should not itself be sufficient to justify the application of a public policy exception.⁷³⁸

The famous *John Huston* judgment rendered by the French Court de Cassation in the late 1980s is an example of how the moral rights issue is considered under French law. The heirs of the film director John Huston challenged in front of a French court broadcasting colorized version of the black-and-white film *The Asphalt Jungle* in France, which had been produced and first published in the USA in the 1940s.⁷³⁹ The film was made by the American director Huston in the USA in the course of performing his duty as an employee of an American film company. The central question of the case concerned the identification of the "author" of the film. On this basis the assertion of moral rights could be determined. Under French law, the creator of a work is the author. Moral rights granted to the author protect the author against abuse of the work. However, in accord with the work-made-for-hire doctrine of the US Copyright Act (federal law), the film producer is deemed to be the "author" of a cinematographic work. Additionally, the employment contract between the director and his employer was governed by law in the USA (state law), and it contained a provision stating that any (residual) rights that Huston may have had were assigned to the film producer. It is of note that at that time the US Copyright Act did not recognize moral rights.

Which law should apply to decide the authorship of the film? This law would have relevance on the issue of moral rights accordingly. Assuming that the court were to apply American law, John Huston would not be the author of the film, nor would he enjoy moral rights protection. However, if French law applied in this respect, John Huston would be the author and enjoy moral rights protection, and as a result he and his heirs would have standing to challenge abuses of his work on the basis of the right of integrity.

The French Court de Cassation nevertheless applied French law to the authorship issue, and held further that the author enjoys his/her moral rights by the mere fact of its creation and that the colorizing of the film infringed the integrity of the work and infringed the author's moral rights. The application of author-protective rules is imperative.⁷⁴⁰ The court upheld moral rights as mandatory rules.⁷⁴¹

The author of this book is also of the opinion that the moral rights issues should not be considered as public policy, but as mandatory rules. This opinion is based both on the concept of public policy provided in Article 26 of the Regulation and on the different ways that public policy and mandatory rules are applied.

⁷³⁶ Fawcett and Torremans 2011 (*supra* n 13) para 13.54.

⁷³⁷ *Ibid*; Paul Torremans, 'Authorship, Ownership of Right and Works Created by Employees: Which Law Applies' (2005) 27(6) EIPR 220, 222.

⁷³⁸ Mireille van Eechoud 2003 (*supra* n 15) 42, fn 111.

⁷³⁹ It is of note that when the action was brought, the Berne Convention was not in force for the United States.

⁷⁴⁰ Eckart Gottschalk (*supra* n 577) 206-07. For criticism, see Jane Ginsburg 1998 A (*supra* n 15) 370-73.

⁷⁴¹ For criticism, see Jane Ginsburg 1998 A (*supra* n 15) 370-73. (Professor Ginsburg suggested that the French court should have raised a public policy exception when adjudicating the case); see also Fawcett and Torremans 2011 (*supra* n 13) para 13.55.

Firstly, Article 26 requires that the application of the law chosen under Rome II must be “manifestly incompatible” with the law of the forum. As explained in the Giuliano & Lagarde Report, the term “manifestly” had its origins in all the Hague Conventions since 1956 and it requires that special grounds relied on by the court seized be justified.⁷⁴² It is suggested that the contravention of a fundamental principle of the legal order of a forum state should be obvious.⁷⁴³ Moral rights are, however, personality rights linked to the person of the author of the work, and forms part of the personal law of the author. They should not be invoked as a public policy exception.

Secondly, different techniques for applying public policy and for applying mandatory rules show that moral rights protection should be invoked as a mandatory rule, rather than as public policy. When a court is about to invoke a public policy exception, the court should not replace the applicable law, but continue to give effect to those provisions of the applicable law whose applications are not objectionable. Thus, the public policy exception, which serves as a kind of shield, should be considered at a later stage of the litigation.⁷⁴⁴ On the contrary, mandatory rules function as a kind of a sword. They are given positive, overriding effects and the court should apply them directly, regardless of the contents of the rules of law that are otherwise applicable.⁷⁴⁵ Considering the way French law protects moral rights i.e. granting to a creator of a work, once the integrity of the author is at issue, even though French law may not apply to works that are not first published in France,⁷⁴⁶ constitutes direct invocation of the forum state’s moral rights protection thereby demonstrating that moral rights protection should be considered as mandatory rules rather than public policy.

3.3.6.2.5 Overriding mandatory rule

Article 16 of the Rome II Regulation provides:

“nothing in this Regulation shall restrict the application of the provisions of the law of the forum in a situation where they are mandatory irrespective of the law otherwise applicable to the non-contractual obligation”.

This provision, however, does not furnish a definition of mandatory law of the forum. In this respect, the Commission 2003 Proposal has referred back to the ECJ judgment in *Arblade*,⁷⁴⁷ where the definition of mandatory rules was expressed as

*“national provisions compliance with which has been deemed to be so crucial for the protection of the political, social or economic order in the Member State concerned as to require compliance therewith by all persons present on the national territory of that Member State and all legal relationships within that State.”*⁷⁴⁸

According to the Commission, overriding mandatory rules can be applied directly by the court without looking into the forum’s choice-of-law rule to determine which law is applicable and to evaluate “whether its content would be repugnant to the values of the forum”.⁷⁴⁹ Moreover, Article 9(1) of Rome I, under the inspiration of the *Arblade* case, mentioned above, provides a definition of

⁷⁴² The Giuliano & Lagarde Report (*supra* n 626).

⁷⁴³ Andrew Dickinson 2008 (*supra* n 599) para 15.10; M.H. ten Wolde, K.C. Henckel and J.N. de Haan (*supra* n 8) 22-3.

⁷⁴⁴ Andrew Dickinson 2008 (*supra* n 599) para 15.13; Fawcett and Torremans 2011 (*supra* n 13) para. 13.54; Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 620.

⁷⁴⁵ Fawcett and Torremans 2011 (*supra* n 13) para. 13.55; Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 620.

⁷⁴⁶ The Court expressly cited the Section I of Law 64-689 whereby it is recognized that even though French law may not apply to works not released for the first time in France, such laws are still applicable as far as the integrity of the author is at issue.

⁷⁴⁷ The ECJ Joint Case C-369/96 and C-376/96 *Criminal proceedings against Jean-Claude Arblade and Arblade & Fils SARL, and Bernard Leloup, Serge Leloup and Sofrage SARL* [1999] ECR I-8453.

⁷⁴⁸ The Commission 2003 Proposal, Explanatory Memorandum, 24. Also under the inspiration of *Arblade* case, a concept of “overriding mandatory rule” was laid down in Art. 9(1) of the Rome I Regulation, as well.

⁷⁴⁹ *Id.*, 24-5.

“overriding mandatory rule”. Considering the affiliation of Rome I and Rome II, where some provisions could be interpreted consistently with each other,⁷⁵⁰ it can be refutably presumed that the Rome II definition of “overriding mandatory rule” should be the same as the one provided in *Arblade* case.⁷⁵¹ By applying such a presumption, Member States’ courts will apply a similar test when they are about to invoke Article 16 of the Regulation. Furthermore, it is to be noted that Article 16 of Rome II concerns only international mandatory rules of the *lex fori*, not their internal mandatory rules.

As analysed in the preceding section, moral rights protection under certain national laws is considered as overriding mandatory rule. One may wonder whether moral rights protection can be described as crucial for safeguarding the forum state’s public interest, such as its political, social or economic order. In the *author’s right* system, the primary focus is on the protection of an author/creator. As in the arguments put forward in the *John Huston* decision (3.3.6.2.4.1 *supra*), moral rights form part of an author’s personal protection and are therefore mandatory in nature. Accordingly, moral rights protection should be considered as one of the preponderant public interests that it is the purpose of law to protect.

When considering a common law copyright law system, e.g. UK law, in which moral rights protection is provided separately and with a limited scope of protection, one may wonder whether moral rights granted under such laws will also be mandatory in nature and should be applied irrespective the law otherwise applicable. As observed in Chapter 2 *supra*, common law copyright law systems stress the commercial exploitation of a work. Under copyright laws in such systems, moral rights are provided for separately and can be waived by an instrument in writing signed by the person waiving the right.⁷⁵² Also, as discussed, in common law copyright law countries, the continuous exploitation of the work and continuous input to new works are favoured. Thus, moral rights protection in such countries does not get as a high ranking as it does in *author’s right* countries. It is, nevertheless, submitted that the commercial exploitation of a work cannot deprive the creator’s personality right, since in the process of exploiting copyrighted works, the creator should have certain control over the commercial use of his/her name, likeness, or other unequivocal aspects of one’s identity. Those are basic rights owned by the creator. In fact, even the UK’s CDPA does not allow waiver of the right of attribution. Similarly, the basis for the fact that moral rights can be waived under common law copyright must be a perception that moral rights are recognized under that law, in spite of the limited extent of its protection of such rights.⁷⁵³ Therefore, it is concluded that moral rights protections should be treated as mandatory rules.

3.3.7 Infringement of copyright and related rights

As to IP rights infringement, Article 8 of Rome II sets forth independent choice-of-law rules. The IP rights laid down in Article 8 include “*copyright, related rights, the sui generis right for the protection of databases and industrial property rights.*”⁷⁵⁴ Accordingly, the choice-of-law rules stipulated in Article 8 will be applicable to claims of copyright and related rights infringement. Article 8, Infringement of intellectual property rights, provides *in haec verba* that

- “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.

⁷⁵⁰ Recital 7 of the Rome II Regulation.

⁷⁵¹ Von Hein in Graf-Peter Calliess (ed) (*supra* n 599) 565; Richard Plender and Michael Wilderspin (*supra* n 599) 744-45.

⁷⁵² Section 87 of the CDPA 1988.

⁷⁵³ Fawcett and Torremans 1988 (*supra* n 15) 586.

⁷⁵⁴ Recital 26 of the Rome II Regulation.

3. The law applicable under this Article may not be derogated from by an agreement pursuant to Article 14.”

Article 8(2) refers to the unitary Community IP right. Since copyright and related rights, as analysed in the preceding sections, are not unified at the Community level,⁷⁵⁵ claims arising from them will have no relevance to any application of Article 8(2).⁷⁵⁶ Thus, considering the scope of this dissertation, no special attention will be given to the Article 8(2) provisions.

Using the wording “shall” in Article 8(1) and without referring to Article 4 shows the mutual exclusion of Articles 4 and 8, i.e. insofar as claims of IP rights infringement are concerned, specific rules provided in Article 8 prevail over the general rules set forth in Article 4. As to such claims, including copyright and related rights, the European legislators chose for a “hard and fast” rule: the law applicable to a non-contractual obligation arising from an infringement of IP rights shall be the law of the country for which protection is claimed, without the possibility of applying exceptions like the law of the common habitual residence of the parties or having an escape clause of the kind embedded in Article 4(2) and (3).

As rules providing for a specific tort - infringement of IP rights - the rules in Article 8 exclude the application of the choice-of-law rules designated for other specific torts, quasi-torts and non-contractual obligations that may involve IP rights, such as Article 6 on unfair competition and Articles 10, 11 and 12 on unjust enrichment, *negotiorum gestio* and *culpa in contrahendo*, respectively. Regarding the latter three, Rome II makes it clear that Article 8 shall prevail over the other three provisions and shall apply if other non-contractual obligations arise from infringement of IP rights.⁷⁵⁷ The purpose of this is to provide clarification and to confirm the primary role of Article 8 insofar as non-contractual obligations related to IP rights are concerned.⁷⁵⁸ On the same subject, others contend that this provision aims at ensuring one single law to apply to one dispute concerning IP rights infringement between the same parties and, as a result, to prevent difficulties in distinguishing the claims.⁷⁵⁹

Adopting the *lex loci protectionis* rule in Article 8(1) as the governing law for the non-contractual obligations arising from infringement of IP rights had provoked a debate in Europe.⁷⁶⁰ The debate was about whether it was necessary to unify the choice-of-law rules in this regard, especially in the context of copyright and related rights infringement, where the “territorial principle” is held essential, or whether the application of the *lex loci protectionis* was justified as the application of a “universally acknowledged principle”, as stated in Recital 26 of the Regulation.

3.3.7.1 History of Article 8

To begin, in connection with the debates mentioned at the end of the previous subsection one should have a close look at the legislative history of Article 8 of Rome II, since it clarifies a basic question

⁷⁵⁵ Copyright and related rights are, however, harmonised in some specific aspects, e.g. terms of protection.

⁷⁵⁶ Art. 8(2) dealt with Council Regulation (EC) No 2100/94 of 27 July 1994 on Community plant variety rights, [1994] OJ L227; Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark [1994] OJ L011; Council Regulation (EC) No 6/2002 of 12 December 2001 on Community designs [2002] OJ L003.

⁷⁵⁷ Article 13 of the Rome II Regulation.

⁷⁵⁸ Andrew Dickinson 2008 (*supra* n 599) 456.

⁷⁵⁹ Stefania Bariatti, 'The Law Applicable to the Infringement of IP Rights Under the Rome II Regulation' in Stefania Bariatti (ed) (*supra* n 15) 73; Thomas Petz, 'Conflict of Laws in Intellectual Property: An Analysis of Rome I, Rome II and Domestic Austrian Conflict Rules', in B. Verschraegen (ed), *Austrian law - An International perspective* (Jan Sramek, Vienna 2010) 219.

⁷⁶⁰ Dick van Engelen, 'Rome II and Intellectual Property Rights: Choice of law brought to a standstill' (2008) 4 NIPR 440; Thomas Petz 2010 (*supra* n 759) 211; Nerina Boschiero (*supra* n 338); Marta Pertegás 2006 A (*supra* n 339); Stefania Bariatti (*supra* n 759); S. J. Schaafsma 2008 (*supra* n 368); Mireille van Eechoud 2005 A (*supra* n 362); Eckart Gottschalk (*supra* n 577); Dário Moura Vicente (*supra* n 15); Fawcett and Torremans 2011 (*supra* n 13) and etc.

whether infringement of IP rights should be treated as a specific tort. The preliminary draft presented in 2002 made no reference to any choice-of-law rules about IP rights infringement. The reason for that omission is unknown. It has been speculated that it was either due to the absence of a perception that there was a problem or the absence of a clear picture of an optimal solution.⁷⁶¹ During the consultation process, this issue was intensively debated among the parties potentially having a stake in the outcome.⁷⁶² Academics, in particular those from the Max-Planck Institute's Hamburg Group,⁷⁶³ urged that a specific tort of infringement of IP rights should be introduced because the application of the general rule – *lex loci damni* – was not appropriate. They suggested that the internationally recognized rule – *lex loci protectionis* – should instead be adopted as a specific rule in the Regulation. Others, such as governments and industry interests, demanded a carve-out of IP rights issues from the Regulation so as to preserve the “principle of territoriality” in the current international conventions, namely the Berne Convention and the Paris Convention.⁷⁶⁴

Eventually the Commission 2003 Proposal adopted a specific article on infringements of IP rights, which “*enshrines the lex loci protectionis principle for infringements of intellectual property rights conferred under national legislation or international conventions*”,⁷⁶⁵ and regards this provision as “*compatible with the specific requirements in the field of intellectual property*”.⁷⁶⁶ Thereafter, the other EC legislative institutions did not question whether or not infringements of IP rights should be treated as a specific tort.

In fact, there was a necessity for the EC to introduce a specific choice-of-law rule for non-contractual obligations arising out of infringement of IP rights.⁷⁶⁷ Since, as analysed in the previous chapter, the international treaties do not provide explicit choice-of-law rules in such claims. Lacking any uniform international choice-of-law rules in this regard, the compatibility clause of Article 28 of Rome II, which deals with the relationship of Rome II with other existing international Conventions, would not imply receptivity to any choice-of-law rule. Additionally, the law applicable to infringement of IP rights has been controversial in Europe.⁷⁶⁸ Insofar as copyright and related rights infringement claims are concerned, a review of national laws and practices shows that the *lex loci protectionis* and the *lex loci delicti* rules have been applied in Member States.

3.3.7.2 European states' national laws

3.3.7.2.1 The *lex loci protectionis*

For copyright infringement claim, the *lex loci protectionis* rule is well recognized in most national laws. It is recognized either in national statutes or in case law.

⁷⁶¹ Dick van Engelen 2008 (*supra* n 760) 447.

⁷⁶² The Commission 2003 Proposal, Explanation Memorandum, 20.

⁷⁶³ The Hamburg Group for Private International Law's Comment of 29 October 2002 on the European Commission's Draft Proposal, <http://ec.europa.eu/justice_home/news/consulting_public/rome_ii/max_planck_en.pdf> accessed on 15 January 2009. (Hamburg Group Comments)

⁷⁶⁴ The various submissions on the consultations on the preliminary draft proposal of the Rome II at, <http://ec.europa.eu/justice_home/news/consulting_public/rome_ii/news_summary_rome2_en.htm> assessed on 15 January 2009; the Commission 2003 Proposal, Explanation Memorandum, 20.

⁷⁶⁵ The Commission 2003 Proposal, Explanation Memorandum, 20.

⁷⁶⁶ *Ibid.*

⁷⁶⁷ Such necessity is convincingly argued by Nerina Boschiero, see Nerina Boschiero (*supra* n 338) 94-106.

⁷⁶⁸ *Id.*, 99-102; Axel Metzger, ‘Applicable Law under the CLIP Principles: A Pragmatic Reevaluation of Territoriality’ in Jürgen Basedow, Toshiyuki Kono and Axel Metzger (eds) (*supra* n 15) 171.

Switzerland and Belgium provide the *lex loci protectionis* rule to infringement claims. For the former, although it is not an EU Member State, the Swiss PIL Act has been considered as an inspiration for other codification processes within and outside the Europe.⁷⁶⁹

As to IP right infringement claims, the Swiss PIL Act provides a general rule of *lex loci protectionis* and limited party autonomy as to the law applicable. Article 110(1) of the Swiss PIL Act provides a general rule that “*intellectual property rights shall be governed by the law of the State in which protection of the intellectual property is sought.*” For copyright infringement disputes, this provision refers to the law of the state in which the plaintiff claims to have his/her copyright protected. In multi-state copyright infringement claims, the application of Article 110(1) will lead to distributive application of the law of each state involving with the alleged infringement to the claims occurred in that state. The second paragraph of that provision provides the parties a limited freedom to choose the law of the forum for an infringement dispute.

“*In the case of claims arising out of infringement of intellectual property rights, the parties may always agree, after the act causing damage has occurred, that the law of the forum shall be applicable.*”⁷⁷⁰

First, this article allows party autonomy only *ex post*, i.e. after the dispute has arisen. Second, the party may choose only one national law, the *lex fori*, i.e. the Swiss law. Third, the parties may only choose the applicable law (*lex fori*) for the claims arising from infringement. The issues of the existence of the right and the extent of protection and ownership will still be governed by the *lex loci protectionis*. Fourth, it is generally held that party autonomy is only possible with respect to the claims that are not intrinsically linked to the ‘hard core’ of the IP rights.⁷⁷¹ Therefore, parties cannot make a choice as to matters concerning the enforcement of the right, in particular, the possibility of granting an injunction. Accordingly, the freedom of choosing the applicable law is restricted to patrimonial claims arising from copyright and related rights infringement, such as the possibility of obtaining pecuniary damages and the computation of damages.⁷⁷²

The Belgian PIL Act also contains a specific provision concerning the law applicable to IP rights disputes. As one of the most recent codifications on private international law, Article 93 of Belgian PIL provides a general rule of the *lex loci protectionis* for IP rights litigation.⁷⁷³ According to it, infringement of copyright and related rights disputes shall be governed by the law of the state for the territory of which the protection of copyright and related rights are sought. As far as infringement disputes are concerned, no exception to the *lex loci protectionis* is available. Hence, in the event of multi-state copyright and related rights infringement disputes, a distributive application of the law of each state concerned on a country-by-country basis will be inevitable.⁷⁷⁴ In a recent case involving copyright infringement on the Internet, the Court of Appeal of Brussels ruled that the *lex loci*

⁷⁶⁹ For influence on the Italian codification, see Andrea Bonomi, ‘The Influence of Swiss Private International Law on the Italian Codification’ (2002) 30(2) *International Journal of Legal Information: the official publication of the International Association of Law Libraries* 244; for the Quebec’s codification, see Jeffrey Talpis and Gerald Goldstein, ‘The Influence of Swiss Law on Quebec’s 1994 Codification of Private International Law’ (2009) XI *Yearbook of Private International Law* 339; for Chinese codification, see Mo ZHANG, ‘Codified Choice of Law in China: Rules, Processes and Theoretic Underpinnings’ (2011) 37 (1) *N.C. J. INT’L L. & COM. REG.* 83; Ning Zhao, ‘The First Codification of Choice-of-Law Rules in the People’s Republic of China: an overview’ (2011) *NIPR* 303.

⁷⁷⁰ Art. 110(2) of the Swiss PIL.

⁷⁷¹ Marta Pertegás Sender 2001 (*supra* n 15) 236-37.

⁷⁷² Marta Pertegás 2006 A (*supra* n 339) 230-31.

⁷⁷³ “1. [i]ntellectual property rights are governed by the law of the State for the territory of which the protection of the intellectual property is sought. 2. Nevertheless, the determination of the original owner of the industrial property right is governed by the law of the State with which the intellectual activity has the closest connections. If the activity takes place within a framework of contractual relations, that State is presumed to be the State of which the law applies to these contractual relations, until proof to the contrary is brought.”

⁷⁷⁴ K. Roox, ‘Intellectuele Eigendom in het Nieuwe Wetboek I.P.R.’

<http://www.crowell.com/documents/DOCASSOCFKTYPE_ARTICLES_616.pdf> accessed on 2 October 2012; Marie-Christine Janssens, ‘Belgian’ in Toshiyuki Kono (ed) (*supra* n 15) 359.

protectionis should be interpreted as referring to the law of the country where the damage is sustained, and that Belgian law should apply because the alleged infringing materials could be accessed in and were deliberately directed to Belgium. The law of the US where these materials were uploaded to the Internet was not applied in this case.⁷⁷⁵ Also, this judgment refers to a decision to the same effect on similar facts delivered by the Paris Court of Appeal on 26 January 2011.⁷⁷⁶

In Italy, Article 54 of the Italian PIL Act states a choice-of-law rule for rights relating to intangible assets.⁷⁷⁷ According to this provision, such rights shall be governed by the law of the state in which they are used. It is generally agreed in Italian doctrine that IP rights are included in the scope of the rights relating to intangible assets and the law applicable to the infringement of IP rights is therefore governed by the law of the state in which they are used. That has been interpreted as referring to the *lex loci protectionis*.⁷⁷⁸ The *lex loci protectionis* addresses all issues and problems arising from cross-border copyright and related rights disputes i.e., the existence and creation of right, the scope of right, its validity, transferability, duration, attributes, moral rights, infringement and (civil) remedies.⁷⁷⁹

The Austrian PIL Act contains a specific choice-of-law rule for IP rights. Article 34(1) of the Act provides that “*the creation, scope and termination of intellectual property rights are determined by the law of the state where the act of exploitation or the act of infringement occurred*”.⁷⁸⁰ From its wording, this rule applies only to the property aspects of IP rights. In fact, since claims arising from infringement of IP rights are closely related to these property aspects, this provision is considered to apply to infringement claims as well.⁷⁸¹

The question whether Article 34(1) of the Austrian PIL Act should be interpreted as an application of the *lex loci protectionis* or as the *lex loci delicti* has led to discussion. The Austrian PIL Act adopts the approach of applying the *lex loci delicti*, something that was also affirmed in the official commentary.⁷⁸² Some contend that the reason for adopting the *lex loci delicti* as a specific rule for IP rights was to distinguish these claims from general tort claims, because for the latter the exceptions, such as party autonomy, were provided for as to the *lex loci delicti*, but did not apply in cases involving IP rights disputes. The Austrian Supreme Court had, however, ruled that this choice-of-law rule should be interpreted as referring to the law of the state for which protection is claimed.⁷⁸³ In the *Adolf Loos-Werke II* case,⁷⁸⁴ where an action for copyright infringement was filed against a publishing company concerning the distribution of a book in Germany, the Austrian Supreme Court held,

“*According to Article 34(1) of the Austrian PIL, the creation, scope and termination of intellectual property rights is determined by the law of the state where the act of exploitation or the act of infringement occurred. Accordingly, the legislator has chosen the law of the protecting state as a connecting factor (...). The protecting state*

⁷⁷⁵ The Court of Appeal of Brussels 9th Chamber, *Google inc. v. Copiepresse & Societe de Droit D'Auteur des Journalistes & Assucopie* 11 May 2011, 2011/2999, paras 16-19.

⁷⁷⁶ *Id.*, paras 16-17.

⁷⁷⁷ “*Rights relating to intangible assets shall be governed by the law of the State in which they are used*”.

⁷⁷⁸ Nerina Boschiero and Benedetta Ubertazzi, ‘Italy’ in Toshiyuki Kono (ed) (*supra* n 15) 729.

⁷⁷⁹ *Id.*, 28.

⁷⁸⁰ “*sind das Entstehen, der Inhalt und das Erlöschen von Immaterialgüterrechten nach dem Recht des Staates zu beurteilen, in dem eine Benützung- oder Verletzungshandlung gesetzt wird*”.

⁷⁸¹ For discussion, see Thomas Petz 2010 (*supra* n 759) 231, fn 63.

⁷⁸² Marta Pertegás Sender, ‘Patent Infringement, Choice of Laws, and the Forthcoming Rome II Regulation’ in Jürgen Basedow and others (eds) (*supra* n 15) 165.

⁷⁸³ OGH, *Hotel-Video*, 17 June 1980, JBl. 1986, 655; GRUR Int. [1986] 728 (Austrian law applies because the plaintiff claims to have copyright protection in Austria); OGH, *Sachverständigenprüfung*, 18 September 1990, GRUR Int. 1991, 650 (a distributive application of Art. 34(1) Austrian PIL would have resulted in the application of the same substantive law).

⁷⁸⁴ OGH 4 Ob 125/93, *Adolf Loos-Werke II* 13 July 1993, GRUR Int. 1994, 638; similar wording found in OGH 4 Ob 238/03h, *Journalistenbüro* 16 December 2003, <http://www.ris.bka.gv.at/Dokument.wxe?Abfrage=Justiz&Dokumentnummer=JJT_20031216_OGH0002_0040_OB00238_03H0000_000> accessed on 2 October 2012.

*is not the state where the proceedings are pending. If the plaintiff claims that the defendant has infringed all or some of the rights that the former holds in several states, the alleged infringement shall be assessed in each state on the basis of the law of the state where the infringement took place (unless renvoi applies)”.*⁷⁸⁵

This ruling confirmed not only that the law of the protecting state should apply, but also that in multi-state infringement disputes there should be distributive application of these laws on a country-by-country basis. Again, in a more recent related rights judgment, the Supreme Court upheld the application of Austrian law not only because the allegedly infringing activities occurred in Austria, but also because the plaintiff based his claim on the Austrian related rights law.⁷⁸⁶ Although such disagreement with regard to the interpretation of Article 34(1) exists, the practical consequences of these two different interpretations have been considered to be only minimal.⁷⁸⁷

Article 10(4) Cc of the Spanish Private International Law uses the “*same connecting factors as article 5.2 of the Berne Convention*”, leading to the application of the *lex loci protectionis*.⁷⁸⁸ Such an application is however applied in a unilateral way, where the provision stating that IP rights shall be granted protection on the Spanish territory by the application of Spanish law could be bi-lateralized by applying the *lex loci protectionis* to all questions outside the scope of Article 5(2) of the Berne Convention.⁷⁸⁹

No explicit choice-of-law rule for infringement of IP rights is provided in German law. German courts have ruled that general choice-of-law rules do not apply to intellectual property cases, for the reason that the German Supreme Court (*Bundesgerichtshof*) has confirmed that, in the area of IP rights, it applies the law of the country for which protection is sought (*Schutzlandsprinzip*).⁷⁹⁰ In a case involving copyright infringement by sub-licensing,⁷⁹¹ the *Bundesgerichtshof* defined the *Schutzlandsprinzip*. The Court ruled that this principle is based on Article 5 (2) of the Berne Convention.⁷⁹² That suggests pointing to the *lex protectionis*, i.e. the law of the country for which protection is sought.⁷⁹³ Accordingly, the *lex protectionis* applies to determine copyright infringement claims. In subsequent cases, the Court clarified that the *lex protectionis* is a special choice-of-law rule for IP rights, which differs from the *lex fori*⁷⁹⁴ and from the *lex loci delicti*.⁷⁹⁵ Also, the ordinary

⁷⁸⁵ Quoted from Marta Pertegás Sender 2005 (*supra* n 782) 165-66.

⁷⁸⁶ OGH 4 OB 135/06s, *Fall Gruppe D 9* August 2006, para. 3.1, <http://www.ris.bka.gv.at/Dokument.wxe?Abfrage=Justiz&Dokumentnummer=JIT_20060809_OGH0002_0040_OB00135_06S0000_000> accessed on 2 October 2012; see also Thomas Petz 2012 (*supra* n 625).

⁷⁸⁷ Thomas Petz 2012 (*supra* n 625).

⁷⁸⁸ Javier Carrascosa González (*supra* n 339) 113.

⁷⁸⁹ *Ibid*; Nerina Boschiero (*supra* n 338) 100.

⁷⁹⁰ Bundesgerichtshof, *Sender Felsberg* 7 November 2007, 152 Entscheidungen des Bundesgerichtshofes in Zivilsachen [BGHZ] 317 (F.R.G.). More discussion about German practice in IP rights infringement disputes, see Axel Metzger, ‘Germany’ in Toshiyuki Kono (ed) (*supra* n 15).

⁷⁹¹ Bundesgerichtshof, *ALF* 17 June 1992, 118 Entscheidungen des Bundesgerichtshofes in Zivilsachen [BGHZ] 394 (F.R.G.), GRUR 697.

⁷⁹² *Id*, 397.

⁷⁹³ *Ibid*.

⁷⁹⁴ Bundesgerichtshof, *Spielbankaffaere* 1997, 136 Entscheidungen des Bundesgerichtshofes in Zivilsachen [BGHZ] 380, 385: “*Das Berufungsgericht hat die Klageansprueche rechtsfehlerhaft allein nach deutschem Recht beurteilt. [...] Die Klaegerin hat ihre Ansprueche nur darauf gestuetzt, dass die Beklagte ausschliessliche Fernsehauswertungsrechte and dem Spielfilm 'Spielbankaffaere', die ihr fuer das Gebiet von Luxemburg zustuenden, verletzt habe. Schutzland ist hier demgemaess Luxemburg. Die Klaegerin behauptet nicht, auch fuer das Gebiet der Bundesrepublik Deutschland Fernsehauswertungsrechte zu besitzen.*” (The Court of Appeal has wrongly applied German law to determine this dispute. [...] The plaintiff has only argued the disputes based on the claim that the defendant had infringed her exclusive TV exploitation rights in the film “spielbankaffaefe” that is granted to her (the plaintiff) only in Luxemburg. Luxemburg is therefore the country of protection. The plaintiff does not assert that she owns the TV exploitation rights in Federal Republic of Germany) [Translated by NZ].

choice-of-law rules, especially the *lex loci delicti* for tort claims do not apply to IP rights. Neither is there application to them of the exceptions that are accepted in tort claims, such as the common habitual residence rule and party autonomy.

3.3.7.2.2 The *lex loci commissi delicti*

In comparison with the *lex loci protectionis*, European states less commonly apply the *lex loci delicti* to IP infringement disputes.

The Dutch Tort Conflicts of Law Statute (*Wet conflictenrecht onrechtmatige daad* [WCOD]) did not provide any specific choice-of-law rule for IP rights infringement claims. However, the Dutch legislators did not explicitly leave this subject matter outside the scope of that legislation. Also, among the Dutch academics, there were different opinions about whether the WCOD should apply to IP rights infringement claims.⁷⁹⁶ The *Hoge Raad* (Dutch Supreme Court) held in a copyright infringement case, *Bigott v Doucal*,⁷⁹⁷ that the questions whether the reproduction in that case was unauthorized and caused copyright infringement shall be determined by the law of the country where the reproduction was made. This would be the choice-of-law rule applied to general tort claims: the *lex loci delicti*. It has, therefore, been submitted that infringement of copyright and related rights fall within the scope of the choice-of-law rules for general tort claims. It follows that the rules set forth in the WCOD would apply to copyright infringement claims, as well.

Article 3(1) of the WCOD lays down the general rule of *lex loci delicti*.⁷⁹⁸ That was based on the Dutch Supreme Court's *COVA*⁷⁹⁹ ruling in 1993.⁸⁰⁰ Application of this rule means that Dutch law will apply to copyright infringement claims that occur or may occur in the Netherlands. However, Dutch case law has not been consistent in this regard. In the above-mentioned *Bigott v Doucal* judgment, the *Hoge Raad* confirmed that the existence of a copyrighted work and the copyright protection should, by referring to the Berne Convention, be governed by the *lex loci protectionis*.⁸⁰¹ At the lower court level, when defining governing law for the issues of existence, extent of protection and infringement of right, some courts ruled that the issues should be governed by the *lex loci protectionis* by directly

⁷⁹⁵ *Sender Felsberg* (*supra* n 790).

⁷⁹⁶ Some held it in affirmative, such as: J.A. Pontier 2008 (*supra* n 660) 106; Mireille van Eechoud, 'Overleefde territorialiteit: grensoverschrijdende auteursrechtinbreuken onder de 'Rome II'- ontwerpverordening' (2005) 2 AMI 45, 47 *et seq.* *Contra*: S.J. Schaafsma 2008 (*supra* n 368) 998.

⁷⁹⁷ Dutch Hoog Raad, *Bigott/Doucal*, 27 January 1995 (1995) NJ 669 with comments J.H. Spoor; (1995) 4 Informatierecht/AMI 67. ("De vraag of de vervaardiging van de verveelvoudiging ongeoorloofd is en dus een inbreuk op het auteursrecht oplevert, moet worden beoordeeld naar het recht van het land waar de verveelvoudiging is vervaardigd.") (The question of whether reproduction is unauthorized and constitutes infringement of copyright should be determined in accordance with the law of the country where the reproduction is made) [Translated by NZ].

⁷⁹⁸ Art. 3(1) of the WCOD "*Verbintenissen uit onrechtmatige daad worden beheerst door het recht van de Staat op welks grondgebied de daad plaatsvindt*" (Obligations arising out tort are governed by the law of the country in whose territory the tort occurs) [Translated by NZ].

⁷⁹⁹ Dutch Hoge Raad, *COVA/Banque Générale du Luxembourg*, 19 November 1993 (1994) NJ 622.

⁸⁰⁰ M.H. ten Wolde, *Inleiding Internationaal en Inter-Europees Privaatrecht* (4th edn J. Kusters-reeks-voor grensoverschrijdend privaatrecht, Hephaestus, Groningen 2008) 217.

⁸⁰¹ *Bigott/Doucal* (*supra* n 797). ("Dit vloeit voort uit het stelsel van de, (...), Berner Conventie, dat meebrengt dat de vragen of sprake is van een werk en of dit bescherming verdient, moeten worden beantwoord aan de hand van het recht van het land voor welks grondgebieden bescherming wordt ingeroepen.") (This arises out of the system of the Berne Convention, which states that the questions concerning whether a work deserves protection should be answered by referring to the law of the country for whose territory such protection is claimed) [Translated by NZ]. Also, according to the Netherlands Constitution's hierarchy of laws, treaties adopted by the Netherlands government have a higher status than statutes enacted by the Parliament, and they prevail in the event of conflicting provisions.

referring to Article 5 of the Berne Convention,⁸⁰² while some other courts followed the rule of *lex loci delicti*.⁸⁰³ In some cases, courts even determined governing law without explaining their motivation.⁸⁰⁴ As mentioned by van Eechoud, “as long as the use occurs within the border of the Netherlands, Dutch law shall apply to decide whether there is an infringement”.⁸⁰⁵ Two reasons could explain the inconsistency. First, due to the economic importance of copyright, a lot of infringement cases were brought in interlocutory proceedings (*kort geding*), under which immediate remedies, e.g. injunctions, can be granted to protect parties’ interests. The fact that the issue of the law applicable is normally not disputed in such interlocutory proceedings may explain the lack of clarity or the inconsistencies as to the choice-of-law rules applied in copyright litigation in those proceedings.⁸⁰⁶ Another reason may lie in the subtlety of the difference between the *lex protectionis* and the *lex loci delicti*, since in practice the application of either rule will in the majority of cases lead to the same outcome,⁸⁰⁷ especially in situations where infringement could be localized in one state.⁸⁰⁸

Most Dutch legal scholars believe that the *lex loci protectionis* principle is the logical choice-of-law rule for IP rights infringement disputes, including those involving copyright and related rights.⁸⁰⁹ As pointed out by van Eechoud, using the terms *lex protectionis* and *lex loci delicti* interchangeably is not accurate.⁸¹⁰ The differences between these two terms actually relate to the application method and the scope of their application. The *lex loci protectionis* is the law of the country (or countries) for which the claimant claims protection. Thus, the claimant can unilaterally determine the applicable law by stating his claim to the court of the country for which he claims protection.⁸¹¹ Under that circumstance, the court should firstly apply the law of the country invoked by the plaintiff, and then answer the question whether an infringing act was committed in this particular country according to such country’s domestic law. Under the *lex loci delicti*, if the competent court does not find an infringement in a certain country, the law of that country is not applicable.⁸¹² Additionally, the scopes of the application of these two choice-of-law rules are different: the *lex loci protectionis* is applied not only to the infringement aspect of an IP rights dispute, but also to the aspects of the existence, scope, duration,

⁸⁰² Pres. Rb. Dordrecht, *KPN/Kapitol* 8 September 1998 (1999) 1 Informatierecht/AMI 7 with comments M.M.M. van Eechoud; Rb. Maastricht, *Ofpact/Cyborg* 23 January 2008.

⁸⁰³ Rb. te ’s-Gravenhage, *Church of Scientology* 9 June 1999 (1999) BIE 117 with comments A.A. Q. (“Art. 5 Berner Conventie: De beoordeling of de werken in Nederland - de plaats waar de gestelde inbreuk wordt gemaakt - auteursrechtelijk beschermd zijn, moet plaatsvinden naar Nederlands recht.”) (Art. 5 of the Berne Convention: the review of whether the works should be granted copyright protection in the Netherlands, where the alleged infringement is made, should be determined by Dutch Law) [Translated by NZ]; Pres. Rb. Amsterdam, *Cassina/Dimensione* 19 February 2009 (2009) 3 AMI 101 with comments M.M.M. van Eechoud.

⁸⁰⁴ Rb. Haarlem, *Life Safety Products/Autovision* 29 June 2007 (2007) 6 AMI 194 with comments M.M.M. van Eechoud.

⁸⁰⁵ Mireille van Eechoud 2005 B (*supra* n 796) 53. (“zolang het gebruik *binnen* de landsgrenzen blijft, wordt Nederlands recht toegepast op de vraag of sprake is van inbreuk.”). [Translated by NZ]

⁸⁰⁶ Marta Pertegás Sender 2001 (*supra* n 15) 247.

⁸⁰⁷ Dick van Engelen 2008 (*supra* n 760) 441.

⁸⁰⁸ *Bigott v Doucal* case appears to me that the Hoge Raad does not distinguish the principles of the *lex loci protectionis* and the *lex loci delicti*. (“De vraag of de vervaardiging van de verveelvoudiging ongeoorloofd is en dus een inbreuk op het auteursrecht oplevert, moet worden beoordeeld naar het recht van het land waar de verveelvoudiging is vervaardigd. Dit vloeit voort uit het stelsel van de, (...), Berner Conventie, dat meebrengt dat de vragen of sprake is van een werk en of dit bescherming verdient, moeten worden beantwoord aan de hand van het recht van het land voor welks grondgebieden bescherming wordt ingeroepen”). (For translation, see *supra* n 797).

⁸⁰⁹ A.A. Quaedvlieg (*supra* n 362) 160-62; Mireille van Eechoud 2003 (*supra* n 15); Th. C.J.A. van Engelen, *Intellectuele Eigendom en Internationaal Privaatrecht* (Boom Juridische uitgevers, Den Haag 2007) 200-06; J.A. Pontier 2001 (*supra* n 399) 94-6 (who considers that the application of the *lex loci delicti* in copyright infringement disputes would be the same as the application of the *lex loci protectionis*).

⁸¹⁰ Mireille van Eechoud 2003 (*supra* n 15) 105.

⁸¹¹ Martin Illmer (*supra* n 595) 241; Thomas Petz 2012 (*supra* n 625).

⁸¹² Thomas Petz 2012 (*supra* n 625).

termination and initial ownership of the right,⁸¹³ while the *lex loci delicti* is only applied to infringement disputes. Nevertheless, in multi-state copyright infringement claims, either applying the *lex loci delicti* or the *lex loci protectionis* will lead to distributive application of the laws of the states that concerned.

It ought to also be mentioned that the WCOD has several exception rules that displace its general choice-of-law rule, e.g. Article 6 giving parties the freedom to choose applicable law, Article 3(3) applying the law of the common domicile, and Article 5 containing the escape clause.⁸¹⁴ It has however been questioned whether these exception rules were suitable for copyright infringement cases, considering the specific features of copyright.⁸¹⁵

French legislation does not provide any specific choice-of-law rule for infringement of IP rights claims, and as a result courts commonly apply the choice-of-law rules for general tort claims for such claims. In practice, referring to Article 5(2) of the Berne Convention causes some confusion. The greater weight of French *doctrine* considers that this provision is a choice-of-law rule leading to the application of the *lex loci protectionis*. The opinions on the scope of the *lex loci protectionis*, however, have differed. Some consider that Article 5(2) governs not only infringement and sanctions, but also the conditions and initial ownership of copyright. Whereas others consider that this provision deals only with infringement and its consequences and that those other aspects of copyright fall outside the scope of the Berne Convention.⁸¹⁶

Judicial practice (*jurisprudence*) in this regard has been inconsistent. In 1959, the *Cour de Cassation* held (in the “Rideau de fer”⁸¹⁷ case) in favor of, “*applying the law of the country of origin for the issues of existence, originality, and initial ownership of works, and the lex loci protectionis to the content of the rights and the scope of protection.*”⁸¹⁸ Thus, for infringement claims, the Court indicated in favor of the application of the *lex loci protectionis* as to the content of the right and scope of protection. Nevertheless, in a 2003 case where several defendants, including French and foreign defendants had been sued for counterfeiting software in various countries, the *Cour de Cassation* ruled, by interpreting Article 5(2) of the Berne Convention, that the law applicable to copyright infringement is not the law of the country of origin or of the forum court, but rather the laws of the countries in whose territories the infringements occurred, which were to be applied on a distributive base.⁸¹⁹ Apparently, the Court relied on Article 5 (2) of the Berne Convention to justify the application of the general choice-of-law rule for torts. In the same judgment, the Court further stated that “*French law as the law of the ‘place of effect’ is not exclusively applicable to the entire litigation in the absence of proof of a closer connection to France*”,⁸²⁰ and that the law of the place where the victim has his habitual residence cannot be taken into account because a closer connection with the place cannot be established. It has been argued from this language that the Court intended to use “the closest connection” rule that had been adopted for general tort claims in this case about copyright

⁸¹³ Mireille van Eechoud 2003 (*supra* n 15) 105-06; Thomas Petz 2012 (*supra* n 625).

⁸¹⁴ M.H. ten Wolde (*supra* n 800) 217-20.

⁸¹⁵ Marta Pertegás 2006 A (*supra* n 339) 235; Th. C.J.A. van Engelen 2007 (*supra* n 809) 203; M.M.M. van Eechoud 2005 B (*supra* n 796) 53-4.

⁸¹⁶ Discussed in Marie-Elodie Ancel, ‘France’ in Toshiyuki Kono T (ed) (*supra* n 15) 545.

⁸¹⁷ French Cour de Cassation, 22 December 1959. See Nerina Boschiero (*supra* n 338) 101, fn 62.

⁸¹⁸ Nerina Boschiero (*supra* n 338) 101.

⁸¹⁹ Sisro, Case note, IIC (2003) 34(6) 701. “*qu’aux termes de l’article 5.2° de la convention d’Union de Berne, l’étendue de la protection ainsi que les moyens de recours garantis à l’auteur pour sauvegarder ses droits se règlent exclusivement d’après la législation du pays où la protection est réclamée ; que la cour d’appel a exactement considéré que cette loi désigne non pas celle du pays d’origine ou celle du juge saisi mais celle du ou des Etats sur le territoire desquels se sont produits les agissements délictueux*”.

⁸²⁰ “*la loi française, en tant que loi du “lieu du préjudice”, n’a pas vocation exclusive à régir l’ensemble du litige en l’absence d’un rattachement plus étroit, non démontré, avec la France*”. English translation from Sisro, case note, IIC (2003) 34(6) 701.

infringement of software.⁸²¹ Despite all that, in 2007 in the *Lamore* case, the *Cour de Cassation* reaffirmed that the law of the territory where the alleged harm occurred, rather than the place where the damage is sustained, shall govern copyright infringement claims.⁸²²

In a recent case, the SAIF (“Société des Auteurs des Arts Visuels”), a French royalty collection organization for visual artists, sued Google Inc. and Google France for infringement by displaying SAIF’s copyrighted small online (“thumbnail”) images on the Google website. The Paris Civil Court of First Instance referred to the *Lamore* judgment and held US law applicable, for the reasons that the alleged infringing act was generated by the Google search engine which was developed by Google Inc., at its headquarters in California, USA, and therefore this place is the *locus* where the decisions are made and where the search engine activity was implemented.⁸²³ The Paris Court of Appeal, however, reversed the application of US law. It construed Article 5(2) of the Berne Convention as applying the law of the place where the alleged harm has been *sustained*. Since the alleged infringing act has effect in France - users accessed the Google search engine via the websites of google.fr and images.google.fr -, the Paris Court of Appeal ruled that French law, instead of US law, should apply in this dispute.⁸²⁴

Clearly, French courts consider Article 5(2) of the Berne Convention as referring to a choice-of-law rule in cross-border copyright disputes, however, the French judicial interpretation of this rule has not been consistent. Although it is generally recognized that the *lex loci delicti* should apply in copyright infringement claims, French courts have not stated a clear indication as to the application of the law of the territory where the alleged harm occurred or the place where the damage is sustained.

Article 45 of the Portuguese Civil Code provides that the *lex loci delicti* governs the remedies for non-contractual liability claims, especially the calculation of damages. Thus, the *lex loci delicti* also determines the right to compensation arising from cross-border copyright infringement disputes. This rule, as will be seen in the following sections, distinguishes cross-border copyright protection claims, which will be governed by Article 48 of the Portuguese Civil Code leading to the application of the *lex originis*.⁸²⁵

It is submitted that, although the laws and practices from the doctrinal point of view are different within Europe, the practical effect of such practices have been quite similar in that in most situations, national courts interpret their tort choice-of-law rules as referring to the law of the country of protection in copyright infringement claims.⁸²⁶ The key difference among these laws and practice concerns the acceptance of parties’ freedom to choose the law applicable to their disputes involving copyright infringement. Nevertheless, with the entry into force of the Rome II Regulation, courts of Member States (except Denmark) have to apply the *lex loci protectionis* to designate the law applicable to cross-border copyright infringement claims and in this regard exclude the possibility of party autonomy.⁸²⁷

⁸²¹ Marie-Elodie Ancel (*supra* n 816).

⁸²² French Cour de Cassation, *Lamore* 30 January 2007, no. 03-12354.

⁸²³ Tribunal de Grande Instance de Paris, *SAIF v. Google France et Google Inc.*, 20 May 2008 <<http://www.juriscom.net/jpt/visu.php?ID=1067>> accessed on 2 October 2012.

⁸²⁴ Cour d'Appel de Paris, *SAIF v Google* 26 January 2011 <<http://www.juriscom.net/jpt/visu.php?ID=1285>> accessed on 2 October 2012.

⁸²⁵ Dário Moura Vicente (*supra* n 15) 348, fn 634.

⁸²⁶ Marta Pertegás 2006 A (*supra* n 339) 233 *et seq.*; Nerina Boschiero (*supra* n 338) 100.

⁸²⁷ E.g. OGH 17Ob6/11y, *Alcom International* 9 August 2011, <http://www.ris.bka.gv.at/Dokument.wxe?Abfrage=Justiz&Dokumentnummer=JJT_20110809_OGH0002_0170_OB00006_11Y0000_000> (accessed on 2 October 2012).

3.3.7.3 Special rules on copyright infringement

Rome II adopts special rules for IP rights infringement claims by applying the law of the country for which protection is claimed. As stated in Recital 26 of Rome II, this rule aims at preserving “*the universally acknowledged principle of the lex loci protectionis*”. As was noted by the Commission,

“*This rule, also known as the 'territorial principle', enables each country to apply its own law to an infringement of an intellectual property right which is in force in its territoriality: [...]; in copyright cases the courts apply the law of the country where the violation was committed.*”

Adopting the *lex loci protectionis* for such claims has also been favoured by several commentators. They maintained that this is justified both from a comparative point of view and from the perspective of policy considerations.⁸²⁸ The comparative point of view can cite the trend to apply the *lex loci protectionis* in copyright infringement claims within Europe, either by codification, such as by the Italian, Swiss and Belgian PIL Acts, or by court interpretation. The policy considerations are that the *locus protectionis* is easily ascertainable and will facilitate the task of determining the applicable law without having to spend time looking into the place of infringement.⁸²⁹

It is, however, questionable whether the single *lex loci protectionis* rule in Article 8(1) of Rome II is sufficient in all cases to identify the law applicable to copyright and related rights infringement claims, since the exclusiveness of Article 8 means that in non-run-of-the-mill cases neither the exceptions provided in Article 4, nor party autonomy will be allowed to be resorted to in determining the law applicable to copyright and related rights infringement claims. As argued by some scholars, without any possibility for flexibility, the general structure of special rules provided in Article 8 is “*an excessively rigid and oversimplifying generalization*”.⁸³⁰ Additionally, the unclear scope of the application of the *lex loci protectionis* has also been pointed out.⁸³¹

To summarize, in terms of the application of Article 8 of the Rome II Regulation, two main concerns have been raised i.e. the scope of the application of the *lex loci protectionis* and the effectiveness of this rule, especially in the context of multi-state copyright infringement. The next two subsections address these concerns.

3.3.7.3.1 The scope of the application of the *lex loci protectionis*

Article 8(1) of Rome II clearly establishes that the *lex loci protectionis* rule applies to IP rights infringement cases, including copyright and related rights. As to related issues, such as existence, duration, scope and initial ownership of copyright, some commentators have argued that the *lex loci protectionis* rule provided in Article 8(1) should apply. Those arguments then lead to differences of opinion about the scope of the Rome II Regulation and its Article 8(1), i.e. do those provisions also deal with the issues that are intrinsically linked to copyright and related rights, e.g. existence, duration, scope and initial ownership?

Article 15 of Rome II sets down, in general, the scope of the applicable law. This article provides that the law applicable to non-contractual obligations under the Regulation shall govern in particular:

- “(a) *the basis and extent of liability, including the determination of persons who may be held liable for acts performed by them;*
- “(b) *the grounds for exemption from liability, any limitation of liability and any division of liability;*
- “(c) *the existence, the nature and the assessment of damage or the remedy claimed;*

⁸²⁸ Marta Pertegás Sender 2005 (*supra* n 782) 168-69.

⁸²⁹ *Ibid.*

⁸³⁰ Nerina Boschiero (*supra* n 338) 106.

⁸³¹ Marta Pertegás Sender 2005 (*supra* n 782) 169-73; Josef Drexl 2005 (*supra* n 368) 167.

- (d) within the limits of powers conferred on the court by its procedural law, the measures which a court may take to prevent or terminate injury or damage or to ensure the provision of compensation;
- (e) the question whether a right to claim damages or a remedy may be transferred, including by inheritance;
- (f) persons entitled to compensation for damage sustained personally;
- (g) liability for the acts of another person;
- (h) the manner in which an obligation may be extinguished and rules of prescription and limitation, including rules relating to the commencement, interruption and suspension of a period of prescription or limitation.”

The Commission 2003 Proposal for this (then numbered Article 11) had similar language which one commentator derided as being “*all but helpful in solving the problems arising in the copyright field in particular*”.⁸³² He further suggested that the ECJ is the body that should define a clear scope of the *lex loci protectionis* rule in interpreting Article 8 and Article 11 (now 15).⁸³³ As to the same Commission proposal, another commentator suggested confining the scope of the *lex loci protectionis* rule solely to infringements, since it “*has no direct bearing upon matters like existence and validity, let alone initial ownership, of the right.*”⁸³⁴ A similar view was expressed by yet another commentator, who maintained that

“*[n]either (Art. 8(1) and Art. 8(2)) provision applies, in any event, to questions concerning the creation, registration, validity or transfer of IPRs. Not only are such matters logically prior to any question as to whether there has been an infringement, they are also matters of status, which fall outside the material scope of the Regulation.*”⁸³⁵

Some scholars contend to the contrary that Article 8 covers the issues of content and extent of right, but does not go so far as those concerning existence and initial ownership of right, the reason being that the contents of IP rights that concern the basis and extent of liability are so closely connected to infringement of such rights that the one and same law should apply.⁸³⁶ Yet another commentator subsumed under this contention the argument that by interpreting Article 8 and Article 15 together, as integral parts of one provision (*in pari materia*), the creation or termination of IP rights can be related to Article 15(a), the extension of the right can be related to Article 15(b), the adjustment of claims can be related to Article 15(c) and the limitation of actions can be related to Article 15(h). Because these matters are included in Article 15 of the Regulation,⁸³⁷ it is argued there would be no need for a special rule dealing with the scope of Article 8(1).⁸³⁸

Still some other scholars put forth a wider interpretation of the scope of Article 8(1) from reading Articles 13, 15 and Recital 26 of the Regulation together,⁸³⁹ even though it is understood that Article 15 was drafted in light of the classic tort/delict model affecting corporeal property rather than special tort-like rights peculiar to IP.⁸⁴⁰ However, they still advocate the opinion that nearly all relevant

⁸³² Josef Drexler 2005 (*supra* n 368) 167.

⁸³³ *Ibid.*

⁸³⁴ Annette Kur, ‘Applicable Law: An Alternative Proposal for International Regulation- the Max Planck Project on International Jurisdiction and Choice of Law’ (2005) 30 *Brook. J. Int’l L.* 951, 960; J.A. Pontier 2008 (*supra* n 660) 104.

⁸³⁵ Andrew Dickinson 2008 (*supra* n 599) para 8.18. Similar opinion is shared by Marta Pertegás 2006 A (*supra* n 339) 239-40; Fawcett and Torremans 2011 (*supra* n 13) para 15.33; Stefania Bariatti (*supra* n 759) 83; Dário Moura Vicente (*supra* n 15) 357-58; Jürgen Basedow 2010 (*supra* n 150) 18.

⁸³⁶ M. Leistner, ‘The Law Applicable to Non-Contractual Obligations Arising from an Infringement of National or Community IP Rights’ in Stefan Leibel and Angsar Ohly (eds) (*supra* n 6) 104.

⁸³⁷ Buchner in Graf-Peter Calliess (ed) (*supra* n 599) 486.

⁸³⁸ Eckart Gottschalk (*supra* n 577) 190, fn 27; similarly, S.J. Schaafsma 2008 (*supra* n 368) 999-1000 (the issues of existence, termination, ownership and content of IP rights fall within the scope of Art. 15).

⁸³⁹ Martin Illmer (*supra* n 595) 252.

⁸⁴⁰ *Ibid.*

aspects of an IP infringement claim are governed by the Regulation, including transferability and initial ownership of the right.⁸⁴¹ As to the reasons for Rome II covering the issue of initial ownership, they argue for the conjoined effect and structure of Recital 26, and Articles 8, 13 and 15, although the plain wording of those provisions functions to demonstrate the scope of the *lex loci protectionis* rule. They assert that the issue of initial ownership is not a preliminary question justifying a different connecting factor. Instead, they argue, “it is part of the main issue of infringement, intertwined with its other aspects so that it should be governed by the same law”.⁸⁴²

This writer submits that the material scope of the Rome II Regulation does not include such property aspects of IP rights infringement as the issues of existence, scope and duration of copyright and related rights, nor the initial ownership of these rights. The Regulation identifies the law applicable to non-contractual obligations arising from an infringement, and that is limited by the scope of the Regulation. Thus, the property aspects involved in these issues should not be characterized as matters arising from an infringement. Although the issues of existence, scope, duration and initial ownership of copyright may be raised as incidental or preliminary issues in infringement claims, they are the issues that can be raised separately prior to litigating the issue of infringement.

Furthermore, Article 15, which is placed under “common rules”, applies not only to infringement of IP rights, but also to claims arising from infringement of other property rights. As Petz rightly pointed out, if one assumes that the existence, or initial ownership of IP rights fall within the scope of Article 15, so should the existence and ownership issues of other property rights. Such a result will, however, not be optimal in that it will compromise international jurisprudential harmony. Taking a vehicle accident as an example, the law applicable to such a claim would be, according to the general rule of Article 4 of Rome II, the *lex loci damni*. If, as advocated by some, Article 15 were to cover ownership issues, this law would also determine the ownership of the car, which would not only contradict the traditional choice-of-law rules that are commonly adopted in Europe - the *lex rei sitae* -, but also produce the contradictory result that the owner of the car could be different for the *lex loci damni* and the *lex rei sitae*.⁸⁴³ Thus, it is submitted, Article 15 of Rome II does not embrace intrinsic aspects of IP rights.

Still further, as will be seen in the following sections, the choice-of-law rules for intrinsic aspects of copyright differ among Member States, in particular regarding initial ownership of copyright. Some Member States apply the *lex loci protectionis* and others apply the *lex originis*.⁸⁴⁴ If Article 15 of Rome II also covers intrinsic aspects of copyright, the adoption of Rome II means that in these aspects, those states that apply choice-of-law rules other than the *lex loci protectionis* will have to make “a sudden change” in their applicable law.⁸⁴⁵ As observed by some scholars, in the absence of any clear reference made by the European legislators, it cannot be assumed that making such changes was intended by them.⁸⁴⁶

The CJEU may, upon reference from national courts, define a clear scope of the *lex loci protectionis* rule by interpreting Article 8 and Article 15 together. Without clarification from the CJEU or the EU legislators, the issues of the existence, scope, duration, termination and initial ownership of copyright and related rights should be regarded as falling outside the scope of the Regulation, and be determined according to national choice-of-law rules.

⁸⁴¹ *Id.*, 252-57.

⁸⁴² *Id.*, 255-56.

⁸⁴³ Thomas Petz 2010 (*supra* n 759) 243-44. The same view is shared by Dário Moura Vicente, see Dário Moura Vicente (*supra* n 15) 358.

⁸⁴⁴ *Infra* 3.4.2 Initial ownership.

⁸⁴⁵ Thomas Petz 2010 (*supra* n 759) 245.

⁸⁴⁶ Thomas Petz 2010 (*supra* n 759) 243-45.

3.3.7.3.2 The effectiveness of the Rome II rules in copyright and related rights infringement

Article 8(1), when mandating application of the *lex loci protectionis* for IP infringement disputes, does not allow for flexibility similar to what has been included in connection with other sorts of Rome II non-contractual obligations. In this context, issues as to infringement of copyright and related rights will be governed by the law of the country where those rights are protected. In the traditional approach, the national law for which copyright protection is claimed would be applied to determine copyright infringement disputes. Foreign law could be applied in the situation where the competent court is not located in a state for which copyright protection is claimed. Due to the absence of a formality requirement such as registration, copyright and related rights are, upon their creation, actually a bundle of rights that exist in all Berne Union states. Applying the *lex loci protectionis* in copyright and related rights infringement claims means, if the same work has been allegedly infringed in many countries, the law of each such country will have to be applied to deal with the infringement that occurred within its territory. Under such circumstances, one may wonder whether the adoption of the single *lex loci protectionis* rule, without having any flexibility, e.g. allowing party autonomy or an escape clause, would provide a satisfactory result in dealing with copyright and related rights infringement claims, in particular in multi-state infringement cases.

3.3.7.3.2.1 Multi-state copyright and related rights infringement

The situation where a person acts in one country or several countries and the damage occurs in another country or countries can be described as “multi-local torts”. The identification of the law applicable to “multi-local torts” is probably the most difficult part of attempting to unify choice-of-law rules in tort.

The multi-state copyright infringement problem had even been mentioned more than 100 years ago during the drafting process of the Berne Convention, because copyright is ubiquitous, meaning it can be infringed everywhere.⁸⁴⁷ Traditionally, cross-border conflicts occurred when books or other copyrighted objects were copied or distributed abroad, or transmitted by broadcasting or satellite to other countries. With the proliferation of high technology, the Internet in particular, cross-border copyright conflicts occur more often and more easily by simply uploading copyrighted materials to the Internet and simultaneously infringing through servers in a number of national territories. An example can be seen in the case where the former physician of the late French President Mitterrand published a memoir titled “*Le Grand Secret*”. The owner of an Internet cafe in France purchased a copy of the book, scanned it, and put the scanned-copy on the Internet, from which it was downloadable through websites in the USA, Canada and the UK.⁸⁴⁸

Article 8(1) of Rome II does not contain any appreciability filter or spill-over protection, or any restriction on the level of choice-of-law.⁸⁴⁹ The Rome II article having such provisions is Article 6(3)(b), which provides for a limited choice of one law in multi-state unfair competition cases by having two filters to prevent abusive forum shopping. In contrast, in a multi-state copyright infringement case, Article 8(1) of the Regulation does not try to limit the plaintiff’s claim to one country’s or a small number of countries’ laws.

It should be admitted that the *lex loci protectionis* principle in the Regulation may still play a positive role in defining the law applicable to cross-border copyright infringement in the traditional form, where the cross border communication can still be confined to certain place(s). Whereas in the situation of ubiquitous infringement, where infringement happens virtually in every country, the application of the *lex loci protectionis* would mean that a multitude of laws have to be applied to the claims. A distributive application of the laws of the different countries for which protection is claimed on a country-by-country basis means that a court will apply the various legislative provisions on copyrights to examine whether the alleged work falls within the protection conferred by the respective law of each state for which protection is claimed. It is of note that neither Article 8 itself, nor other

⁸⁴⁷ Josef Drexler 2005 (*supra* n 368) 168.

⁸⁴⁸ Discussed in Jane C. Ginsburg 1998 B (*supra* n 368).

⁸⁴⁹ Martin Illmer (*supra* n 595) 244; Buchner in Graf-Peter Calliess (ed) (*supra* n 599) 484.

parts of the Regulation specifically address the issue of the distributive application of different national laws in multi-state infringement, let alone infringements committed on the Internet.⁸⁵⁰

Many scholars contend that the distributive application of different laws rules is a disadvantage in IP rights infringement cases, including those involving copyright and related rights.⁸⁵¹ In practical application, it will be unduly burdensome, if even possible, to determine, verify and apply all the national laws that are involved.⁸⁵² Even if one assumes to locate the infringement only within the single European market, the application of the *lex loci protectionis* will still lead to the application of all 27 Member States' national copyright laws. In addition, the distributive application means that the court will have to deal with foreign law. Litigation on the basis of foreign law is often complicated and time-consuming.⁸⁵³ The cost and effort involved will be extremely high, something that will not meet the expectation of litigants, whether they are plaintiff or defendant.⁸⁵⁴ Also, the end result may be hard to predict. A self-contradictory result may also occur. In some situations, a court may have to make a finding of infringement according to one national law and a finding of non-infringement according to another. For example, a design is under copyright protection in the Netherlands, provided that it meets certain requirements in accord with Dutch Copyright Law, while the same design will not be under copyright protection in Italian law, but under the protection of Italian industrial design and model rights. Under the circumstances, it might happen that the same work will be considered infringed in the Netherlands under Dutch law, but not so in Italy under Italian law, e.g. the term of protection for industrial design and model may have expired.

To avoid the distributive application of national laws caused by the *lex loci protectionis*, the approach of applying one single law or a small number of laws in multi-state copyright infringements has been advocated, especially for infringements committed through the Internet. The following are the approaches that have been proposed.

Applying the *lex originis*⁸⁵⁵

The universal rule of the *lex originis* is not new among the European legislatures and is being applied in some fields, such as Article 1(2) (b) of the EC Broadcasting Directive. This rule is, however, not without drawbacks. As far as copyright is concerned, the application of the law of the country of origin means that the protection of copyright would depend on the level of protection of that country.⁸⁵⁶ In addition, it is very difficult to define what is the country of origin, let alone when the infringement is through the Internet. Should it be the country where the work had been first published? If so, difficulty could arise when there is an unpublished work. Furthermore, use of the Internet will make the geographical place of the first publication more problematic, but less important for this approach.⁸⁵⁷ Alternatively, should it be the country where the server that hosts the allegedly infringing materials is located, or the country where the website holder/operator that put the allegedly infringing materials on the Internet has a habitual residence or place of business? The main disadvantages of the

⁸⁵⁰ The Commission 2003 Proposal, Explanatory Memorandum, 20, which implicitly states the distributive application of different national rules: “*this rule, also known as the ‘territorial principle’, enables each country to apply its own law to an infringement of an intellectual property right which is in force in its territory: counterfeiting an industrial property right is governed by the law of the country in which the patent was issued (...). This solution confirms that the rights held in each country are independent*”.

⁸⁵¹ Dick van Engelen 2008 (*supra* n 760) 442; J.A. Pontier 2008 (*supra* n 660) 105; J.A. Pontier, *Onrechtmatige daad en andere niet-contractuele verbintenissen: 16 Praktijkreeks IPR* (2 edn, Maklu, Apeldoorn-Antwerpen 2009) 204; Marta Pertegás 2006 A (*supra* n 339) 229 *et seq.*; Eckart Gottschalk (*supra* n 577) 209-12.

⁸⁵² Annette Kur 2005 A (*supra* n 834) 955; Axel Metzger 2010 (*supra* n 768) 174.

⁸⁵³ Marta Pertegás 2006 A (*supra* n 339) 243.

⁸⁵⁴ Dick van Engelen 2008 (*supra* n 760) 445.

⁸⁵⁵ Thum, ‘Internationalprivatrechtliche Aspekte der Verwertung urheberrechtlichgeschützter Werke im Internet’, (2001) GRUR Int. 9 (on the discussion within WIPO). (referred into Josef Drexl 2005 (*supra* n 368) fn 85)

⁸⁵⁶ Josef Drexl 2005 (*supra* n 368) 170.

⁸⁵⁷ Thum (*supra* n 855) (on the discussion within WIPO). (referred into Josef Drexl 2005 (*supra* n 368) fn 87)

latter approaches are that the alleged infringer could manipulate the law that would be applicable by changing or setting up such places to best advantage.

Applying the closest connection rule

It has also been suggested for multi-state copyright infringement claims to apply the law of the state having the closest connection to the infringement in its entirety.⁸⁵⁸ Some academic institutions, as will be discussed more intensively in Chapter 4, namely, the European CLIP Group and the American Law Institute projects on intellectual property principles, suggest adopting such a rule and listing the factors which should be taken into account when determining the closest connection. This approach can only be partly supported. Although high technology has accelerated the global reach of copyright infringement, the underlying territoriality principle should still be respected. Additionally, defining the law of the state having the closest connection will be subject to the discretion of a judge in individual cases. The end result may not be foreseeable for the parties.

Applying the law of the state that is directly and substantially affected

The approach taken by Article 6(3)(b)⁸⁵⁹ of Rome II has been advocated, i.e. applying the law of a state where a market is directly and substantially affected. According to Bariatti, this approach may provide the most clear-cut rule for multi-state infringement, because the application of this approach does not depend on either the interpretation of the concept of “significant impact”, nor the will of the parties. Rather it might be influenced by their respective contractual power or be aimed at circumventing the public interest.⁸⁶⁰

Applying the *de minimis* rule

The CLIP Principles suggested a *de minimis* rule for multi-state copyright infringement claims.⁸⁶¹ According to that, a court needs only to focus on the alleged infringement claims that have either caused a substantial effect or when the alleged infringer has substantially acted within the state or states for which protection is sought.⁸⁶² Conversely, an infringement that is *de minimis* will not be taken into consideration. As will be discussed in section 4.2.2.4 *infra*, applying the *de minimis* rule for such cases will raise some doubts.

Based on the above, it is submitted that, given the territorial nature of copyright and related rights, the *lex loci protectionis* rule should remain as a general rule for such disputes,⁸⁶³ and the closest connection rule should be carefully added only as a displacement rule to the *lex loci protectionis*.⁸⁶⁴ As proposed in the following subsections, allowing limited party autonomy will certainly provide

⁸⁵⁸ Annette Kur 2005 A (*supra* n 834) 978; Fawcett and Torremans 2011 (*supra* n 13) para 15.47; Eckart Gottschalk (*supra* n 577) 217-18; Art. 3:603 of the CLIP Principles; §321 of the ALI Principles; Art. 306 of the Japanese-Korean Principles, for details about these rules, see *infra* Chapter 4.

⁸⁵⁹ “Article 6(3)(b) When the market is, or is likely to be, affected in more than one country, the person seeking compensation for damage who sues in the court of the domicile of the defendant, may instead choose to base his or her claim on the law of the court seized, provided that the market in that Member State is amongst those directly and substantially affected by the restriction of competition out of which the non-contractual obligation on which the claim is based arises; where the claimant sues, in accordance with the applicable rules on jurisdiction, more than one defendant in that court, he or she can only choose to base his or her claim on the law of that court if there is restriction of competition on which the claim against each of these defendants relies directly and substantially affects also the market in the Member State of that court.”

⁸⁶⁰ Stefania Bariatti (*supra* n 759) 76-7.

⁸⁶¹ Fawcett and Torremans 2011 (*supra* n 13) para 15.49; Art. 3:602 of the CLIP Principles, for details over this rule, see *infra*, section 4.2.2.4 *De minimis* rule.

⁸⁶² Art. 3:602(1) of the CLIP Principles, the Final Text.

⁸⁶³ Josef Drexler 2005 (*supra* n 368) 170-71; Marta Pertegás 2006 A (*supra* n 339) 242-45.

⁸⁶⁴ Eckart Gottschalk (*supra* n 577) 217-18.

flexibility to the *lex loci protectionis* rule and counter-balance some disadvantages caused by the distributive application of differing sets of laws.⁸⁶⁵

3.3.7.3.2.2 Flexibility not available for copyright and related rights infringement claims

Article 8 of Rome II does not provide any flexibility for IP infringement claims. Flexibility has, however, been introduced for the choices of law concerning non-contractual obligations arising from torts/delict, unjust enrichment, *negotiorum gestio* and *culpa in contrahendo*. In such claims, flexibility is generally constructed in such a way that a general choice-of-law rule is accompanied by exception rules. A common habitual residence rule is provided for general tort/delict claim, for the specific tort of product liability and for industrial action cases. Moreover, an open-ended escape clause that allows a departure from a general rule is also provided for general tort claims.⁸⁶⁶ Furthermore, freedom of choice is allowed for several non-contractual obligations in terms of designating applicable law.⁸⁶⁷ As stated by the Regulation, applying these rules aims at reaching a balance between ensuring legal certainty and providing justice in individual cases.⁸⁶⁸

3.3.7.3.2.2.1 No common habitual residence exception allowed for Article 8

Article 8(1) does not provide a rule excepting from the general rule of *lex loci protectionis* cases where all the parties have a common habitual residence, i.e. in one country. Scholars commonly agree that such an exception should not be introduced for IP rights infringement cases,⁸⁶⁹ because accepting this exception for such claims might lead to an unwanted result that would contradict the very rationale of the territoriality principle of IP rights.⁸⁷⁰ Assume, for example, that a resident of the PRC owns a copyright on certain Dutch architecture that is located in the Netherlands and that another resident of the PRC infringed it, then application of the common habitual residence rule would mean that PRC law would apply to the infringement. In such a case, Dutch Copyright Law, the law of the place for which protection is claimed, would be undermined. The possibility of such a result could explain why the legislator rejected such an exception for Article 8. It has been suggested that a common habitual residence exception should be available in order to assess the consequences of the infringement.⁸⁷¹ According to this opinion, such a rule could help simplify disputes that involve on-line copyright infringement or complicated multi-state infringements, and as a result the issue of the consequences of an infringement would not need to be dealt with by different laws. As the purposes of the common habitual residence rule in Article 4(2) are to reflect the legitimate expectations of the parties,⁸⁷² and to reach a balance between ensuring legal certainty and providing justice in individual cases,⁸⁷³ one may wonder whether such a rule would meet the expectations of the parties to a copyright infringement dispute. Considering the economic importance of copyright, a simple reference to the law of the country of common habitual residence may not be to the advantage of the rights owner in terms of granting an injunction or computation of damages, because it may jeopardize the protection granted by the law of the country of protection. Therefore, it is submitted that the common habitual residence rule should not be applied to copyright infringement claims.

3.3.7.3.2.2.2 No escape clause allowed for Article 8

Rome II also excludes a pre-existing relationship escape clause from its IP rights infringement provision. That includes elimination from copyright and related rights of any such clause. The reason

⁸⁶⁵ Dick van Engelen 2008 (*supra* n 760) 445; Eckart Gottschalk (*supra* n 577) 218.

⁸⁶⁶ Art. 4(3) of the Rome II Regulation.

⁸⁶⁷ Art. 14 of the Rome II Regulation.

⁸⁶⁸ Recital 14 of the Rome II Regulation.

⁸⁶⁹ Mirelle M.M. van Eechoud 2005 B (*supra* n 796) 45, 53-4; Dick van Engelen 2008 (*supra* n 760) 444; Josef Drexl 2005 (*supra* n 368) 154-55.

⁸⁷⁰ Dick van Engelen 2008 (*supra* n 760) 444; Josef Drexl 2005 (*supra* n 368) 154-45.

⁸⁷¹ Mirelle M.M. van Eechoud 2005 B (*supra* n 796) 54.

⁸⁷² The Commission 2003 Proposal, Explanatory Memorandum, 12.

⁸⁷³ Recital 14 of the Rome II Regulation.

for the exclusion is unknown. Some academics contend that an escape clause should have been introduced in the Regulation.⁸⁷⁴

The absence of such an escape clause may lead to fragmentation of applicable law when there is a contractual claim and a claim of copyright infringement that relates to the performance of that contract. In practice, copyrighted work is normally exploited by means of licensing or assignment contracts, for example under a licensing contract the licensee is licensed to carry out acts that would otherwise constitute infringement. However, if the licensee carries out acts outside the scope of the licensing contract, e.g. distributing the work outside the agreed geographical area, his acts would not only constitute a breach of the contract, but also an infringement of copyright. Under those circumstances, there might be two different laws applying to the same facts because the law applicable to contract and the law applicable to the non-contractual claim would not be the same.⁸⁷⁵ If, however, the EU were to adopt in Rome II an escape clause exception for IP right infringement claims, the problem of fragmenting applicable laws could be avoided, since only one law, the law applicable to the pre-existing relationship - the law of the licensing contract - will apply to the claims. In addition, an escape clause exception may save the court from the effort of differentiating the contractual and non-contractual claims. Consequently, complexity, inconsistency and legal uncertainty could be avoided. An escape clause may also be useful for multi-state infringement claims. As mentioned in the preceding section, the application of the *lex loci protectionis* rule in multi-state copyright disputes will lead to a distributive application of the laws of every country that concerns them. Applying an escape clause to identify a place of “manifestly closer connection” would prevent this distributive application of the laws. Hence, it is submitted that Rome II should provide an escape clause exception for IP right infringement claims, including those involving copyright and related rights.

3.3.7.3.2.2.3 No party autonomy allowed

Article 8(3) explicitly excludes the parties' autonomy to select the law applicable to IP infringement claims. Although the EP, during the drafting process of Rome II, had suggested the addition of party autonomy to such claims, the Commission did not accept that, and then the explicit exclusion of party autonomy remained in the final version of the Regulation.

In the Regulation itself the reason for such exclusion was not clear. The Commission 2003 Proposal simply stated that “[f]reedom of will is not accepted... for intellectual property, where it would not be appropriate”.⁸⁷⁶ The reason why party autonomy is not appropriate for IP rights claims was not explained. The Hamburg Group Comments may, however, have shined some light on this point. It stressed the “territorial scope” of IP rights, and argued that “the parties’ choice should be without effect where public interests are or may be involved”.⁸⁷⁷ Some other scholars also embraced this.⁸⁷⁸ Since IP rights have a substantial public law character and are granted according to individual national laws, the states’ sovereign decisions on IP rights protection on their territories should be respected.⁸⁷⁹ Aside from that, the consideration that the domestic public interest of each country differs considerably may also be a reason for such exclusion.⁸⁸⁰ In the extreme case, the parties should not be allowed to choose the law of a country in which the right is not protected by the law of that country or the right does not exist under the law of that country. To do otherwise would only frustrate a state’s sovereign policy on IP rights.⁸⁸¹ The explanation as put forward by Kreuzer is even more compelling. He wrote that

⁸⁷⁴ Dick van Engelen 2008 (*supra* n 760) 444; Nerina Boschiero (*supra* n 338) 108-10; Martin Illmer (*supra* n 595) 249.

⁸⁷⁵ Nerina Boschiero (*supra* n 338) 108-10.

⁸⁷⁶ The Commission 2003 Proposal, Explanatory Memorandum, 22.

⁸⁷⁷ The Hamburg Group Comments (*supra* n 763) 38.

⁸⁷⁸ Annette Kur 2005 A (*supra* n 834) 975; Eckart Gottschalk (*supra* n 577) 196; K. Kreuzer, ‘Tort Liability in General’ in Alberto Malatesta (ed) (*supra* n 362) 55-6; Stefania Bariatti (*supra* n 759) 72.

⁸⁷⁹ Annette Kur 2005 A (*supra* n 834) 975; Buchner in Graf-Peter Calliess (ed) (*supra* n 599) 487.

⁸⁸⁰ Thomas Petz 2010 (*supra* n 759) 248.

⁸⁸¹ Eckart Gottschalk (*supra* n 577) 196.

“the exclusion of an agreement on the law applicable to infringements of intellectual property rights is due to the fact that in these cases the rights are existing only on a territorial basis so that the parties possibly could select a legal system under which no intellectual property right may exist”.⁸⁸²

Considering the territorial nature of IP rights and respecting the sovereignty of a state that grants the rights, it must be admitted that some grounds for not allowing party autonomy are reasonable. An argument of merely protecting the public interests, which was mentioned by the Hamburg Group, is, however, not sufficiently convincing, since if excluding party autonomy in the context of IP rights is for the purpose of protecting the public interests, one may ask why parties are given a right to choose the law applicable to other kinds of torts where public interests are largely involved, as well, such as prohibited environmental pollution.⁸⁸³ In addition, one may also wonder why public interests cannot be protected with a restricted party autonomy,⁸⁸⁴ such as the parties may only choose the law applicable to certain aspects of IP rights after the manner of tort cases, especially where the application of public policy and an overriding mandatory rule of the forum may counter-balance any undesirable choice made by the parties.⁸⁸⁵

In Article 8(3), a total ban on party autonomy in IP rights infringement claims became law. It is commonly recognized that some “core” aspects of IP rights should not be left to the law chosen by the parties, such as the issues of the existence of the right, the extent of protection and the determination of unlawfulness of an alleged infringing act, due to their inherent relevance to the existence of IP rights.⁸⁸⁶

Nevertheless, there are reasons why party autonomy, at least with restrictions, should be allowed in connection with IP rights infringement claims.

First, allowing the parties to choose the law applicable to IP rights infringement claim is not unknown among European states. As described in the preceding section, the Swiss PIL Act allows parties to choose the forum law (Swiss law) *ex post* only in an infringement claim.⁸⁸⁷ The Dutch WCOD also provided an opportunity for parties to choose the law applicable to their IP rights infringement disputes, ever since the *COVA* judgment.⁸⁸⁸

Second, the adoption of party autonomy will not only promote legal certainty and foreseeability as to the law that will be applicable, especially in multi-state infringement claims,⁸⁸⁹ but it will also enhance judicial economy. As discussed in the previous subsections, the application of the *lex loci protectionis* rule in multi-state infringement cases will lead to a distributive application of the laws of every country that concerns them. If the parties are given the opportunity to choose the law applicable to certain aspect(s) of the disputes, it will most likely provide the legal certainty and foreseeability for the parties to forecast the result of the dispute. Additionally, a total ban on a freedom of choice would force parties and judges to become acquainted with the laws of each and every country for which the protection is claimed. Thus, in terms of costs and effort involved, such a practice would not be satisfactory especially considering the universal application of Rome II. Having to know the laws of

⁸⁸² K. Kreuzer (*supra* n 878) 55-6.

⁸⁸³ Xandra E. Kramer (*supra* n 672) 422.

⁸⁸⁴ Dick van Engelen 2008 (*supra* n 760) 446.

⁸⁸⁵ Xandra E. Kramer (*supra* n 672) 422.

⁸⁸⁶ Marta Pertegás 2006 A (*supra* n 339) 237.

⁸⁸⁷ Art. 110(2) of the Swiss PIL.

⁸⁸⁸ Art. 6 of the WCOD; Mireille van Eechoud 2005 B (*supra* n 796) 48. With the entry into force of the Rome II, it is no longer possible for the parties to choose the applicable law in IP infringement disputes.

⁸⁸⁹ Mireille van Eechoud 2005 B (*supra* n 796) 53-4; Marta Pertegás 2006 A (*supra* n 339) 236-37; Fawcett and Torremans 2011 (*supra* n 13) para 15.43; Dário Moura Vicente (*supra* n 15) 352-53; Dick van Engelen 2008 (*supra* n 760) 444; Nerina Boschiero (*supra* n 338) 108; Eckart Gottschalk (*supra* n 577) 218.

the countries involved in copyright infringement disputes will undoubtedly be vexatious and costly for everyone involved.⁸⁹⁰

Third, out of respect for state sovereignty and the territorial character of copyright, the “core” subject matters of copyright cannot be subjected to party autonomy. However, limited party autonomy should be accepted for certain subject matters, at least for the consequences of infringement, e.g. the Swiss PIL limits the *ex post* choice to patrimonial claims that arise from IP rights infringement claims.⁸⁹¹ Most academic commentators advocate this limited party autonomy approach just to the extent of assessing the legal consequence of infringement and the computation of money damages.⁸⁹² As for the timing of party autonomy, it is submitted that a pre-tort agreement should not be permitted, since in common practice unbalanced bargaining power, such as: publishing house or music company as the rights owners on one side and a single writer or licensee on the other, may lead to one-sided choice-of-law agreements. In such cases, the spirit of the freedom to make a choice may be jeopardized.⁸⁹³ A post-tort agreement as to the law applicable should be accepted, since it would be unlikely that a post-tort agreement with boundaries could lead to a situation where state sovereignty or public interests can be seriously endangered.

Last but not least, although it can be argued that party autonomy might possibly undermine state sovereignty or public interests, such an undesirable factor can nevertheless be checked and balanced by the possible application of overriding mandatory rules and public policy of the forum.⁸⁹⁴ In extreme cases, the ECJ may be able to step in and correct any unwanted result that might come to light.⁸⁹⁵

It should therefore be concluded that the core matters of copyright and related rights, such as existence, extent of protection, assessment of infringement and unlawfulness should not be left to the choice of the parties as to governing law. As to the legal consequences of infringement, such as assessing monetary damages, the parties should at least be given an opportunity to make an *ex post* agreement on choosing the applicable law, as long as such a choice-of-law would not be permitted to affect the interests of third parties.⁸⁹⁶ Even in cases where the result of the chosen law turns out to be undesirable, it could still be balanced by the application of an overriding mandatory rule and/or public policy of the forum.

To conclude this section, adopting a single rule of the *lex loci protectionis* in copyright and related rights infringement claims without a provision permitting the indicated flexibility is not in conformity with the spirit of the Regulation to reach a balance between legal certainty and the demands of justice in individual cases. Article 8(1) of Rome II without party autonomy will prove to be unnecessarily rigid, and its effectiveness will inevitably be subject to question in copyright and related rights infringement cases.

⁸⁹⁰ Dick van Engelen 2008 (*supra* n 760) 444.

⁸⁹¹ Art. 110(3).

⁸⁹² Marta Pertegás 2006 A (*supra* n 339) 237; Mireille van Eechoud 2005 B (*supra* n 796) 53-4; Nerina Boschiero (*supra* n 338) 108; Annette Kur 2005 A (*supra* n 834) 975-76; Eckart Gottschalk (*supra* n 577) 218; Fawcett and Torremans 2011 (*supra* n 13) para 15.43; Dário Moura Vicente (*supra* n 15) 351-52; similarly, Mo ZHANG, ‘Party Autonomy in Non-Contractual Obligations: Rome II and Its Impacts on Choice of Law’ (2009) 39 Seton Hall L. Rev. 861, 902-03.

⁸⁹³ Mireille van Eechoud 2005 B (*supra* n 796) 54.

⁸⁹⁴ Xandra E. Kramer (*supra* n 672) 422.

⁸⁹⁵ Dick van Engelen 2008 (*supra* n 760) 447.

⁸⁹⁶ Th. M. de Boer, ‘Party Autonomy and its Limitations in the Rome II Regulation’ (2007) IX Yearbook of Private International Law 19, 26; Mireille van Eechoud 2005 B (*supra* n 796) 53-4; Marta Pertegás 2006 A (*supra* n 339) 237; Nerina Boschiero (*supra* n 338) 107-08; H. Schack 2009 (*supra* n 7) 83.

3.4 European national law and judicial practice

As described above, the Rome II Regulation unifies choice-of-law rules for non-contractual obligations arising from infringement of IP rights among all EU Member States except Denmark. However, the issues of existence, scope, duration and initial ownership of copyright and related rights that fall outside the scope of Rome II must still be dealt with by relevant national choice-of-law rules.

3.4.1 Existence, scope, duration and termination of the right

In identifying the law applicable to the issues of the existence, scope and duration of copyright and related rights, the national laws of European countries have taken different approaches: either *lex loci protectionis* or *lex originis*.

3.4.1.1 The *lex loci protectionis*

The *lex loci protectionis* rule is well recognized in most national laws for determining the existence, scope and duration claims of copyright and related rights. This is based on the underlying rationale that “the intrinsic aspects of the right” will be governed by the law of the country for which protection is sought, including the creation, scope, termination, validity, authorship and ownership of the right.⁸⁹⁷ Some countries approach application of the *lex loci protectionis* to IP rights as a whole, thus defining it to cover not only infringement disputes, but also the existence, scope and duration of the rights, such as: Article 93 of the Belgian PIL, Article 110(1) of the Swiss PIL. As a result, in copyright and related rights disputes involving issues of existence, scope and duration, such provisions refer to the law of the country for which the plaintiff claims to have his/her copyright protected. The Swiss PIL does not provide any freedom for the parties to choose the law applicable to the issues of existence, scope and duration of copyright, as it does for infringement disputes.

Similarly, Article 54 of the Italian PIL sets down a special rule for rights related to intangible assets. It provides that rights related to intangible assets shall be governed by the law of the country in which they are exploited. This has been construed as designating the law of the protecting country (*lex loci protectionis*) with the result that the *lex loci protectionis* determines the existence, creation, scope, validity, attributes and duration of the right.⁸⁹⁸

Article 34(1) of the Austrian PIL expressly provides that “the creation, scope and termination of intellectual property rights are determined by the law of the state where the act of exploitation or the act of infringement occurred”.⁸⁹⁹ As discussed in 3.3.7.2.1 *supra*, the wording of Article 34(1) has been construed as applying the law of the country for which protection is claimed.⁹⁰⁰ Since Rome II does not deal with the property aspects of IP rights, issues relating to the existence, creation, duration and termination of IP rights will remain to be covered by Article 34(1), and accordingly be governed by the *lex loci protectionis*.⁹⁰¹

In Germany, the *Schutzlandsprinzip* is the key principle for IP rights disputes. Courts and most scholars are of opinion that under it these questions should be determined by the law of the country for which protection is sought because the existence and other matters that are intrinsically related to the right are core areas of the territoriality principle.⁹⁰² In addition, Ulmer’s proposal suggested that “the creation, scope and termination of copyright are to be governed by the law of the protection country”,

⁸⁹⁷ Fawcett and Torremans 2011 (*supra* n 13) paras 13.43-13.72.

⁸⁹⁸ Nerina Boschiero and Benedetta Ubertaini (*supra* n 778) 728-29.

⁸⁹⁹ “sind das Entstehen, der Inhalt und das Erlöschen von Immaterialgüterrechten nach dem Recht des Staates zu beurteilen, in dem eine Benützung- oder Verletzungshandlung gesetzt wird”.

⁹⁰⁰ *Supra* section 3.3.7.2.1 The *lex loci protectionis*.

⁹⁰¹ Thomas Petz 2010 (*supra* n 759) 243-44.

⁹⁰² Bundesgerichtshof, *Sendeformat* 26 June 2003, I ZR 176/01, BGHZ 155, 257, 261; *ALF*; for more discussion, see Axel Metzger 2010 (*supra* n 768); Axel Metzger 2012 (*supra* n 790).

which follows from the principle of territoriality.⁹⁰³ It is, nevertheless, of note that some scholars advocated in favour of the application of the *lex originis* in answer to the question whether or not an intellectual creation may be protected by copyright.⁹⁰⁴

As partly dealt with in the preceding section, in the situation where no statutory rule on the law applicable to the existence, scope of copyright is provided in the Netherlands, the *Hoge Raad* confirmed in *Bigott v Doucal* that the existence of a copyrighted work and the copyright protection should, by reference to the Berne Convention, be governed by the *lex loci protectionis*.⁹⁰⁵ To repeat, on lower court levels, when defining governing law for the issues of existence and extent of protection, the Dutch judicial rulings have not been consistent: some courts ruled that such issues should be governed by the *lex loci protectionis*,⁹⁰⁶ while others followed the *lex loci delicti* principle.⁹⁰⁷

It is again emphasized that in multi-state claims, the application of the *lex loci protectionis* will inevitably lead to a distributive application of different national laws on a country-by- country basis.

3.4.1.2 The *lex originis*

A few countries apply the *lex originis* to determine the existence, scope, duration and termination of copyright. Generally, the *lex originis* is defined as the law of the place of first publication of a copyrighted work, or the law governing the author's personal status when the work was not published. Both connecting factors appear to manifest a universal recognition of the author's copyright with the same law.

Greek law is officially stated as: “*copyright in published works shall be governed by the law of the state in which the work has been lawfully made accessible to the public for the first time*”, and that law governs “*the definition of the owner of the right, its subject matter, its content, its term and the restrictions relating to it*”.⁹⁰⁸ So, as to all copyright issues, Greece applies the law of the country where the work was made accessible to the public for the first time.

Article 48(1) of the Portuguese Civil Code similarly provides that

“*[w]ithout prejudice to what is laid down in special legislation, the rights of authors are regulated by the law of the place of first publication and, in the absence of publication, by the author's personal law.*”⁹⁰⁹

However, this Code language is subject to special legislation that includes the Portuguese Code of Copyright and Related Rights, as well as the Berne Convention. As a result, the scope of any application of the *lex originis* rule expressed in the Portuguese Civil Code is very limited. Since it is argued that the Berne Convention provides a choice-of-law rule referring to the law of the country where protection is claimed, even PIL rules in the Portuguese Civil Code refer to the *lex originis* as the law governing copyright, the reference has little, if any, practical significance.⁹¹⁰

⁹⁰³ Eugen Ulmer (*supra* n 5) 34.

⁹⁰⁴ Haimo Schack, *Urheber- und Urhebervertragsrecht* (4th edn Mohr Siebeck, Tübingen 2007) 464-65, who nevertheless advocates to apply the *lex loci protectionis* for the requirement of originality.

⁹⁰⁵ *Bigott/Doucal* (*supra* n 797).

⁹⁰⁶ *KPN/Kapitol; Offpact/Cyborg*; Arrondissementsrechtbank Leeuwarden, *United Feature Syndicate Inc v Van der Meulen Sneek BV* 1 March 1989 [1990] BIE 329 (the scope of copyright in the Garfield dolls in the Netherlands was determined by Dutch law, because Dutch law is the law of the protecting country).

⁹⁰⁷ *Church of Scientology; Cassina/Dimensione*.

⁹⁰⁸ Art. 63 of Greek Copyright Act. See André Lucas (*supra* n 378) 15; see also Dário Moura Vicente (*supra* n 15) 279, fn 471.

⁹⁰⁹ Dário Moura Vicente (*supra* n 15) 279.

⁹¹⁰ *Id.*, 280; Alexandre Dias Pereira, ‘Portugal’ in Toshiyuki Kono (ed) (*supra* n 15) 909.

As discussed in section 3.3.7.2.2 *supra*, French legislation does not provide a specific choice-of-law rule for cross-border copyright disputes. Among the French doctrines, opinions are divided whether Article 5(2) of the Berne Convention designates the law applicable to other aspects of copyright.⁹¹¹ Judgments of French courts do reflect that the issues of existence and originality of works will be governed by the *lex originis*, and, as indicated in the 1959 “Rideau de fer” judgment, the *Cour de Cassation* had clearly ruled to apply “the law of the country of origin for the issues of existence, originality, and initial ownership of works, (...)”.⁹¹²

Article 60 of the Romanian Law on the Settlement of the Private International Law Relations also refers to a comprehensive *lex originis* by providing that

“The birth, contents and extinction of the copyright over a work of intellectual creation are subject to the law of the State where it was, for the first time, brought to the knowledge of the public by publication, representation, exhibition, broadcast or by any other property means. The works of intellectual creation not divulged are subject to the national law of the author.”⁹¹³

3.4.2 Initial ownership

As indicated in the preceding subsection, Rome II does not deal with the issue of initial ownership. As a result, such an issue will have to be determined according to the choice-of-law provisions of each Member State. Due to the absence of an EU harmonization provision, domestic legal regimes differ to some extent in this regard. Nevertheless, two approaches have mainly been used to determine the initial ownership of copyright and related rights among European states: the *lex loci protectionis*, and the *lex originis*.

3.4.2.1 The *lex loci protectionis*

In some European countries, PIL statutes contain specific choice-of-law provisions dealing with IP issues, including initial ownership of copyright. Examples can be seen in Article 54 of the Italian PIL, which stipulates a special rule on rights related to intangible assets and provides for application of the law of the state in which such rights are exploited to govern them. This choice-of-law rule has been interpreted as designating the law of the protecting country (*lex loci protectionis*). As discussed in the preceding section, the *lex loci protectionis* can determine all issues arising from cross-border copyright and related rights claims, including initial ownership of copyright.⁹¹⁴ Similarly, the *lex loci protectionis* rule provided in Article 110 of the Swiss PIL also governs the issue of initial ownership of copyright.

Article 93(2) of the Belgian PIL prescribes a special choice-of-law rule regarding the issue of original ownership. It has no effect on copyright and related rights because it is explicitly restricted to industrial property. As a result, a general rule provided in Article 93(1) - the law of the country for which protection is sought governs issues related to initial ownership of copyright and related rights.⁹¹⁵ During the legislative process to arrive at the Belgian PIL, the question whether or not to adopt the *lex loci protectionis* for such matters had been under discussion⁹¹⁶ because Belgian courts, before the adoption of the PIL Act, had applied the *lex originis* approach: either the law of the nationality of a foreign author or the law of the place of first publication in determining the initial ownership of

⁹¹¹ For discussion, see Marie-Elodie Ancel (*supra* n 816) 545-47.

⁹¹² Nerina Boschiero (*supra* n 338) 101.

⁹¹³ Law No. 2121 of 3 April 1993, published in Romanian Legislation vol 11 the Settlement of the Private International Relations and the Commercial Arbitration (Bucuresti, 1993).

⁹¹⁴ Nerina Boschiero and Benedetta Ubertazzi (*supra* n 778) 28.

⁹¹⁵ Marta Pertegás, in J. Erauw and others (eds), *Het Wetboek Internationaal Privaatrecht becommentarieerd* (Intersentia, Antwerpen 2006) 477.

⁹¹⁶ K. Roon (*supra* n 774).

copyright.⁹¹⁷ The *lex loci protectionis* as a choice-of-law rule had hardly been considered,⁹¹⁸ the reason having been that the initial ownership of copyright falls outside the scope of Article 5(2) of the Berne Convention. The final adoption of Article 93 ended the discussion in this regard and endorsed Belgian courts' application of the *lex loci protectionis* to determine the initial ownership of copyright and related rights.

Article 34(1) of the Austrian PIL provides for the application of the law of the state where the act of exploitation or the act of infringement occurred to matters of creation, scope and termination of IP rights which are on a list of issues that are, however, considered as non-exclusive, meaning the rule will also apply to other property aspects of IP rights, particularly initial ownership.⁹¹⁹ Since the issue of initial ownership of copyright and related rights falls outside the scope of Rome II, national choice-of-law rules, here again Article 34(1) of the Austrian PIL shall remain applicable. Accordingly, the Austrian provision referring to the application of the *lex loci protectionis* governs the issue of initial ownership of copyright and related rights.⁹²⁰

In those European countries which have not enacted statutory provisions as to the law applicable to initial ownership of copyright, like Germany, the case law and legal doctrines affirm the application of the *lex loci protectionis*. The German *Bundersgerichtshof* has mainly been of the opinion that the initial ownership of non-registered IP rights is governed by the law of the country for which protection is sought.⁹²¹ That ruling has also been followed by lower German courts.⁹²² In addition, the majority of German scholars advocate that the law of the state for which protection is sought should determine this issue.⁹²³ Still some commentators advocate the *lex originis* arguing that, no matter what law protects the copyright of its original owner, its initial title absolutely connects with the state of origin and by virtue of that the subject property will circulate more easily.⁹²⁴

3.4.2.2 The *lex originis*

Applying the law of the country of origin is often argued as an alternative to the *lex loci protectionis* for determining the initial ownership of copyright.⁹²⁵ According to this rule, the law of the country where copyright was published or the law of the place where the creator of the work has his residence has to apply.

In the Netherlands, there is no clear choice-of-law rule for the initial ownership issue. This might be due to the fact that cross-border copyright cases are often litigated in *kort geding* proceedings, under which the choice-of-law issue is hardly ever raised.⁹²⁶ In a recent case *Michaud/Graham Packaging*,⁹²⁷ the

⁹¹⁷ Rb. Gent 10 January 1996, T.B.H. 1997, 33 with note M. Pertegás. See also A. Cruquenaire, 'La loi applicable au droit d'auteur: état de la question et perspectives' (2000) A&M 212; K. Roos (*supra* n 774).

⁹¹⁸ Marta Pertegás 2006 B (*supra* n 915) 479.

⁹¹⁹ OGH, *Hotel-Video* (*supra* n 783); Thomas Petz 2010 (*supra* n 759) 231.

⁹²⁰ Thomas Petz 2010 (*supra* n 759) 245.

⁹²¹ Bundesgerichtshof, *Spielbankaffaire* 2 October 1997.

⁹²² Oberlandesgericht Munich (6th Civil Senate), 10 January 2002 [2002] MMR 312, [2003] ZUM141; Landgericht Hamburg (16th Chamber for commercial matters), 4 September 2001 [2002] NJW 623, [2002] ZUM 156; Oberlandesgericht Düsseldorf (20th Civil Senate), 24 April 2007, [2007] ZUM-RD 465. (referred into Fawcett and Torremans 2011 (*supra* n 13) para 13.82, fn 155).

⁹²³ Josef Drexl, 'Comments on Internationales Immaterialgüterrecht' Vol 11 Münchener Kommentar zum Bürgerlichen Gesetzbuch (4th edn Beck, München 2006) marginal number 129 and 15 *et seq*; Paul Katzenberger, Comments on Vor §§ 120 ff. UrhG, in Gerhard Schricker (eds.), *Urheberrecht: Kommentar* (3rd edn Beck, München 2006), marginal number 129 *et seq*; Axel Metzger 2012 (*supra* n 790).

⁹²⁴ Drobnig, *Originärer Erwerb und Übertragung von Immaterialgüterrechten im Kollisionsrecht* (1976) *RabelsZ.* S. 200 (referred into Josef Drexl 2006 (*supra* n 923)).

⁹²⁵ Fawcett and Torremans 2011 (*supra* n 13) para 13.75; Mireille van Eechoud 2003 (*supra* n 15) 121-24.

⁹²⁶ Mireille van Eechoud 2005 A (*supra* n 362) 296.

Appeal Court of ‘s-Hertogenbosch adopted the *lex originis* rule to decide the issue of initial ownership and held that France was the place of origin due to the fact that the designer was a French residence. In Dutch doctrine, there is, however, a division of opinion on this issue. According to some, the *lex loci protectionis* should govern the initial ownership issue,⁹²⁸ while others are of the opinion that the *lex originis* should apply for the sake of legal certainty because under that circumstance only one national law will be applied.⁹²⁹

On several occasions, French courts have applied the *lex originis* to copyright ownership. As discussed above, the French *Cour de Cassation* ruled in the 1959 “Rideau de fer” case that initial ownership of copyright, together with other issues would be governed by the law of the country of origin. In another case, involving infringement of moral rights, the *Cour de Cassation* also applied the *lex originis* to determine the initial ownership of a film.⁹³⁰ That ruling has been closely followed by French lower courts. They consider the nature of the work along with initial ownership of copyright as general law matters to be governed by the law of the country of origin of the work.⁹³¹

In Portugal, as analysed in the preceding section, Article 48(1) of the Portuguese Civil Code provides that author’s rights are governed by the law of the place of first publication; if the work is not published, they are governed by the personal law of the author, which is the law of the nationality of that person. In a recent decision, the Portuguese Supreme Court affirmed application of the *lex originis* to the issue of initial ownership of copyright.⁹³² This solution is also expressly provided for copyright ownership of softwares and databases.⁹³³ However, for a cinematographic work, it is stated that, according to Article 14bis(2)(a) of the Berne Convention, its initial ownership should be governed by the law of the country where protection is claimed.⁹³⁴

Still further, as analysed in the preceding section, Article 67(1) and (3) of the Greek Copyright Act and Article 60 of the Romanian Private International Law Act both adopt the *lex originis* approach for initial ownership claims.

3.4.3 Summary

A comparison of European national choice-of-law rules and judicial practices demonstrates that the *lex loci protectionis* is the rule in pre-dominant use among European states for the issues of existence, content, duration and termination of copyright and related rights, even though the interpretations of the

⁹²⁷ Gerechtshof ‘s-Hertogenbosch, *Michaud/Graham Packaging* 14 October 2008 (2009) 1 AMI 34 with comments M.M.M. van Eechoud.

⁹²⁸ A.A. Quaedvlieg (*supra* n 362) 160-62.

⁹²⁹ Mireille van Eechoud 2003 (*supra* n 15) 179-85; Th.M. de Boer, ‘Aanknoping in het international auteursrecht’ (1997) 108 WPNR 689, 690-91.

⁹³⁰ *John Huston* (*supra* n 11).

⁹³¹ Court of Appeal Paris, *Turner v Huston*, 6 July 1989, 143 RIDA 329 (1990); Cour of Appeal Paris, *Société Gare o Loup v. Société Jenny Ben Diffuse Faucon et autres*, 9 February 1995, 166 RIDA (Revue internationale du droit d’auteur) (1995) 310 *et seq*; Cour de Cassation, *Société Saab et autres v Société Diesel Technic de l’Ouest*, 7 April 1998 (1999) RCDIP 76, 83 *et seq*, note J.-S. Bergé; Court of Appeal Paris, *Imasseaut et autre v soc. Interidées*, 19 September 1994, *Rev.crit.dr.int.priv.* RCDIP 90 (1996), note J.-S. Bergé; Court of Appeal Paris, 14 March 1991, *JDI* 148 (1992) obs. F. Pollaud-Dulian; *JCP* 1992 II 21780, note J. C. Ginsburg; Court of Appeal Paris, 4 June 2004, *JCP E* 2005, 279, note A. Singh; Court of Appeal Paris, 16 February 2007, *Prop. intel.* July 2007, 338, obs. A. Lucas et p. 483, obs. P. de Candé, *JCP E* 2007, no. 45, 2337, note A. Singh; Court of Appeal Paris, 30 May 2008, *Prop. ind.* 2009, no. 1, comm. 5, obs. J.-P. Gasnier. (referred into Marie-Elodie Ancel (*supra* n 816)); Mireille van Eechoud 2005 A (*supra* n 362) 296; Dário Moura Vicente (*supra* n 15) fn 479).

⁹³² Portuguese Supreme Court, 10 January 2008, no. SJ200801100022086; Dário Moura Vicente (*supra* n 15) 282-83.

⁹³³ Referred in Alexandre Dias Pereira (*supra* n 910) 910.

⁹³⁴ *Ibid.*

lex loci protectionis differ among some countries, i.e. some countries interpret it as referring to the law of the place where infringement occurs while others interpret it as the place where copyright protection is claimed. Nevertheless, a few countries apply the *lex originis* to the existence, content, duration and termination of copyright and related rights. The *lex originis* rule, as an alternative to the *lex loci protectionis*, is also used by some countries to determine the initial ownership of copyright.

3.5 Inspiration for PRC law

What can the above facts and legal observations about choice-of-law in copyright and related rights cases in the EU and its Member States help in for assessing the development of laws pertaining to designation of laws applicable to such cases in the PRC and in inspiring and furthering future development of such PRC laws?

First, the matter of identifying the law applicable to IP rights disputes should be dealt with specifically. This is due to the economic importance and the special character owned by these rights. The different types of IP rights, e.g. copyright and related rights are, however, not addressed individually in the Rome II Regulation. This is understandable because the scope of Rome II is limited to non-contractual obligations arising from IP rights infringement. In other words, it deals with the matters of infringement and remedies, which is indifferent in terms of finding the choice-of-law applicable to all the various types of IP rights disputes.

Second, Rome II preserves the traditional principle of territoriality and adopts the *lex loci protectionis* rule to IP rights infringement disputes in its Article 8(1). Since Rome II does not provide any leeway for the *lex loci protectionis* rule, i.e. neither party autonomy nor an escape clause, the effectiveness of such a rule in practice could be questioned. The rigidity of Articles 8(1) and 8(3) has been criticized, and it is suggested that a limited degree of party autonomy should at least be accepted. Effectiveness concerns about this provision have also been raised in multi-state infringement disputes, since nowadays copyrighted work can so easily cross borders by means of high technology, in particular the Internet. Solutions in this regard are also advocated by scholars and academic institutions.

Third, the scope of Rome II needs to be more certain. It is not certain from the Regulation whether or not the *lex loci protectionis* rule laid down in Article 8(1) should also govern the issues related to the right itself, such as existence, content, duration, termination and initial ownership of the right. The opinions of scholars about that are quite diverse. For the sake of clarity and legal certainty, the scope of the application of the *lex loci protectionis* should be clarified.

Fourth, national choice-of-law rules for the matters related to copyright itself can be divided in mainly two groups: one applying the *lex loci protectionis*, the other applying the *lex originis*, to the matters of existence, content, duration of the right as well as the initial ownership. Examples of the former are e.g. Germany and Austria; as for the countries that adopted the latter approach examples are France, Greece etc. Thus, there is no consensus among European states on the law applicable to these aspects of copyright claims. This reflects policy considerations of each state.

The above may inspire the PRC legislature and judiciary in the sense that when there is a chance for further legislating or hearing cross-border copyright and related rights disputes, attention should be given whether the territoriality principle should be maintained, and to what extent and in which aspect a deviation from this principle should be allowed. Furthermore, the scope of choice-of-law rules should be clarified, e.g. clarifying the scope of application of the *lex loci protectionis* rule. Especially for the matter of initial ownership of copyright and related rights, the opposite approaches applied by European states should remind the PRC legislature of clarifying its approach in accord with the PRC's economic and cultural policy considerations. Moreover, copyright and related rights have not been specifically dealt with either in EU laws or in European states laws, one may ask whether this approach should be kept in PRC law, or the PRC should introduce specific choice-of-law rules for copyright and related rights claims.

3.6 Conclusion

This chapter briefly describes the history of the European Union with its focus towards the development of private international law in the EU. It then addresses the EU harmonization processes as to copyright and related rights and argues that the EU copyright directives do not directly deal with choice-of-law rules for copyright and related rights claims, and neither does Article 18 of the TFEU (the treaty anti-discrimination principle). The chapter continues by describing the “Europeanization” of PIL rules in the aspect of non-contractual obligations – in the Rome II Regulation. Rome II sets down a specific choice-of-law rule – a *lex loci protectionis* rule for non-contractual obligations arising from IP rights infringement claims, excepting Community IP rights. This rule has been criticised for lack of flexibility. Therefore, its effectiveness in copyright and related rights disputes has been subject to question. Furthermore, its absence of clarity as to the scope of application of this *lex loci protectionis* rule has also led to discussion. As argued in this chapter, Rome II deals only with non-contractual obligations arising from IP rights infringement disputes with the result that the issues of initial ownership as well as the existence, contents, duration and termination of copyright fall outside its scope. Because of that, the chapter then surveys certain European national laws and judicial practices in the aspect of determining the choice-of-law for those issues. As demonstrated, there is no consensus among them on the choice-of-law rules for those issues. As for the interest of PRC legislators and judiciary, the observations made in this chapter should remind them to have a clear scope of application of the prescribed choice-of-law rules, to introduce flexibility to the general rule of *lex loci protectionis*, and to prescribe clear choice-of-law rules for initial ownership for copyright and related rights.

CHAPTER 4 ACADEMIC CONTRIBUTIONS

As mentioned in the previous two chapters, international treaty organizations concerned themselves more with harmonizing substantive national laws and developing measures that facilitate the international protection of intellectual property than with private international law issues in the field of IP rights. As to the latter issues, three academic groups: the American Law Institute, the European Max Planck Group on CLIP and the Japanese Waseda University have taken initiatives for drafting three separate academic contributions, namely the ALI Principles, the CLIP Principles and the Japanese-Korean Principles. Although fundamental differences among these Principles with regard to certain issues, they all provide pragmatic approaches for determining the law applicable to cross-border copyright and related rights disputes. However, one may wonder how such Principles, being in the nature of “soft law”, can inspire the PRC legislature or judiciary when such disputes are at stake.

In this chapter, the choice-of-law rules that each of the Principles provide as to the issues of existence, scope and duration of copyright, and as to infringement and remedies, as well as initial ownership will be discussed. A comparison of the three sets of Principles and their inspiration for PRC legal practice will be given in section 4 and 5 of this chapter, respectively. A conclusion is provided at the end of the chapter.

4.1 The ALI Principles

For some time, the WIPO had been trying to deal with PIL issues in the field of intellectual property. It has addressed this issue within the traditional system of international IP law, mainly having to do with harmonization of national laws. As to copyright and related rights, in 1998 the WIPO organised a meeting of a Group of Consultants on *the Private International Law Aspects of the Protection of Works and Objects of Related Rights Transmitted through Digital Networks* and commissioned two professors, Jane C. Ginsburg and André Lucas, to carry out two studies on this subject.⁹³⁵ WIPO's subsequent Diplomatic Conference convened in 2000. It was aimed at adopting an instrument on the Protection of Audiovisual Performances.⁹³⁶ However, as discussed in Chapter 2, such a treaty could not be reached during the conference mainly due to the divergence on the issue of transfer of the right.⁹³⁷

Thereafter, the WIPO, in coordination with the Hague Conference on Private international Law, organised a WIPO Forum on Private International Law and Intellectual Property.⁹³⁸ A draft convention concerning jurisdiction and recognition of judgments in IP matters was submitted by Professors Rochelle C. Dreyfuss and Jane C. Ginsburg.⁹³⁹ This draft dealt little with choice-of-law rules. At the forum conference, WIPO commissioned professors Jane C. Ginsburg and André Lucas to prepare a further study on the transfer of rights of performers to producers of audiovisual fixations. It would concern substantive law regarding performers' rights, in particular the rules on transfer of their rights,

⁹³⁵ The meeting was held in Geneva from 16-18 December 1998. For details, see <http://www.wipo.int/meetings/en/details.jsp?meeting_id=3648> accessed on 2 October 2012.

⁹³⁶ The diplomatic conference was held in Geneva from 7-20 December 2000. For details, see <http://www.wipo.int/meetings/en/details.jsp?meeting_id=4231> accessed 2 October 2012. This treaty is finalized in June 2012 in Beijing, China. 122 countries have signed the final Act, and 48 countries have signed the treaty itself. The treaty will enter into force after ratification by 30 eligible parties. Discussion, see 2.2.5.3 WIPO Audiovisual Performances Treaty (WAPT)

⁹³⁷ For details, see Silke von Lewinski (*supra* n 60) paras 18.09-18.21; section 2.2.5.3 WIPO Audiovisual Performances Treaty (WAPT)

⁹³⁸ The Forum was held in Geneva from 30-31 January 2001. For details, see <http://www.wipo.int/meetings/en/details.jsp?meeting_id=4243> accessed on 2 October 2012.

⁹³⁹ WIPO/PIL/01/7.

as well as PIL rules in this context.⁹⁴⁰ Given the diversity of national rules in this subject, it was generally agreed that a choice-of-law rule should not be included in an envisaged treaty.⁹⁴¹

When at the Hague Conference its project for drafting a Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters,⁹⁴² including IP disputes, encountered insurmountable obstacles to bringing it into realization,⁹⁴³ the drafters of that draft Convention then decided to undertake a project in the field of IP on private international law issues. The project would include not only jurisdiction and recognition and enforcement of judgments, but also applicable law. Such a project was later undertaken by the American Law Institute (ALI).⁹⁴⁴

Since then, the ALI has become the first institutional venue for preparing a set of principles on cross-border litigation of intellectual property.⁹⁴⁵ After intensive discussions among ALI panel members of the several preliminary drafts issued in February of 2003, 2004, 2005 and in March 2007, the ALI approved its Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes (the ALI Principles) on 14 May 2007 and published them in September 2008.

The ALI Principles are in a non-binding instrument that provides a common terminology so as to help courts and practitioners frame PIL issues in IP disputes and to provide guidance if national legislators ever need to enact legislation in this field, and to inspire discussion of this subject among the intellectual property community.⁹⁴⁶ The ambitions of the drafters of the ALI Principles were to establish a set of principles to balance common law and civil law systems with respect to PIL as it applies to IP rights and, as a result, to ameliorate the diversity of this particular field with generally applicable rules in the hope to “*facilitate the international trade and the cultural life while respecting the needs of the economy worldwide*”.⁹⁴⁷ The ALI Principles cover the most important fields of IP rights, and they include copyright and related rights.⁹⁴⁸ The Principles only apply to transnational civil disputes involving IP rights, i.e. the claims between parties located in any two countries, or several countries.⁹⁴⁹ The ALI Principles consist of four parts: 1) definitions and scope of the principles, 2) jurisdiction, 3) applicable law and 4) recognition and enforcement of foreign judgements in transnational cases. Given the limits of this dissertation, only certain of its provisions on applicable law will be studied in this chapter.

⁹⁴⁰ The main study by Jane Ginsburg and André Lucas, WIPO Doc AVP/IM/03/4 Add of 12 May 2004 following an earlier version with the same document number of 2003.

⁹⁴¹ Silke von Lewinski (*supra* n 60) para 18.24.

⁹⁴² Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, adopted on 30 October 1999, at <http://www.hcch.net/upload/wop/jdgm_drafte.pdf> accessed on 28 December 2010 (Draft Hague Judgment Convention).

⁹⁴³ Instead of continuing with the Preliminary Draft Convention on Jurisdiction and Foreign Judgments in Civil and Commercial Matters, the Hague Conference adopted the Convention on Choice of Court Agreement on 30 June 2005, <http://www.hcch.net/index_en.php?act=conventions.text&cid=98> accessed on 2 October 2012. For a history of the Hague Draft Convention, see Andrea Schulz, ‘The Hague Project of a Global Judgments Convention and IP Rights: Recent Developments’ in Jürgen Basedow and others (eds) (*supra* n 15) 39-44; Rochelle Dreyfuss’s presentation (summarized by Frank Beckstein), ‘The American Law Institute Project on Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes’ in Stefan Leible and Ansgar Ohly (eds) (*supra* n 7) 15-6.

⁹⁴⁴ Catherine Kessedjian (*supra* n 536) 20-1.

⁹⁴⁵ The ALI Principles, at 120.

⁹⁴⁶ François Dessemontet, ‘A European Point of View on the ALI Principles – Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes’ (2005) 30 *Brook. J. Int’l L.* 849, 855; François Dessemontet, ‘The ALI Principles: Intellectual Property in Transborder Litigation’ in Jürgen Basedow, Toshiyuki Kono and Axel Metzger (eds) (*supra* n 15) 34.

⁹⁴⁷ François Dessemontet 2010 A (*supra* n 946) 34; François Dessemontet, ‘The Law Applicable under the ALI Principles: Choice-of-law in Transborder Litigation’ in Stefania Bariatti (ed) (*supra* n 15) 42.

⁹⁴⁸ § 102 of the ALI Principles.

⁹⁴⁹ § 102, comments b of the ALI Principles.

4.1.1 Existence, scope and duration of copyright

The ALI Principles respect the territoriality principle, which is embodied also in the choice-of-law rules provided therein. The Principles make a fundamental distinction between rights arising out of registration and other intellectual property rights.⁹⁵⁰ As to the former, the law applicable is the law of each state of registration.⁹⁵¹ Whereas for the latter, the *lex loci protectionis* approach, i.e. the law of each state for which protection is sought, is proposed. Accordingly, with regard to copyright and related rights, which are non-registrable, the law for which protection is sought should apply.

The Principles do not provide separate choice-of-law rules as to the issues of infringement of copyright and other issues that are closely related to the right. Instead, they include all these matters in one short section. According to that, the *lex loci protectionis* comprehensively determines the existence, validity, duration and attributes of copyright and related rights, as well as infringement of copyright and related rights and the remedies for their infringement.⁹⁵² It adopts a market impact test only for non-contractual obligations arising out of an act of unfair competition, which the Principles deem to also encompass the right of publicity.⁹⁵³

It is nevertheless a matter of note that, as for non-registered IP rights, the final ALI Principles have been premised on an approach different from their Preliminary Draft No. 2.⁹⁵⁴ The latter would have distinguished economic rights and personal rights by making the law applicable to the existence, validity and scope and infringement, “the law of any country where the allegedly infringing act has or will significantly impact the market for the work or subject matter at issue.”⁹⁵⁵ As for personal rights, Preliminary Draft No. 2 would have provided the governing law is the law of the country where the damage occurred.⁹⁵⁶ This Draft also would have provided exceptions to the above basic rules for situations where: the case is more closely connected with a country other than the country of market impact, where the parties have a pre-existing relationship, when it would be unduly burdensome for the court to decide on the basis of several other countries’ laws, or when those laws cannot be ascertained.⁹⁵⁷ Under these circumstances, the law of the country with the closest connection to the dispute would have applied, with the help of the factors listed in the second draft provision.⁹⁵⁸ The law of the forum would have applied as a default rule.⁹⁵⁹

Such a market impact approach to non-registered rights was not appealing. Even one of the reporters of the Principles had raised doubts about that.⁹⁶⁰ Adopting this approach would mean that, if the harmful effects occurred or will occur in certain countries and they are insignificant, those countries’ laws will not apply. It should then be questioned why such an approach is applied only to non-registered rights. In fact, a market impact test is, as submitted by some scholars, frequently raised in disputes concerning a registered right, trademark disputes in particular.⁹⁶¹ In addition, it has also been pointed out that there would be a necessity to distinguish registered and non-registered rights in determining the existence and scope of IP rights. If the drafters of the Principles intended to apply the market impact rule only to non-registered rights, would it mean that this rule is excluded from

⁹⁵⁰ § 301(1) of the ALI Principles.

⁹⁵¹ § 301(1) (a) of the ALI Principles.

⁹⁵² § 301(1) (b) of the ALI Principles.

⁹⁵³ § 301(2) of the ALI Principles, which acknowledge they do follow certain U.S. case law as to the right of publicity (The ALI Principles, reporter’s note 5).

⁹⁵⁴ *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes*, Preliminary Draft No.2 2004. (Preliminary Draft No. 2)

⁹⁵⁵ § 301(2) of the ALI Principles, Preliminary Draft No. 2.

⁹⁵⁶ § 301(3) of the ALI Principles, Preliminary Draft No. 2.

⁹⁵⁷ § 302 of the ALI Principles, Preliminary Draft No. 2.

⁹⁵⁸ § 302(2) of the ALI Principles, Preliminary Draft No. 2.

⁹⁵⁹ § 303 of the ALI Principles, Preliminary Draft No.2.

⁹⁶⁰ Annette Kur 2005 A (*supra* n 834) 964-66; François Dessemontet 2005 (*supra* n 946) 861.

⁹⁶¹ Annette Kur 2005 A (*supra* n 834) 965-66.

application to registered rights? Rather, in adjudicating existence and scope issues of both registered and non-registered IP rights, it is advisable to apply the *lex loci protectionis* to both.⁹⁶²

Basic rules were, however, changed in Preliminary Draft No. 3 and remained in the final Draft. For economic rights, a territorial approach was chosen: the law of each country in which an infringement occurs determines the existence of the right, its scope and infringement; for personal rights, the law applicable should be that of the country where the author is habitually resident at the time the harm occurred. Changing the choice-of-law rule for personal rights was based on the consideration that non-economic harm occurs where the author is found.⁹⁶³

4.1.2 Infringement

4.1.2.1 General rule

For copyright and related rights, the ALI Principles chose the country for which protection is sought as the connecting factor. As explained in the official Comments of the Principles, the term “country *for which* protection is sought” is clearer than the term “country *where* protection is sought”, since the latter might lead to the application of the *lex fori* or *lex loci delicti*. Furthermore, since the Principles do not allow the application of the forum’s law when the sole basis for applying the forum law is the judicial competence of a court in that country,⁹⁶⁴ the term “country *where* protection is sought” is deliberately avoided. Moreover, those Comments contend that the “country *for which* protection is sought” is compatible with a market-oriented approach.⁹⁶⁵

However, the ALI Principles depart from the territoriality principle in three areas: 1) in cases where infringement is ubiquitous, 2) party autonomy as to certain relationship aspects, and 3) the initial ownership of copyright. In these circumstances, uniform solutions have been adopted. The reason for choosing a uniform approach had to do with the attitude that “*it does not seem reasonable to have so many different national solutions to one and the same legal issue*”.⁹⁶⁶

4.1.2.2 Party autonomy

It had been suggested that the parties should be given the possibility to choose the law applicable, *ex post*, for determining the remedies imposed.⁹⁶⁷ In § 302, it is provided that the parties may choose a single law at any time, including after a dispute arises, to determine all or part of their dispute. The Principles, nonetheless, restrict application of party autonomy in several matters for the sake of public interests. First, the Principles would allow no party autonomy for the matters of validity and maintenance of registered rights, the existence, scope and duration of rights as well as the formal requirements for recording assignments and licenses.⁹⁶⁸ Furthermore, party autonomy in standard agreements would be limited to the usual scrutiny for reasonableness.⁹⁶⁹ Last but not the least, such choice-of-law agreements may not adversely affect the rights of third parties.⁹⁷⁰

Party autonomy for infringement actions was actually later introduced in the Principles. This section would allow the parties to select the law applicable to an infringement action after the dispute arises. It is stated that introducing party autonomy in infringement actions can better serve efficiency

⁹⁶² *Id.*, 966, 969-70.

⁹⁶³ Rochelle Dreyfuss (*supra* n 339) 843-44.

⁹⁶⁴ § 103(1) “Competence to adjudicate does not imply application of the forum State’s substantive law.”

⁹⁶⁵ The ALI Principles § 301, comment d, at 123.

⁹⁶⁶ François Dessemontet 2010 A (*supra* n 946) 41.

⁹⁶⁷ Annette Kur 2005 A (*supra* n 834) 975-76.

⁹⁶⁸ §302 (2) of the ALI Principles.

⁹⁶⁹ §302 (5) of the ALI Principles.

⁹⁷⁰ §302 (3) of the ALI Principles.

interests,⁹⁷¹ as the parties can agree among themselves on the law that will determine the monetary consequences of their conduct, and the claim could therefore be resolved quickly at a court, in particular in the situation where ubiquitous infringement has occurred, the parties could choose one single law to simplify the legal proceedings. In addition, unlike the issues of validity or existence of IP, party autonomy in infringement actions will not contravene the sovereign interests of a country.⁹⁷² In fact, the sovereign interests of a state can be guaranteed by resort to public policy and mandatory rules set forth in §§322 and 323, respectively.

4.1.2.3 Ubiquitous infringement

The ALI Principles are the first set of international “soft law” rules that take into account the importance of the Internet. For PIL, the transnational nature of the Internet and the ubiquitous nature of IP rights raise concerns about ubiquitous infringement, since many countries will be affected in cases where an infringement is ubiquitous. In the context of choice-of-law, applying the traditional territoriality principle to ubiquitous infringement claims means that multiple national laws will apply to those claims, because territoriality leads to the application of the laws of each affected country to the extent that the infringement which occurred or is occurring is within the borders of that country.⁹⁷³

To deal with ubiquitous infringement, the drafters of the ALI Principles decided to depart from territoriality to the extent that one single law or a small number of laws will be applied to the infringements occurring in many countries. As stated in §321 of the Principles, the simplification methods apply in cases when “*the alleged infringing activity is ubiquitous and the laws of multiple States are pleaded.*”⁹⁷⁴ Under subsection (1), the court may apply the law(s) of one state or a small group of states that has or have close connections to the disputes, not only to the infringement issues, but also to the existence, validity, duration and attributes issues. As to the interpretation of “close connection to the disputes”, the Principles set forth several examples as “*where the parties reside*”, “*where the parties’ relationship, if any, is centered*”, “*the extent of the activities and the investment of the parties*” and “*the principle markets toward which the parties directed their activities*”. The Principles further explain the reason why the above factors should be considered. As stated, the objective of IP rights is to create incentives to innovate and create, the countries that are closest to that objective are those where the parties reside, made their investment decisions, and expected to exploit the work. Moreover, a relationship previously-entered into among the parties, such as in the context of copyright, co-authorship, co-production, or commissioned work should also be a point of attachment in ubiquitous infringement because the parties in such relationships should be able to predict the law applicable to the IP rights at the time they entered into the relationships.⁹⁷⁵ It is also of note that the ALI Principles extend its solution to the issues of the existence, validity, duration, and attributes of the rights. The solution which the ALI Principles proposes here was inspired by the cascade solution in German law and Swiss law, e.g. Articles 133, 136 and 139 of the Swiss PIL. But unlike its sources of inspiration, the ALI Principles does not provide a hierarchy specifying which connecting factor will prevail.⁹⁷⁶

In order to balance the interests of the parties involved in the disputes, the drafters would allow the parties to demonstrate that the laws of certain countries would produce a significantly different outcome than that under the law or laws of the state or states chosen. And if that is the case, the court should take these differences into account when determining liability and the remedy.⁹⁷⁷

⁹⁷¹ The ALI Principles §302, at 132-33.

⁹⁷² *Id.*, §302, at 132.

⁹⁷³ *Id.*, §321, at 155.

⁹⁷⁴ §321(1) of the ALI Principles.

⁹⁷⁵ The ALI Principles §321, at 154.

⁹⁷⁶ François Dessemontet 2010 B (*supra* n 947) 52-3.

⁹⁷⁷ *Id.*, §321, at 155.

4.1.3 Initial ownership of copyright

With respect to the initial ownership of IP rights, the ALI Principles divide rights into three groups: registered rights, unregistered trademark and trade-dress rights, as well as other rights that do not arise out of registration. The latter include copyright and related rights. The Principles stipulate a special rule for each group.

As far as the initial ownership of copyright and related rights is concerned, the Principles depart from the territoriality principle by designating application of the law of the creator's residence at the time the subject matter was created.⁹⁷⁸ If there are several creators of the same subject matter, they can agree upon the law of one of their residences;⁹⁷⁹ in the absence of such a choice, the Principles designate the law of the state in which the majority of the creators resided at the time of the creation of the subject matter;⁹⁸⁰ and if the governing law still cannot be identified, then the law of the state with the closest connection to the first exploitation of the work should be applicable.⁹⁸¹ If there is an existing employment relationship, the law governing the author's employment relationship shall govern the initial ownership of the work.⁹⁸²

Clearly, the ALI Principles adopts the universality approach as far as possible resulting in worldwide application of only one law to the issue of initial ownership of copyright and related rights. As pointed out by one of the ALI Reporters, this can reduce transaction costs by avoiding conflicting cross-border situations where rights vest in different entities with regard to one single copyright work. Consequently, there will be no divergence with regard to the status of an author throughout the world.⁹⁸³

The ALI Principles designate the "creator's residence" at the time of creation as the point of attachment for determining the initial title to copyright and related rights. Since copyright requires a creation from the mind of a creator, it seems appropriate to use the creator's residence at the time of creation as the point of attachment. However, this concept has not always been clear. The Principles expressly do not designate the term "country of origin", even though this term is well established in other contexts in intellectual property law, such as the term "country of origin" in Article 5(4) of the Berne Convention. As explained in a Comment to the Principles, although the "country of origin" may offer a unifying point of reference for determining worldwide rights ownership, this term does not offer legal certainty. First, there is no international consensus on the definition of the "country of origin". Article 5(4) of the Berne Convention presents several alternative criteria for determining the country of origin of a work of authorship, and the term has not gained consensus in the context of designating the applicable law. In fact, it identifies too many possibilities and cannot provide certainty.⁹⁸⁴ Furthermore, the intangible nature of copyright makes it difficult to find the "origin" of the right, in particular in the context of multinational co-operative or co-production works. This distinguishes copyright from tangible goods or property. Accordingly, the choice-of-law rules that apply to ownership issues of tangible goods cannot be used for those of copyright.⁹⁸⁵

The Preliminary Draft No. 2 had set forth the law of the place of first availability to the public for determining the initial title to works.⁹⁸⁶ Some scholars have defended this universally applicable approach by arguing that it will meet the parties' reasonable expectations, because the place of first

⁹⁷⁸ §313(1)(a) of the ALI Principles.

⁹⁷⁹ §313(1)(b)(i) of the ALI Principles.

⁹⁸⁰ §313(1)(b)(ii) of the ALI Principles.

⁹⁸¹ §313(1)(b)(iii) of the ALI Principles.

⁹⁸² §313(1)(c) of the ALI Principles.

⁹⁸³ Rochelle Dreyfuss's presentation (summarized by Frank Beckstein) (*supra* n 943) 24.

⁹⁸⁴ The ALI Principles §313, at 140.

⁹⁸⁵ *Id.*, §313, at 140.

⁹⁸⁶ §313(1)(a) of the ALI Principles, Preliminary Draft No. 2.

availability to the public is generally chosen by parties with care.⁹⁸⁷ The place the parties choose to make the work first available to the public is also the place where the interests of the creator and the public will meet, which would be in line with the goals of copyright law. It is, nevertheless, to be noted that a simultaneous publication worldwide is not uncommon nowadays, even in the analogous world, let alone publication on the Internet, if there is a so-called publication on the Internet. In such a case, the place of first availability to the public would be subject to challenge, because such a place will not be one place, but as many places as there could be. Accordingly, such an approach will not result in applying a single law to the issue of initial ownership of copyright.

Adopting a universality approach for the initial ownership issue in cross-border copyright and related rights should not be supported. As described above, finding a single connecting factor in this respect would be arbitrary, particularly where co-authors have not chosen an applicable law, since under such circumstances, the majority of those creators' residences at the time of creation would be used. Furthermore, the connecting factor of the "creator's residence" will not always be clear in practice, and such an application would not guarantee "*no divergence with regard to the status of author throughout the world*" as hoped by the drafters. Last but not least, applying such a universal approach would not respect the territoriality principle of copyright and related rights.

4.2 The CLIP Principles

The European Max Planck Institution's *Conflict of Laws in Intellectual Property* (CLIP) was begun in 2004 with the aim of establishing a set of principles for conflict of laws for intellectual property (CLIP Principles). The project was derived from an initiative originally conducted by the Max-Planck Institute in Munich, Germany, which had planned to devise rules on jurisdiction for cross-border IP disputes and to insert those rules in the Draft Hague Judgment Convention.⁹⁸⁸ Nowadays, the CLIP Principles embrace the entire fields of jurisdiction and applicable law, as well as recognition and enforcement of foreign judgments in the field of intellectual property. The CLIP Principles is drafted with the intention to improve the existing legal regimes in the European Union. Nevertheless, the CLIP Principles, once published, may be useful as a source of inspiration for national and international legislators including those in the PRC, or may be used to interpret or supplement international and domestic laws, or may be used by practitioners for dealing with litigation claims in this particular field.⁹⁸⁹

Prior to the conclusion of the project, the Institute had presented preliminary drafts of the Principles on 8 April, 6 June 2009, 1 September 2010 and 25 March 2011, respectively. The final text published on 1 December 2011 serves as the basis for the discussion in this dissertation, unless it is otherwise stated.

It is of note that against its European background, the CLIP Principles was prepared from the perspective of potential coordination with existing EU instruments, e.g. the Rome I and Rome II Regulations on the laws applicable to contractual and non-contractual obligations.⁹⁹⁰

4.2.1 Existence, scope and duration of copyright

The CLIP Principles adopt the *lex protectionis* as the general principle that applies to the matters of the existence, validity, scope, limitation and duration of copyright, and all other matters that are

⁹⁸⁷ Catherine Kessedjian (*supra* n 536) 31-2.

⁹⁸⁸ Annette Kur, 'Are There any Common European Principles of Private International Law with regard to Intellectual Property?' in Stefan Leible and Ansgar Ohly (eds) (*supra* n 7) 9.

⁹⁸⁹ For background information of the CLIP Principles, see Mireille van Eechoud and Annette Kur, 'Internationaal Privaatrecht in Intellectuele Eigendomszaken – de 'CLIP' Principles' (2012) 2 NIPR 185, 186.

⁹⁹⁰ *Id.*, 187.

intrinsically related to the right.⁹⁹¹ Such an approach reflects the intention of the drafters to maintain the territorial character of IP rights, which is the basic principle applied in this set of Principles, as more fully discussed in the following sections.⁹⁹²

4.2.2 Infringement

4.2.2.1 General rule

The CLIP Principles maintain the principle of territoriality as the basic principle for infringement and remedies claims. Its Article 3:601(1) provides that, as the basic principle, the law applicable to infringement is the law of each state for which protection is sought. That is very close to what Article 8 of Rome II provides. The Principles define the scope of “infringement” as including both liability for violation and for remedies. As precisely as possible, the Principles further clarify the scope of remedies to include injunctions, damages, and other means of redress for injury, as well as claims based on unjust enrichment and *negotiorum gestio* to the extent they concern non-contractual obligations arising out of the violation of copyright, without encompassing the violation as such, and so on.⁹⁹³

The CLIP Principles provide several exceptions from the basic rule, with the explanation that “*in certain exceptional situations a faithful and literal observation of that rule would hamper rather than assist a meaningful pursuit of justice.*”⁹⁹⁴

4.2.2.2 Party autonomy

The CLIP Principles allow for party autonomy as to the law applicable to remedies claimed in infringement cases. According to Article 3:606(1), the parties may agree on such a choice before or after the dispute has arisen. Considering its European background, the CLIP Principles make a dramatic departure from Rome II, which explicitly excludes the possibility of party autonomy in IP rights infringement claims. The CLIP working group stated that the practical consequences of adopting this more liberal approach will not in any case be very significant, because a situation where the parties, after the dispute has arisen, agree to submit their case to a law different from the law applicable in the absence of any agreement could hardly ever happen: there will not be a choice for both parties to win.⁹⁹⁵ Under such circumstances, it is barely even conceivable that the parties would agree on a choice of the law applicable to a pending infringement case.⁹⁹⁶

Article 3:606 provides an additional apparent subsidiary rule. In the situation where the infringement is closely connected with a pre-existing relationship between the parties, such as a previous contract related to the copyright, the law governing the remedies for the infringement should be the law governing the pre-existing relationship, with the exceptions that

*“the parties have expressly excluded the application of the law governing the pre-existing relationship with regard to the remedies for infringement, or it is clear from the all the circumstances of the case that the claim is more closely connected with another state.”*⁹⁹⁷

The role of this provision raises some doubts, however. First, the relation of the two rules (paragraphs 1 and 2) to each other is unclear. Article 3:606 is entitled “Freedom of choice for remedies”, under which paragraph 1 sets forth the party autonomy rule for remedy claims. In this respect, one may speculate what the function of paragraph 2 is, since it reads more like a subsidiary rule to remedy

⁹⁹¹ Arts. 3:102 and 3:701 of the CLIP Principles, the Final Text.

⁹⁹² Mireille van Eechoud and Annette Kur (*supra* n 989) 187.

⁹⁹³ Art. 3:605 of the CLIP Principles, the Final Text.

⁹⁹⁴ Annette Kur 2009 (*supra* n 988) 11.

⁹⁹⁵ Axel Metzger 2010 (*supra* n 768) 176-77.

⁹⁹⁶ *Ibid.*

⁹⁹⁷ Art. 3:606(2) of the CLIP Principles, the Final Text.

claims in general rather than an exception to party autonomy overriding the parties' choice. Further to this concern, one may also speculate, as paragraph 2 does not state anything about which law should be applicable if the parties have expressly excluded the application of the law governing the pre-existing relationship with regard to the remedies for infringement, or it is clear from all the circumstances of the case that the claim is more closely connected with another state. Here, should paragraph 2 be characterized as a subsidiary rule leading to the application of the law of another state which is more closely connected with the claim or as an exception to party autonomy in the context of paragraph 1, the parties' choice, if there is any, should be respected? Thus, it is submitted that the title of Article 3:606 should be clarified to be entitled "applicable law rules for remedies".

4.2.2.3 Ubiquitous infringement

The CLIP Principles provide choice-of-law rules that depart from the *lex loci protectionis* rule for ubiquitous infringement. Article 3:603 of the CLIP Principles stipulates that in the situation where infringement is carried out through ubiquitous media such as the Internet, if the infringement "*arguably takes place in every State in which the signal can be received*", a court may apply one single law of the state having the closest connection with the infringement. In comparison with the first two preliminary drafts, the current version adopts the law of only one state, rather than of "the law or the laws of the state or the states".

Furthermore, Article 3:603 explicitly states that the scope of the application of the single law designated under this provision, governing the "*existence, duration, limitations and scope to the extent that these questions arise as incidental question in infringement proceedings*". This provision differs fundamentally from the first two preliminary drafts, under which the provisions on ubiquitous infringement concerned only infringement issues; other issues such as existence, duration leave to the basic rule leading to a distributive application of laws of the protecting countries. The reason for such changes may have something to do with the introduction of Article 3:603(3) in Preliminary Draft No. 3, which, as will be described in next paragraph, provides certain balance in the situation where the application of one single law would lead to essentially different results than those by the application of the laws of a state or states covered by the disputes.

As Article 3:603 aims at concentrating ubiquitous infringement claims under one single law of a state that is closely connected to the infringement, the CLIP Principles list the factors that should be taken into account when determining the closest connection: the infringer's habitual residence, the infringer's principal place of business, the place where substantial activities in furthering of the infringement in its entirety have been carried out and the place where the harm caused by the infringement is substantial in relation to the infringement in its entirety.⁹⁹⁸ Nevertheless, in order to maintain an appropriate balance between the parties, Article 3:603 of the CLIP Principles allows the parties according to its paragraph 3 to demonstrate and plead that the laws of a state or states covered by the dispute differ from the law applied by the court in aspects which are essential for the decision. In this case the court should apply the different laws pleaded unless this would lead to inconsistency results, e.g., if one jurisdiction would grant an injunction whereas the other jurisdiction would not grant the injunction. Under this circumstance, the court may apply one law and take into account the differences when fashioning the remedies.⁹⁹⁹

4.2.2.4 De minimis rule

The *de minimis* rule, as set forth in Article 3:602 of the CLIP Principles, is another of the CLIP departures from the territoriality principle. Since the above-discussed ubiquitous infringement rule does not apply to all multi-state infringement cases, the *de minimis* rule is designed to provide

⁹⁹⁸ Art. 3:603(2) of the CLIP Principles, the Final Text.

⁹⁹⁹ Axel Metzger 2010 (*supra* n 768) 175; Annette Kur 2009 (*supra* n 988) 12.

solutions in the form of a materiality rule.¹⁰⁰⁰ According to this provision, in the situation where an alleged infringement has occurred in several states, the court may only focus on the alleged infringement claims under which the alleged infringer has acted to initiate, or further the infringement in the state or the states for which protection is sought or where the activities by which the right is claimed to be infringed have substantial effect within, or are directed to, the state or the states for which protection is sought.¹⁰⁰¹ Consequently, the court does not need to focus on an infringement which has not caused a substantial effect or where the infringer has not acted to initiate or further the infringement in the state or the states for which protection is sought, unless the court considers it reasonable under the circumstances of the case.¹⁰⁰²

Accepting such a *de minimis* rule has advantages in multi-state cases. It preserves the operation of the *lex loci protectionis* and the distributive application of national laws while alleviating the effect of the distributive application of the law of protecting countries on a country-by-country basis because it focuses on the alleged infringements that have substantial effects.¹⁰⁰³

The wording of the provision, “[a] court applying the law or the laws determined by Article 3:601 shall...”, shows that the *de minimis* rule is more of a substantive law rule making reference to market impact than an applicable law rule.¹⁰⁰⁴ According to some scholars, this rule has been proved to be an essential factor in cross-border IP disputes, in particular concerning conflicting trademark cases on the Internet.¹⁰⁰⁵ This rule was inspired by the similar rules set out in Article 2 of the Paris Union and the WIPO *Joint Recommendation Concerning Provisions on the Protection of Marks, and Other Industrial Property Rights and Signs, on the Internet*,¹⁰⁰⁶ which stipulate that an infringement shall only be held to occur in a country if its use has commercial effect in that country.¹⁰⁰⁷ The CLIP Principles, however, would expand the application of this rule to all types of IP rights, including copyright and related rights, and to all cases, regardless of the means of communication, i.e. whether on the Internet or in the analogue realm or otherwise.¹⁰⁰⁸

Nevertheless, it must be pointed out that the *de minimis* rule is not, strictly speaking, a choice-of-law rule. Rather it is a rule of interpretation that should be applied on the substantive level. One may still conjecture how to define a *de minimis* situation in connection with the infringement of certain rights where it would be inappropriate to ask for commercial relief, such as: a moral rights claim.¹⁰⁰⁹ Furthermore, inserting a *de minimis* rule into an internationally legal binding instrument would create problems leading to a situation where a court would have to look into the law of a country that it would not have to look into, if the law had been properly applied.¹⁰¹⁰

¹⁰⁰⁰ Mireille van Eechoud and Annette Kur (*supra* n 989) 191.

¹⁰⁰¹ Art. 3:602(1) of the CLIP Principles, the Final Text.

¹⁰⁰² Art. 3:602(2) of the CLIP Principles, the Final Text.

¹⁰⁰³ Fawcett and Torremans 2011 (*supra* n 13) paras 15.48, 15.49.

¹⁰⁰⁴ Annette Kur 2005 A (*supra* n 834) 968; Axel Metzger 2010 (*supra* n 768) 173; Annette Kur, ‘Trademark Conflicts on the Internet: Territoriality Redefined?’ in Jürgen Basedow and others (eds) (*supra* n 15) 179.

¹⁰⁰⁵ Annette Kur 2005 A (*supra* n 834) 966-67; Axel Metzger 2010 (*supra* n 768) 173; Annette Kur 2009 (*supra* n 988) 11.

¹⁰⁰⁶ Adopted by the Assembly of the Paris Union for the Protection of Industrial Property and the General Assembly of the WIPO at the Thirty-Six Series of Meetings of the Assemblies of the Member States of WIPO on 24 September to 3 October 2001, WIPO Publication No. 845. (see <http://www.wipo.int/about-ip/en/development_iplaw/pdf/pub845.pdf> accessed on 2 October 2012) (WIPO Joint Recommendation)

¹⁰⁰⁷ Art. 2 of the WIPO Joint Recommendation, “Use of a sign on the Internet shall constitute use in a Member State for the purpose of these provisions only if the use has a commercial effect in that Member State as described in Art. 3.” For analysis of this provision, see Annette Kur 2005 B (*supra* n 1004) 177-79.

¹⁰⁰⁸ Axel Metzger 2010 (*supra* n 768) 172-73; Annette Kur 2009 (*supra* n 988) 11; Mireille van Eechoud and Annette Kur (*supra* n 989) 191.

¹⁰⁰⁹ Axel Metzger 2010 (*supra* n 768) 173.

¹⁰¹⁰ Annette Kur 2009 (*supra* n 988) 11.

4.2.3 Initial ownership

In all preliminary drafts of the CLIP Principles, the choice-of-law rules insofar as they deal with the initial ownership issue were the same, that is, the law of the country for which protection is sought,¹⁰¹¹ notwithstanding that among the Working Group there had been intense discussions whether this territorial approach should be preferred. Some members of the Working Group contended that the *lex originis* rule has the advantages of applying only one law throughout the world to the initial ownership issue and of promoting efficiency, especially in the context of copyright and related rights.¹⁰¹² The majority of the Group, however, was of the opinion that the territorial approach in this regard should be adopted because it is consistent with the policy considerations of copyright law, and in practice, “courts are not willing to accept the consequences of the *lex originis* and apply their national copyright law as part of the public policy of the forum”.¹⁰¹³ The lack of a consensus on a definition of the *lex originis* also raised doubts about application of this approach.

The drafters of the CLIP Principles took into account of the fundamental distinct rationales between copyright and *author’s right* laws that reflect in the initial ownership of copyright in the aspect of whether an artificial person can be an author, e.g. in the context of works made in the course of an employment relationship, and chose different choice-of-law approaches for registered and non-registered rights to determine the initial ownership of the work made in the course of employment or other contractual relationships. Unlike for registered IP rights, to govern the initial ownership of copyright and related rights the CLIP Principles would not accord that choice-of-law rule to employment or other contractual relationships. Instead, it would adhere to the *lex loci protectionis* rule, and in addition it would grant authority to the judge to give effect to a work-made-for-hire provision of the law of another country that has a close connection with the situation.¹⁰¹⁴ It is argued that in practice, in most *author’s right* law systems, creators who are employees grant a transfer or an exclusive license for all economic rights in the work to their employers either by a legal assignment or a presumption of assignment.¹⁰¹⁵ They do not differ significantly from a work-made-for-hire doctrine as far as the attribution of the economic rights is concerned.¹⁰¹⁶ As stated, this approach is partly inspired by Article 2 (3) of the EC Software Directive (all economic rights). According to it, the economic rights in a work shall be granted to the employer in the situations where the employee is performing his duty or is following instructions given by the employer. To do otherwise would seem to be odd, as both parties assumed that during the creation of the work, the employer will own the exclusive economic rights of the work actually created by the employee.¹⁰¹⁷ Thus, this provision may give some guidance for interpretation of the relationship of employer and employee.

In this respect, the CLIP approach has been criticized as “insufficient and inconsistent”.¹⁰¹⁸ First, it does not provide a clear rule. Instead it leaves this to the discretion of the judge without any clear indication about how to exercise such discretion. Furthermore, the CLIP Principles strive for mandatory protection of the author, allowing derogation of the foreign rules of work-made-for-hire would contradict the fundamental rationale of the Principles. Moreover, the treatment of moral rights deserves attention. It has been argued that if the substantive law of the contractual relationship with a

¹⁰¹¹ Art. 3:201(1) of the CLIP Principles, the Final Text, “Initial ownership including in particular authorship of a copyrighted work and entitlement to intellectual property rights arising out of registration is governed by the law of the State for which protection is sought.”

¹⁰¹² Annette Kur 2009 (*supra* n 988) 12-3.

¹⁰¹³ Axel Metzger 2010 (*supra* n 768) 160-61.

¹⁰¹⁴ Art. 3:201(2) of the CLIP Principles, the Final Text. “If the situation has a close connection with another State that has a work made for hire provision or deems a transfer or exclusive license of all economic rights in the work to have taken place by virtue of the parties’ contractual relationship, effect may be given to such rules by constructing the parties’ relationship under the law applicable according to paragraph 1 as involving a transfer or exclusive license of all economic rights in the work”.

¹⁰¹⁵ J.A.L. Sterling (*supra* n 18) para 5.06; Ricketson and Ginsburg (*supra* n 110) para 7.24.

¹⁰¹⁶ Axel Metzger 2010 (*supra* n 768) 162.

¹⁰¹⁷ *Id.*, 162, fn 19.

¹⁰¹⁸ Jürgen Basedow 2010 (*supra* n 150) 20-1.

work-made-for-hire rule can be given effect in the context of economic rights, why should moral rights be treated so strictly by applying the general law of the *lex loci protectionis*. Thus, it is proposed that this rule can hardly be accepted in international judicial practice.¹⁰¹⁹

The CLIP Principles also deal with the issue of co-authorship.¹⁰²⁰ They characterize two separate aspects involved in co-authorship: a proprietary aspect and other aspects, and propose two sets of rules for them. As to issues like who is entitled to the initial co-ownership, the Principles refer to the choice-of-law rules as to the initial ownership issue set forth in Article 3:201, under which the *lex loci protectionis* is applied as a general rule.¹⁰²¹ For issues concerning the mere exercise of IP rights, such as waiver, consent and any other form of exploitation, division of revenues, and authority to enforce the IP rights and to bring suits, the Principles leave them to contractual arrangements.¹⁰²² Thus, the CLIP Principles characterize most issues arising out of the co-authorship relationship as contractual in nature and confer party autonomy on them. It is maintained that allowing party autonomy will facilitate the exercise of the right because the parties may choose the law that best fits to their expectations.¹⁰²³ In the absence of an agreement, the Principles would apply the law having the closest connection.

4.3 Japanese-Korean Principles

Apart from the efforts undertaken by the ALI and the European Max Planck Group, on another side of the world – in east Asia, there has been drafting on still more sets of principles in relation to PIL and IP. Two groups of East Asian scholars engaged in such projects: The Japanese Transparency Working Group and the Private International Law Association of Korea and Japan presided over by Japan's Waseda University. The latter produced a joint proposal drafted by the members of the Private International Law Association of Korea and Japan (Japanese-Korean Principles), while the former produced the Japanese Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property (October 2009) (Transparency Proposal).

The two sets principles serve different purposes and have different scopes of application. The Transparency Proposal is a product of the Transparency of Japanese Law Project whose purpose has been to facilitate commercial transactions between businesses in Japan and in other countries by providing information in English on Japanese legislation, case law and doctrines related to international business. The Project was divided into working groups for international: corporate law, sales law, financing law, civil procedure law, and IP law. In 2006, Japan's parliament promulgated its Act on the General Rules of the Application of Law in order to reform Japan's private international law.¹⁰²⁴ However, this Act does not provide any specific choice-of-law rules for IP matters. Inspired by the ALI and CLIP Principles, the Transparency Working Group on IP undertook to draft a proposal for additional statutory provisions in this respect in the context of the 2006 Act. The draft Transparency Proposal aims at further improving existing Japanese private international law.

Separately, the October 2010 Japanese-Korean Principles form one of the parts of the Waseda University Global COE (Centres of Excellence) Programme for research in science and related areas. Those Principles were aimed at creating a model law with minimum statutes that could provide

¹⁰¹⁹ *Ibid.*

¹⁰²⁰ Arts. 3:401 and 3:402 of the CLIP Principles, the Final Text.

¹⁰²¹ Art. 3:401 of the CLIP Principles, the Final Text.

¹⁰²² Art. 3:402 of the CLIP Principles, the Final Text.

¹⁰²³ Axel Metzger 2010 (*supra* n 768) 165.

¹⁰²⁴ Japanese Act No. 78 on the General Rules of the Application of Laws of 21 June 2006 (Japanese PIL Act). For details of reforms, see Yasuhiro Okuda, 'Reform of Japan's Private International Law: Act on the General Rules of the Application of Laws' (2006) VIII YPIL 145.

influence over legislation in East Asian countries.¹⁰²⁵ During the process of drafting these Principles, the ALI, the CLIP Principles and current relevant legal systems in East Asian Countries were taken into consideration. Thus, the principles and rules that are accepted in common are affirmed in the Principles. As to issues that are not shared in common by East Asian countries, the Principles propose new rules. The provisions laid down in the Principles may serve as a set of guidelines for judicial interpretation in courts and may function as a supplemental source of laws for providing solutions to the issues that are not covered by national statutory rules.¹⁰²⁶ Since the Japanese-Korean Principles target the East Asian countries, in a region where the PRC is an important country, this dissertation will additionally focus on the choice-of-law rules provided in these Principles. Where the rules of the Japanese-Korean Principles differ from those of the Transparency Proposal, those differences will also be discussed.

The Japanese-Korean Principles consist of rules on international judicial jurisdiction, and applicable law, as well as enforcement of foreign judgments concerning IP rights.¹⁰²⁷ The discussion undertaken here is based on the version produced on 14 October 2010.¹⁰²⁸

4.3.1 Existence, scope and duration of copyright

The Japanese-Korean Principles would adopt the *lex protectionis* as the general rule governing “*all matters concerning an intellectual property right as such*”.¹⁰²⁹ The scope of the application of the *lex protectionis* is rather flexible: it would be up to national court to determine what matters fall within the scope of this provision. Nevertheless, it provides examples of certain matters such as: the existence, validity, content, revocation of the right and the like, with the exception of the matters specifically dealt with in the Principles, e.g. transferability of rights.

The Principles define the *lex protectionis* as the law of the state for which protection is sought.¹⁰³⁰ Such an interpretation is due to the consideration that IP rights are exclusive rights granted by a state over intangible property, and the state of protection is therefore the general connecting factor for choice-of-law as to IP rights.¹⁰³¹ The same provision further provides a subsidiary rule for registered IP rights, according to which the *lex protectionis* should be interpreted as the law of the state of registration. Of course, since the existence of copyright and related rights does not depend on registration, the *lex protectionis* means the law of the state for which protection is sought.

It is noteworthy that with the aim of facilitating the exploitation of IP rights, the Principles would provide a wider scope for the application of party autonomy by allowing the parties to choose a law governing IP rights matters, including the existence and scope of the rights.¹⁰³² Nevertheless, it is maintained here that such a liberal approach should not be supported, since these matters concern rights reflecting a state’s national cultural and economic policies, and therefore should not be subject to the choice of the parties.

The Transparency Proposal would however turn to the different connecting factor of “the state which grants the right”. Accordingly, the law of the country that grants an IP right shall govern all issues pertaining to that right, including the existence and effects of the rights.¹⁰³³ Adopting such a choice-

¹⁰²⁵ Commentary on Principles of Private International Law on Intellectual Property Rights (Joint Proposal Drafted by Members of the Private International Law Association of Korea and Japan: Waseda University Global COE Project) of 14 October 2010, Explanatory Notes, paragraph 1.

¹⁰²⁶ *Ibid.*

¹⁰²⁷ Art. 101(1) of the Japanese-Korean Principle.

¹⁰²⁸ Published on (2011) 28 The Quarterly Review of Corporate Law and Society.

¹⁰²⁹ Art. 301(1) of the Japanese-Korean Principles.

¹⁰³⁰ Art. 301(2) of the Japanese-Korean Principles.

¹⁰³¹ Art. 301 of the Japanese-Korean Principles, Explanatory Notes.

¹⁰³² Art. 302(1) of the Japanese-Korean Principles.

¹⁰³³ Art. 305 of the Transparency Proposal.

of-law rule has to do with the consideration that such matters are reflections of the IP policies of a country that granted such right, and these policies should be respected.¹⁰³⁴ The existence of the rights regulated in the Transparency Proposal is wide. It encompasses also the matters of creation, validity and duration of the rights.¹⁰³⁵ Contrary to the Japanese-Korean Principles, the Transparency Proposal excludes the possibilities of having the parties agree on the applicable law in this regard because the matters of existence and scope of the rights reflect the cultural policies of a country that granted the copyright to the extent that it should not be susceptible to agreement by private parties.¹⁰³⁶

4.3.2 Infringement

4.3.2.1 General rule

The Japanese-Korean Principles adhere to the territoriality principle and provide the same choice-of-law rules to liability for infringement of copyright and to remedies: the law of the each state for which protection is sought.¹⁰³⁷

The Transparency Proposal, however, characterizes IP right infringement claims as claims in tort. Accordingly, it would apply the law of the place where the results of the unauthorized exploitation of the intellectual property occur or are to occur,¹⁰³⁸ which corresponds to the choice-of-law rules for tort liability stipulated in the 2006 Act.¹⁰³⁹ The scope of this rule encompasses not only the issues about whether there has been an infringement, but also to the issues of remedies such as injunctive relief and damages. The Transparency Proposal uses the term “results of the exploitation” in this provision. Since the term “results” refers to the economic loss in the market, the approach taken in the Proposal points to the law of the market of the country where the loss was sustained. Thus the Proposal seemingly introduces a market impact rule. As argued by the draftsmen, this term should not, however, be considered as the one derived from a substantive law leading to the application in advance of substantive rules. Instead, this term should be viewed from a PIL perspective, because the term “results” is also used with respect to tort liability when determining the applicable law, where that concept does not come from a substantive law, but from a PIL principle.¹⁰⁴⁰ As to how to define the place where the results of the exploitation of IP occur or are to occur in reference to copyright infringement, it is suggested that this place should be the place of the market that the alleged infringer has targeted.¹⁰⁴¹ The advantage of applying this rule is that it retains the principle of the independence of copyright. A clear disadvantage of this approach will however occur in the context of the Internet, where there are so many targeted markets that it is cumbersome to apply each and every law of which a market has been affected, and difficult to determine which market has been specifically targeted.

Clearly, in infringement claims, the Transparency Proposal retains the principle of the independence of the right, but it does not adopt a strict sense of the territoriality principle.

4.3.2.2 Party autonomy

Party autonomy provided in the Japanese-Korean Principles has a scope of application that is wider than what has been described in ALI and CLIP Principles. It is authorized not only for infringement

¹⁰³⁴ Ryu Kojima, Ryo Shimanami and Mari Nagata, ‘Applicable Law to Exploitation of Intellectual Property Rights in the Transparency Proposal’ in *Litigation* in Jürgen Basedow, Toshiyuki Kono and Axel Metzger (eds) (*supra* n 15) 212.

¹⁰³⁵ *Ibid.*

¹⁰³⁶ *Ibid.*

¹⁰³⁷ Art. 304 of the Japanese-Korean Principles.

¹⁰³⁸ Art. 301(1) of the Transparency Proposal.

¹⁰³⁹ Art. 17 of the Japanese PIL Act.

¹⁰⁴⁰ Ryu Kojima, Ryo Shimanami and Mari Nagata (*supra* n 1034) 186-87.

¹⁰⁴¹ *Id.*, 193-94.

and remedies claims, but also for other matters that are intrinsically related to the right, including the existence and the scope of copyright.¹⁰⁴² Additionally, party autonomy enhanced in the Principles is rather liberal in that the parties may designate the law at any time, i.e. before or after the infringing act occurs, and may apply the law to the whole or part of their disputes. However, considering the divergence existing among national copyright laws, in particular in certain East Asian countries, where there is no clear and stable rule for the protection of IP rights, the Japanese-Korean Principles require that the choice made by the parties regarding the right itself should only be effective among the parties.¹⁰⁴³ Although it was expected that in such a way, IP rights exploitation could be facilitated among the East Asian countries,¹⁰⁴⁴ it is still doubtful whether such an approach is too far reaching, since allowing an *ex ante* or *ex post* choice as to the intrinsic aspects of the right does not respect the territoriality of copyright and related rights. Nevertheless, the parties' agreement on the applicable law is limited so as not to affect the vested rights of third parties.¹⁰⁴⁵

The Transparency Proposal allows the parties to change the applicable law, which is similar to rules concerning general tort liability.¹⁰⁴⁶ The scope of changes by the parties is limited. First, such changes can only be made after the IP infringement occurs. Furthermore, the changes of the applicable law may not affect the rights of third parties.¹⁰⁴⁷ Moreover, certain issues: such as the existence, primary ownership, transferability and effects of IP rights cannot be agreed upon in contracts between the parties.¹⁰⁴⁸

4.3.2.3 Ubiquitous infringement

The Japanese-Korean Principles set down specific rules for ubiquitous infringement in their Article 306. According to this article, the law of the state that has the closest connection with that infringement in its entirety would apply to claims of ubiquitous infringement. For such infringements, Article 306 provides a limited specification that it is “*an infringement that occurs or has occurred in unspecific and multiple states*”.¹⁰⁴⁹ For determining the closest connection, Article 306 lays down the factors that should be taken into account: the state which most closely connects to the parties - the infringer's habitual residence or the infringer's particular place of business in case of infringement activity occurring in its business operation; the state in which the owner of such right has principal interests; and the state in which the infringement activity mainly occurs, the state against which the infringement activity is directed, and the state in which a substantial injury occurs.¹⁰⁵⁰

In ubiquitous infringement cases where the issues of existence, validity, content, revocation, transferability, and effect of transfer on third parties of a copyright are raised as a preliminary or incidental issue, Article 306(1) and (2) would also determine the law applicable to such a preliminary or incidental issue.¹⁰⁵¹

Applicability of Article 306(1) and (2) to ubiquitous infringement would, however, be curtailed when a party pleads and proves that there is another law that has a closer connection with the dispute than the one designated by these two provisions, more specifically when the law of another state, namely the one in which the alleged infringement has occurred, would lead to a “different solution” than that resulting from the applicable law under Article 306(1) and (2). In such a case, the law of that other

¹⁰⁴² Art. 302(1) of the Japanese-Korean Principles.

¹⁰⁴³ *Ibid.*

¹⁰⁴⁴ Art. 302 of the Japanese-Korean Principles, Explanatory Notes.

¹⁰⁴⁵ Art. 302(2) of the Japanese-Korean Principles.

¹⁰⁴⁶ Art. 20 of the Japanese PIL Act.

¹⁰⁴⁷ Art. 304(1) of the Transparency Proposal.

¹⁰⁴⁸ Art. 305 of the Transparency Proposal.

¹⁰⁴⁹ Art. 306(1) of the Japanese-Korean Principles.

¹⁰⁵⁰ Art. 306(2) of the Japanese-Korean Principles.

¹⁰⁵¹ Art. 306(3) of the Japanese-Korean Principles.

state would govern the liabilities and remedies arising from that infringement, unless that would lead to an inconsistent judgment.¹⁰⁵²

Although the Transparency Proposal characterizes infringement of IP rights as a liability claim and would then apply to the IP infringement the law of state where the results occur or are to occur, it will also encounter difficulties in the context of ubiquitous infringement of copyright because it will be difficult to identify where the results of the exploitation are produced in such situations, and will be difficult to determine which market has been specifically targeted by such infringement. Additionally, that will lead to the distributive application of each and every law of each state whose markets are affected. To deal specifically with ubiquitous infringement, the Transparency Proposal proposes to specially apply the law of the “place” where the results of the exploitation of intellectual property are, or are to be, maximized.¹⁰⁵³ As stressed by its draftsmen, the “maximized” result of exploitation that would be required by this provision would not compute the amount of money damages from a substantive law perspective, rather it would be based on the frequency of exploitation such as the numbers of downloads in a specific jurisdiction.¹⁰⁵⁴ Furthermore, the Transparency Proposal would restrict the timing of the “maximized result of exploitation” to the moment when the action is filed. In any event, if the result of the application of one single law is “extremely unreasonable” in relation with a specific country, the liability or remedy determined by that law shall not be applied in relation with that country.¹⁰⁵⁵ In such a way, the disadvantage of applying one single law could be offset.

4.3.3 Initial ownership

The Japanese-Korean Principles would apply the *lex loci protectionis* as a general rule governing the initial ownership of IP rights.¹⁰⁵⁶ However, for copyrighted works it lays down a special rule. According to this rule, the initial ownership of a copyrighted work would be governed by the law of the state in which the work is initially created. In the situation where the law of that state is not clear, the law of the creator's habitual residence at the time of the creation would be “assumed” as the governing law. If there were more than one creator, the applicable law would be deemed to be the law of a creator's habitual residence at the time of the creation as agreed by the creators. In the absence of such an agreement, the applicable law would be assumed to be the law of the state in which the majority of the creators habitually reside at the time of the creation.¹⁰⁵⁷

Clearly, the drafters of the Japanese-Korean Principles try to designate one single law to govern the initial ownership of copyrighted works for the reason that the application of the same law to initial ownership of copyright in East Asia may promote the exploitation of copyrighted works and lessen the unauthorized use of those works. It is, nevertheless, to be noted that the solution this rule provides is not complete because it does not further designate which law shall apply if there is no majority of creators that habitually reside in a place at the time of the creation and if the creators have not reached any agreement in this regard.

The Japanese-Korean Principles do provide a supplemental connecting factor to protect the right holder of intellectual property, primarily copyright, in the situation where the law designated in accordance with the above provisions would not extend to the title to the copyright. Under such a circumstance, the initial title to the copyright would be governed by the law of the state in which the work is “first exploited and protected”.¹⁰⁵⁸

¹⁰⁵² Art. 306(4) of the Japanese-Korean Principles.

¹⁰⁵³ Art. 302 of the Transparency Proposal.

¹⁰⁵⁴ Ryu Kojima, Ryo Shimanami and Mari Nagata (*supra* n 1034) 199-200.

¹⁰⁵⁵ Art. 302(2) of the Transparency Proposal.

¹⁰⁵⁶ Art. 308(1) of the Japanese-Korean Principles.

¹⁰⁵⁷ Art. 308(2) of the Japanese-Korean Principles.

¹⁰⁵⁸ Art. 308(3) of the Japanese-Korean Principles.

As to an initial ownership issue raised in the context of employee work or other pre-existing relationship, the Principles set down that the law governing that contract or other pre-existing relationship would apply.¹⁰⁵⁹

The Transparency Proposal proposes a rule applying the law of the country that grants the IP rights to govern the initial ownership of IP rights, including copyright and related rights. As described in the preceding sections, such a choice-of-law rule is also adopted for other issues that are intrinsically linked to that right, namely the existence, transferability and effects. So a single unitary legal relationship is established. Along the same lines as in the arguments relating to the issue of the existence of a copyright, one of the underlying reasons for this solution is due to the fact that initial ownership reflects a country's policies on copyright, which differ from country to country and therefore deserve respect. Based on the same considerations, the initial ownership of copyright created by employees in an individual employment relationship should apply the same choice-of-law rule to the initial ownership of copyright i.e. the law of the country that grants the right, even though the Transparency Proposal does not set forth any special provision in this respect.¹⁰⁶⁰

4.4 Comparison of the three sets of Principles

4.4.1 Similarities

In general, the three sets of Principles share some similarities. They maintain territoriality as the basic principle, which embodies in the context of choice-of-law to cross-border copyright and related rights claims. Based on the concept of territorially restricted copyright, all the Principles designate the application of the law of the state for which protection is sought to govern the matters of existence, duration and scope of copyright and related rights. The same *lex loci protectionis* rule would apply also to infringement claims under the three sets of Principles. Nevertheless, these Principles also advocate moderate departures from the territoriality principle, such as recognizing the parties' specified freedom of selecting a law in the case of infringement claims, and providing a solution to the infringement claims arising from use of the Internet because infringements in that use are often ubiquitous.

4.4.2 Differences

4.4.2.1 Target group

For the differences among these three sets of Principles, it should be firstly noted that they have different target groups in mind. The CLIP Principles was drafted with the intention of improving the existing legal regimes in the European Union, whereas the Japanese-Korean Principles aim at contributing to the regional integration of the East Asian Countries and the ALI Principles aim for increased coordination of American laws.

4.4.2.2 Categorization

Another difference between them that needs to be pointed out is that the CLIP and Japanese-Korean Principles categorize infringement and remedies issues and apply the *lex loci protectionis* to them, while the ALI does not make such a categorization. The practical consequence of this would be that the court adopting or referring to the ALI Principles would need to use its forum PIL rules. A very different result would occur in the situation where the forum law categorizes the remedies issue as pertaining to procedural law, because there the issue will be governed by the law applicable to the relevant civil procedure, rather than the *lex loci protectionis*.

¹⁰⁵⁹ Art. 308(4) of the Japanese-Korean Principles.

¹⁰⁶⁰ Ryu Kojima, Ryo Shimanami and Mari Nagata (*supra* n 1034) 209.

4.4.2.3 Party autonomy

Party autonomy is enhanced in every set of Principles. The scope of its application, however, differs. The CLIP Principles allow for freedom of choice only as to remedies claims, whereas the ALI Principles adopts a contrary approach by excluding certain issues from the scope of party autonomy, such as the existence, attributes, transferability and duration of the rights. Thus, it is more clearly structured and coherent. A wider scope of the application of party autonomy is accepted in the Japanese-Korean Principles in that the parties may choose a law governing not only their infringement and remedies claims, but also governing other matters that are intrinsically related to the right, including the existence and scope of copyright.

Under the three sets of Principles, the parties can make a choice of the law applicable to infringement and remedies claims before or after the dispute has arisen. Such a choice is however not without limitation. The Japanese-Korean and ALI Principles require that the choice made by the parties should not be allowed to affect the vested rights of third parties. As to the Japanese-Korean Principles, the freedom to choose the law applicable to the aspects that are intrinsically related to the right is limited to matters solely between the parties. To impose such a requirement has to do with the wider scope of the application of party autonomy that is permitted. Since the parties are allowed to choose the law governing the matters intrinsically related to the right, e.g. the existence and scope of the rights, it is a necessity to limit the effect of their choice to any relationship between the parties. Nevertheless, the far-reaching approach of allowing a wider scope of application for party autonomy should not be supported because of the sovereign right of states to decide whether and how copyright and related rights should be protected in their own countries must not be a matter subject to private parties' choice.

4.4.2.4 Ubiquitous infringement

All three sets of academic contributions set forth specific provisions for ubiquitous infringement, trying to identify one law or the laws of a small group of countries for infringement claims occurring in many countries. In general, the three sets of Principles adopt the approach of applying the law of a state or the laws of a small group of states having a close or the closest connection.

There are however fundamental differences existing among them. The rules introduced in the CLIP Principles are rather limited and narrower in scope. First, as to the concept what constitutes ubiquitous infringement, the CLIP Principles set forth a definition of "ubiquitous media". The CLIP rules will apply only in cases where use is made of ubiquitous media, such as the Internet or similar media that may develop in the future, and the infringement "*takes arguably place in every state in which the signal can be received*". Similarly, the Japanese-Korean Principles defines ubiquitous infringement as "*an infringement that occurs or occurred in unspecific and multiple states*". Such a definition is however lacking in the ALI Principles, since to trigger application of its provision only requires that the alleged infringing activity be ubiquitous and the laws of multiple states be pleaded. Thus, the Internet is only one of the media that need be used under the ALI Principles. As a result, some infringing acts that occur simultaneously in a number of countries through analogous media, such as magazines, will be dealt with as ubiquitous infringement under the ALI Principles, but not so under the CLIP Principles.

Second, the CLIP Principles and the Japanese-Korean Principles allow a stricter concentration of one single law of a state in ubiquitous infringements, whereas under the ALI Principles, the law(s) of one state or a small group of states may apply.

Third, the ALI Principles and the Japanese-Korean Principles both deal with the ubiquitous infringements in regard to all types of intellectual property; however, Article 3:603 of the CLIP Principles, by contrast, applies only to infringements of copyrights and well-known trademarks. The

reason for excluding patent claims is, as explained by the CLIP working group, that national patent laws are so different from each other, and the territoriality principle should still be maintained. As a result, the CLIP Principles would not extend the material scope of ubiquitous infringement to patent laws.¹⁰⁶¹

Fourth, when defining the criteria according to which the closest connection should be identified, the three sets of Principles focus in different ways: the ALI Principles focus more on the places of rights holders, to the contrary, the CLIP Principles are clearly favorable to alleged infringers with the stated intention of balancing the positions of both parties because “*it compensates the defendant for the plaintiff’s privilege to bring suit under one applicable law*”,¹⁰⁶² whereas the Japanese-Korean Principles take a more practical approach, aimed at adopting the connecting factors that “*can be easily be discerned and grasped*.”¹⁰⁶³ Such differences may lead to the application of a different national law for the same case if a judge were to refer to different sets of Principles.

Fifth, the ALI Principles would allow the application of one law or a small number of laws not only to liability for infringement and to remedies but also to the existence, duration and attributes of the rights. By contrast, the CLIP Principles and the Japanese-Korean Principles accept only the concentration of one law to infringement and remedies, but for the issues of existence, content and duration of the rights, the rules on ubiquitous infringement would apply only when these issues are raised at a preliminary or incidental stage. This difference explains also why when adopting the “closest connection” principle, the ALI Principles require application of the law having a close connection to *the dispute*, whereas the Japanese-Korean and CLIP Principles require the closest connection to *the infringement*, because the former permits a wider scope of application encompassing matters other than infringement and remedies, to which the latter two are limited. In this respect, using the wording “close” connection in the ALI rather than “closest” as in the CLIP Principles seems to give judges who would refer to the ALI Principles more discretion to determine the law or laws applicable to the case.

As to ubiquitous infringement, all three sets of Principles try to identify one single applicable law or a small number of laws by using different connecting factors. In order to maintain an appropriate balance between the parties, all these academic contributions provide possibilities for departing from the application of the law that is designated according to these contributions. Such a correction rule was first introduced by the ALI Principles, and has served as a blue print for the other sets of Principles. Nevertheless, it is to be mentioned that such a rule leaves more uncertainty as to the law applicable to ubiquitous infringement because it leaves the court with too much discretion to determine the law applicable to such infringements and its effect, and leaves both parties too much uncertainty as to the law applicable. Considering the fact that none of the Principles provides for a rule that will ensure legal certainty and foreseeability of the applicable law for such claims, introducing the above correction rule will only make the designation of the applicable law for ubiquitous infringement more complex. Therefore, it is submitted that such a correction rule should not be introduced.

In addition, the CLIP Principles introduce a *de minimis* rule for multi-state infringement claims. This rule requires the court to focus only on the alleged infringement claims that the alleged infringer has acted to initiate, or further the infringement in the state or the states for which protection is sought or within which the activities by which the right is claimed to be infringed have substantial effect within, or are directed to, the state or the states for which protection is sought. As discussed, this rule is not a procedural choice-of-law rule designating the applicable law, in addition to that, how to define a *de minimis* situation in the context of an infringement of certain rights, such as: moral rights, would also be difficult in that it would be inappropriate to attach a commercial effects requirement to such rights. Thus, such a rule should not be introduced for copyright and related rights disputes.

¹⁰⁶¹ *Ibid.*

¹⁰⁶² Axel Metzger 2010 (*supra* n 768) 176; Annette Kur 2009 (*supra* n 988) 12.

¹⁰⁶³ The Japanese-Korean Principles, Explanatory Notes, fn 32.

4.4.2.5 Initial ownership

As to the initial ownership of copyright and related rights, two opposing approaches have been taken by these academic contributions. The ALI Principles and the Japanese-Korean Principles adopt a universality approach leading to the application of one law governing the initial ownership of copyright. The laws chosen, however, are different. The ALI Principles apply the law of the creator's residence at the time of the creation of the work, whereas the Japanese-Korean Principles apply the law of the state in which the work is initially created, and only when that law does not have clear application, will the law of the creator's habitual residence at the time of the creation apply. In co-authorship cases, both sets of Principles adopt the same rules according to which authors can agree upon the law of one of their habitual residences; in the absence of such an agreement, the law of the state in which the majority of the creators resided at the time of the work's creation applies. The place of the first exploitation of the work will play a role when the governing law still cannot be identified (under the ALI Principles), or the designated applicable law does not extend to the title of copyright (under the Japanese-Korean Principles). As to the initial ownership of works created in the course of employment or other kinds of contractual relationship, both sets of Principles adopt a universal solution by referring to the choice-of-law rules governing the contract. Clearly, in determining the initial ownership of copyright and related rights both ALI and Japanese-Korean Principles try to expand the universality principle as far as possible.

The CLIP Principles adopt other approach. It maintains a territoriality approach, and stipulates that the law of the country for which protection is sought would govern the initial ownership issue. For the works created during employment or other contractual relationships, it proposes an arguable approach of granting the judge authority to give effect to work-made-for-hire provisions of the law of another state that has a close connection with the situation. In co-authorship works, the CLIP Principles would distinguish the proprietary aspect from other aspects. As to the former, it refers to the choice-of-law rule for general initial ownership; the Principles leave the latter to contractual arrangements. In the absence of an agreement, the law with the closest connection should apply.

4.4.2.6 Short summary

From the above comparisons, it can be noticed that none of the sets of Principles has chosen universality for a basic principle. Rather, they propose “*a modern and pragmatic reevaluation of the territoriality principle*”¹⁰⁶⁴ with moderate flexibility in applying the territoriality principle, in particular in the field of choice-of-law rules for copyright and related rights. In this context, they provide special choice-of-law rules for ubiquitous infringement cases, and allow party autonomy for certain aspects of copyright and related rights, as well as rules to apply to the initial ownership issue.

It is worth noting that all sets of Principles take into account the importance of the Internet and set forth rules with moderate departures from the basic principle of territoriality. That there are departures demonstrates that the principle of territoriality is still the most important one for copyright and related rights, even in the digital world where the Internet and other communication technology are used. So it is more important to cope with the traditional territoriality principle along with the challenges brought on by the Internet, rather than discard the principle. Thus, in the context of the law applicable to copyright and related rights disputes, territoriality is maintained as the basic principle, while allowing moderate deviation from it. Difficulties remain, however, as to aspects of that law and as to what extent deviations should be allowed because ensuring legal certainty and foreseeability of the applicable law should in any event be guaranteed.

In general, the CLIP Principles are more strict about and they lean more towards the territoriality principle, since the CLIP's approach to this principle strictly restricts deviations from it, e.g. it limits the scope of party autonomy to remedies only; adopts a narrow definition of “ubiquitous infringement”, and chooses the *lex loci protectionis* rule for initial ownership of copyright and related

¹⁰⁶⁴ Axel Metzger 2010 (*supra* n 768) 159.

rights; whereas the ALI Principles and the Japanese-Korean Principles adopt the universality approach for the initial ownership issue.

These academic groups have indeed exerted their best efforts to draft complete sets of Principles for complex PIL issues in IP rights. By providing these “soft law” proposals, the drafters hope to provide inspiration for legislators, judiciary and legal practitioners when issues of the kind discussed here are at stake.

4.5 Inspiration for PRC law

Then, what inspiration can PRC legislators and judiciary draw from these academic contributions? From the outset, it can be noted that every set of Principles remains with the basic principle of territoriality, i.e. where the *lex loci protectionis* rule applies to the issues that are intrinsically linked to the right, including the existence, scope and duration of copyright and related rights, as well as to infringement. In this respect, it needs to be noted that the territoriality principle should remain as the basic principle in PRC law and judicial practice, i.e. application of the law of the country for which the protection is claimed. However, the scope of the application of the *lex loci protectionis* needs to be clarified.

Furthermore, in one way or another, all three sets of Principles pay special attention to unregistered IP rights, in particular copyright and related rights: e.g. the ALI Principles distinguish registered rights and unregistered rights from the beginning; the Japanese-Korean Principles provides different choice-of-law rules for initial ownership of copyright and related rights: the *lex originis* rather than the *lex loci protectionis* that is used for other IP rights. It proves that copyright and related rights, not bearing a character that requires registration and coming into existence upon the creation of a work, should be given special attention when the choice-of-law issue is involved.

Moreover, party autonomy is enhanced in these Principles. It is only as to the extent of their application and limitations that the sets of Principles differ from each other. At least, with respect to copyright and related rights infringement disputes, all sets of Principles would allow the parties to choose the law applicable, either *ex post* or *ex ante*. Thus, in view of providing legal certainty and foreseeability, party autonomy should be accepted for cross-border IP rights infringement disputes in PRC law and practice. The scope of its application should however be limited and should not include the issues pertaining to the rights.

Additionally, all sets of Principles take ubiquitous infringement disputes into consideration and prescribe choice-of-law provisions for them. Along with the increased use of the Internet, choice-of-law rules for ubiquitous (multi-state) copyright and related rights infringement disputes certainly need to be addressed in PRC law. The approaches taken in these Principles, applying the one state’s law that has the closest connection with the dispute or infringement, can be a source of inspiration. However, when defining the closest connection, these Principles have suggested different connecting factors. This is because every set of Principles has a different perspective. In this respect, the PRC legislature and judiciary should provide clear guidance in defining the closest connection for such disputes. In order to invoke such an application, a definition of ubiquitous (multi-state) infringement should be provided. It must, nevertheless, be noted that legal certainty and predictability should not be compromised under such circumstances.

Last but not least, the choice-of-law rules on initial ownership of copyright and related rights should be clarified. The Principles have taken two opposite approaches: adopting either a universal rule or a territorial rule in that context. This issue has always been a matter of controversy in legal practice, in particular now that there has been increased cross-border exploitation of IP rights. Thus, with the aim of better protecting copyright and related rights and providing legal certainty as to the rights owner, PRC legislators should be providing a clear choice-of-law solution to determine the initial ownership of copyright and related rights, including solutions for those works created in certain relationships.

4.6 Conclusion

In the absence of international treaty provisions on private international law rules for IP rights, three academic groups drafted and proposed separate sets of Principles with the aims of facilitating cross-border exploitation of intellectual property and improving international protection of intellectual property. This chapter describes choice-of-law rules in each set of Principles as to the aspects of the existence, content, duration, termination and initial ownership of copyright and related rights, as well as the infringement of such rights. Based on these descriptions, a comparison is made. As for the topic of this dissertation, the inspiration that the PRC legislature and judiciary can draw from these academic contributions is also provided. As argued at the end of this chapter, the territoriality principle should remain as the basic one, and the *lex loci protectionis* rule should have a wider scope of application to cover the matters of the existence, content, scope, duration, termination and infringement of rights. Party autonomy should be extended for certain claims, however, its scope of application should be carefully defined. Furthermore, the contemporary issues concerning multi-state infringement disputes and certain related aspects of copyright and related rights are specifically dealt with in these sets of Principles. In this context, the PRC legislature and judiciary should think about introducing rules for such claims and give special attention to copyright and related rights disputes. For the issue of initial ownership of copyright and related rights, a clear position should be taken, leaning either towards universality or territoriality. On this basis, choice-of-law rules for works created as part of certain relationships such as employment and commissioning should also be provided.

CHAPTER 5 PRC LAW

China's rich and extensive history spanned several thousands of years of civilization, but as to the development of legal system in the People's Republic of China (hereinafter PRC), a much shorter history with western imprint may be reviewed. Since the adoption of economic reform in 1979, the doors of the PRC have been opened step-by-step. Along with this process, the PRC's economy and the contacts with the rest of the world dramatically increased, and that accelerated the development of laws in the PRC, including private international law and copyright law. However, once these two subjects intermingled, or more precisely, once there was a need to determine the law applicable to cross-border copyright disputes, the legislation and judicial practices at PRC People's Courts prior to the 2011 PIL Statute were showing only an incomplete, inconsistent and outdated picture of how they resolved this issue. The increasing need, generated by business drives as well as by commercial and other interests in the world, for active dealing with the PRC also called for modern and updated PIL rules. Against this background, the PRC legislature embarked on the legislative process that led to *the Statute on the Law Applicable to Foreign-Related Civil Relations* in 2002, which was enacted eight years later on 1 April 2011. In that Statute, the legislature devoted one chapter to the often-raised issues of IP rights disputes, including copyright and related rights disputes. As the first clear set of choice-of-law rules for IP rights disputes under PRC law, it is a matter of necessity to examine whether these rules will provide reasonable and practical solutions for the topic of choice-of-law in foreign-related copyright and related rights disputes.

This chapter begins with an introduction to the PRC legal system. It describes the legal organization of the PRC and its judiciary, and continues with a description of the development of PIL in the PRC. The sources of choice-of-law rules in cross-border copyright and related rights disputes will be listed in section 3, where the position of international treaties among PRC laws and its impact on domestic law will be analysed. Section 4 surveys judicial practice at People's Courts by making an attempt to include as many cases as possible to help illustrate how People's Courts dealt with applicable law issues in cross-border copyright disputes. Section 5 contains an analysis of judicial practice. Then a description of the newly-adopted choice-of-law rules for IP rights and their possible impacts on PRC judicial practice will be presented in section 6, followed by the conclusion to this chapter.

5.1 Introduction to the PRC legal system

According to Prof. John H. Merryman of Stanford University, there are three highly influential legal traditions in the contemporary world, which he classifies as civil law, common law and socialist law.¹⁰⁶⁵ He describes a remarkable nature of the "socialist law tradition" consisting of its underlying attitude that all law is an instrument of economic and social policy.¹⁰⁶⁶ According to him, the PRC is a country that belongs to the socialist law tradition. Chinese academic writings share this opinion.¹⁰⁶⁷ Nevertheless, it should not be denied that the PRC legal system also carries a civil law label because

¹⁰⁶⁵ John Henry Merryman, *The Civil Law Tradition: An Introduction to the Legal Systems of Western Europe and Latin America* (2nd edn Stanford University Press, Stanford California 1985) 1.

¹⁰⁶⁶ *Id.*, 4.

¹⁰⁶⁷ Jin HUANG and Andrew Xuefeng QIAN, "One Country, Two Systems", Three Law Families, and Four Legal Regions: The Emerging Inter-Regional Conflicts of Law in China' (1995) 5 *Duke J. Comp. & Int'l L.* 289, 303; Jie HUANG, 'Interregional Recognition and Enforcement of Judgement of Civil and Commercial Judgments: Lessons for China from US and EU Laws' (2010) 6 (1) *JPIL* 109, 133. (she describes "*Mainland China belongs to the family of socialist law, characterised by a powerful government, a dependent court system, the political leadership of the working class, and the public ownership of lands.*")

the evolution of modern PRC law and its legal system was strongly influenced by Soviet laws, German laws and Japanese laws.¹⁰⁶⁸

Prior to the establishment of the PRC, a largely Western-style legal code inspired by the civil law tradition, mainly German law and Japanese law, had been adopted in the Republic of China. In 1949 when the PRC was established, the Chinese Communist Party abolished all then-existing laws and regulations, and left what was virtually a legal vacuum in China. Then in the 1950's, a new legal system was started from the scratch. In addition to the strong influences of German law and Japanese law that were retained in the Chinese legal culture, the PRC began to establish its laws and legal system based on the model of the former Soviet Union, which was basically still in the French-style civil law tradition.¹⁰⁶⁹ A further attempt at rebuilding the PRC's legal system was, however, interrupted by a series of political movements in the 1960's and 1970's, which brought all law-making processes to a standstill. The year of 1978 is seen by Chinese scholars as a turning point in legal development in the PRC¹⁰⁷⁰ because with the adoption of the reform and open-door policy, the PRC started rebuilding its legal system under the doctrine of "Chinese reality with reference to foreign laws and legal systems".¹⁰⁷¹ As a result, numerous laws and regulations were adopted. Many of them actually reflect the imprint of the experience and models of Western countries, such as individual acts on the protection of intellectual property. As of 1990s, legal reform has become a priority for the government. The PRC has established comprehensive branches of codified laws and has adopted thousands of laws in the form of statutes. More importantly, the PRC has also made great efforts to ensure that its law will conform to commonly-accepted international practice and standards.¹⁰⁷² One example can be seen in the process of joining the WTO. In order to keep in line with WTO requirements and WTO-related agreements, the PRC has made enormous efforts to draft new laws and revise existing laws, such as in the field of IP protection.¹⁰⁷³ Meanwhile, the practice of absorbing international standards into PRC law still continues. For example, it is reflected in the legislative process that led to the newly-adopted *Statute on the Law Applicable to Foreign-Related Civil Relations*.

The civil law tradition in PRC law is evident in its judicial system. Unlike the common law system, where court decisions are the major sources of law, the PRC has a statute based legal system, i.e. when People's Courts adjudicate a dispute, they are primarily bound by statutes. Decisions rendered by higher levels of the People's Courts are not official sources of law and, as a result, they could not become precedents binding on lower courts. In other words, decisions rendered by PRC courts are not binding on later cases having similar characteristics. Nevertheless the decisions delivered by the Supreme People's Court (hereinafter SPC) and higher courts have strong influence on lower People's Courts, because their decisions on factual situations are respected and used as guidelines when laws are unclear or in question.¹⁰⁷⁴

¹⁰⁶⁸ The editorial board of China Business Laws and Regulations (ed) (*supra* n 97) 1; Mo ZHANG, 'Socialist Legal System with Chinese Characteristics: China's Discourse for the Rule of Law and A Bitter Experience' (2010) 24 TEMP. INT'L & COMP. L.J. 1.

¹⁰⁶⁹ Mo ZHANG, *Chinese Contract Law: Theory and Practice* (Martinus Nijhoff Publishers, Leiden/ Boston 2006) xi; Mingan JIANG (ed), *Thirty Years of Chinese Laws (1978-2008)* 中国法学三十年 (1978-2008) [in Chinese] (Chinese People's University Press, Beijing 2008) 43-4.

¹⁰⁷⁰ Mingan JIANG (*supra* n 1069) (dealing with thirty years' development of Chinese legal theory, constitution law, civil law, criminal, administration law, intellectual property law, environmental law, international law, legal history and etc.)

¹⁰⁷¹ Mo ZHANG 2006 (*supra* n 1069) xi; Jianfu CHEN, *Chinese Law: Context and Transformation* (Martinus Nijhoff Publishers, Leiden/ Boston 2008) 66-70.

¹⁰⁷² Jianfu CHEN (*supra* n 1071) 73-5.

¹⁰⁷³ As to the development of Chinese Copyright Law, see *supra* section 1.3.2.2.1 PRC's perspective.

¹⁰⁷⁴ The editorial board of China Business Laws and Regulations (ed) (*supra* n 97) 1.

In summary, the RPC's current legal scheme is a "combination of traditional Chinese culture and the Soviet model, mixed with the characteristics of the civil law family, plus some US flavor"¹⁰⁷⁵.

In order to have a better understanding of the PRC's choice-of-law rules in cross-border copyright and related rights disputes, one should look into the legal organization of the PRC and the whole framework of its judiciary.

5.1.1 Legal organization of the PRC

At present, there are twenty-three provinces (including the Taiwan province), five autonomous regions (Guangxi, Tibet, Ningxia, Inner Mongolia and Xinjiang), four municipalities (Beijing, Tianjin, Shanghai and Chongqing) and two special administrative regions (Hong Kong and Macao). Except Hong Kong and Macao, all provinces, municipalities and autonomous regions are within the jurisdiction of the PRC.¹⁰⁷⁶

The PRC used to be a unitary socialist legal system with one single legal district. With the return to the PRC of Hong Kong in 1997 and Macao in 1999, the PRC government adopted a policy of "one country, two systems",¹⁰⁷⁷ under which Hong Kong and Macao continue to exercise independent legislative, judicial and final adjudicative powers in their respective regions.¹⁰⁷⁸ Since then, the PRC has become a country with multiple legal systems: Hong Kong with a British common law background, Macao with a Portuguese civil law background, and Taiwan with a legal tradition that has been heavily influenced by Japanese and European civil law traditions. A legal problem of inter-regional conflicts issues therefore arose.¹⁰⁷⁹

From the perspective of private international law, Hong Kong, Macao and Taiwan are independent legal entities having an equal status with the Mainland.¹⁰⁸⁰ Accordingly, Hong Kong, Macao and Taiwan constitute sorts of "foreign elements" to mainland China,¹⁰⁸¹ or to be more precise, inter-regional elements: if a case involves elements arising from these three places, such as: one party or parties to the dispute is/are the residents of these three places, etc., that case should be classified as an inter-regional one. As to the conflicts of laws arising from inter-regional cases, some aspects, like jurisdiction, judicial assistance, recognition and enforcement of judgments as well as arbitration awards have been gradually coordinated. In this context, a legal form of "arrangement" is normally adopted with the aim of enhancing co-ordination and co-operation among these legal regions.¹⁰⁸² In the

¹⁰⁷⁵ *Ibid.*

¹⁰⁷⁶ In theory, Taiwan province is under the jurisdiction of the PRC, although Beijing has no "official" contact with Taipei. Upon the eventual reunification of Taiwan to China, Taiwan will become also a special administrative region enjoying autonomy.

¹⁰⁷⁷ 一国两制 This concept was first brought up in the late 1978 by Deng Xiaoping dealing with the peaceful settlement of the Taiwan issue. It has been used and developed in the reversion process of Hong Kong and Macao to China. See Deng Xiaoping's Talk with Yang Liyu, *Selected Works of Deng Xiaoping 邓小平文选* [in Chinese] (People Press, 1993) 230.

¹⁰⁷⁸ Art. 2 of Basic Laws of the Hong Kong Special Administrative Region of the People's Republic of China, promulgated on 4 April 1990 and entered into force on 1 July 1990; Art. 2 of Basic Laws of the Macao Special Administrative Region of the People's Republic of China, promulgated on 31 March 1993 and entered into force on 20 December 1999.

¹⁰⁷⁹ Jing HUANG and Andrew Xuefeng QIAN (*supra* n 1067); Jing HUANG etc. (eds), *Studies of Inter-regional Legal Issues in China 中国的区际法律问题研究* [in Chinese] (Beijing, Law Press 2001).

¹⁰⁸⁰ Jing HUANG and Andrew Xuefeng QIAN (*supra* n 1067) fn 3, 303; Shuangyuan Li, Fuyong Ou, Pengnian JIN and Mao ZHANG, *General Private International Law of China 中国国际私法通论* [in Chinese] (3rd edn, Law Press China, Beijing 2007) 151.

¹⁰⁸¹ The foreign element here means a non-mainland-China element or an element arising from the regions other than the Mainland.

¹⁰⁸² As to Hong Kong, there are three arrangements (in the form of judicial explanations) issued by the SPC in the aspect of judicial cooperation. These are: *Arrangement for Mutual Service of Judicial Documents in Civil*

mean time, some judicial interpretations¹⁰⁸³ have been published to further regulate and improve judicial standards in dealing with inter-regional conflicts. Insofar as choice-of-law problems are concerned, the newly-adopted Statute and other regulations do not distinguish between inter-regional conflicts and those of an international character. As a result, the choice-of-law rules stipulated in the Statute and other regulations shall equally apply to inter-regional conflicts and international ones.

Unlike many western countries' constitutions, which stipulate a clear separation of powers among the legislative, executive and judicial branches, the Chinese Constitution provides for a functional division of powers into legislative, executive, judicial and procuratorial organs, which are exercised in line with the principle of "unity of deliberation and execution". According to this principle, all state powers are vested in one system, the People's Congress system,

"which deliberates and makes decisions; these decisions are then executed by administrative, adjudicative and procuratorial organs which are created by, responsible and subordinate to, and supervised by the people's congress".¹⁰⁸⁴

5.1.1.1 Legislative organs

The legislative power lies in hands of the National People's Congress (NPC) and the Standing Committee of the NPC. The NPC has power to amend the Constitution by a two thirds majority vote.¹⁰⁸⁵ The NPC can also formulate basic laws of the PRC, which are regulatory documents concerning criminal matters, civil matters and other matters that it formulates, such as: GPCL and Civil Procedure Code (hereinafter CPL), while the Standing Committee of the NPC formulates the laws other than these basic laws, such as: Copyright Law. In addition, the Standing Committee of the NPC has the power to partially supplement or amend the laws enacted by the NPC when the NPC is in

and Commercial Proceedings between the Mainland and Hong Kong Courts signed in Shenzhen on 14 January 1999; *Arrangement Concerning Mutual Enforcement of Arbitral Awards between the Mainland and the Hong Kong Special Administrative Region* signed in Shenzhen on 21 June 1999; *Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned* signed in Hong Kong on 14 July 2006. For details of these Arrangements, <<http://www.legislation.gov.hk/intracountry/eng/index.htm#mainland>> accessed on 2 October 2012.

As to Macao, there are also three arrangements in the aspect of judicial cooperation: *Arrangement for Mutual Service of Judicial Documents and Taking Evidence in Civil and Commercial Proceedings between the Mainland and Macao SAR Courts* signed in Macao SAR on 14 January 1999 (No. 39/2001 Announcement of Chief Executive of Macao SAR) <<http://cn.io.gov.mo/Legis/International/record/1.aspx>> accessed on 2 October 2012; *Arrangement Between the Mainland and the Macao Special Administrative Region on the Mutual Recognition and Enforcement of Civil and Commercial Judgments* signed in Macao SAR on 28 February 2006 (No. 12/2006 Announcement of Chief Executive of Macao SAR)

<<http://en.io.gov.mo/Legis/International/record/612.aspx>> accessed on 2 October 2012; *Arrangement Concerning Mutual Recognition and Enforcement of Arbitral Awards between the Mainland and Macao Special Administrative Region* signed in Beijing on 30 October 2007 (No. 22/2007 Announcement of Chief Executive of Macao SAR) <<http://cn.io.gov.mo/Legis/International/record/737.aspx>> accessed on 2 October 2012.

¹⁰⁸³ As to Hong Kong and Macao, The Minutes of the Seminar of the National Court Hong Kong and Macao involved Commercial Trialing Working Group 全国法院涉港澳商事审判工组座谈会纪要, published by the SPC on 21 January 2008, 法发[2008] 8 号。As to Taiwan, Several Legal Questions About People's Court Dealing with Taiwan Involved Civil Disputes 关于人民法院处理涉台民事案件的几个法律问题, published by the SPC on 9 August 1988; Provisions on the Recognition of Certain Taiwan Region Courts' Civil Rulings 关于人民法院认可台湾地区有关法院民事判决的规定, published by the SPC on 22 May 1988, 法释[1998]11 号; Several Provisions on Serving the Taiwan Involved Judicial Documents in Civil and Commercial Proceedings 关于涉台民事诉讼文书送达的若干规定, published by the SPC on 23 April 2008, 法释[2008] 4 号。

¹⁰⁸⁴ Jianfu CHEN (*supra* n 1071) 119.

¹⁰⁸⁵ Arts. 62 and 64 of Chinese Constitution. (Chinese Constitution adopted at the 5th Session of the Fifth NPC 4 December 1982; 1999 Amendments adopted at the 2nd Session of the Ninth NPC on 15 March 1999; 2004 Amendments adopted at the 2nd Session of the Tenth NPC on 14 March 2004.)

recess, provided that such amendments do not contravene the basic principles of the laws.¹⁰⁸⁶ These regulatory documents formulated by the NPC and its Standing Committee constitute the narrow concept of “laws” in China. The People’s Congress and its standing committee at a lower level, such as in a province, autonomous region or municipality, can promulgate local regulations, which should not contravene the PRC Constitution, laws or administrative regulations that are formulated by the central government.

5.1.1.2 Executive organs

The State Council is the highest organ of state administration and the executive body of the state and therefore the highest organ of state power. It is composed of the Premier, the Vice-Premiers, the State Councillors, the Ministers in charge of Ministries and Commissions, the Auditor-General and the Secretary-General.¹⁰⁸⁷ The State Council is empowered to issue and execute administrative regulations in accordance with national laws. Government agencies, ministries and commissions which are under the State Council, are vested with the power to issue orders, measures, and directives in conformity with the State Council’s regulations. Local organs of state power and government bodies formulate laws and administrative measures. These laws and measures must not contravene the Constitution or laws, administrative regulations or local regulations of their respective provinces or autonomous regions, and shall be subject to the approval of the standing committees of the people’s congresses of their respective provinces or autonomous regions before implementation.¹⁰⁸⁸

5.1.1.3 Judicial organs

The PRC Constitution establishes the People’s Courts and Procuratorates as the judicial organs of the state. In addition to the SPC and the People’s Courts established locally at various levels, the Constitution provides for other special courts: maritime, railway and military etc.

As mentioned earlier, the Hong Kong and Macao SARs enjoy autonomous status in the legal organization of the PRC. Accordingly, the Hong Kong SAR has been continuing its English common law and the Macao SAR has been keeping its Portuguese legal system, with their courts of final appeal. However, constitutional matters fall outside the judicial powers of SARs and are subject to the competence of the PRC central government.

5.1.2 Judiciary

Although the systematic establishment of courts only began in 1979, the development of People’s Courts has dramatically increased both in terms of the number of courts and the number of cases adjudicated.¹⁰⁸⁹ PRC courts are organised into four tiers: basic courts, intermediary courts, high courts and the Supreme People’s Court, for the prefecture, city, province and national levels respectively.¹⁰⁹⁰

¹⁰⁸⁶ Fusen ZHANG (eds), *China- Outlines of the Legal System of the People’s Republic of China* (Law Press China, Beijing 2004) 4-5.

¹⁰⁸⁷ Arts. 85 and 86 of Chinese Constitution.

¹⁰⁸⁸ Fusen ZHANG (*supra* n 1086) 6-9.

¹⁰⁸⁹ Jianfu CHEN (*supra* n 1071) 150.

¹⁰⁹⁰ Arts. 18-21 of the Law of Civil Procedures of the People’s Republic of China 中华人民共和国民事诉讼法 (CPL). (the Trial version of the CPL adopted at the 22nd Session of the Standing Committee of the Fifth NPC on 8 March 1982 and implemented on a trial basis as of 1 October 1982; the CPL 1991 adopted at the 4th Session of the Seventh NPC on 9 April 1991, promulgated and entered into effect on 9 April 1991 and amended at the 30th Session of the Tenth NPC Standing Committee on 28 October 2007, entered into effect on 1 April 2008, and amended again at the 28th Session of the Eleventh NPC Standing Committee on 31 August 2012, will enter into effect on 1 January 2013.)

The territorial jurisdiction of each People's Court exactly corresponds to the territorial area covered by the government of the same level.¹⁰⁹¹

According to the CPL, judicial proceedings occur in two instances, namely trial and appeal.¹⁰⁹² Where a party is dissatisfied with the decision of the court of first instance, he may file an appeal with the People's Court at the next higher level, within fifteen days for domestic cases and thirty days for foreign-related cases, calculated from the day on which the written decision of the court is served. An appellate court can only review the relevant facts appealed and the lower court's application of law. Once an appellate court delivers a decision, that decision becomes final, and no further appeal is allowed. A retrial is, however, allowed when the appellate decision was in error, upon request made through the trial supervision procedure.¹⁰⁹³

Normally, the basic courts are the courts of first instance. Higher courts, i.e. intermediary courts, high courts and the SPC may however hear a case at first instance if the case has a potential significant impact in the areas of their respective jurisdictions.¹⁰⁹⁴ Since most, if not all, foreign-related cases are considered as major cases having a significant impact, a dispute involving foreign elements generally commences at the intermediary court level in a court which is territorially competent.¹⁰⁹⁵

Due to the special expertise required for adjudicating copyright and related rights disputes and the economic importance involved in those claims, the SPC states in the *2002 Copyright Interpretation*¹⁰⁹⁶ that civil disputes concerning copyright shall be adjudicated at a level no lower than an intermediary People's Court.¹⁰⁹⁷

As to the relation between the SPC and local People's Courts, it is notable that the SPC has no control over any lower courts, except for work connections by means of supervision. In the PRC legal system, there is, in principle, no such legal doctrine as *stare decisis* for judicial practice, i.e. judgments rendered by the SPC have no direct binding force on lower courts. In practice, de facto "legal precedents" do, however, exist in the PRC judicial system. The SPC regularly selects and publishes a few controversial or important cases in the *Gazette of the Supreme People's Court* and recommends these exemplary decisions to all lower courts by means of reference. Hence, lower People's Courts do respect and follow these references, regardless whether they are the judgments delivered by the SPC

¹⁰⁹¹ Arts. 2 and 18 of the People's Republic of China People's Court Organization Law 中华人民共和国人民法院组织法 (adopted at the 2nd Session of the Fifth NPC on 1 July 1979 and amended at the 2nd Session of the Sixth NPC Standing Committee on 2 September 1983.)

¹⁰⁹² Art. 10 of the CPL.

¹⁰⁹³ According to the CPL, a retrial may take place at the original court or the next higher court. A retrial request can be made by the president of the original court, the higher court having jurisdiction over the trial court, the Supreme People's Court, or the parties to the litigation. A retrial request could also be filed upon protest by the people's procuratorate. According to the CPL, the time limit for a retrial request is within two years after the judgment or decision takes effect.

¹⁰⁹⁴ Arts. 19-21 of the CPL.

¹⁰⁹⁵ Mo ZHANG, 'International Civil Litigation in China' (2002) XXV BC Int'l & Comp L Rev 59, 61.

¹⁰⁹⁶ The Interpretation of the Supreme People's court Concerning Several Issues on Application of Law in Hearing Correctly the Civil Copyright Cases 最高人民法院关于审理著作权民事纠纷案件适用法律若干问题的解释, promulgated and effective as of 15 October 2002 by the SPC of the People's Republic of China. (2002 Copyright Interpretation)

¹⁰⁹⁷ Art. 2 of the 2002 Copyright Interpretation. 第二条 著作权民事纠纷案件,由中级以上人民法院管辖。各高级人民法院根据本辖区的实际情况,可以确定若干基层人民法院管辖第一审著作权民事纠纷案件。 ("Copyright civil disputes should be adjudicated at the jurisdiction level of not lower than the Intermediary People's courts. Various High People's Courts may according to the actual circumstances of their jurisdiction determine several basic-level People's courts to hear the cases of copyright civil dispute of first instance.") [Translated by NZ].

itself or the instructions/opinions given by the SPC upon the request of a lower court, when the provisions of a law are in a state of obscurity.¹⁰⁹⁸

5.1.2.1 Roles of Supreme People's Court

The SPC performs a rather important function in the PRC legal system. In addition to hearing the cases that are within its jurisdiction in accordance with the CPL, the SPC is authorized to issue legal instruments, such as circulars and notices to lower courts. In addition, upon request of lower courts, the SPC renders judicial opinions on legal issues raised.

More importantly, the SPC has a quasi law-making function.¹⁰⁹⁹ Together with the Supreme People's Procuratorate, the SPC has power to issue judicial interpretations on the application or interpretation of law and regulations. They are aimed at situations when a law is too general or has several meanings, and they provide "detailed analysis, clearer definitions or gap-filling rules for statutes either shortly after their promulgation or at any time the SPC or SPP feels that there is a need for interpretation".¹¹⁰⁰ These interpretations are published and authoritative, and are of importance as guidelines for lower courts in interpreting and applying laws.¹¹⁰¹

In comparison with laws and regulations published by competent authorities, these SPC interpretations of laws and regulations are more voluminous, comprehensive and pervasive, and, as a result, they constitute a significant part of the hierarchy of PRC law. Such interpretation is a legislative construction of laws. Because of that it applies to all cases, whether they are current or future. Thus, it has a general law character.

Judicial interpretations by the SPC are issued in almost all fields of law. Concerning civil and commercial matters, the SPC has issued many judicial interpretations, for example in the field of copyright, the *Interpretation of the Supreme People's Court on Certain Issues Concerning the Application of Laws in the Hearing of Cases Involving Computer Network Copyright Disputes* (2000)¹¹⁰² (hereinafter 2000 Online Copyright Interpretation), and the 2002 Copyright Interpretation and in 2006 two amendments to the 2000 Online Copyright Interpretation. These interpretations deal not only with substantive rules, but also with jurisdictional issues. They form parts of the sources of PRC copyright laws.

5.2 Development of the China's choice-of-law rules

5.2.1 Rules before the establishment of the PRC

Some Chinese scholars have traced the rules concerning the treatment of foreigners back to the Tang Dynasty, which was one of the most prosperous eras in Chinese history.¹¹⁰³ During the period 618-907 CE, international trade was boosted by the Silk Road to the west and increased maritime shipping. For trade and business purposes, thousands of foreigners came and lived in numerous Chinese cities, especially, the then-capital city Chang An (nowadays Xi An), at that time the most populous city in

¹⁰⁹⁸ Jin HUANG (eds), *Private International Law 国际私法* [in Chinese] (2nd edn, Law Press China, Beijing 2004) 47.

¹⁰⁹⁹ Chenguang WANG, 'Lawmaking Functions of the Chinese Courts: Judicial Activism in a Country of Rapid Social Changes' (2006) 3 *Front. Law China* 1, 14.

¹¹⁰⁰ *Ibid.*

¹¹⁰¹ Hanqin XUE and Qian JIN, 'International Treaties in the Chinese Domestic Legal System' (2009) 8 *CJIL* 299, 305; Jin HUANG 2004 (*supra* n 1098) 47-8; *Id.*, 12.

¹¹⁰² 最高人民法院关于审理涉及计算机网络著作权纠纷案件适用法律若干问题的解释 promulgated on 19 December 2000, entered into force on 21 December 2000, amended on 20 November 2006 and 22 November 2006, entered into force on 8 December 2006.

¹¹⁰³ Jin HUANG 2004 (*supra* n 1098) 119; Shuangyuan LI and others (*supra* n 1080) 82-3.

the world. During those days, the Tang Dynasty emperor Yong Hui issued and amended one of the most complete and systematic laws in Chinese legal history - “*Yong Hui Code*” (永徽律), also known as the “*Tang Code*” (唐律).¹¹⁰⁴ The Chapter on General Principles (名例章) laid down the rule for dealing with foreigner-involved disputes as “诸化外人同类自相犯者，各依本俗法；异类相犯者，以法律论。” The literal understanding of this provision is that “for a case involving persons who belong to the same foreign sovereignty shall be governed by the law of that sovereignty; for a case involving persons who belong to different sovereignties, the *Tang Code* applies.”¹¹⁰⁵ A commonly accepted interpretation of this provision among Chinese scholars is that “if a dispute occurred within China among two parties sharing the same nationality, the parties’ national law shall apply; as to a dispute occurred within China among persons with different nationalities, the *Tang Code* shall apply.”¹¹⁰⁶ If it were looked at from the perspective of European private international law, this provision would have the effect that the principle of personal law was to be applied to the first circumstance, and the principle of territorial law was to be applied to the latter situation. Hence, in that context, this provision could be viewed, to some extent, as a choice-of-law rule.

Two issues need to be noted with regard to this provision. First, Chinese ancient laws including the *Tang Code* did not distinguish civil and criminal laws. Accordingly, such rules dealing with foreigners applied to both criminal and civil proceedings.¹¹⁰⁷ Second, the term “nationality” that is used by some Chinese scholars to interpret the provision laid down in the *Tang Code* deserves some deliberation about whether such a “nationality” concept did exist in the *Tang Code*, and whether such a “nationality” interpretation in this provision would be accurate. As seen in the legal history of continental Europe, its modern concept of nationality was only put into use with the promulgation of the *Code Napoléon* in 1804.¹¹⁰⁸ For the purpose of choice-of-law, the principle of nationality was advocated by Pasquale Mancini beginning in 1851, who argued for the principle of nationality on the ground that “*laws are made more for an ascertained people than for an ascertained territory.*”¹¹⁰⁹ Therefore, the contemporary concept of nationality should be viewed with caution in approaching interpretation of the *Tang Code*.¹¹¹⁰

In any event, the rules provided in the *Tang Code* had not been further developed by the subsequent dynasties in Chinese legal history until 1918. In that year, the then Republic of China published the first statute on applicable law. It was based on Japanese¹¹¹¹ and German laws,¹¹¹² but was suspended on 12 August 1927 when the North Expedition was successful.¹¹¹³

5.2.2 Rules after the establishment of the PRC

In the PRC’s legal system, private international law has a short history. As mentioned at the outset of this Chapter, when the PRC was established in 1949, the Communist Party abolished all then-existing legislation. During the period between 1949 and 1978, communication and contact between China and the outside world was so sparse that there was hardly any need for PIL rules. This was because PIL

¹¹⁰⁴ 永徽律 was drafted around in 650 under the Tang Dynasty- Yong Hui Emperor. The law was accordingly named Yong Hui Code.

¹¹⁰⁵ Literarily translated by NZ.

¹¹⁰⁶ Shuangyuan LI and others (*supra* n 1080) 82-3. “具有同一国籍的外国人在中国境内发生相互侵犯的案件，适用当事人的本国法；不同国籍的外国人之间在中国发生相互侵犯的案件，按照唐朝的法律处理。”

¹¹⁰⁷ *Id.*, 83.

¹¹⁰⁸ David McClean, *Morris: The Conflict of Laws* (5th edn, Sweet & Maxwell, London 2000) 44.

¹¹⁰⁹ *Ibid.*

¹¹¹⁰ The legal historian considers the “category” to include not only foreign nations, but also minorities. For details, see Jinpan ZHANG, *The Tradition and Modern Transition of Chinese Law 中国法律的传统与近代转型* [in Chinese] (3rd edn, Law Press China, Beijing 2009) 353.

¹¹¹¹ The 1898 Japanese Act on the Application of Laws, *Horie*.

¹¹¹² The 1896 Introductory Act to the German Civil Code (EGBGB).

¹¹¹³ Shuangyuan LI and others (*supra* n 1080) 83-4.

rules are not susceptible to development in a closed environment. In conjunction with the 1979 reform and the Open Door policy, the PRC began to enact statutes with a private international law component.¹¹¹⁴

As far as choice-of-law rules are concerned, before the implementation of the 1986 GPCL, there were only sporadic provisions scattered about in piecemeal legislation, namely *Several Approaches regarding to Marriage Registration of Chinese Citizens with Foreigners*;¹¹¹⁵ Article 12 of the *Sino-Foreign Joint Venture Law Implementing Regulations*;¹¹¹⁶ Article 36 of the *Law of Succession*;¹¹¹⁷ and Article 5 of the *Law on Foreign-related Economic Contract*.¹¹¹⁸ Enactment of the GPCL took a step further in the development of PRC's choice-of-law rules. Its Chapter 8, titled *Law Applicable to Civil Relations Involving Foreign Elements*,¹¹¹⁹ contains the first set of relatively systematic choice-of-law rules in Chinese legal history. It consists of nine articles dealing with the subjects of civil capacity, immovable property, contract, tort, marriage, maintenance and succession, as well as a public interest rule. In addition, in 1988, the SPC issued a provisional *Opinions on Several Issues regarding to the Implementation of the General Principles of Civil Law of People's Republic of China*,¹¹²⁰ which further elaborates on the application of these articles. Since then, more choice-of-law rules have been provided in different statutes: Article 21 of the *Adoption Law*,¹¹²¹ Articles 268-276 of the *Maritime Law*,¹¹²² Articles 95-102 of the *Negotiable Instrument Law*¹¹²³, Articles 184-190 of the *Civil Aviation Law*,¹¹²⁴ Article 126 of the *Contract Law*,¹¹²⁵ Articles 2 and 3 of the *Measures on the Registration of Adoption of Children by Foreigners in the PRC*,¹¹²⁶ and Article 218 of the *Company Law*.¹¹²⁷ Moreover, some choice-of-law provisions can be found in several SPC judicial interpretations: Article 63 of the *Opinions of the Supreme People's Court on Several Questions Relating to the Implementation of the Succession Law of the People's Republic of China*,¹¹²⁸ Article 5 of the *Rules of the Supreme People's Court on Several Questions Regarding the Application of Laws in the Trial of Cases of Contractual Disputes in Civil and Commercial Matters Involving Foreign Elements*.¹¹²⁹

It can be seen from the foregoing that before the adoption of the current PIL Statute, choice-of-law rules consisted of general provisions along with specific ones for certain subjects. These rules were introduced to respond to specific needs or certain conflicts that were often raised in the course of practice. Against this background, several characteristics of these rules can be noted.

¹¹¹⁴ Jin HUANG 2004 (*supra* n 1098) 120.

¹¹¹⁵ 中国公民同外国人办理婚姻登记的几项办法, published by the Ministry of Civil Affairs in 1983.

¹¹¹⁶ 中外合资经营企业法实施条例, published in 1983, amended in 2001.

¹¹¹⁷ 继承法, adopted at the 3rd Session of the Sixth NPC, promulgated by Order No. 24 of the President of the PRC on 10 April 1985, and effective as of 1 October 1985.

¹¹¹⁸ 涉外经济合同法, adopted in 1985, which was eventually replaced by the Contract Law of the People's Republic of China that was adopted and promulgated by the 2nd Session of the Ninth NPC on 15 March 1999.

¹¹¹⁹ 涉外民事关系的法律适用.

¹¹²⁰ 最高人民法院关于贯彻执行《中华人民共和国民事诉讼法通则》若干问题的意见（试行），adopted at the Judicial Committee of the SPC on 26 January 1988. (1988 GPCL Opinions)

¹¹²¹ 收养法, adopted at the 23rd Session of the Standing Committee of the Seventh NPC on 29 December 1991, effective as of 1 April 1992, and amended on 4 November 1998.

¹¹²² 海商法, adopted at the 28th Session of the Standing Committee of the Seventh NPC on 7 November 1992.

¹¹²³ 票据法, adopted at the 13th Session of the Standing Committee of the Eighth NPC on 10 May 1995, revised at the 11th Session of the Standing Committee of the Tenth NPC on 28 August 2004.

¹¹²⁴ 民用航空法, adopted at the 16th Session of the Standing Committee of the Eighth NPC on 30 October 1995.

¹¹²⁵ 合同法, adopted and promulgated at the 2nd Session of the Ninth NPC on 15 March 1999.

¹¹²⁶ 外国人在中华人民共和国收养子女登记办法, issued by the Ministry of Civil Affairs on 25 May 1999.

¹¹²⁷ 公司法, adopted at the 18th Session of the Tenth NPC on 27 October 2005 and effective as of 1 January 2006.

¹¹²⁸ 最高人民法院关于贯彻执行《中华人民共和国民事诉讼法》若干问题的意见, issued on 9 November 1985.

¹¹²⁹ 最高人民法院关于审理涉外民事或商事合同纠纷案件法律适用若干问题的规定, issued on 11 June 2007 and entered into force on 8 August 2007.

First, as shown above, they were scattered about in different laws and were unsystematic as a whole. They lacked certain general provisions that could be applied to all choice-of-law cases, such as characterization. Furthermore, some rules in different laws overlapped those in other laws, e.g. the rule on the application of international treaties is in Article 142 of the GPCL, while the same rule was also in Article 95 of the Negotiable Instrument Law and in Article 268 of the Maritime Law.

Second, the choice-of-law rules were rigid and incomplete because they only dealt with claims involved in certain fields of law, such as marriage, contract, infringement, and as for others, e.g. IP rights and property rights, there were no choice-of-law rules available.

Third, even in the field where certain choice-of-law rules were provided, the rules were still incomplete, unclear and non-specific. For example, Article 149 of the GPCL concerning succession dealt only with statutory intestate succession, without having anything about those cases involving a will, let alone those regarding the formal validity of a will. The same deficiency could be seen in marriage provisions, where only a marriage between a PRC citizen and a foreigner is dealt with, without a clear rule for those between two PRC citizens married in overseas locations or between foreigners married in the PRC. It could similarly be seen in property matters, where immovable property is provided with a specific rule, but not one for movable property; and in divorce matters, where only divorce at court is equipped with a choice-of-law rule, but not one for divorce by consent, which is a sort of divorce procedure that needed to be submitted at a marriage administration department; and in civil capacity matters, only the civil conduct of a PRC national who resides overseas is provided with a choice-of-law rule, but there is nothing concerning the civil status of such a person or the civil capacity of a foreigner who resides in the PRC.

Finally, certain choice-of-law rules are not scientific. As HUANG pointed out, Article 150 of the GPCL excludes not only the application of foreign laws, but also of international practice when such application violates the public interests of the PRC. Given the specific nature of international practice, which is a set of rules developed in the course of international commercial transactions, they do not involve public interests of a country and consequently they should not be excluded from application as provided in Article 150 of the GPCL.¹¹³⁰

5.2.3 The PRC Model Law

The Chinese Society of Private International Law had been engaged in advocating a modern set of private international law rules since 1993. After seven years of efforts, in 2000 it published the final draft of the *Model Law of Private International Law of the People's Republic of China*¹¹³¹ (hereinafter Model Law). The Model Law contains not only choice-of-law rules, but also rules on jurisdiction and judicial assistance. It is purely academic and provides only a reference for legislative and judicial bodies or other government departments or legal science institutes or schools of law. This Model Law is regarded as representing the most comprehensive set of provisions on the PRC's private international law, since it adopted the latest in theoretical research results, legislative trends and judicial practices throughout the world. Nevertheless, it is noted that this Model law is not a model for the Chinese legislature, because there had never been any legislative mandate for its preparation.

¹¹³⁰ Jin HUANG, 'The Establishment and Improvement of China's Statute on the Law Applicable to Foreign Related Civil Relations 中国涉外民事关系法律适用法的制定与完善' [in Chinese] (2011) 29(3) *Tribune of Political Science and Law 政法论坛* 3, 8.

¹¹³¹ 中华人民共和国国际私法示范法.

5.2.4 Codification of the PRC PIL Statute

Private international law has never existed as a separate branch of law in the PRC legal system. Even the newly-enacted Statute deals only with choice-of-law problems, because, according to the legislator, drafting a comprehensive PIL code, including jurisdiction as well as recognition and enforcement of foreign judgments would require amendments to many existing laws, such as the CPL, and as a result it would become an excessively long, difficult and complicated task for the time being.¹¹³²

Codifying choice-of-law rules complemented the further development of PRC economic reform because the increasing contact with foreign countries requires having a set of complete, clear and concrete choice-of-law rules in the PRC legal system. The drafting process of the Statute on the Law Applicable to Foreign-Related Civil Relations began in 2002 when Book Nine of the draft PRC (Chinese) Civil Code (CCC) was submitted for the first review.¹¹³³ At the time, it had been considered as being too complex to adopt an entire CCC, and a decision was made to adopt it one book at a time. Book Nine was scheduled to be processed after the Real Rights Law and the Tort Law would be adopted.¹¹³⁴ As planned, in 2010 the legislature reopened the legislative procedure for codification of the law applicable to foreign-related civil relations. After two legislative readings performed in August and October 2010, as well as after numerous discussions conducted with and among stakeholders,¹¹³⁵ the Statute was, eight years after the publication of Book Nine, finally adopted on 28 October 2010.

The Statute is significant for the development of the PRC's PIL. From the formal point of view, it moves along a reform in the field of choice-of-law by ending the confusing jumble of fragmentary provisions scattered around in piecemeal laws with an organized codification of choice-of-law rules. As for its merits, the Statute has a wide scope extending to contemporary subjects like IP rights and incorporates major developments achieved in international and national codifications and reforms in the field of choice-of-law. It is noteworthy that the Statute still does not contain a complete set of choice-of-law rules: those currently prescribed in the Maritime Law, Negotiable Instrument Law and Civil Aviation Law remains in force. The reason for this appears to be more practical than conceptual: the choice-of-law rules for such foreign-related commercial relations are better dealt with in individual pieces of legislation, given the complexity and diversity of commercial laws.¹¹³⁶ The Statute consists of eight chapters and fifty-two articles, including General Provisions, individual chapters dealing with specific subject matters and Miscellaneous Provisions. Given the increased importance of IP rights in international trade and business, the Statute devotes one chapter to issues related to IP rights.

¹¹³² Weidong ZHU, 'China's Codification of the Conflict of Laws: Publication of a Draft Text', (2007) JPIL 283, 283-85.

¹¹³³ The draft CCC was presented for its first reading on 23 December 2002. It contains nine books. For its contents, the CCC consolidated the then-existing piecemeal legislation (contract law, marriage law, adoption law and succession law) and included draft legislation on real rights, tort and the law applicable to foreign-related civil relations. For the detailed legislative process of the Statute, see Jin HUANG 2011 (*supra* n 1130) 8-11.

¹¹³⁴ Weidong ZHU 2007 (*supra* n 1132) 285; Jin HUANG 2011 (*supra* n 1130) 9; The Report on Several Important Issues on the Draft Statute of the Application of Laws in Foreign-related Civil Relation, published on 28 August 2010 after the second reading [in Chinese]. <http://www.npc.gov.cn/huiyi/cwh/1116/2010-08/28/content_1593162.htm> accessed on 2 October 2012. (Report on Draft Statute 2010)

¹¹³⁵ Report on Draft Statute 2010. The Chinese Society of Private International Law has conducted several meetings in this regard and submitted several suggested papers at its Wuhan meeting, Hangzhou meeting, Beijing meeting and Sanya meeting in 2008, 2009, January 2010 and at the end of January 2010 respectively. (Wuhan Paper, Hangzhou Discussion Paper, Beijing Discussion Paper and Sanya Discussion Paper)

¹¹³⁶ Report on Draft Statute 2010 (*supra* n 1134) point 6.

5.3 Sources of Choice-of-Law Rules in Foreign-Related Copyright and Related rights and Current Legislation

In the Chinese legal tradition, international treaties always form part of sources of PRC laws. Additionally, domestic legislation, such as the GPCL, and judicial interpretations should also be referred as another part of sources of laws. In this section, that legislation enacted prior to the Chinese PIL Statute which has relevance to foreign-involved copyright and related rights will be provided. Furthermore, although the PRC Constitution does not specify the position of international treaties among PRC laws, the impact of international treaties on Chinese domestic laws deserves some attention in this dissertation.

5.3.1 Sources of Choice-of-Law Rules

5.3.1.1 International treaties

International treaties own a special position in the hierarchy of the PRC legal system. Based on the roles they play in the PRC juridical practice, some international treaties are referred as a source of law.¹¹³⁷

Insofar as copyright and related rights protection is concerned, the PRC became a member state of the UCC and the Berne Convention in 1992 and a party to the Phonograms Convention in 1993. Further in December 2001, it joined the WTO and the states that are complying with the obligations laid down in the TRIPs Agreement. Adherence to these international treaties shows the willingness of the PRC to undertake an international obligation to protect foreigners and foreign works. Although as discussed in Chapter 2, these treaties provide only substantive law protection, some Chinese scholars contend that certain provisions enshrined in these treaties have the effect of choice-of-law rules.¹¹³⁸

5.3.1.2 Domestic legislation

As described above, the PRC's choice-of-law rules are scattered about in piecemeal legislative measures. It may be conjectured whether the PRC Copyright Law and other related legislation contain any choice-of-law provisions, or whether the choice-of-law rules stipulated in Chapter 8 of the GPCL and the 1988 GPCL Opinions have any relevance to foreign-related civil copyright claims.

5.3.1.2.1 PRC Copyright Law (CRL), related legislation and judicial interpretations

Similar to the development of PIL in the PRC, the history of the PRC copyright law reveals that its development is closely connected with the adoption of the Open Door policy and economic reform that began in 1979.¹¹³⁹ The first PRC CRL was promulgated in 1990, and further amended in 2001 and 2010. In order to implement the CRL and provide copyright protection to computer software and integrated circuit layout designs, the State Council issued the *Implementation Regulation on the Copyright Law of the People's Republic of China* (Implementation Regulation on CRL),¹¹⁴⁰ the *Regulation on Protection of Computer Software* (Regulation on Computer Software)¹¹⁴¹ and the

¹¹³⁷ *Infra* section 5.3.2 International treaties in PRC laws.

¹¹³⁸ Wei SHI, 'The Conflict and Application of Intellectual Property Right 知识产权的法律冲突与法律适用探微' [in Chinese] (1999) (5) 21 *Modern Law Science* 现代法学 74, 74; Shujie FENG, 'Drafting the Conflict of Laws Rules in Intellectual Property Rights - a mixed application of *lex protectionis* and *dépeçage* 论知识产权冲突规则的拟定——保护国法主义与分割论的结合适用' [in Chinese], (2005) (3) 148 *Legal Science* 法学 101, 102.

¹¹³⁹ *Supra* Chapter 1.

¹¹⁴⁰ 中华人民共和国著作权法实施条例, adopted on 2 August 2002 and came into force on 15 September 2002.

¹¹⁴¹ 计算机软件保护条例, adopted on 20 December 2001 and entered into effect on 1 January 2002.

Regulation on the Protection of Integrated Circuit Layout Design (Regulation on Integrated Circuits).¹¹⁴²

The CRL establishes that PRC citizens, legal entities or other organizations enjoy copyright protection in accordance with the law, regardless whether or not their work has been published.¹¹⁴³ In a similar vein, computer software designed by PRC citizens, legal entities or other organizations, whether it is published or not will also enjoy copyright protection.¹¹⁴⁴ As to integrated circuit layout designs, PRC citizens, legal entities or other organizations that create those designs will enjoy exclusive rights on those designs.¹¹⁴⁵

Copyright protection is also extended to foreign citizens under PRC laws. Works, including computer software, of a foreigner or stateless person first published in the territory of the PRC shall enjoy copyright protection.¹¹⁴⁶ The Implementation Regulation on CRL, following the general principle enshrined in the Berne Convention, clarifies that works that have been first published in a country outside the PRC and thereupon within thirty days are published in the PRC are deemed as published in the PRC at the same time.¹¹⁴⁷ Moreover, for integrated circuit layout designs created by a foreigner or stateless person, if the place where they are first put into commercial use is in the territory of the PRC, they shall enjoy exclusive rights in accordance with the Regulation on Integrated Circuits.¹¹⁴⁸

Still further, the CRL provides copyright protection for works of a foreigner or stateless person who is eligible to enjoy copyright under an agreement concluded between the country to which the foreigner belongs, or in which he has a habitual residence, and the PRC, or under an international treaty to which both countries are party,¹¹⁴⁹ or works of a foreigner or stateless person who belongs to a country which has not concluded an agreement with the PRC, or which is not a party to an international treaty with the PRC first published in a country which is a party to an international treaty with the PRC, or published both in such a member state and non-member state.¹¹⁵⁰ Similarly, software designed by a

¹¹⁴² 集成电路布图设计保护条例及实施细则, adopted on 28 March 2001 and entered into force on 1 October 2001.

¹¹⁴³ Art. 2(1).

¹¹⁴⁴ Art. 6(1) of the Regulation on Computer Software.

¹¹⁴⁵ Art. 3(1) of the Regulation on Integrated Circuit.

¹¹⁴⁶ Art. 2(3) of the Chinese CRL; Art. 6(2) of the Regulation on Integrated Circuit.

¹¹⁴⁷ Art. 8 of the Implementation Regulation on CRL. "Works of a foreigner or stateless person first published in the territory outside the People's Republic of China and thereupon within thirty days published in the territory of the People's Republic of China are deemed as the works published in the territory of the People's Republic of China at the same time." [translated by NZ] "外国人、无国籍人的作品在中国境外首先出版后, 30日内在中国境内出版的, 视为该作品同时在中国境内出版。"

¹¹⁴⁸ Art. 3(2) of the Regulation on Integrated Circuit.

¹¹⁴⁹ Art. 2(2) of the CRL.

¹¹⁵⁰ Art. 2(4) of the CRL.

"Any work of a foreigner or stateless person which is eligible to enjoy copyright under an agreement concluded between the country to which the foreigner belongs or in which he has habitual residence and China, or under an international treaty to which both countries are party, shall be protected in accordance with this Law.

Works of foreigners or stateless persons first published in the territory of the People's Republic of China shall enjoy copyright in accordance with this Law.

Any work of a foreigner or stateless person who belongs to a country which has not concluded an agreement with China, or which is not a party to an international treaty with China first published in a country which is a party to an international treaty with China, or published both in such a member state and non member state, shall be protected in accordance with this Law."

“第二条 中国公民、法人或者其他组织的作品, 不论是否发表, 依照本法享有著作权。

外国人、无国籍人的作品根据其作者所属国或者经常居住地国同中国签订的协议或者共同参加的国际条约享有的著作权, 受本法保护。

foreigner or stateless person which is eligible to enjoy copyright under an agreement concluded between the PRC and the country to which the foreigner belongs or in which he has habitual residence, or under an international treaty to which the PRC is a party, shall be protected according to the Regulation on Computer Software.¹¹⁵¹ Integrated circuit layout designs created by a foreigner shall enjoy exclusive rights of layout design according to the Regulation on Integrated Circuits, if the country to which the foreigner belongs has concluded a relevant agreement on the protection of layout design with the PRC, or adheres to the international treaties concerning the protection of layout design to which the PRC is also a member.¹¹⁵²

Rules on the application of the CRL in terms of related rights are given in the Implementation Regulation on CRL. According to these rules protection is granted to: performances of a foreigner or stateless person that took place in the territory of the PRC;¹¹⁵³ the rights granted to a foreigner or stateless person in their performance in accordance with an international treaty to which the PRC is a member;¹¹⁵⁴ a phonogram fixed or published in the territory of the PRC by a foreigner or stateless person;¹¹⁵⁵ rights granted to a foreigner or stateless person in their fixation or publication of a phonogram in accordance with an international treaty to which the PRC is a member;¹¹⁵⁶ and rights granted to a foreign broadcasting organization or TV station in their broadcast or TV programs in accordance with an international treaty to which the PRC is a member.¹¹⁵⁷

Since the PRC is a member to several international copyright treaties, the State Council enacted a *Regulation on Implementation of International Copyright Treaties*¹¹⁵⁸ in 1992 (Implementation Regulation 1992) so as to further implement the Berne Convention and other bilateral copyright treaties among domestic laws.¹¹⁵⁹ This Regulation defines what constitutes foreign works. According to Article 4, foreign works protected under the Regulation include: 1. works of an author or one of the authors, other copyright holder or one of the copyright holders who is a citizen of, or has habitual residence in, a member state of international treaties; 2. works which have been first published or published at the same time in a member state of international treaties; 3. commissioned works, commissioned by Sino-foreign joint-ventures, Sino-foreign cooperative enterprises and foreign enterprises which is the copyright holder or one of the copyright holders in accordance with a contract.¹¹⁶⁰

In order to better adjudicate civil disputes about copyright, the SPC issued 2000 Online Copyright Interpretation and 2002 Copyright Interpretation, which however contain only substantive copyright rules and jurisdictional provisions, but no choice-of-law rules.

From the above description, it can be seen that those provisions concerning the legal position of foreign authors are formulated in the texts as provisions concerning “foreign works”. In other words, they determine the application of PRC national rules on the legal position of a foreigner with regard to copyright and related rights, and they are not choice-of-law rules designating an applicable legal system, whether PRC or foreign. Therefore, it is submitted that PRC copyright and related rights

外国人、无国籍人的作品首先在中国境内出版的，依照本法享有著作权。

未与中国签订协议或者共同参加国际条约的国家的作者以及无国籍人的作品首次在中国参加的国际条约的成员国出版的，或者在成员国和非成员国同时出版的，受本法保护。”

¹¹⁵¹ Art. 6(3) of the Regulation on Computer Software.

¹¹⁵² Art. 3(3) of the Regulation on Integrate Circuit.

¹¹⁵³ Art. 33(1) of the Implementation Regulation on CRL.

¹¹⁵⁴ Art. 33(2) of the Implementation Regulation on CRL.

¹¹⁵⁵ Art. 34(1) of the Implementation Regulation on CRL.

¹¹⁵⁶ Art. 34(2) of the Implementation Regulation on CRL.

¹¹⁵⁷ Art. 35 of the Implementation Regulation on CRL.

¹¹⁵⁸ 实施国际著作权条约的规定 promulgated on 25 September 1992 by the State Council of the PRC and entered into force on 30 September 1992.

¹¹⁵⁹ Art. 3 of the Implementation Regulation 1992.

¹¹⁶⁰ Art. 4 of the Implementation Regulation 1992.

legislation does not contain any choice-of-law rules for international situations, as what is the case in most of the other national copyright laws.¹¹⁶¹

5.3.1.2.2 GPCL and 1988 GPCL Opinions

Prior to the PIL Statute, the GPCL, one of the basic laws in the PRC legal system, was the main source of choice-of-law rules. It contains one Chapter -- Chapter eight, dealing with the law applicable to foreign-related civil relations. Except the general principle and the public interests defense, Chapter eight prescribes choice-of-law rules for a limited range of topics i.e. capacity for civil conduct,¹¹⁶² ownership of immovable property,¹¹⁶³ contract,¹¹⁶⁴ compensation for damages arising out of tort,¹¹⁶⁵ marriage and divorce,¹¹⁶⁶ maintenance,¹¹⁶⁷ as well as intestate succession.¹¹⁶⁸ Clearly, Chapter eight pays no attention to IP rights-related civil disputes, including copyright and related rights.

As will be discussed in the following section, for copyright infringement disputes, reference was normally made to the choice-of-law rules for general tort claims, namely applying the traditional *lex loci delicti* rule in handling compensation claims arising from a tortious act, together with possibility of applying the law of the common nationality or domicile of the parties if they have one. As to the concept of the *lex loci delicti*, the 1988 GPCL Opinions state that the place where an infringing act is committed is deemed to include both the place where the infringing act occurs and the place where the damage occurs. If the laws of these two places should contradict each other, the court has discretion to choose the law that is applicable.¹¹⁶⁹

¹¹⁶¹ Stig Strömholm (*supra* n 6) 40-53.

¹¹⁶² Art. 143 of the GPCL states “*If a citizen of the People’s Republic of China settles in a foreign country, the law of that country may be applicable as regards his capacity for civil conduct.*” (中华人民共和国公民定居国外的，他的民事行为能力可以适用定居国法律。)

¹¹⁶³ Art. 144 of the GPCL states “*The ownership of immovable property shall be bound by the law of the place where it is situated.*” (不动产的所有权，适用不动产所在地法律。)

¹¹⁶⁴ Art. 145 of the GPCL states “*The parties to a contract involving foreign interests may choose the law applicable to the settlement of their contractual disputes, except as otherwise stipulated by law. If the parties to a contract involving foreign interests have not made a choice, the law of the country to which the contract is most closely connected shall be applied.*” (涉外合同的当事人可以选择处理合同争议所适用的法律，法律另有规定的除外。涉外合同的当事人没有选择的，适用与合同有最密切联系的国家的法律。)

¹¹⁶⁵ Art. 146 of the GPCL states “*The law of the place where an infringing act is committed shall apply in handling compensation claims for any damage caused by the act. If both parties are citizens of the same country or have established domicile in another country, the law of their own country or the country of domicile may be applied.*”

An act committed outside the People’s Republic of China shall not be treated as an infringing act if under the law of the People’s Republic of China it is not considered an infringing act.” (侵权行为的损害赔偿，适用侵权行为地法律。当事人双方国籍相同或者在同一国家有住所的，也可以适用当事人本国法律或者住所地法律。

中华人民共和国法律不认为在中华人民共和国领域外发生的行为是侵权行为的，不作为侵权行为处理。)

¹¹⁶⁶ Art. 147 of the GPCL states “*The marriage of a citizen of the People’s Republic of China to a foreigner shall be bound by the law of the place where they get married, while a divorce shall be bound by the law of the place where a court accepts the case.*” (中华人民共和国公民和外国人结婚适用婚姻缔结地法律，离婚适用受理案件的法院所在地法律。)

¹¹⁶⁷ Art. 148 of the GPCL states “*Maintenance of a spouse after divorce shall be bound by the law of the country to which the spouse is most closely connected.*” (扶养适用与被扶养人有最密切联系的国家的法律。)

¹¹⁶⁸ Art. 149 of the GPCL states “*In the statutory succession of an estate, movable property shall be bound by the law of the decedent’s last place of residence, and immovable property shall be bound by the law of the place where the property is situated.*” (遗产的法定继承，动产适用被继承人死亡时住所地法律，不动产适用不动产所在地法律。)

¹¹⁶⁹ Art. 187 “侵权行为地的法律包括侵权行为实施地法律和侵权结果发生地法律。如果两者不一致时，人民法院可以选择适用。”

In short, the PRC legislation, prior to the PIL Statute, does not provide any explicit choice-of-law rule for cross-border copyright disputes. Reference to the rules for general tort claims may be made as to certain IP claims. However, such rules neither incorporate the principle of party autonomy, nor an exception clause for adjusting the result of the application of choice-of-law rules by designating the law of another country with which the legal relationship is more closely connected.¹¹⁷⁰

5.3.1.2.3 Beijing High People's Court Answers

Upon the increasing needs of adjudicating foreign-related copyright disputes, in 2004 the Beijing High People's Court published *Answers to Certain Issues Concerning the Law Applicable to the Foreign-involved Intellectual Property Right Civil Dispute Cases* (hereinafter Beijing Answers).¹¹⁷¹ The Beijing Answers are administrative in nature, which aim at offering guidance and reference to the lower People's Courts in Beijing Municipality region, namely No.1 and No.2 Intermediary People's Courts, Haidian District and Chaoyang District People's Courts.¹¹⁷² Due to their administrative nature, the Beijing Answers do not have binding force. As mentioned in the preface of the Beijing Answers, if the laws, regulations and the SPC's judicial interpretation that are published after these Answers are inconsistent with the rules contained in these Answers, those laws, regulations and the SPC's judicial interpretation shall prevail. Nevertheless, the Beijing Answers do provide interesting views on the law applicable to foreign-related copyright disputes, from which one can see how the Beijing High People's Court, one of the PRC courts hearing most IP disputes, deals with foreign-related copyright disputes. Additionally, the Beijing Answers will have direct or indirect judicial influences on its lower courts, and possibly courts in other regions.

The Beijing Answers provide clear choice-of-law rules for cross-border copyright disputes. Regarding the issues of the existence, contents and ownership of copyright which is vested in a work published by foreigners outside the PRC, the Answers state that the protection of foreigners' work should be governed by the law of country where the work exists. Accordingly, when a foreigner claims copyright protection in the PRC for a work published in a foreign country, the issues of the existence, contents and ownership of the copyright shall be ascertained in accordance with PRC Copyright Law.¹¹⁷³ Furthermore, in a situation where an act infringing a copyright occurs outside the PRC and both parties to the dispute are PRC nationals, or legal entities or domicile in the PRC, the Answers refer to the common nationality or domicile rule enshrined in Article 146 of the GPCL, and answer that PRC copyright legislation may be applied to such disputes.¹¹⁷⁴ Thus, the Beijing Answers distinguish the

¹¹⁷⁰ It is to be noted that this Chinese Statute has undergone significant changes as to general tort claims. For details, Ning ZHAO (*supra* n 769) 309-10.

¹¹⁷¹ 关于涉外知识产权民事案件法律适用若干问题的解答, promulgated and entered into effect on 28 February 2004.

¹¹⁷² These courts are the addressees mentioned in the Answers.

¹¹⁷³ Question 10 of the Beijing Answers: “十、关于外国人在外国出版的作品是否产生著作权、著作权权利内容和归属等问题, 应依哪国法来确认?”

答: 对外国人的作品进行保护, 适用作品所在国的法律。因此, 外国人就其在外国出版的作品在我国主张著作权的, 该作品是否产生著作权、著作权权利内容和归属等问题, 应依我国著作权法确认。”

¹¹⁷⁴ Question 18 of the Beijing Answers, “十八、在侵犯著作权、不正当竞争纠纷案件中, 双方当事人均为我国自然人、法人, 或者在我国均有住所, 侵权行为发生在外国的, 应如何适用法律?”

答: 根据《民法通则》第一百四十六条第一款的规定, 侵权行为的损害赔偿, 当事人双方国籍相同或者在同一国家有住所的, 可以适用当事人本国法律或者住所地法律。因此, 侵犯著作权、实施不正当竞争纠纷案件, 双方当事人均为我国自然人、法人, 或者在我国均有住所, 侵权行为发生在外国的, 可以适用我国的著作权法、反不正当竞争法等法律。”

(“Question 18: In copyright infringement and unfair competition disputes, which law should be applicable if both parties are Chinese nationals, legal persons or having domicile in China while the infringing act commits outside the PRC?”

Answer 18: According Art. 146(1) of the GPCL, if both parties have the same nationality, or domicile in the same country, that country's law should be applicable to adjudicate the claims for compensation for infringing

infringement aspect from other aspects of copyright disputes, such as the existence, contents and ownership and deals with them separately. As for the former, the traditional *lex loci delicti* should apply and the common *lex patriae* or *lex domicilii* may apply in the event where both parties share the same nationality or they establish residence in the same country, whereas for the latter, the Beijing Answers adopt the *lex loci protectionis* rule. It is nevertheless notable that the Answers explicitly state that the choice-of-law analysis does not need to be carried out for foreign-related copyright disputes, because foreign works entitled to protection under the PRC CRL are considered as domestic works and therefore governed by the PRC CRL. Under such a circumstance, if a foreigner claims PRC copyright protection in a civil dispute, it is PRC law that applies to the issues concerning copyright, other than foreign law. Nevertheless, the Beijing Answers require the acknowledgement of the application of PRC law in such disputes so as to clarify the position taken by PRC judiciary in dealing with the choice-of-law problem in cross-border copyright protection.¹¹⁷⁵

5.3.2 International treaties in PRC laws

5.3.2.1 Position of international treaties in PRC legal system

The current PRC Constitution and basic laws do not contain any provision as to the legal status of international treaties or their place in the hierarchy of the PRC domestic legal system. As observed by some Chinese scholars, international treaties, even after ratification, accession or approval, do not in a strict sense automatically become part of national law and consequently do not automatically have domestic law effect.¹¹⁷⁶ In practice, international treaties to which the PRC is a party could, however, under certain conditions have a legal basis to be in the PRC domestic legal system and therefore have binding force in domestic law.¹¹⁷⁷ The CPL and the GPCL provide for the prevailing force of international treaties over domestic law on the condition that there is a difference between the relevant domestic law and the treaty concerned, except where the PRC has made a treaty reservation to that effect.¹¹⁷⁸

acts. Therefore, in copyright infringement and unfair competition disputes, if both parties are PRC nationals, legal persons or domiciliaries of PRC while the infringing acts were committed outside the PRC, then the PRC Copyright Law or Anti-unfair Competition Law etc. should apply.”) [Translated by NZ]

¹¹⁷⁵ Question 11 of the Beijing Answers, “十一、对外国人主张我国专利权、商标权、著作权的民事案件的审理，是否需要适用冲突规范？”

答：外国人的发明创造、商标在我国依照我国法律规定的程序取得的专利权、商标权是我国的专利权、商标权，受我国法律保护；同样，我国著作权法保护外国人的作品，也是把外国人的作品视为我国作品，依照我国著作权法赋予其著作权。因此，审理外国人主张我国专利权、商标权、著作权的民事案件，仅涉及专利权、商标权、著作权问题的，应适用我国相关法律，不存在适用外国法律的可能，故无需引用冲突规范。

但表明我国在知识产权国际保护中在法律适用上的态度和立场是必要的，故应明确说明案件的审理适用我国法律。(Question 11: Is it necessary to apply choice-of-law rules in a case where foreigners claim Chinese patent, trademark and copyright protection?)

Answer 11: (...) Similarly, Chinese Copyright Law protects foreigners' work, which also assimilates foreign work to Chinese works, and grant therefore copyright to these works in accordance with the Chinese Copyright Law. Thus, when adjudicating a civil dispute claiming Chinese patent, trademark and copyright protection by foreigners, if this dispute concerns only the questions of patent, trademark and copyright, the Chinese law should be applicable. Since there is no possibility of applying foreign laws in such cases, there is no necessity to apply any choice-of-law rule.

However, it is still necessary to mention the choice-of-law issue in international intellectual property protection, people's courts should make clear that Chinese law applies in these cases.) [Translated by NZ]

¹¹⁷⁶ Hanqin XUE and Qian JIN (*supra* n 1101) 300.

¹¹⁷⁷ *Id.*, 303-05.

¹¹⁷⁸ Art. 236 of the CPL provides that “(i)f an international treaty concluded or acceded to by the People's Republic of China contains provisions that differ from provisions of this Law, the provisions of the international treaty shall apply, except for those on which China has made reservations.” ; Art. 142 of the GPCL, “If any international treaty concluded or acceded to by the People's Republic of China contains provisions differing

5.3.2.2 The PRC CRL and international treaties

The PRC CRL does not contain a provision similar to those in the GPCL and the CPL. As described in the preceding section, the CRL merely provides conditions for granting copyright protection for foreign authors and their works: either based on publication in the PRC or the conclusion by the foreigner's country of an agreement with the PRC or its accession to international treaties of which the PRC is also a member.¹¹⁷⁹ The PRC is a party to four international copyright and related treaties, namely the Berne Convention, the UCC, the Geneva Phonograms Convention 1971 and the TRIPs Agreement. These treaties specify under what conditions an author or a maker is entitled to claim protection in other states privy to the treaties concerned, and require member states to incorporate treaty protection standards into their domestic laws. Thus, in a cross-border copyright dispute, a foreigner and his works which are eligible for PRC copyright protection can only claim protection in accordance with the PRC CRL and other relevant regulations, except where, as laid down in the CPL and the GPCL, there is a difference between the provisions provided in the domestic law and those in the treaties concerned. Under such a circumstance, the protection provided in the treaties can be claimed.

It is, however, noteworthy that not all treaties can be directly invoked by People's Courts. The Berne Convention and the UCC are the treaties specified by the GPCL, and can therefore be directly applied by People's Courts when there is a conflict between domestic rules and treaty provisions, with the exception of a reservation to the treaty made by the PRC. On the contrary, the TRIPs Agreement does not have a direct application effect. It is an international agreement administered by the WTO, which sets down minimum standards for many forms of IP regulation, including copyright and related rights. When the PRC joined the WTO in 2001, it promised to

*“ensure that its laws and regulations pertaining to or affecting trade were in conformity with the WTO Agreement and with its commitments so as to fully perform its international obligations. For this purpose, China had commenced a plan to systematically revise its relevant domestic laws. Therefore, the WTO Agreement would be implemented by China in an effective and uniform manner through revising its existing domestic laws and enabling new ones fully in compliance with the WTO Agreement.”*¹¹⁸⁰

Obviously, the way by which the PRC implements the TRIPs Agreement can only be by revision of existing domestic laws and enactment of new ones, rather than according an effect of direct application of the Agreement. Furthermore, the TRIPs Agreement also requires enactment of rules on the enforcement of IP rights, which is considered as having “public law” effect. Thus, as long as the PRC legislature is performing those responsibilities, there is no need to rely on the TRIPs Agreement. The Beijing Answers reaffirm this position by stating that the provisions of that Agreement cannot be considered as a legal basis for judicial action and therefore cannot be directly relied on by People's Courts.¹¹⁸¹

from those in the civil laws of the People's Republic of China, the provisions of the international treaty shall apply, unless the provisions are ones on which the People's Republic of China has declared reservations. International practice may be applied to matters for which neither the law of the People's Republic of China nor any international treaty concluded or acceded to by the People's Republic of China has any provisions.”

¹¹⁷⁹ See *supra*, section 5.3.1.2.1 PRC Copyright Law (CRL), related legislation and judicial interpretations.

¹¹⁸⁰ Report of the Working Party on the Accession of China, 1 October 2001, WT/ACC/CHN/49, <<http://unpan1.un.org/intradoc/groups/public/documents/APCITY/UNPAN002144.pdf>> accessed on 2 October 2012, para 67.

¹¹⁸¹ Question 14 of the Beijing Answers, “十四、审理涉外知识产权民事案件，能否引用《与贸易有关的知识产权协议》（即“TRIPS 协议”）、《巴黎公约》、《伯尔尼公约》等国际条约作为依据？”

答：《民法通则》第一百四十二条第二款的规定：“中华人民共和国缔结或者参加的国际条约同中华人民共和国的民事法律有不同规定的，适用国际条约规定，但中华人民共和国声明保留的条款除外。”故在审理涉外知识产权民事案件时，《巴黎公约》、《伯尔尼公约》等国际条约具有直接适用的效力。

It may be asked: as between the Berne Convention and the UCC which convention should take precedence if both of them can be applied by People's Courts? Article 17 of the UCC and its declarations clarify the prevalence of the Berne Convention. According to it the UCC "shall not in any way affect the provisions of the Berne Convention for the Protection of Literary and Artistic Works or membership in the Union created by that Convention",¹¹⁸² and the UCC

"shall not be applicable to the relationships among countries of the Berne Union in so far as it relates to the protection of works having as their country of origin, within the meaning of the Berne Convention, a country of the Berne Union".¹¹⁸³

This position is reiterated in the Beijing Answers that the Berne Convention should prevail over the UCC in PRC courts if the states to which the parties belong are the member states to both Conventions.¹¹⁸⁴

5.3.2.3 Bilateral treaties

In addition to multilateral treaties, the PRC concluded a number of bilateral treaties with respect to IP rights protection. One of the most influential bilateral "treaties" is the memorandum of understanding with the US government on intellectual property protection, signed in January 1992 (hereinafter MOU on IP protection).¹¹⁸⁵ This instrument provides copyright protection for all American works and other foreign works. Moreover, it reaffirms the prevalence of the Berne Convention over PRC domestic laws when there is any inconsistency between the Berne Convention and PRC law, unless the PRC has made treaty reservations as to it. In general, bilateral treaties¹¹⁸⁶ can be directly quoted by People's Courts in adjudicating a copyright dispute, without referring to the PRC CRL.

5.3.2.4 Judgments

Several judgments rendered by People's Courts can demonstrate how international treaties are applied in copyright disputes.

In *Twentieth Century Fox Film Corporation v. Beijing Superstore for Cultural and Arts Publications and AV Products Inc.*,¹¹⁸⁷ the plaintiff claimed copyright protection under the PRC CRL on the bases of the MOU on IP Protection and the Berne Convention. The court upheld the plaintiff's claims by stating that the plaintiff's films were under the protection of the PRC CRL, because the PRC and the USA are the parties to the Berne Convention and the MOU on IP Protection, even though the copyrights had first attached in the USA. Similarly, the Beijing High Court held in an appeal case *Walt Disney Company Ltd. v Beijing Publishing House and Others* that works of USA nationals were under

就包括 TRIPS 协议在内的世贸协定，我国只是承诺以制定或者修改国内法律的方式予以履行，并未赋予其在国内的直接适用效力。因此，不能直接援用该规则作为裁判的依据。”

¹¹⁸² Art. 17(1) of the UCC Convention.

¹¹⁸³ Appendix declaration relating to Art. 17 of the UCC Convention, (c).

¹¹⁸⁴ Question 16 of the Beijing Answers, “十六、在案件当事人所属国均为《伯尔尼公约》、《世界版权公约》成员国的情况下，是否同时引用该两个公约？答：为协调《伯尔尼公约》与《世界版权公约》的关系，《世界版权公约》第 17 条规定：“本公约完全不影响《伯尔尼公约》的规定。”在与第 17 条相关的附加声明中又指出：“《伯尔尼公约》成员之间，关系到起源国是伯尔尼联盟的国家之一的作品的保护时，不适用《世界版权公约》。”因此，在参加两个公约的国家关系中，《伯尔尼公约》占优先地位。在案件当事人所属国均为《伯尔尼公约》、《世界版权公约》成员国的情况下，仅需引用《伯尔尼公约》。”

¹¹⁸⁵ The Memorandum of Understanding between the Government of the PRC and the Government of the United States of America on the Protection of Intellectual Property concluded on 17 January 1992.

¹¹⁸⁶ In 1995, the National Copyright Administration of the PRC signed a Memorandum of Understanding of Copyright and Related rights Cooperation with the Ministry of Commerce of Thailand.

¹¹⁸⁷ The First Intermediary People's Court of Beijing Municipality, first instance ((1996)一中初知字第 62 号); see also Hanqin XUE and Qian JIN (*supra* n 1101) 313.

the protection of PRC law as from the effective date of the MOU on IP Protection, i.e. 17 March 1992.¹¹⁸⁸

These two cases demonstrate that the People's Courts could directly apply the MOU on IP Protection and the Berne Convention to copyright disputes between parties from the USA and the PRC. As to those between a PRC party and foreign parties other than the USA, it is indicated that the Berne Convention could also be referred to, provided that the country of the foreign parties involved is a member of the Berne Convention.¹¹⁸⁹

In the event a provision of PRC law has been found inconsistent with those of the Berne Convention, People's Courts have accorded prevailing effect to the latter. Such an inconsistency can be viewed e.g. in the context of protecting works of applied art: the Berne Convention explicitly states that literary and artistic works include works of applied art,¹¹⁹⁰ while the PRC CRL is to the contrary and does not protect such works. As a result, the duration of protection for works of applied art will be at issue. Nevertheless, this issue was resolved in the Implementation Regulation 1992 during the accession of the PRC to the Berne Convention. As provided in Article 6 of the Regulation, "(t)he term of protection of foreign works of applied art shall be 25 years from the completion of such works. [Translated by NZ]",¹¹⁹¹ which is in line with what the Berne Convention prescribes.

Accordingly, in a dispute concerning whether works of applied art which had been granted copyright protection under foreign law may claim copyright protection under PRC law, the court invoked the Berne Convention and the Implementation Regulation 1992, and granted PRC copyright protection to the foreign works of applied art.¹¹⁹² Strictly speaking, the court did not directly rely on the Berne Convention in this case because granting copyright protection to foreign works of applied art had been established in PRC domestic law via the Implementation Regulation 1992, and in that case the Berne Convention was merely referred to in passing. The same approach has also been taken by another court in a case involving foreign works of applied art where the court even held that the fact that the rights owner had made an application to protect the industrial design for his works according to PRC

¹¹⁸⁸ The High People's Court of Beijing Municipality, second instance ((1995) 高知终字第 23 号); see also Hanqin XUE and Qian JIN (*supra* n 1101) 313.

¹¹⁸⁹ The First Intermediary People's Court of Beijing Municipality, *Sony Computer Entertainment Incorporated (Japan) v. Yantai Hong Zheng Guang Dian Media Co. Ltd. & Guangchun SUN*, first instance ((2006) 一中民初字第 5951 号); the Intermediary People's Court of Guangzhou City, Guang Dong Province, *Kim Jae-in & CLKO Entertainment Co. Ltd. (South Korea) v. Guangzhou City Yuexiu District Zhujiang Co. Ltd.*, first instance ((2004) 穗中法民三知初字第 294 号); the Second Intermediary People's Court of Shanghai Municipality, *VMA-GETZMANN GMBH Verfahrenstechnik (Germany) v. Shanghai Sower Mechanical & Electrical Equipment Co. Ltd.*, first instance ((2005) 沪二中民五(知)初字第 226 号); the High People's Court of Shanghai Municipality, *Discreet Logic, Inc. (Canada) v. Shanghai Zhongle Films and Culture Co. Ltd.*, second instance ((2004) 沪高民三(知)终字第 19 号); the High People's Court of Sichuan Province, *GCCL (Chengdu) & Brugg Group (Switzerland) v. Si Chuan Wanhao Industry Co. Ltd.*, second instance ((2001) 川经终字第 197 号); the Second Intermediary People's Court of Beijing Municipality, *A.B.C. Speciality Foods Limited (UK) v. Huang Yamin*, first instance ((2008) 二中民初字第 00288 号); the Second Intermediary People's Court of Beijing Municipality, *Okbaby s.r.l. (Italy) v. Cixi Honeyway Baby Products Co. Ltd. & Beijing Leyou Dakang Technical Co. Ltd.*, first instance ((2008) 二中民初字第 12293 号); the Second Intermediary People's Court of Beijing Municipality, *Universal International Music B.V. (the Netherlands) v. Beijing Alibaba Information & Technology Co. Ltd.*, first instance ((2007) 二中民初字第 02626 号); the Second Intermediary People's Court of Beijing Municipality, *Jean Paul GAULITER (France) v. Shantou Shi Jiarou Refined Deci Co. Ltd. & Liting ZHAO*, first instance ((2006) 二中民初字第 7070 号) (Jean Paul GAULITER First Instance) and *etc.*

¹¹⁹⁰ Art. 2(1) of the Berne Convention.

¹¹⁹¹ "第六条 对外国实用艺术作品的保护期, 为自该作品完成起二十五年。"

¹¹⁹² The Intermediary People's Court of Qingdao, *Goldlok Toys Manufactory Co., Ltd. (Hong Kong) v. Qingdao Yufeng Trading Company*, first instance ((2003) 青民三初字第 52 号). (*Goldlok*).

patent law would not affect the copyright protection that has been granted or will be granted to the work.¹¹⁹³

Still further, some courts have directly invoked the Berne Convention in situations where the wording of the then-existing PRC CRL was ambiguous. The *Tsuburaya*¹¹⁹⁴ case involved the question whether the defendant's acts of manufacturing alarm clocks by using the plaintiff's work – a cartoon film image “Ultraman” - without permission from the plaintiff constituted infringement of the plaintiff's copyright. The defendant argued that the plaintiff's work - the image of “Ultraman” - and the allegedly infringing alarm clocks were different types of works. The former is a literary and artistic work and should be protected in accordance with the Berne Convention and the PRC CRL, whereas the latter was contended to belong under industrial design, which should be regulated under the protection of the Paris Convention and the PRC Patent Law. In determining whether the clocks infringed the plaintiff's reproduction rights, the court of first instance looked into the 1990 PRC Copyright Law, which was still in force when the plaintiff lodged the claim. Article 52 of that law provided that

“(t)he term ‘reproduction’ as used in this Law shall not cover the construction or the manufacture of industrial products on the basis of drawings of engineering designs and product designs, and descriptions thereof”.

According to this, copying a two-dimensional work into a three-dimensional work would not constitute reproduction under the 1990 PRC CRL. The court did not stop there and further turned to Article 9(1) of the Berne Convention,¹¹⁹⁵ which grants a reproduction right having a wide scope. By invoking that article, the court held that the defendant's acts of manufacturing and selling those clocks without the authorization of the plaintiff infringed the plaintiff's right to reproduce the image of “Ultraman”. This decision was upheld by the court of second instance. It is additionally to be noted that if this dispute were to be adjudicated in accordance with the 2001 PRC CRL, there would be no need to invoke the Berne Convention because the amended law includes a broader comprehension of what constitutes reproduction, and according to this law the dispute at hand - copying a two dimensional work into a three dimensional work - would certainly constitute reproduction.

Thus, international treaties play an important role in the PRC legal system. Although the PRC Constitution and laws do not state the legal status of international treaties and their place in the hierarchy of the PRC domestic legal system, treaties can be invoked when there is inconsistency between them and PRC domestic law, unless the PRC has declared a treaty reservation. Such an invocation can be evidenced in judicial practice when foreign-involved copyright and related rights protection are at stake because it is common for People's Courts to invoke PRC law protection for foreigners and foreign works by referring to the Berne Convention¹¹⁹⁶ and the UCC,¹¹⁹⁷ provided that the PRC law does not contradict the relevant provisions of these Conventions.

5.4 Judicial practices at People's Court in copyright disputes involving foreign elements

Prior to the PIL Statute, PRC law did not provide any choice-of-law rules for foreign-related copyright and related rights disputes. The only reference that could be made would be Article 146 of the GPCL and Article 187 of the 1988 GPCL Opinion, dealing exclusively with compensation claims in tort cases. According to these provisions, the traditional *lex loci delicti* rule for tort claims, i.e. the law of

¹¹⁹³ The High People's Court of Beijing Municipality, *Ent Lego (Switzerland) v. Kegao Tianjian Toys Ltd. & Beijing Fuxin Shopping Centre*, second instance ((2002) 高民终字第 279 号).

¹¹⁹⁴ The High People's Court of Guang Dong Province, *Tsuburaya Production (Japan) v. Guangzhou Lianhe Technology Electronic Clock Factory*, second instance ((2002) 粤高法民三终字第 84 号). (*Tsuburaya*).

¹¹⁹⁵ “Authors of literary and artistic works protected by this Convention shall have the exclusive right of authorizing the reproduction of these works, in any manner or form.” The PRC did not make reservation on Art. 9 of the Berne Convention.

¹¹⁹⁶ See cases *infra* in n 1205, 1206.

¹¹⁹⁷ The High People's Court of Beijing Municipality, *Olympia Co. Ltd. (South Korea) v. Beijing Olympia Thermal Equipment Development Co. Ltd.*, second instance ((2000) 高知终字第 10 号).

the place where the infringing act occurred or the law of the place where the damage occurred should apply as they do to all tort claims with foreign elements, including copyright and related rights infringement. If these two laws should contradict each other, People's Courts shall have the discretion to choose the law applicable. As a subsidiary rule, the law of the common domicile or nationalities of the parties could apply, if both parties are the citizens of the same country or have established domicile in the same country.

Since there was no specific choice-of-law rule for foreign-related copyright disputes under PRC laws before the enactment of the PIL Statute, it is not surprising that judicial practice in this regard was inconsistent. Looking through the available judgments, one can easily see that the issue of choice-of-law was ignored in the vast majority of the cases, and in only a few cases was the choice-of-law problem analysed.¹¹⁹⁸

5.4.1 The applied choice-of-law rules

It can be observed in the available judgments that in only a few cases have People's Courts analysed choice-of-law problems. In these cases the courts had taken three approaches to determine the law applicable to cross-border copyright and related rights disputes: the *lex loci protectionis*, the *lex loci delicti*, and the closest connection rule. Some examples follow.

5.4.1.1 The *lex loci protectionis*

*Dryden & Groenendal*¹¹⁹⁹ concerned a dispute over publication of the book *the Learning Revolution* (1997 edition) in the PRC. The questions raised were about the status of the plaintiffs' right and under which law this status should be determined. In answering these questions, the court stated that since the plaintiffs claimed their copyright protection in the PRC, the content, scope and the initial ownership of the right should be governed by the PRC CRL, which is the law of the place where the protection is claimed. The court continued by ruling that the law of the place where the right is claimed should also govern the issue of infringement of copyright for the reason that the alleged infringing acts, namely publication and distribution of the book, were claimed to occur in the PRC and the PRC CRL should therefore apply for determination of the alleged infringement claims.

5.4.1.2 The closest connection rule

In the *Tsuburaya* case, the court of second instance ruled that PRC laws should apply to that infringement dispute. In order to reach such a conclusion, the court listed a number of places involved in the dispute: the place of infringement was in the PRC, the defendant was a company established under PRC law and a PRC court had jurisdiction. Although the court did not specifically mention the application of the closest connection rule, the way in which the court laid down the connecting factors and deduced the applicable law therefrom pointed to the application of the closest connection rule, despite the fact that the closest connection rule had not yet been codified in the then PRC choice-of-law rules for tort claims.¹²⁰⁰

¹¹⁹⁸ It is to mention that in the past, judgments rendered by People's Courts were not published. Recognizing the needs to improve judicial transparency, the SPC advocated that courts publish their decisions online. In addition to the websites of the courts, there are several judicial databases available for tracing judicial decisions. As a result, the availability and accessibility of Chinese judgments have been enhanced dramatically since 2002. But in no way are all judgments available.

¹¹⁹⁹ The High People's Court of Beijing Municipality, *Gorden Dryden and Jeannette Groenendal v. Li Hua Education Software Technology Ltd. And Shanghai Sanlian Bookstore* first instance ((2000) 高知初字第 88 号).

¹²⁰⁰ *Supra*, n 1194.

5.4.1.3 The *lex loci delicti*

More People's Courts have applied the *lex loci delicti* in foreign-related copyright disputes. As an example, in a dispute where the defendant allegedly communicated the plaintiff's video recordings to the public without the latter's permission,¹²⁰¹ both trial and appeal courts concluded that since the alleged tortious act occurred in the PRC, according to the *lex loci delicti* rule provided in Article 146(1) of the GPCL, PRC law shall apply to determine the infringement claims and the remedies available. In other disputes, the People's Courts held that PRC law should also govern the issues of the existence¹²⁰² and the initial ownership¹²⁰³ of copyright, simply because the infringing acts took place in the PRC.

5.4.2 No choice-of-law analysis

On the other hand, in the vast majority of cases, People's Courts did not perform a choice-of-law analysis. In such cases, PRC courts either directly applied PRC law and rendered judgments thereon,¹²⁰⁴ or applied PRC law by making reference to international treaties like the Berne Convention and the UCC. It is to be noted that when making reference to the Berne Convention some courts pinpoint its principle of national treatment and hold that a foreigner and his works originating from one of the Berne Union states will be protected under the PRC CRL.¹²⁰⁵ Meanwhile, other courts have taken a step further by mentioning that Article 2(2) of the PRC CRL provides protection to

¹²⁰¹ The High People's Court of Si Chuan Province, *Warner Music Hong Kong Limited v. Chengdu Haoledi Entertainment Co. Ltd.*, second instance ((2005) 川民终字第 426 号). (*Warner Music Hong Kong*)

¹²⁰² The Intermediary People's Court of Chengdu City, Si Chuang Province, *Warner Music Hong Kong Limited v. Si Chuan Province Hao Ge Chang Bu Ting Entertainment Co. Ltd.*, first instance ((2005) 成民初字第 277 号); the Intermediary People's Court of Shen Yang City, *Warner Music Hong Kong Limited v. Shen Yang Xin Jin Gang Trading Co. Ltd. & Shen Yang Xin Jin Gang Trading Co. Ltd. Sorisam Xi Shun District KaraOk Centre*, first instance ((2005) 深民四知初字第 66 号) (*Sorisam KaraOK Centre*).

¹²⁰³ *Sorisam KaraOK Centre; Goldlok*; the High People's Court of Yun Nan Province, *Warner Music Hong Kong Limited v. Kun Ming Haoledi Music Entertainment Co. Ltd.*, second instance ((2005) 云高民三终字第 68 号); the Intermediary People's Court of Hang Zhou City, Zhe Jiang Province, *Nexon Corporation (South Korea) v. Hang Zhou Keji Culture Exchange Co. Ltd.*, first instance ((2008) 杭民三字第 235 号).

¹²⁰⁴ The Second Intermediary People's Court of Beijing Municipality, *Linfair Recording Limited (Taiwan) v. Beijing Tianyu Communication Equipment Co. Ltd.*, first instance ((2008) 二中民初字第 4128 号); the Intermediary People's Court of Shen Yang City, *Feixiang Culture Limited (Taiwan) v. Shen Yang Northern Culture Communication Co. Ltd.*, first instance ((2004) 沈民四知初字第 46 号); the Second Intermediary People's Court of Beijing Municipality, *GEA Hovex B.V. (the Netherlands) v. Zhen Zhou Jinghua Starch Engineering Technology Development Co. Ltd.*, first instance ((2005) 二中民初字第 602 号); the Second Intermediary People's Court of Beijing Municipality, *Applause Pictures Limited (Hong Kong) v. Wu Zhou Cable TV Communication Co. Ltd.*, first instance ((2006) 二中民初字第 465 号); the Second Intermediary Court of Beijing Municipality, *Porsche AG. (Germany) v. Beijing Taihe Yate Automobile After-Sale Service Co. Ltd.*, first instance ((2007) 二中民初字第 01764 号); the Intermediary People's Court of Shen Yang City, *Go East Entertainment Co. Ltd. v. Liao Ning Broadcast, TV, Music and Videos Publisher Co. Ltd. & Fo Shan Jinzhu Laser Digital Storage Chip Co. Ltd.*, first instance ((2002) 沈民四初字第 71 号); the First Intermediary People's Court of Beijing Municipality, *ThinSoft Ptd Ltd. (Singapore) v. Beijing Jinyilan Digital Technology Centre*, first instance ((2006) 一中民初字第 5954 号); the Second Intermediary People's Court of Beijing Municipality, *Ingrid ZHANG v. International Culture Publishing Company*, first instance ((2007) 二中民初字第 15994 号), and the High People's Court of Beijing Municipality, second instance ((2008) 高民终字第 305 号) and *etc.*

¹²⁰⁵ The Intermediary People's Court of Fu Zhou City, Fu Jian Province, *Fu Jian Shunchang Hongrun Precision Instrument Co. Ltd. v. Getty Images Beijing Photo Technology Co. Ltd.*, first instance ((2008) 榕民初字第 652 号); the High People's Court of Shanghai Municipality, *3B Scientific GmbH v. Shanghai Honglian Medical Equipment Co. Ltd.*, second instance ((2006) 沪高民三(知)终字第 79 号); the High People's Court of Fu Jian Province, *Kenwood Corporation v. Fu Jian Guanwei Telecommunication Technology Co. Ltd.*, second instance ((2007) 闽民终字第 385 号); the Second Intermediary People's Court of Beijing Municipality, *Autodesk Inc. v. Beijing Longwa Construction Decoration Co. Ltd.*, first instance ((2003) 二中民初字第 6227 号).

foreign works on the condition that the creator of a work is a national of, or habitually resides in, a member state to the Berne Convention.¹²⁰⁶

Clearly, these courts were aware of the involvement of foreign factors in the disputes. By referring to the Berne Convention, especially its national treatment principle, the courts granted copyright protection to foreign works in PRC. Nevertheless, as analysed in the foregoing, the principle of national treatment and Article 2(2) of the PRC CRL are the rules concerning the legal status of foreign authors and their works. These national eligibility provisions merely provide standing on the basis of points of attachment - connecting factors - by which the works of authors become eligible for protection in the PRC. Accordingly, these provisions establish who is entitled to bring suit in the PRC for which works and do not function as choice-of-law rules designating the law applicable to cross-border copyright disputes.

5.4.2.1 Initial ownership of copyright

Given the importance of the issue of initial ownership of copyright, one may have to surmise how PRC courts dealt with this issue when no choice-of-law analysis had been carried out. Did they decide it according to PRC law or the law of the origin of the work? Whichever law they applied, how did they arrive at the application of that law?

As described in the above section, certain PRC courts applied either the *lex loci protectionis*¹²⁰⁷ or the *lex loci delicti*¹²⁰⁸ to determine the initial ownership of copyright. In the disputes where the initial ownership issue was at stake and no choice-of-law was analysed, the People's Courts adopted two main approaches.

First, courts directly applied PRC law. Two consecutive cases: *Beaute Prestige International (France) v. Shan Tou Shi Jiarou Refined Deci Co. Ltd. & Liting ZHAO*,¹²⁰⁹ and *Jean Paul GAULTIER v. Shan Tou Shi Jiarou Refined Deci Co. Ltd. & Liting ZHAO*,¹²¹⁰ concerned copyright protection of the “*Le Classique*” and “*Le Male*” perfume bottles in the PRC against the same defendant. One of the main issues was to identify the copyright owner of the “*Le Classique*” and “*Le Male*” perfume bottles so as to establish their legal standing to sue in the cases. In the first case, the court of first instance applied PRC law and determined that Jean Paul GAULTIER was the creator of the bottles and therefore owned the copyright under PRC law. As for the claimant *Beaute Prestige International*, since it was neither the creator of the bottles nor the transferee of the copyright ownership to the bottles, it did not have legal standing to sue. On appeal, the legal issue of, among other things, whether the claimant *Beaute Prestige International* owned copyright to the perfume bottles was brought before the Beijing High Court. The court affirmed the rulings of the court of first instance and applied the PRC CRL to determine the initial ownership of the perfume bottles. Before reaching this decision, the court first referred to the Berne memberships of both the PRC and France. In a subsequent case, in which Jean Paul GAULTIER filed a claim against the same defendants on the same grounds, the court concluded that the plaintiff's work enjoys copyright protection under the PRC CRL because the plaintiff is a

¹²⁰⁶The Second Intermediary People's Court of Beijing Municipality, *Sony BMG Music Entertainment v. Beijing Alebaba Information Technology Co. Ltd.*, first instance ((2007) 二中民初字第 02628 号); the First Intermediary People's Court of Beijing Municipality, *Sony Computer Entertainment Incorporated v. Yan Tai Hongzheng Photoelectric Media Co. Ltd.*, first instance ((2006) 一中民初字第 5951 号); the First Intermediary People's Court of Shanghai Municipality, *Hadrian Manufacturing Inc. (Canada) v. Shanghai Fuchun Rongqiang Estate Co. Ltd.*, second instance ((2007) 沪一中民五(知)终字第 12 号); the Intermediary People's Court of Qing Dao City, Shang Dong Province, *Autodesk Inc. v. Qing Dao Outemei Transportation Equipment Co. Ltd.*, first instance ((2007) 青民三初字第 134 号).

¹²⁰⁷ Dryden & Groenendal (*supra* n 1199).

¹²⁰⁸ For cases, see *supra* fn 1203.

¹²⁰⁹ The High People's Court of Beijing Municipality, second instance ((2005) 高民终字第 1564 号).

¹²¹⁰ Jean Paul GAULTIER First Instance.

French national, and France and the PRC are member states of the Berne Convention, and of the TRIPs agreement. As the PRC CRL protects three-dimensional fine art having the character of originality and creativity, the perfume bottles are works protected by copyright under the PRC CRL and Jean Paul GAULTIER, the creator of the bottles, was entitled to copyright protection under the PRC CRL. Just like in most foreign-related copyright disputes, although both courts noted the involvement of foreign elements in these cases, they did not conduct any choice-of-law analysis and directly applied PRC law to determine the initial ownership of the copyright.

Second, certain PRC courts adopted the *lex originis* approach, or considered the ownership granted by the law of origin as sort of evidence and verified it in their rulings. For the first kind, an example can be seen in a copyright infringement dispute concerning building design drawings.¹²¹¹ For the question whether two claimants Christoph Ingenhoven and Jurgen Overdiek, who were the partners of the German firm *Ingenhoven Overdiek und Partner*, could initiate a claim for copyright protection on their own in the PRC, the court looked into German law and found that German law entitled the claimants to initiate such claims in the PRC in their own names on behalf of the firm. Clearly, although the court did not specifically refer to application of the *lex originis*, it used the *lex originis* to determine the initial ownership of the copyright.

In other cases, e.g. *Tsuburaya v. Shanghai Youth Articles*,¹²¹² where the right to authorship was disputed, the court, in determining whether the claimant owned the copyright to the film work “Ultraman”, ruled in the affirmative based on the certificates of copyright in relation to the film work “Ultraman” and the preceding judgments concerning the ownership of the image of “Ultraman”. Note that the court did not determine the claimant’s ownership in accordance with PRC law, rather, it considered the claimant’s ownership granted according to Japanese law as part of the evidence and confirmed this evidence of ownership in its ruling. Such a method can also be found in the *3dsMax software* case,¹²¹³ in which the court recognized the copyright registration on the disputed software that was filed in the USA and found that the claimant owned a copyright to that software. In these two cases, the courts did not apply the *lex originis* rule as such, rather they adopted the way of recognizing the ownership of copyright granted in the country of origin, considered such ownership as a form of evidence, and based on such recognition, confirmed the initial ownership of the copyright.

5.4.3 Results

Based on the above case law and analysis, two points can be summarized: first, most People’s Courts did not analyse choice-of-law issues in foreign-related copyright disputes; second, People’s Courts did not (or hardly) apply foreign laws to such disputes.

For the second point, it can be seen that PRC courts apply only PRC law to govern the extent and content of copyright, as well as infringement claims and relevant remedies. Some provisions of international treaties, namely the Berne Convention and the MOU with the USA also constitute sources of law in the PRC legal system. Thus, by no means do PRC courts apply foreign laws to

¹²¹¹ The First Intermediary People’s Court of Beijing Municipality, *Christoph Ingenhoven & Jurgen Overdiek (Germany) v. Beijing Crystal Stone Computer Graphics Development Co., Ltd.*, first instance ((2001) 一中知初字第 82 号), see ‘A Research on the Application of Law in Foreign Related Intellectual Property Civil Disputes 关于涉外知识产权民事案件法律适用的调查研究’ [in Chinese] in Intellectual Property Tribunal of Beijing High People’s Court (ed), *Studies on Intellectual Property Litigation 知识产权诉讼实务研究* [in Chinese] (Intellectual Property Publisher, Beijing 2008) 309-10.

¹²¹² The First Intermediary People’s Court of Shanghai Municipality, *Tsuburaya Production (Japan) v. Shanghai Huaihai Youth Articles Co., Ltd.*, first instance ((2004) 沪一中民五(知)初字第 198 号).

¹²¹³ The Second Intermediary People’s Court of Beijing Municipality, *Autodesk, Inc., v. Beijing Longfa Building Decoration Engineering Co., Ltd.*, first instance ((2003) 二中民初字第 6227 号).

govern those issues for foreign-involved copyright and related rights disputes. In fact, such a practice is also affirmed in the Beijing Answers.¹²¹⁴

Some attention should, however, be paid to the issue of initial ownership of copyright, because certain courts, without having the choice-of-law problem analysed, applied either PRC law directly or the law of origin to determine initial ownership. For the latter situation, some courts looked into the law of origin and determined the issue accordingly, while others recognized the ownership of copyright that was granted in the country of origin and treated it as evidence leading to their rulings that confirmed such ownership in the PRC. In these small numbers of cases, it can arguably be submitted that the courts used the *lex originis* approach leading to the application of foreign law.

As will be analysed below, the practices according to which People's Courts did not (or hardly) apply foreign laws and ignored choice-of-law analysis could be explained by several reasons, which are in fact interwoven.

5.5 Reasons for PRC judicial practice in foreign-related copyright disputes

As mentioned in the preceding section, only some cases contain choice-of-law analysis, while in the vast majority of cases, the courts directly applied PRC law and rendered their judgments thereon without analysing the choice-of-law problem. As to such a practice, several reasons may be identified for purposes of discussion.

5.5.1 Reasons for not analysing choice-of-law

5.5.1.1 Lack of awareness of the choice-of-law issue

Private international law in the PRC legal system is of recent vintage. The existence and development of PIL in the PRC are due to the economic development of the PRC and the increased contacts with foreign countries in the most recent three and half decades. Against this background, it is not difficult to understand that some People's Courts and practitioners are not, or are less, aware of choice-of-law issues, not to mention that the protection of IP rights is also rather new in the PRC.

The choice-of-law problem should be analysed whenever there is a foreign element involved in civil and commercial litigation. As explained in Article 304 of the 1992 Civil Procedural Law Opinions, a foreign element in civil relations means that: 1) one party or both parties to the dispute are foreign nationals, stateless persons, foreign enterprises or organizations; 2) the legal facts that establish, modify or terminate the civil legal relations between parties arose in foreign territories; or 3) the disputed object of the lawsuit is located in a foreign country.¹²¹⁵ Accordingly, when a foreign element is involved in copyright and related rights disputes, e.g. there are foreign parties involved, or the places of exploitation or infringement are outside the PRC, People's Courts should perform a choice-of-law analysis. Such a practice has, however, been lacking in foreign-related copyright disputes. In cases where the infringement occurred outside the PRC, the courts have ignored the existence of foreign elements, let alone the choice-of-law analysis, and directly applied PRC law to adjudicate these disputes and therefore give PRC law extra-territorial effect.

¹²¹⁴ Question and Answer 11 (*supra* n 1175).

¹²¹⁵ “3 0 4、当事人一方或双方是外国人、无国籍人、外国企业或组织，或者当事人之间民事法律关系的设立、变更、终止的法律事实发生在外国，或者诉讼标的物在外国的民事案件，为涉外民事案件。”

In the *Beijing Film Academy*¹²¹⁶ case, the courts had to rule on an alleged copyright infringement allegedly committed both in the PRC and in France in a case between two PRC parties. The novelist Zengqi WANG, the author of the novel “Shou Jie”, had assigned the right of adaptation of his novel “Shou Jie” to the plaintiff. According to the assignment contract, the plaintiff received the exclusive right to adapt this novel for a film and a TV series. A group of students of the defendant Academy adapted this novel for a film, as a project for graduation. Their film, upon completion, was exhibited once in the cinema belongs to the defendant for students. Afterward, the defendant brought the film to the *Rencontres Henri Langlois Film Festival* in France, where the film was exhibited to the public, including local residents to whom tickets were sold. The plaintiff claimed that the defendant infringed the plaintiff’s exclusive right of adaption by adapting and then publicly showing the alleged infringing film both in the PRC and in France without its prior consent. The defendant argued it only made fair use of the work, as it was intended as a project for the students’ graduation. The court of first instance judgment did not point out the foreign element involved in the dispute, namely that one of the alleged infringements occurred in France. It directly applied PRC law and held that showing the alleged film within the Academy did not constitute infringement, whereas showing it in France, which fell outside the scope of fair use, did constitute infringement of the plaintiff’s right of adaptation. Neither did the appellate court categorize this dispute as a foreign-related dispute, but it also applied PRC law and upheld the court of first instance judgment. Clearly, both courts applied the PRC CRL to determine whether the defendant’s act done outside the territory of the PRC infringed the plaintiff’s copyright. By doing so, the courts granted the PRC CRL extra-territorial effect.

Although those courts’ non-awareness of the choice-of-law issue attracted criticism,¹²¹⁷ some scholars did applaud these judgments. They agreed with the application of PRC law to this dispute because they suspected that the application of PRC law was based on the common nationality rule.¹²¹⁸ Some considered that the reason why the foreign factors were overlooked was due to the fact that the alleged infringing act occurred first in the PRC and then in France, which were intended to suggest that the infringing acts committed within and outside of the PRC were actually the same event.¹²¹⁹ Still others argued that the application of PRC law in this case was in order to protect PRC interests. Because applying French law, which is the law of the place where the infringing act occurred, to the assessment of infringement, especially the calculation of damages, would not conform to PRC social standards. Such arguments cannot, however, be sustained. The involvement of foreign elements in this dispute should have been pointed out and the choice-of-law issue should, in any event, have been analysed. Omission to mention those elements could only demonstrate the courts’ and parties’ incompetence and non-awareness of them. Also, the argument about protecting PRC social interests shows a lack of understanding about private international law. Although damages calculated based on French law could be much higher than those rendered under PRC laws, the invocation of public policy by People’s Courts could prevent the imposition of higher damages, if the public policy exception were so interpreted. Moreover, application of PRC law to the infringement that occurred in France would affect the valid interests of the rights owner, especially given the different levels of copyright protection between the PRC and France, and the different levels of interests involved in the alleged

¹²¹⁶ The Haidian District People’s Court of Beijing Municipality, *Beiyong Audio and Video Recording Co. Ltd. v. Beijing Film Academy*, first instance ((1995) 海民初字第 963); the First Intermediary People’s Court of Beijing Municipality, second instance (1995).

¹²¹⁷ Jinchuan CHEN, ‘Application of Laws to Civil Cases Involving Foreign IP Rights 2 涉外知识产权民事法律关系的调整及法律适用——下篇:法律适用篇’ [in Chinese] (2005) 3 *Electronic Intellectual Property 电子知识产权* 36, 36; Aiguo ZHANG, ‘The Extraterritorial Effect of Intellectual Property Law 关于知识产权的域外效力’ (2006) 04 *Theoretical Exploration 理论探索* 158, 158.

¹²¹⁸ Jinchuan CHEN, ‘Application of Laws to Civil Cases Involving Foreign IP Rights 涉外知识产权民事法律关系的法律适用’ [in Chinese] (2005) 05 *Peoples Judicature 人民司法* 33, 34.

¹²¹⁹ Jinchuan CHEN 2005 A (*supra* n 1217) 36.

work on the Chinese and French markets.¹²²⁰ The application of PRC law in this case could arguably be supported by the common nationality exception, because Article 146(1) of the GPCL has provided so.

In any event, the lack of awareness of choice-of-law in this case was undeniable, and such a lack of awareness by courts and litigants was also corroborated in the following case where a defendant and place of infringement were both foreign.

In the *JVC Records*¹²²¹ case, the PRC plaintiff sued PRC and Japanese defendants for producing and distributing CDs containing the plaintiff's music both in the PRC and Japan without mentioning the name of the plaintiff and without paying any royalty to the plaintiff. The court did recognize the foreign element - a Japanese co-defendant - in the case and treated it as a case involving foreign elements. The court did not, however, conduct any choice-of-law analysis. Instead, it directly applied PRC laws and ruled that the Japanese defendants who produced and distributed in Japan CDs containing the plaintiff's music infringed the plaintiff's copyright and related rights. The reason why the court ignored the other foreign element - one of the places of infringement was in Japan - is unknown. The fact that the court categorized this case as a foreign-related one but did not conduct a choice-of-law analysis evidenced a lack of awareness about choice-of-law issues.

However, it should be pointed out that such a lack of awareness can be also encountered in other fields of law:¹²²² as reported by data provided in 2008, 16% of the judgments that involved foreign elements did not analyse the choice-of-law issue.¹²²³ Additionally, out of 147 such judgments, 132 of them applied PRC law.¹²²⁴ With the aim of better adjudicating foreign-involved commercial cases, the SPC had emphasized the importance of recognizing choice-of-law issues in its 2003 *Announcement about Chinese People's Courts' Practice in the Application of Laws in Foreign Elements Involved Commercial Cases*.¹²²⁵ In addition, it advised People's Courts to analyse choice-of-law issues and to include legal reasoning about them in their judgments. As a result, the practices of directly applying PRC laws and of stating the law applicable without reasoning are not allowed.¹²²⁶ It should be acknowledged that the quality of judgments rendered by People's Courts has been improving in recent years.¹²²⁷ In those foreign-involved copyright disputes where the only foreign element that was involved was a foreign litigant, most People's Courts pointed out the involvement of the foreign parties.¹²²⁸ Identifying the involvement of foreign parties was, however, not aimed at choosing the law applicable to the disputes, rather it established the legal standing of the foreign parties in those lawsuits. Such a practice is not only caused by a lack of awareness of the issue of choice-of-law, but

¹²²⁰ Wensheng FENG, 'A Research on Basic Questions of Private International Law in Intellectual Property Right 知识产权国际私法基本问题研究' [in Chinese] in Chengsi ZHENG, *Series of Intellectual Property Rights 知识产权文丛* (vol 4) (China Politics and Science University Press, Beijing 2000) 305.

¹²²¹ The Second Intermediary People's Court of Beijing Municipality, *Shubing LUAN v. Beijing Hongtai Culture Media Co. Ltd., JVC Records Company (Japan), Xiaobo FONG and Yong QIN*, first instance ((1995) 二中知初字第 77 号).

¹²²² Lianbin SONG, 'A Further Study of the Practical Difficulties and Future of Chinese Private International Law 再论中国国际私法的实践困境及出路' [in Chinese] (2003) 6 CYPIL&CL 中国国际私法与比较法年刊 79, 101; Yujun GUO and Jintang XU, 'A Statistical Analysis of the Chinese Judicial Practice on Civil and Commercial Matters Involving Foreign Elements 从统计分析看我国涉外民商事审判实践的发展' [in Chinese] (2008) 11 CYPIL&CL 中国国际私法与比较法年刊 122, 142-43.

¹²²³ Yujun GUO and Jintang XU (*supra* n 1222) 129-30, 142-43.

¹²²⁴ *Ibid.*

¹²²⁵ 关于我国法院审理涉外商事案件适用法律情况的通报 published by the Chinese Supreme People's Court on 21 July 2003.

¹²²⁶ Lianbin SONG (*supra* n 1222) 101; Yujun GUO and Jintang XU (*supra* n 1222) 142-43.

¹²²⁷ Jin HUANG, Wei HU and Huanfang DU, 'Review of Judicial Practice in the Chinese Private International Law in 2008 2008 年中国国际私法司法实践述评' [in Chinese], (2009) 12 CYPIL&CL 中国国际私法与比较法年刊 415, 439. (In all 67 judgments collected in 2008 analysed the choice-of-law issue.)

¹²²⁸ See cases *supra* in n 1199, 1201, 1202, 1203, 1205, 1206.

also by the theoretical misunderstanding of the territoriality principle of copyright, and the additional lack of awareness of the choice-of-law issues involved specifically in foreign-related copyright disputes.

In addition, the structure of People's Courts may also be a reason for that lack of awareness. Currently, among the higher People's Courts normally Civil Tribunal Three (also called the IP Tribunal) deals exclusively with IP disputes. The advantage of having such a specialized court is obvious. The disadvantage, however, would become evident in foreign-related IP disputes where Civil Tribunal Three courts may drift away from international perspectives, i.e. those tribunals may overlook foreign elements involved in the case and the existence of the choice-of-law issue and as a result adjudicate the dispute as a domestic one by directly applying PRC law. From this, it can be deduced that between choosing to benefit from the IP expertise of Civil Tribunal Three or to grant procedural justice by specialised People's Courts that would deal with international disputes, the former has been preferred.

5.5.1.2 Theoretical misunderstanding of the territoriality of copyright and its influence on choice-of-law issues

“Territoriality” is a commonly recognized principle in IP rights. As to the understanding of the relationship between this principle and the choice-of-law issue, there are two different groups of opinion among Chinese scholars.

One group of scholars put forward that territoriality is a specific characteristic of copyright that is related to its historical development. Due to the historical development of copyright from the medieval “privileges” granted by rulers in Europe until the evolvement into “modern” copyright laws, those scholars contend that the territorial character is specific to copyright, and as a result copyright will be valid only within the territory of the country where the law grants such protection.¹²²⁹ Additionally, they argue that the fact that the existence/establishment of copyright is vested according to the law of a state instills copyright with a public law nature. Consequently, foreign-related copyright that bears a public law character should not be a subject of a choice-of-law problem, just as other public laws like criminal law and tax law would never encounter a choice-of-law problem.¹²³⁰ Furthermore, the independence principle of copyright enshrined in the Berne Convention proves the territorial nature of copyright. Consequently, there is no conflict of laws that exists in foreign-related copyright disputes.¹²³¹ Moreover, some scholars reason that the principle of national treatment assimilates foreign works into the country converting them to national ones, and accordingly there would be no choice-of-law issue involved in foreign-related copyright disputes.¹²³² It is further concluded that, due to the territorial character of copyright, copyright granted in one country cannot be recognized in others,¹²³³ and therefore no choice-of-law issue would exist in foreign-related copyright disputes as to the issues of infringement and initial ownership.¹²³⁴ Holding on to the strict territoriality principle, another scholar maintains that the choice-of-law issue would not arise as long as the territoriality

¹²²⁹ Chengsi ZHENG, *Intellectual Property Right Law 知识产权法* [in Chinese] (2nd edn Law Press, Beijing 2003) 16; Jinchuan CHEN 2005 A (*supra* n 1217) 38.

¹²³⁰ Jinchuan CHEN, ‘Application of Laws to Civil Cases Involving Foreign IP Rights 1 涉外知识产权民事法律关系的调整及法律适用——上篇:理论规范篇’ [in Chinese], (2005) 2 *Electronics Intellectual Property 电子知识产权* 30, 31.

¹²³¹ *Id.*, 32-3.

¹²³² *Id.*, 32.

¹²³³ Jinchuan CHEN 2005 A (*supra* n 1217) 38; Chunyan WANG, ‘The Territoriality of Intellectual Property and the International Protection of Intellectual Property 论知识产权地域性与知识产权国际保护’ [in Chinese], (1996) 3 *Journal of Chinese People's University 中国人民大学学报* 62.

¹²³⁴ Jinchuan CHEN 2005 A (*supra* n 1217) 38.

principle exists, but, if the territoriality principle were discarded, a choice-of-law problem would then arise.¹²³⁵

Another group of scholars argues to the contrary in support of the existence of the choice-of-law problem in foreign-related copyright disputes.¹²³⁶ Some commentators among them contend that this is due to disappearance of the territoriality principle. Such arguments are supported by observing that the conclusion of multi-lateral treaties,¹²³⁷ or globalization,¹²³⁸ or the need for recognition of intellectual property extraterritorially¹²³⁹ have made a break-out away from the classical territoriality principle. As observed by some academics, the existence of the choice-of-law issue is due to the fact that the territoriality principle faded away, along with the wider application of the principle of national treatment. As a result, IP rights have gained indirect extra-territorial effect.¹²⁴⁰ Yet others consider that the concept of strict territoriality is no longer a specific character of IP rights because it is, to a certain extent, disappearing within the framework of international conventions; meanwhile, foreign and international legislative and judicial usage has confirmed the existence and importance of choice-of-law with respect to foreign-related IP disputes.¹²⁴¹

Apparently, judicial practice at People's Courts that directly applied PRC law without considering the choice-of-law issue, was derived from a strict understanding of the territorial character of copyright. This strict understanding led to a conclusion among the judiciary that no choice-of-law issue exists in foreign-related copyright disputes. Although higher PRC judiciary keeps on emphasizing the importance of analysing the choice-of-law issue in foreign-related civil and commercial disputes, their fundamental misunderstanding of territoriality denies the existence of a choice-of-law problem in foreign-related copyright claims. In fact, the view that the choice-of-law problem does not exist in foreign-related copyright disputes is also shared by Judge JIANG, the former head of the IP Section in the SPC. He stated in a National Judges Forum that there is no need to apply foreign law in foreign-related IP disputes because the territorial character of IP rights leads to the application of PRC law. He further concluded that adjudication of such disputes does not need to observe the formalities of describing and analysing the choice-of-law issue.¹²⁴² Opinions from the high judicial courts have not only misplaced the issue, but also demonstrated a lack of the communication between the judiciary and academia in the PRC, where most of the latter advocate focusing attention on issues of choice-of-law in foreign-related copyright disputes. What People's Courts should have done was, for such disputes, to follow the standard procedure for dealing with a foreign-related civil dispute, i.e. first identify any foreign elements involved, analyse the choice-of-law issue, and apply the law designated thereby.

¹²³⁵ Yanfeng LV, 'Comments on Choice-of-law Issue of Intellectual Property 知识产权之冲突法评论' [in Chinese] (1996) 6 Law and Social Development 法制与社会发展 52, 52-8.

¹²³⁶ Shuangyuan LI and others (*supra* n 1080) 270; Dehui WANG, 'A Discussion of Choice-of-law in International Intellectual Property and the Law Applicable in Infringement Claims 论知识产权的法律冲突及其侵权的法律适用' [in Chinese], (2006) 8 Pacific Report 太平洋学报 22, 22-30; Shujie FENG (*supra* n 1138) 122; Wei SHI (*supra* n 1138) 74.

¹²³⁷ Wei SHI (*supra* n 1138) 74.

¹²³⁸ Shuangyuan LI and others (*supra* n 1080) 270.

¹²³⁹ Weigong XU and Tao LI, 'Comment on Choice-of-law on Intellectual Property 论知识产权的法律冲突' [in Chinese] (2004) 31 Journal of Henan Teaching University (Philosophy Social Science Edition) 河南师范大学学报(哲学社会科学版) 49, 53.

¹²⁴⁰ Wei SHI (*supra* n 1138) 74-6.

¹²⁴¹ Shujie FENG (*supra* n 1138) 122.

¹²⁴² The speech of Judge Zhipai JIANG from the Supreme People's Court in National Judge Forum regarding to the judicial practice in IP rights disputes, 23 November 2005 [in Chinese], <<http://www.chinaiprlaw.cn/file/200512076490.html>> accessed on 25 May 2011.

5.5.2 Reasons for non-application of foreign laws

For this chapter, an attempt was made to research as many judgments as possible. In all the judgments that are accessible, almost no foreign law has been applied by People's Courts. As mentioned in the previous section, except for some cases where foreign law was applied to the initial ownership issue, People's Courts applied only PRC law along with some provisions of international treaties in situations where the provisions of PRC law and those of international treaties were not consistent with each other, provided that the PRC had not made a treaty reservation on those provisions. Reasons for the non-application of foreign law in the vast majority of foreign-related copyright disputes can be articulated as described next.

5.5.2.1 No necessity to apply foreign laws

This reason is interwoven with the reason for misunderstanding the "territoriality" principle. As analysed, People's Courts have employed a strict territorial approach, which leads to the conclusion that the choice-of-law problem does not exist in foreign-related copyright disputes. Based on such a conclusion, People's Courts ruled that a foreign-related copyright dispute heard by a People's Court should be adjudicated in accordance with PRC law. This point of view is also explained in the Beijing Answers. It explicitly states that in a civil dispute about copyright, if the foreign party claims copyright protection in the PRC, it is not necessary to refer to any choice-of-law rule because, under this circumstance, it is PRC law that should apply, not foreign law.¹²⁴³ A Beijing High People's Court judge supported this view by stating that the non-application of foreign law in foreign-related IP rights disputes stems from the territorial character of IP rights.¹²⁴⁴ The same judge, however, commented in the *Beijing Film Academy* case that the court of first instance should have applied French law to adjudicate the infringing act that occurred in France.¹²⁴⁵ This inconsistency again shows the misunderstanding about the territoriality principle in IP rights. The SPC shares the same opinion as the Beijing Answers. Judge JIANG pointed out that there is no necessity to apply foreign law to foreign-related IP rights disputes. The application of PRC law is a result of the territorial character of these rights.¹²⁴⁶

5.5.2.2 The result of applying choice-of-law rules

In the copyright cases where choice-of-law issues were analysed, the People's Courts selected PRC law as the governing law. This was because the choice-of-law approach taken by those courts designated the application of PRC law, such as, when some courts applied the *lex loci delicti* rule, it was because the place of infringement was in the PRC so that PRC law was the applicable law.¹²⁴⁷ Furthermore, as shown in the *Dryden & Groenendal* case, *supra*, the court held that since the plaintiffs claimed copyright protection in the PRC, the content, scope, initial ownership of their rights and the infringement claim should be determined according to PRC law since it is the law of the place for which the protection is claimed. Under this circumstance, the *lex loci protectionis* rule led also to the application of PRC law. In the *Tsuburaya* case, *supra*, the court ruled that PRC law should apply to the infringement dispute because there were more connecting factors pointing to the PRC, such as the place of infringement, the place of the defendant's establishment and the location of the court. Thus, an indicated application of the closest connection rule led to the application of PRC law.

¹²⁴³ Question and Answer 11 (*supra* n 1175).

¹²⁴⁴ Jinchuan CHEN 2005 B (*supra* n 1230) 31.

¹²⁴⁵ Jinchuan CHEN 2005 A (*supra* n 1217) 37.

¹²⁴⁶ The speech of Judge Zhipei JIANG (*supra* n 1242).

¹²⁴⁷ See *Goldlok, Warner Music Hong Kong*, see also the cases cited in fn 1202, fn 1203.

5.5.2.3 The preference of PRC judges for applying PRC law

In addition to the above reasons, the fact that People's Courts directly applied PRC law seems to explain the attempt of PRC judges applying PRC law in foreign-related copyright disputes. In fact, such an attempt can be also seen in the disputes about other subjects. A statistical report on analysing PRC judicial practices in foreign-related civil and commercial disputes¹²⁴⁸ demonstrated that 87% of foreign-related civil and commercial disputes had been adjudicated according to PRC law, and another 13% of those cases according to international treaties, international customs, foreign law and the laws of Hong Kong and Macao.¹²⁴⁹ This data coincides with those published in the yearly review of judicial practice in PRC PIL where it shows that, in 2001¹²⁵⁰, 88% of cases applied PRC law; the same in 2002;¹²⁵¹ 88% in 2003;¹²⁵² 94% in 2004;¹²⁵³ 92% in 2005;¹²⁵⁴ 96% in 2006;¹²⁵⁵ 97% in 2007;¹²⁵⁶ 97% in 2008¹²⁵⁷ and 96.9% in 2009.¹²⁵⁸ A closer look at this data reveals an increasing trend by PRC courts to apply PRC law. The reasons for the preference of PRC law may be analysed for the following considerations: the difficulty of proving and applying foreign law, the ease of applying PRC law, which PRC judges know best, and absence of argument on the issue of the applicable law from the parties.¹²⁵⁹ Nevertheless, it could be mentioned that judges' natural preferences for applying the *lex fori* are not uncommon in other countries' judicial practices.¹²⁶⁰

The practice at People's Courts shows that, in adjudicating foreign-related copyright and related rights disputes, most courts did not analyse the choice-of-law issue involved, and even in the judgments where this issue had been analysed, the approaches taken by courts have varied. Furthermore, regardless whether or not the choice-of-law issue has been discussed in the judgments, all cases have

¹²⁴⁸ This report deals with different subjects, including claims as to contracts, torts, property law, unjust enrichment, family law matters etc.

¹²⁴⁹ Yujun GUO and Jintang XU (*supra* n 1222) 127.

¹²⁵⁰ Jin HUANG and Huanfang DU, 'Review of Judicial Practice in the Chinese Private International Law in 2001 2001 年中国国际私法的司法实践述评' [in Chinese] (2003) 6 CYPIL&CL 中国国际私法与比较法年刊 429, 453.

¹²⁵¹ Jin HUANG and Huanfang DU, 'Review of Judicial Practice in the Chinese Private International Law in 2002 2002 年中国国际私法的司法实践述评' [in Chinese] (2003) 6 CYPIL&CL 中国国际私法与比较法年刊 3, 20-31.

¹²⁵² Jin HUANG and Huanfang DU, 'Review of Judicial Practice in the Chinese Private International Law in 2003 2003 年中国国际私法的司法实践述评' [in Chinese] (2004) 7 CYPIL&CL 中国国际私法与比较法年刊 115, 134.

¹²⁵³ Jin HUANG, Qingming LI and Huanfang DU, 'Review of Judicial Practice in the Chinese Private International Law in 2004 2004 年中国国际私法司法实践述评' [in Chinese] (2005) 8 CYPIL&CL 中国国际私法与比较法年刊 76, 94.

¹²⁵⁴ Jin HUANG, Qingming LI and Huanfang DU, 'Review of Judicial Practice in the Chinese Private International Law in 2005 2005 年中国国际私法司法实践述评' [in Chinese] (2006) 9 CYPIL&CL 中国国际私法与比较法年刊 469, 478-79.

¹²⁵⁵ Jin HUANG, Qingming LI, 'Review of Judicial Practice in the Chinese Private International Law in 2006 2006 年中国国际私法司法实践述评' [in Chinese] (2007) 10 CYPIL&CL 中国国际私法与比较法年刊 371, 396-97.

¹²⁵⁶ Jin HUANG, Wei HU and Qingsong WANG, 'Review of Judicial Practice in the Chinese Private International Law in 2007 2007 年中国国际私法司法实践述评' [in Chinese] (2008) 11 CYPIL&CL 中国国际私法与比较法年刊 433, 452.

¹²⁵⁷ Jin HUANG, Wei HU and Huanfang DU 2008 (*supra* n 1227) 435. (It is of note that in the collected judgments, no foreign law has been applied at all, the remaining 3% of cases applied both Chinese law and international treaties, or both Chinese law and international customary law.)

¹²⁵⁸ Jin HUANG, Huanfang DU and Ji SUN, 'Review of Judicial Practice in the Chinese Private International Law in 2009 2009 年中国国际私法司法实践述评' [in Chinese] (2010) 13 CYPIL&CL 中国国际私法与比较法年刊 457, 498.

¹²⁵⁹ Yujun GUO and Jintang XU (*supra* n 1222) 143-44.

¹²⁶⁰ Th. M. de Boer, 'De Fictie van een Neutraal Conflictrecht' in *Voorkeur Voor De Lex Fori* (Kluwer, Deventer 2004) 199, 209-10.

actually turned out to be governed by PRC law or some provisions of the Berne Convention, except for some cases where foreign law governed initial ownership. The reasons for such judicial practices may have their source in a misunderstanding of the territoriality principle because, according to the judiciary, the strict territorial character of copyright means there is no possibility of applying foreign law and therefore no existence of a choice-of-law issue in foreign-related copyright disputes. In any event, the practices of lacking the awareness of the choice-of-law issue and applying only PRC law are not unique in the PRC judicial practices and can be found in other fields of PRC law, as well. To a large extent, this practice is rather the rule than an exception.

5.6 Legislative development in choice-of-law rules in foreign-related copyright dispute in the PRC

5.6.1 General structure

5.6.1.1 Separate chapter on IP rights

While the PRC judiciary continues to ignore the existence of the choice-of-law issue in foreign-related IP rights disputes, the legislature and scholars have made attempts to regulate the matter: the Model Law, the drafts of the Statute on the Law Applicable to Foreign-related Civil Relations, as well as discussion papers submitted by the Chinese scholars have focused special attention on the matter of choice-of-law in foreign-related IP rights disputes, including copyright and related rights. During the legislative process that led to the above Statute, a discussion whether foreign-related IP rights disputes should be dealt with separately was carried out. Some scholars entertained opinions that there is no necessity of introducing specific provisions for IP rights, because IP is just a type of property, and as a result the issues related to IP rights can be dealt with in the section on property rights. It was also argued that since the infringement of IP rights is no more than a tort claim, it does not need to be treated differently from general tort claims.¹²⁶¹ It is fortunate that by recognizing the specific nature of IP rights and their importance in an international context, the legislature rejected such opinions and regulates IP rights related issues in a separate chapter.

Although the majority favored separating IP rights from property rights, the question of where to position the Chapter on IP rights in that Statute also raised some concerns. Some scholars considered that it is more logical to put this Chapter subsequent to the Chapter on property rights, because IP has some similarity with standard property and can be treated as a special type of property.¹²⁶² This is also the approach taken by the Model Law. In the final versions of the PIL Statute, the Chapter on IP rights, because it is a special subject, was put after the Chapter on Obligations.

5.6.1.2 No distinction made between copyright and industrial property rights

It may be noted that the PIL Statute does not make a distinction between copyright and industrial property rights, and as a result the choice-of-law rules provided therein are equally applicable to copyright and industrial property rights. In this respect, the PIL Statute differs from the Model Law and the First Draft of the Statute because the latter two categorized and separated the types of IP rights and introduced choice-of-law rules for the main types of IP rights. In comparison, the Model Law provides the most detailed choice-of-law rules as to IP rights. It not only categorizes specific types of

¹²⁶¹ Chengzhi WANG, 'Draft Statute on the Law Applicable to Foreign-related Civil Relations: Analysis on Intellectual Property Provisions 涉外民事关系法律适用法(草案) - 知识产权法条分析' [in Chinese], paper presented at the Annual Conference of the Chinese Society of Private International Law 2010 Tianjin, PRC 中国国际私法学会 2010 年年会暨涉外民事关系法律适用法研讨会论文集.

¹²⁶² Jintang XU, 'Several Issues on Chinese Legislation on Private International Law 关于我国国际私法立法的几个问题' [in Chinese] paper presented at the Annual Conference of the Chinese Society of Private International Law 2010, Tianjin, PRC 中国国际私法学会 2010 年年会暨涉外民事关系法律适用法研讨会论文集.

IP rights and provides specific rules for them: i.e., patents,¹²⁶³ trademarks,¹²⁶⁴ copyrights,¹²⁶⁵ and other intellectual property,¹²⁶⁶ but also sets forth specific types of issues and claims in relation to IP rights, such as scope of intellectual property,¹²⁶⁷ IP contracts,¹²⁶⁸ job-related intellectual property¹²⁶⁹ and intellectual property torts.¹²⁷⁰ The First Draft only categorized and divided different types of IP rights into copyright (Article 57), patents (Article 58), trademarks (Article 59), and IP rights other than copyright, patents and trademarks (Article 60).

The legislative method of distinguishing certain types of IP rights was, however, not followed in the subsequent drafts and the PIL Statute. It has been argued that distinguishing them would maintain the integrity of the choice-of-law rules applied in IP related disputes, while not affecting the application of other choice-of-law rules.¹²⁷¹ As observed by some scholars, since different types of intellectual property are sometimes intertwined, differentiating them would cause difficulty in characterizing them when choice-of-law problems are at stake.¹²⁷² For example, when a dispute concerning certain signs that are protected both under copyright law and trademark law is raised, shall the dispute be categorized as a copyright dispute and therefore provided with a choice-of-law rule as to copyright disputes, or be categorized as a trademark dispute accompanied by choice-of-law rules as to trademark?

Although difficulty in characterizing could be encountered sometimes, it is a fact that the conditions for the existence and creation of different types of IP are so different that they could not just be ignored only for the sake of avoiding a difficulty in characterization. As discussed in the first Chapter of this dissertation, copyright and related rights bear an important characteristic – the non-formality requirement, and such non-formality is required by Article 5(2) of the Berne Convention. Contrary to that, the creation of industrial property rights does require registration in the country where the rights

¹²⁶³ Art. 93 of the Model Law “The existence, content and validity of the patent right are governed by the law of the place of application 专利权的成立、内容和效力，适用专利申请地法。”

¹²⁶⁴ Art. 94 of the Model Law “The existence, content and validity of the trademark right are governed by the law of the place of registration 商标权的成立、内容和效力，适用注册登记地法”

¹²⁶⁵ Art. 95 of the Model Law “The existence, content and validity of the copyright are governed by the law of the place where the right is claimed 著作权的成立、内容和效力，适用权利主张地法。”

¹²⁶⁶ Art. 96 of the Model Law “The existence, content and validity of other relevant rights included in the scope of intellectual property are governed by the law of the place where the rights are registered or claimed 属于知识产权范围的其他有关权利，其成立、内容和效力，适用权利登记地法或者权利主张地法。”

¹²⁶⁷ Art. 92 of the Model Law “The scope of intellectual property shall be decided in accordance with relevant international treaties concluded or acceded to by the PRC and the relevant law of the PRC 知识产权的范围，依照中华人民共和国缔结或者参加的有关国际条约和中华人民共和国的有关法律确定。”

¹²⁶⁸ Art. 97 of the Model Law “Intellectual property contracts are governed by the provisions of this law relating to contracts 有关知识产权的合同，适用本法关于合同的规定。”

¹²⁶⁹ Art. 98 of the Model Law “The intellectual property acquired by the employee in hi terms of reference is governed by the law regulating the employment contract 有关受雇人在职务范围内取得的知识产权，适用调整雇佣合同的法律。”

¹²⁷⁰ Art. 99 of the Model Law “The legal remedy in torts in intellectual property is governed by the law of the place where the protection is sought 知识产权侵权的法律救济，适用请求保护地法。”

¹²⁷¹ Jin HUANG and Rujiao JIANG, *Understanding Act of the People’s Republic of China on the Application of Laws over Foreign-related Civil Relationships 中华人民共和国涉外民事关系法律适用法释疑与分析* [in Chinese], (Beijing, Law Press China 2011) 272; similarly, Changhai YANG, *Discussion of the Conflict of Laws on Intellectual Property Rights 知识产权冲突法论* [in Chinese] (Xiamen, Xiameng University Press 2011) 345-46 (who is of opinions that the differentiation of IP rights is not necessary in the matters of existence, validity, content, duration and termination of IP rights, but the differentiation is necessary when the initial ownership of IP rights are disputed).

¹²⁷² Xiang XU, argument put forward at the Advanced Symposium on the Statute on the Law Applicable to Foreign-related Civil Relations, documented in ‘Review of the Advanced Symposium on the Statute on the Law Applicable to Foreign-related Civil Relations in 2008 2008 年涉外民事关系法律适用法高级研讨会综述’ [in Chinese] (2009) 12 CYPIL&CL 中国国际私法与比较法年刊.

are intended to be created. Only when industrial property rights fulfill the registration requirement in a certain country, will they be valid and be granted protection in that particular country. Accordingly, they will not be valid for protection in a country where those rights are not registered. From the perspective of choice-of-law, the distinct registration requirement marks one of the key differences between IP rights without registration, such as copyright and related rights, and those with registration, e.g. patents and trademarks. Therefore, when the issues of creation, scope and extent of IP rights are at stake, different choice-of-law solutions should be provided for copyright and related rights on the one hand, and industrial property rights on the other. To do so not only respects the specific characteristics of IP rights, but also provides clarity and legal certainty in dealing with these rights, because for registered rights, once they are registered, the place of registration will be certain and the protection of that country will be granted. Accordingly, the designation to the law of that country would be the proper solution to the claims involving the issues of creation, scope and extent of the registered rights. For copyright and related rights, as will be analysed below, a separate choice-of-law rule designating the law of the country for which protection is claimed is preferred. The same should be suggested for the PIL Statute.¹²⁷³

5.6.1.3 IP rights related matters

The IP rights related matters had been changed in the course of the legislative procedure of the PIL Statute. The Model Law is still the one providing the most detailed rules in this respect. As mentioned in the preceding sections, the material claims of IP rights, i.e. claims intrinsically related to IP rights, such as the existence, content and validity of IP rights, as well as IP rights related issues such as contractual IP rights claims, torts in IP and job-related IP are dealt with. Such a wide scope of subject matters was, however, not followed in the drafts, the discussion papers or the PIL Statute.

The First Draft laid down only the choice-of-law provisions for material claims of IP rights, more specifically, the issues of the obtainment, content and effect of IP rights. Although there is no provision for IP rights related issues, it is considered that they should be referred to the general rules for certain specific subjects, e.g. infringement of IP rights is included under general tort claims and provided with the *lex loci delicti* rule (Article 78), supplemented by the exceptions of the closest connection rule (Article 79), the common nationality rule (Article 80), and limited party autonomy (Article 81). In other words, in this draft, IP rights related issues were not given any special attention. That situation has been changed in the subsequent discussion papers, the Draft Statute 2010¹²⁷⁴ and the PIL Statute under which specific IP related issues, i.e. contractual claims and infringement are specifically dealt with.

5.6.2 Prescribed choice-of-law rules

The PRC PIL Statute provides specific choice-of-law rules for IP rights claims.

“Chapter 7 Intellectual Property Rights

Article 48

Ownership and contents of intellectual property rights are governed by the law of the State for which protection is claimed.

Article 49

The parties may, by agreement, choose the law which is applicable to the assignment and licensing of intellectual property rights. In the absence of such a choice, the assignment and licensing of intellectual property rights shall be governed by the provisions of this Law concerning the law applicable to contracts.

Article 50

¹²⁷³ Chengzhi WANG (*supra* n 1261).

¹²⁷⁴ Published on 28 August 2010 after the second reading, available at: <www.npc.gov.cn/huiyi/cwh/1116/2010-08/28/content_1593162.htm> accessed on 2 October 2012 (Draft Statute 2010).

*Infringement of intellectual property rights is governed by the law of the State for which protection is claimed. The parties may also, by agreement, choose the law of the forum after the infringing act has occurred.*¹²⁷⁵¹²⁷⁶

5.6.2.1 Ownership and contents

The Statute provides that the law of the country for which protection is claimed shall govern the ownership and contents of IP rights (Article 48). As far as copyright is concerned, the process of drafting this article has demonstrated the legislator's hesitation about choosing which approach to follow. Should it be a territorial or a universal approach?

5.6.2.1.1 First Draft

In the First Draft, the legislator chose the creator's law as the law applicable to the existence, content and validity of copyright.¹²⁷⁷ This provision was criticized as a wrong solution because it neglected the territorial character of copyright.¹²⁷⁸ It was also unclear as to what the creator's law meant: was it the national law of the creator or the law of the place where the creator habitually resides? Furthermore, the legislator did not state whether timing is required in identifying the creator's law, e.g. the creator's law at the time of the creation or once the creation is completed?

5.6.2.1.2 Draft Statute

In the Draft Statute, the legislator changed its approach by providing that “[f]or intellectual property rights, they should be governed by the law of the country of protection, or the law of the country of origin”. This provision deserves even more criticism. First, the regulated subject matter was unclear. As stated in its wording, the legislator mentioned only “intellectual property rights” as the subject matter, but did not clarify what matters were actually included in that. Since the legislator drafted two other provisions concerning transfer and infringement of IP rights, it can be deduced that the subject matter “intellectual property rights” stated by the legislator in this provision was intended to include the material claims of IP rights. Still, it was ambiguous about what exact issues the legislator intended to have regulated here: in terms of copyright and related rights, the initial ownership or the extent of protection or the termination of the right? Second, the choice-of-law rules provided by the legislator were so broad that they would cause legal uncertainty in practice. The legislator provided alternative choice-of-law rules for IP rights: the law of the country of protection or the law of the country of origin. Since the Draft Statute neither differentiated the types of IP rights, nor clarified the regulated subjects of IP rights, it would be very confusing for litigants to predict which law would govern their IP rights. It would be even more confusing when it would concern copyright and related rights because, as analysed in Chapter 3 of this dissertation, there are still controversies in European countries about the law to be applied to the issues of existence, content, scope and initial ownership of copyright, and the two opposing principles of territoriality or universality are adopted for these issues. Thus, if the legislator were to set down opposing rules of the *lex loci protectionis* or the *lex originis* for such issues, it would not only be illogical, but also leave much discretion to the courts and cause legal uncertainty about the applicable law.

5.6.2.1.3 Discussion papers

¹²⁷⁵ “第七章 知识产权

第四十八条 知识产权的归属和内容，适用被请求保护地法律。

第四十九条 当事人可以协议选择知识产权转让和许可使用适用的法律。当事人没有选择的，适用本法对合同的有关规定。

第五十条 知识产权的侵权责任，适用被请求保护地法律，当事人也可以在侵权行为发生后协议选择适用法院地法律。”

¹²⁷⁶ Translated by NZ. For an English translation of the Statute, see Ning Zhao (*supra* n 769) 312-14.

¹²⁷⁷ Art. 57 of the First Draft.

¹²⁷⁸ Changhai YANG (*supra* n 1271) 345; *contra* Chengzhi WANG (*supra* n 1261).

The Chinese Society of Private International Law (hereinafter CSPIL) has been actively involved in consulting about the PIL Statute, and produced several discussion papers¹²⁷⁹ that suggested different approaches.¹²⁸⁰ First, these papers recommended separate choice-of-law rules for initial ownership of IP rights. In this respect, the law of the country for which protection of the IP product is claimed is suggested as a general rule.¹²⁸¹ For collaborated works and commissioned works, as well as works made during employment, the law of the contract governing such collaboration, commission or employment relations would apply. The recommended rules should have been welcomed in the final version of the Statute because, as far as copyright and related rights are concerned, the *lex loci protectionis* is the logical solution for determining initial ownership of copyright and related rights. Furthermore, providing choice-of-law rules for the complex issue of identifying initial ownership in specific relations such as collaboration, commission and employment is a big step that the CSPIL has taken towards achieving legal certainty and predictability. As will be analysed in the following paragraphs, it is indeed a pity that choice-of-law rules for determining the initial ownership in collaborated, commissioned works are still lacking in the PIL Statute. It should, nevertheless, be mentioned that the discussion papers also should have taken into account the situation where no agreement has been made between the parties.

The discussion papers advocated application of the *lex loci protectionis* rule to other material claims of IP rights. The CSPIL defined such claims as consisting of the existence, validity, qualification, scope and categorization of IP rights.¹²⁸² It has at one place further divided the existence and validity of IP rights and the qualification, scope and categorization of IP rights into two provisions,¹²⁸³ the choice-of-law rule provided therein are, however, the same: the *lex loci protectionis*. The reason for the further division is unknown. It may have something to do with the consideration that this could better categorize the subject matters and provide clarity in terms of the application of the choice-of-law rules. In any event, such a further division was not necessary because, insofar as copyright and related rights are concerned, applying the *lex loci protectionis* to material claims respects the territorial character of copyright, and the scope of its application should be broader to encompass the existence, validity, qualification, scope and categorization of the rights in one provision.

It is to be noted that these discussion papers use a concept called “intellectual product” rather than “intellectual property”. This will cause doubts from the stand point of accuracy. “Intellectual property” is a widely used and recognized concept. It refers to a number of distinct types of creations of the mind, for which a set of exclusive rights are recognized, and these exclusive rights include both economic and moral rights. While the concept of intellectual product used by the CSPIL refers to

¹²⁷⁹ Discussion drafts include San Ya Discussion Paper, Beijing Discussion Paper, Hangzhou Discussion Paper. And the final legislative suggestion was provided on 1 March 2010.

¹²⁸⁰ Arts. 68-71 of the Hangzhou Discussion Paper; Arts. 55-57 of the Beijing Discussion Paper; Arts. 55-57 of the Sanya Discussion Paper produced.

¹²⁸¹ Art. 70 of the Hangzhou Discussion Paper. “知识产权的原始权属关系依如下规定确定准据法：(1) 除另有规定外，知识产权的原始权属关系适用知识产品被主张保护地法。(2) 对于合作完成的知识产品，知识产权的原始权属关系适用该合作创造合同的准据法。(3) 对于因雇佣或委托完成的知识产品，知识产权的原始权属关系适用该雇佣合同或委托合同的准据法。” (The law applicable to the initial ownership of an intellectual property right shall be determined as follows: 1. Unless otherwise provided, the initial ownership of an intellectual property right shall be determined by the law of the place for which the protection of the intellectual product is claimed. 2. As for collaborated works, the initial ownership of IP rights shall be governed by the law applicable to the collaboration contract. 3. As for commissioned works or works made during employment, the initial ownership of IP rights is governed by the law of the commission contract or employment contract.) [Translated by NZ]

¹²⁸² Art. 55 of the Beijing Discussion Paper “知识产权的成立，效力及其定性，客体范围和类别适用知识产品被主张保护地法的法律。” (The existence, validity, and the qualification, scope and categorization of intellectual property rights shall be determined by the law of the place for which the protection of the intellectual product is claimed. [Translated by NZ]

¹²⁸³ Art. 68 of the Hangzhou Discussion Paper concerns the qualification, scope and categorization of IP rights and Art. 69 for the existence and validity of IP rights.

products of the mind, the concept itself may however seem more related to physical things, and therefore arguably undermines the intangible nature of works of the mind. In addition, it can be seen that the use of the words “intellectual property” and “intellectual product” are inconsistent because, on the one hand “intellectual property rights” are recognized by providing rules for them, while on the other it requires the application of the law of the place for which protection of “intellectual product” is claimed. The logic of this could barely be explicable. Thus, for the sake of accuracy, the wording “intellectual property” should be used.

5.6.2.1.4 The *lex loci protectionis* or the *lex originis* for initial ownership of copyright

As discussed in Chapter 3 and 4, the applicable law for initial ownership of copyright and related rights has been and still is intensively debated, either in scholarly writings, in legal practice, or in contributions made by academic groups. The *lex loci protectionis* approach has been criticized for the difficulties encountered in the context of international exploitation of a copyrighted work, because the distributive application of the law of each country concerned may cause inconsistency in this respect, and provide no foreseeability as to the rights owner of the work.¹²⁸⁴ In this context, the universality based *lex originis* rule is suggested, i.e. to apply one single national copyright law to determine initial ownership of copyright and related rights throughout the world. In such a way international exploitation of copyrighted works could be promoted. Nevertheless, the application of the *lex originis* rule has drawbacks. First, the definition of *lex originis* is not clear. The connecting factor to the country of origin is often referred to those provided in Article 5(4)(c) of the Berne Convention. Still, that causes confusion in terms of its application. The concept of country of origin concerns nationality, habitual residence and the first publication. As discussed in the preceding chapters, when using the place of the first publication as the determinative factor in identifying the country of origin, one may speculate about works not yet published. Even for those works that have been published, concerns may still arise when they have been published simultaneously in several countries, in particular when they have been uploaded to the Internet. Under these circumstances, the place of the first publication would be very difficult, if even possible, to identify.¹²⁸⁵ Also, the place of the first publication could be subject to manipulation by, e.g. large media corporations as a technique of making sure a work made for hire is first published in a country where the law grants them ownership.¹²⁸⁶

Neither will the law of the creator’s country or habitual residence at the time of creation be a proper choice-of-law rule, since application of such a rule will not be consistent with the territorial character of the right, especially when some fundamental value of the right is at stake. Metzger correctly pointed out, although a country might apply the *lex originis* to the initial ownership of a work, in practice its court could then refuse to apply that law by invoking public policy or an overriding mandatory law.¹²⁸⁷

In addition, the different *lex originis* approaches adopted by two academic groups: ALI – the law of the creator’s residence at the time of the creation of the work; and Japanese-Korean – the law of the state in which the work is initially created, demonstrate the difficulty of achieving a consensus as to the definition of *lex originis*.

Applying the *lex originis* to the issue of initial ownership of copyright and related rights also raises some doubts about its legitimacy because, as discussed in Chapter 1, copyright law comprises a system of policies that balance the interests of the rights owner against those of public as a whole, and it represents the cultural, social and economic policy of the country that grants such rights. Since the *lex originis* focuses on the law of one country that would then be universally recognized by others, one may doubt that the value or the interests balanced by one particular country according to that country’s

¹²⁸⁴ M.M. van Eechoud 2003 (*supra* n 15) 179-80; Rochelle Dreyfuss’s presentation (summarized by Frank Beckstein) (*supra* n 943) 24; Paul Goldstein 2001 (*supra* n 57) 103 *et seq.*

¹²⁸⁵ Dorothee Thum 2005 (*supra* n) 278-79, 282.

¹²⁸⁶ Fawcett and Torremans 2011 (*supra* n 13) para 13.94.

¹²⁸⁷ Axel Metzger 2010 (*supra* n 768) 160-61.

social and economic needs would have to be recognized by another.¹²⁸⁸ Furthermore, as discussed in the section that follows this one, the territoriality of copyright and related rights will remain for multi-state infringement disputes. In this context, the application of the *lex loci protectionis* to the initial ownership issue will ensure the uniform application of the same law. Consequently, the territorially-based *lex loci protectionis* rule is the more appropriate approach for determining the initial ownership of copyright.

The legislative process that led to Article 48 of the PIL Statute witnessed a legislative shift from a universal approach to a territorial approach. The final incorporation into the PIL Statute of the *lex loci protectionis* for issues of initial ownership and the content of copyright and related rights should be welcome because it affirms the general territorial character of copyright and related rights, and respects the economic and cultural policy of the country of protection.¹²⁸⁹ Notably, this approach is in line with codifications and judicial practice in other jurisdictions.¹²⁹⁰ Furthermore, adopting the *lex loci protectionis* for those matters duly takes into consideration the fact that the PRC is still a copyright-importing country, and it moves in the direction of implementing national strategic decisions to strengthen IP rights protection.

5.6.2.2 Infringement

For infringements of IP rights, the PIL Statute adopts the *lex loci protectionis* as the basic rule and equips it with a moderate deviation – in the form of limited party autonomy: the parties may make an *ex post* choice for the *lex fori* (Article 50). These rules are comparatively liberal because as described in Chapter 3, it is still highly controversial whether party autonomy should be allowed for IP rights infringement claims, given the specific nature of IP rights.

In this respect, the legislative process in the PRC was, however, going in a different direction. Rather than discussing which choice-of-law rule should be adopted in the PIL Statute, some scholars were questioning the need to provide specific rules for infringement of IP rights.¹²⁹¹ According to one of them, applying the *lex loci protectionis* or the possibility of a limited party autonomy in infringement of IP rights repeats the general tort rules.¹²⁹² He also wondered whether it is necessary to allow limited party autonomy in IP rights infringement cases. As for the *lex loci protectionis* rule, although he admitted its wider scope of application, he doubted, given the influence of the *lex loci delicti* in tort claims, whether in practice courts would put aside the *lex loci delicti* and apply laws other than the *lex loci delicti*, e.g. the law of the place of registration of the registered rights. Furthermore, even if the *lex loci protectionis* were applied in such claims, the closest connection rule provided in Article 2 (Article 3 of the Draft Statute 2010) could be used to circumvent its application. Still further, as to the fact that a common nationality or common domicile rule is provided as an exception to the general tort claims rule, but not as to the IP infringement claims rule, he raised a question whether parties who have the same nationality in an IP infringement dispute may invoke the common nationality exception. Further along the lines of this question, he contended that the lack of an order of preference as to general tort and IP infringement claims will cause confusion in practice.¹²⁹³ Hence, he was of the opinion that it was unnecessary to introduce specific choice-of-law rules for IP rights infringement.

¹²⁸⁸ This argument has been raised by Dário Moura Vicente in terms of applying the *lex originis* to the creation, scope of the rights. See Dário Moura Vicente (*supra* n 15) 261-62.

¹²⁸⁹ *Contra*, Chengzhi WANG (*supra* n 1261); Changhai YANG (*supra* n 1271) 345-46 (who is in favour of the universality principle in the aspect of the initial ownership of unregistered rights).

¹²⁹⁰ Swiss PIL Art. 110(1); Belgian PIL Art. 93, with the exception of industrial property rights; German courts endorse the *lex loci protectionis* (*Schutzland* principle) governing also the initial ownership of copyright; CLIP Principles Art. 3:201(1); Rome II has been criticized for not addressing this issue, for details, see Nerina Boschiero (*supra* n 338) 102-03.

¹²⁹¹ Chengzhi WANG (*supra* n 1261); *contra* Changhai YANG (*supra* n 1271) 300-18.

¹²⁹² Chengzhi WANG (*supra* n 1261).

¹²⁹³ Chengzhi WANG (*supra* n 1261).

The same opinion was put forward in the discussion papers produced by the CSPIL. They introduced no specific choice-of-law rule for such claims and instead referred to rules for general tort claims. They recommended the *lex loci delicti* as a general rule with the exceptions of the closest connection principle, alternative application of the law of the common nationality or domicile of the parties, and party autonomy.¹²⁹⁴

5.6.2.2.1 The needs for specific choice-of-law rules for IP rights infringement disputes

It is to be pointed out, however, that there is a need to provide specific choice-of-law rules for IP rights infringement disputes, including copyright and related rights. This is due to the specific nature of IP rights because they are territorially limited, and they are vested by a specific country's law. As argued in the preceding chapters, it is more appropriate to apply the *lex loci protectionis* to infringement of IP rights because such an application would not only respect the territorial nature of IP rights, but also offer the advantage in practice that it does not require identifying the place of infringement. In spite of that, an unlimited party autonomy cannot be allowed as to IP infringement claims because it is commonly recognized that certain issues that are inherently related to the existence of IP Rights are not susceptible to contracting out by the parties.¹²⁹⁵ In fact, most jurisdictions are reluctant to accept party autonomy in this respect; in particular, Rome II has made an express exclusion.¹²⁹⁶ Again, due to the territoriality principle, the common nationality or common domicile exception cannot be accepted in IP infringement claims since the connecting factor of the common nationality or domicile may have nothing to do with the IP rights themselves. Furthermore, the traditional *lex specialis derogat legi generali* principle will eliminate the expressed doubt about lack of placing of general tort and IP infringement on a hierarchic scale. As a matter of fact, providing specific choice-of-law rules for IP rights infringement disputes will provide clear guidance to courts for adjudicating them.

Codifying the *lex loci protectionis* as the general rule for infringement of copyright and related rights will not only respect the territorial nature of these rights, but will also protect the legitimate rights of the rights owner and serve the reasonable expectations of the parties because in most foreign-related IP infringement disputes, the place for which protection is claimed is often the place of the residence of the defendant, or the defendant's principal place of business.¹²⁹⁷ Furthermore, in online copyright infringement cases, the place of protection will be relatively easier to locate than the place of infringement. The same holds true in the cases where one infringing act is subsequently repeated in more than one country. Under such circumstances, the *lex loci protectionis* will be the more suitable rule.¹²⁹⁸ Finally, this rule is in line with those prescribed in recent national and regional PIL codifications.¹²⁹⁹

5.6.2.2.2 The needs for limited party autonomy for IP rights infringement disputes

Introducing a limited degree of party autonomy to infringement of IP rights, including copyright and related rights cases, was inspired by the Swiss PIL Act, under which an *ex post* choice of the *lex fori* can be chosen during the course of such claims.¹³⁰⁰ In addition to providing the parties with the advantage of legal certainty, such limited party autonomy can enhance judicial efficiency because once the parties agree on the application of the *lex fori* in this respect, the claim could be quickly resolved by a court. Along similar lines, this rule may solve the problem of the distributive application of the laws caused by the application of the *lex loci protectionis* in multi-state infringement cases, including infringements committed on the Internet, since in such cases the parties may choose one single law to simplify the legal proceedings. Furthermore, permitting limited party autonomy in

¹²⁹⁴ The Sanya Discussion Paper and the Beijing Discussion Paper.

¹²⁹⁵ Marta Pertegás 2006 A (*supra* n 339) 237; ALI Principles, § 302 and CLIP Principles Art. 3:606 allow for the freedom of choice for the remedies in infringement claims.

¹²⁹⁶ Art. 8(3). For criticism, see Nerina Boschiero (*supra* n) 107-10; D. van Engelen 2008 (*supra* n 760) 446-47.

¹²⁹⁷ Jin HUANG and Rujiao JIANG (*supra* n 1271) 291.

¹²⁹⁸ *Id.*, 291-92.

¹²⁹⁹ Art. 8(1) of the Rome II Regulation; Art. 93 of the Belgian PIL; Art. 110(1) of the Swiss PIL.

¹³⁰⁰ Art. 110(2).

infringement claims will not contradict the sovereign interests of a country.¹³⁰¹ Still further, introducing this rule can overcome another potential disadvantage of the *lex loci protectionis* rule in IP infringement disputes, i.e. in the situation of an infringing act that occurs outside the place of protection, where the looser connection between the infringement and the place of protection may subject an application of the *lex loci protectionis* to question.¹³⁰² On the contrary, electing the *lex fori* in such circumstances will serve convenience and circumvent the rigidity of strictly applying the *lex loci protectionis* rule in copyright and related rights infringement disputes.¹³⁰³

It is also to be noted that, differing from its Swiss source of inspiration, the PIL Statute does not limit the scope of party autonomy in patrimonial claims arising from the infringement of IP rights. One may wonder whether this is too far-reaching because it is generally accepted that certain characteristics that are inherent to IP rights are not susceptible to agreement by private parties.¹³⁰⁴ The practical consequence of adopting limited party autonomy in copyright and related rights infringement claims will also raise some doubts. The legislature apparently expected that, after the dispute has arisen, the parties would agree on PRC law to govern their disputes. Since PRC law will not be a choice enabling both parties to prevail, one could hardly ever imagine that any party would agree to that.

5.6.3 Characteristics of the prescribed choice-of-law rules

Insofar as copyright and related rights are concerned, the choice-of-law rules prescribed in the PIL Statute have some important characteristics.

First and foremost, the PRC legislature recognized the existence of choice-of-law problems in cross-border copyright and related rights disputes. As described in section 4 of this Chapter, PRC courts have generally followed the practice that no foreign law should apply in such disputes, irrespective of the issues involved in them. This is mostly the result of their ignorance about the existence of the choice-of-law problem. Contrary to that, PRC academia and legislators recognized this problem and prescribed specific choice-of-law solutions for it.

By prescribing the *lex loci protectionis* as the basic rule, the PIL Statute respects the territorial character of copyright and related rights. Accordingly, when material claims of copyright and related rights, specifically the content and infringement of copyright and related rights are in dispute, the principle that the law of the country for which protection of such right is claimed shall apply.

For the more controversial issue of initial ownership of copyright and related rights, the final adoption of the *lex loci protectionis* rule confirmed that in the conflict of territoriality *versus* universality, territoriality prevailed in the PRC legislature. Furthermore, when a dispute concerns both infringement and material claims of copyright and related rights, prescribing the *lex loci protectionis* for both material claims and infringement of these rights ensures the uniform application of the same law.

In addition, contrary to the opinions and practices of the PRC judiciary, the application of the *lex loci protectionis* affords a possibility of applying foreign law in cross-border copyright and related rights claims, because if the protection of such rights is claimed in a foreign country, the *lex loci protectionis* will designate the application of that foreign law. This may then strengthen the confidence of foreign parties to bring a claim in front of a PRC court, and, in turn, facilitate international exploitation and protection of copyright and related rights.

¹³⁰¹ The ALI Principles §302, at 132; Eckart Gottschalk (*supra* n 577) 218.

¹³⁰² Jin HUANG and Rujiao JIANG (*supra* n 1271) 292-93.

¹³⁰³ *Id.*, 293.

¹³⁰⁴ Marta Pertegás 2006 A (*supra* n 339) 237; § 302 of the ALI Principles and Art. 3:606 of the CLIP Principles allow for the freedom of choice for the remedies in infringement claims.

Last but not least, the PIL Statute prescribes that in cross-border copyright infringement disputes, the parties may choose the *lex fori* after the infringing act has occurred. Adopting such a rule set a milestone in PRC PIL history. This is not only because of the fact that leeway to mutually agree on the applicable law has never before been prescribed in the PRC for general tort claims, but also because whether party autonomy should be allowed at all in IP rights infringement disputes is still intensively debated worldwide.

In short, the choice-of-law rules legislated for copyright and related rights are classic in the sense that the traditional territorial approach has been adopted, and as part of it the *lex loci protectionis* has been provided as a basic rule. This legislation is also current because a moderate deviation, i.e. limited party autonomy, has been introduced for claims of infringement of copyright and related rights. Nevertheless, there are still rooms for improvement with the rules provided in the PIL Statute, and therefore solutions need to be suggested.

5.6.4 Remaining problems and suggested solutions

With the inspiration from EU laws, European countries' national laws and the three sets of academic contributions, problems in the following five aspects will be analysed and provided with solutions.

5.6.4.1 Scope of the PIL Statute

The Report on Draft Statute 2010 explained that the reason for dealing with ownership, content and infringement of IP rights in the PIL Statute is because in practice they are the most often disputed issues.¹³⁰⁵ However, the issues of the existence, validity, duration and termination of these rights, which are not dealt with by the PIL Statute, are also often encountered in IP disputes. The explicit scope of the PIL Statute means that these issues fall outside its scope and are therefore not subject to the rules provided in its Article 48. It is nevertheless submitted that these issues should be governed by the *lex loci protectionis* not only because of the general attitude of the legislature towards the territorial approach, but also for the consideration of being logically consistent. The existence, content, validity and duration of copyright are closely related to each other: for example, the content of the right is linked to the decision to grant it, since that determines what exactly is granted and it could hardly ever be imagined that one law would govern the existence and validity of a copyright, and another govern its content. Thus, applying the same law - the law of the country for which protection is claimed - to the scope of the right, the type of work that is protected, and the identification of the creator of the work is a sensible, simple and harmonious approach.

5.6.4.2 Initial ownership

As far as ownership of IP rights is concerned, the PIL Statute, unlike the discussion papers submitted by the CSPIL, does not offer detailed solutions. It provides only the general rule of the *lex loci protectionis* without mentioning special situations involving, e.g., collaborated works and works being created under commission or employment contracts. One then has to figure out the method by which the initial ownership of a work arising from such special relationships should be determined. In this respect, one may reasonably propose either of two alternative approaches: first, keep the general rule of the *lex loci protectionis*, as provided in the PIL Statute, or second, characterize the initial ownership issue as one linked to the special relationship and, as a result, apply the law governing that relationship to the initial ownership of the works created in the course of the relationship. Both approaches have their pros and cons.

For the first one, applying the *lex loci protectionis* to the initial ownership issue is concomitant with the territorial character of copyright and related rights and consistent with the economic and cultural

¹³⁰⁵ Report on Draft Statute 2010 (*supra* n 1134) point 5.

policy of the country of protection. Additionally, since it is generally agreed that other material claims of copyright will also be governed by the *lex loci protectionis*, applying the *lex loci protectionis* to initial ownership of copyright will have the advantage that, when copyright protection is claimed in a certain country, it will always be that country's law that applies and always that same law that will apply to the material claims of copyright. However, in the context of international exploitation of a work, the application of the *lex loci protectionis* will lead to a distributive application of the law of each country concerned and thereby lead to conflicts in terms of who the initial owner of the work is. As has been covered in Chapter 1 *supra*, there are two different copyright protection systems in the world: the copyright system and the *author's right* system. The application of multiple individual national laws to the initial ownership of a copyright may lead to a situation, e.g., where the creator (the employee) is considered as the initial rights owner in one country, but not so in another because the law of the latter country treats the employer as the initial rights owner. Such inconsistency may result in undue complexity in practice for international exploitation and distribution of copyrighted works.

The second approach would apply the law governing the special relationship. This has to do with the rationale that creating a work is mostly a task performed by the employee or the person commissioned, which is the most important aspect of the relationship, presenting a close link between it and the initial ownership issue so that it is reasonable to apply the law governing the relationship to the initial ownership issue. As some scholars pointed out, this approach characterizes the issue of initial ownership of e.g. an employee-created work, as an employment-related contract issue.¹³⁰⁶ The advantage of this approach is that it can prevent the distributive application of the law of each country of protection, because only one law – the law governing the special relationship – will govern the issue of initial ownership.¹³⁰⁷ This law may not, however, be in line with the territoriality of copyright. Application of a law governing the relationship may also jeopardize the interest of the real creator of the work, namely the employee or the commissioned person because employers, having a dominant position in the relationship, may have the bargaining power to manipulate the law of the contract to be more favourable to them, e.g. choosing the law of a certain country that adopted the works-made-for-hire doctrine and obtaining all economic rights and moral rights, if any, for themselves.¹³⁰⁸

It should be taken into account that the second alternative, applying the law of the contractual relationship to determine the initial ownership of the copyrighted works created under such contractual relationship, is preferable from the standpoint of international exploitation and protection of copyright and related rights. That is because, in such an approach, only one law will apply to the ownership issue, and it will therefore ensure legal certainty and foreseeability about the applicable law. This approach will also meet reasonable expectations of the parties because the creation of the work constitutes the purpose of such a relationship and is closely connected with that relationship. The parties involved in such a relationship may expect that the law governing their relationship will also determine the identity of the initial owner of the work. Additionally, this approach will respect for the relationship formed between the parties. It is noteworthy that adopting such an approach is not to deny the territoriality of copyright; instead, it would apply only in an exceptional situation where works are created under a special relationship. As a result, the *lex loci protectionis* rule prescribed in the PRC PIL Statute effectively remains as the general rule and a deviation as to the works created under special relationships will be an exception.

In this context, reference needs to be made to the choice-of-law rules that will be applied to such relationships. When PRC judges hear such cases, they will, to begin, classify such relationships for purposes of identifying corresponding choice-of-law rules under PRC law. Employment relationships and commission relationships are contractual in nature, since the PIL Statute prescribes choice-of-law

¹³⁰⁶ Fawcett and Torremans 2011 (*supra* n 13) para 13.90.

¹³⁰⁷ *Ibid.*

¹³⁰⁸ *Ibid.*

rules for contractual relationships in general and for labour contracts¹³⁰⁹ specifically. So these relationships should be discussed separately in so far as application of the choice-of-law rules is concerned.

5.6.4.2.1 Works created pursuant to a commission relationship

The law of the contract for the commission will determine the question who will enjoy initial ownership of the work - the commissioning person or the commissioned author. As expressly stated in Article 41¹³¹⁰ of the PIL Statute, party autonomy is endorsed for general contractual obligations and, as a result, the law chosen by the parties to apply to the contract will also govern the initial ownership of the concerned copyrighted work. In the absence of choice by the parties, the PIL Statute provides the modern rule turning to the place of the habitual residence of the party who effects the characteristic performance of a contract for the connecting factor, and applies the law of that place to govern the substance of the contract. In this context, if the parties have not agreed on the law applicable to their commission contract, the law of the state where the commissioned author has his habitual residence will apply. This rule has also been set forth in Article 5(13) of the Rules of the SPC on Several Questions Regarding the Application of Laws in the Trial of Cases of Contractual Disputes in Foreign-involved Civil and Commercial Matters (hereinafter SPC Rules 2007),¹³¹¹ under which there is a rebuttable presumption in favor of the law which is applicable to commission contracts, i.e. the law of the commissioned person's domicile shall apply. In addition, the PIL Statute states that other laws with which the contract has its closest connection may also apply. The reason for adding this rule was to emphasize the principle of the closest connection, which is often used for contractual claims.¹³¹² The wording of this provision seems to imply that the characteristic performance doctrine and the closest connection rule are on an equal footing and therefore could be applied alternatively. However, since it is not always easy to identify what constitutes the characteristic performance of a contract, treating the closest connection rule as a further exception is probably more reasonable. Furthermore, doing so will introduce the flexibility that is necessary to implement the purpose of balancing commercial interests and adapting to the needs of commerce.¹³¹³ Thus, as a further exception to the characteristic performance rule, the law of the country with which the commission arrangement has the closest connection should apply to such even more exceptional cases to determine the initial ownership of works created pursuant to a commission contract.

5.6.4.2.2 Works created pursuant to an employment relationship

The initial ownership of works created by an employee should be governed by the law governing the contract for that employment. In this respect, reference can be made to Article 43 of the PIL Statute concerning the law applicable to labour contracts.¹³¹⁴ The Statute does not acknowledge party

¹³⁰⁹ Due to the different political theory existing in the PRC, the concept of labour law is similar to the one of employment contract used in the western countries.

¹³¹⁰ “当事人可以协议选择合同适用的法律。当事人没有选择的，适用履行义务最能体现该合同特征的一方当事人经常居所地法律或者其他与该合同有最密切联系的法律。”

“The parties may, by agreement, choose the law which is applicable to their contract. In the absence of such a choice, the law of the state in which the party required to effect the characteristic performance of the contract has his habitual residence or the law of the state with which the contract has the closest connection shall apply.”
[Translated by NZ]

¹³¹¹ Issued on 11 June 2007 and effective as of 8 August 2007.

¹³¹² News published before the adoption of the Statute on 27 October 2010, <www.npc.gov.cn/huiyi/cwh/1117/2010-10/27/content_1601122.htm> [in Chinese] (accessed on 2 October 2012).

¹³¹³ Ning ZHAO (*supra* n 769) 308-09.

¹³¹⁴ “劳动合同，适用劳动者工作地法律；难以确定劳动者工作地的，适用用人单位主营业地法律。劳务派遣，可以适用劳务派出地法律。”

autonomy for labour contracts. In order to protect the interests of employees, the Statute stipulates that a labour contract is governed by the law of the place where the employee carries out his work. In such a way, the Statute ensures that employees will enjoy the protection of the law of their place of work. If the place of work cannot be ascertained, recourse to the employer's principal place of business should be had. As for dispatched labour, the law of the country where the dispatched labour is arranged may also apply. Clearly, the protection provided to employees in the PIL Statute is achieved by simply ensuring the foreseeability of the applicable law rather than achieving substantive justice. Correspondingly, for the matter of initial ownership, the law of the place where the employee carries out his work shall apply. When this place cannot be ascertained, the law of the employer's principal place of business shall apply.

Since Article 43 of the PIL Statute does not accept party autonomy for labour contracts, the risk that an employer, with a dominant position in the relationship may manipulate the law of the contract to be more favourable to them, e.g. choosing the law of a certain country endorsing the works-made-for-hire doctrine and granting all economic rights and moral rights, if any, to themselves can be reduced. As to a labour contract that contains a choice-of-law agreement, the choice made is deemed invalid.

It is of note that Article 43 may have a limited scope of application, because the PRC Labour Law¹³¹⁵ and the PRC Labour Contract Law¹³¹⁶ require mandatory application of PRC law in terms of the establishment of labour relationships in a form of contract between employees and organizations such as enterprises, individual-owned economic organizations and private non-enterprise units in the PRC (employers).¹³¹⁷ That then leads to a question as to the circumstances under which Article 43 shall apply. One Chinese scholar pointed out that this provision has a very limited scope of application since the employer governed by the PRC Labour Law and Labour Contract Law includes both enterprises incorporated pursuant to PRC law and enterprises which have their places of business located in the PRC, including foreign enterprises, and accordingly a labour contract concluded by the employee with such an enterprise will be exclusively governed by PRC law.¹³¹⁸ Furthermore, for a foreigner employed by a PRC enterprise, upon the foreigner's receipt of a working permit, the permitted labour contract should also be exclusively governed by PRC Labour Contract Law.¹³¹⁹ Under such circumstances, Article 43 of the Statute will not play a substantial role when such labour contracts apply. Thus, this provision applies, according to that scholar,¹³²⁰ only to the labour contract

“An employment contract is governed by the law of the state in which the employee carries out his work. Where the working place of the employee cannot be ascertained, the law of the state where the employer's principal place of business is situated shall apply. For dispatched labour, the law of the state where the dispatch is arranged may apply.” [Translated by NZ]

¹³¹⁵ Labour Law of the People's Republic of China, adopted at the 8th Session of the Standing Committee of the Eighth NPC on 5 July 1994, promulgated by Order No. 28 of the President of the PRC on 5 July 1994, and came into effect on 1 January 1995.

¹³¹⁶ Labour Contract Law of the People's Republic of China, adopted at the 28th Session of the Standing Committee of the Tenth NPC of the PRC on 29 June 2007, promulgated and came into effect on 1 January 2008.

¹³¹⁷ Art. 2(1) of the Chinese Labour Contract Law “中华人民共和国境内的企业、个体经济组织、民办非企业单位等组织（以下称用人单位）与劳动者建立劳动关系，订立、履行、变更、解除或者终止劳动合同，适用本法。” “This Law applies to the establishment of labour relationships between, the conclusion of, performance of, amendment of, revocation of and termination of, labour contracts by employees and organizations such as enterprises, individual-owned economic organizations and private non-enterprise units in the People's Republic of China (“employers”).”; Article 2(1) of the Chinese Labour Law “在中华人民共和国境内的企业、个体经济组织（以下统称用人单位）和与之形成劳动关系的劳动者，适用本法。” “This Law applies to enterprises, individually-owned economic organizations (the employer) and labourers who form a labour relationship with them within the boundary of the People's Republic of China” [Translated by NZ]

¹³¹⁸ Tao DU, *Comments on Act of the People's Republic of China on Application of Law in Civil Relations with Foreign Contacts 涉外民事关系法律适用法释评* [in Chinese] (China Legal Publishing House, Beijing 2011), 338.

¹³¹⁹ *Id.*, 338-39.

¹³²⁰ *Id.*, 339-41.

concluded between a dispatched worker and a foreign enterprise in the situation where such labour relationship is facilitated by an agent such as a Foreign Enterprises Service Company.¹³²¹ Nevertheless, in a recent judgment regarding a dispute about the labour contract concluded between a foreigner and a PRC legal entity, the court identified the foreign element involved in the contract: a foreign national, and referred to Article 43 of the Statute and designated the application of PRC law accordingly.¹³²² In that case, given the fact that the employer was a PRC legal entity, the court did not invoke the mandatory application of PRC Labour Contract Law in the way this scholar commented. Although the court finally did apply PRC Labour Law to this dispute, such an application was based on the designation made pursuant to Article 43 of the Statute. Therefore, the scope of the application of Article 43 in determining the law of labour contracts will still need to be further clarified by PRC courts.

5.6.4.2.3 Collaborated works

If there is a cooperation agreement between co-authors in different countries, the law governing that relationship can determine the initial ownership of their collaborated works. As a contractual obligation falls within the scope of the PRC PIL Statute, the law applicable to such contracts will be referred to in Article 41 of the Statute, i.e. respecting the parties' choice as a general rule and in the absence of such a choice the law of the place of the habitual residence of the party who effects the characteristic performance of a contract shall apply. As discussed in the foregoing subsection on commissioned works, the closest connection rule will be applied as an exception.

Although applying the law that governs a contract to the issue of initial ownership of the copyrighted work created under the relationship formed by that contract has the advantage of ensuring legal certainty, foreseeability and meeting the expectations of the parties, one may still argue that, if the creation of the work forms the core of the employment or commission relationship, why cannot the specific issue of initial ownership be directly left to the parties' agreement, i.e. why not recognize it when the parties directly agree in their contract about who will be the initial owner of the work? This could, of course, be a solution. However, since it is unlikely that all agreements would contain a clause specifically determining the initial ownership of the work, as to those agreements that do not contain such a choice, a potential dispute on the initial ownership issue will still be on the horizon. Under such a circumstance, a choice-of-law solution would still have to be sought. Furthermore, if the employer or the commissioning person were to be a large producer of copyrighted works and occupy a dominant position in such a relationship, the initial ownership decision will mostly be under the control of that employer or commissioning person. Such an agreement on the ownership issue may jeopardize the best interests of the employee or the commissioned person who actually creates the work but normally holds a less favorable bargaining position. Thus, having a choice-of-law solution may be more justifiable in the sense that the commissioning person or the employer under such circumstances could not as easily take advantage of a dominant position to become the owner of the copyright as they might every well do in an agreement they impose.

5.6.4.3 Scope of party autonomy

Adopting limited party autonomy – an *ex post* choice of the *lex fori* - to copyright and related rights disputes introduces flexibility and enhances judicial efficiency, especially as to multi-state infringement disputes where the problem of the distributive application of large numbers of relevant laws will be likely to arise. Such party autonomy can also ameliorate the rigidity of the *lex loci*

¹³²¹ A representative office (RO) of a foreign enterprise is not a legal person according to Art. 203 of the Chinese Company Law and as a result a RO cannot directly employ a Chinese citizen. Thus for employing a Chinese citizen in a RO, the RO has to engage an agent such as Foreign Enterprises Service Company to conclude an employment contract.

¹³²² The High People's Court of Henan Province, *Christopher John Pratt v. Zhengzhou Cornerstone Foreign Language Training Centre*, second instance ((2011) 豫法民三终字第 139 号).

protectionis rule when applied to copyright and related rights infringement disputes in situations where an infringing act is found to occur outside the territory of protection.¹³²³

Nevertheless, it should be pointed out that the legislature ought to make the scope of the application of party autonomy more clear. Given the territorial character of copyright, it is generally believed that private party agreements as to some aspects of infringement claims e.g., agreements that certain acts should be deemed to constitute infringements, should not be permitted because that would be dealing with the economic and cultural policy of a country, which cannot be delegated to be contracted out by the parties. Instead, for the sake of greater judicial efficiency and to respect parties' autonomy, the aspect of computing monetary relief could be agreed to by the parties and to then be governed by the *lex fori*. To do so would also enhance the practical applicability of this rule, because the parties, during or after the trial of an infringement dispute, may also then agree on the amount of damages that the infringing party must pay to the infringed party in order to settle the claim.

5.6.4.4 Multi-state infringement problems

Determining the law applicable to an infringing act that subsequently affects several countries has always been difficult. This observation applies equally to cross-border copyright and related rights disputes. In the analogue or off-line world, multi-state infringement occurs, for example, when a book or a film is distributed in several countries without the permission of the rights owner. Under such circumstances, the application of the *lex loci protectionis* rule will, as already discussed, lead to a distributive application of the law of each state for which protection is claimed. From a practical point of view, it will not only be burdensome and costly to determine, verify and apply all the national laws that are involved, but also the end result may be hard to predict and a result that contradicts reasonable expectations may occur. In can, nevertheless, be admitted that the *lex loci protectionis* rule adopted in the PIL Statute may still play a positive role in the analogue world where cross border communication can still only be made to certain definite place(s). The problem of distributive application becomes magnified when the means of exploitation or distribution of a copyrighted work is transformed to acts on the Internet that have global effect, because in that context the alleged infringement occurs virtually everywhere - the so-called ubiquitous infringement. The distributive application of a multitude of laws will certainly be a disadvantage when attempting to apply them through the *lex loci protectionis* in cross-border copyright and related rights infringement cases.¹³²⁴

Many scholars and academic groups have advocated adopting an approach of identifying one law or a small number of laws to govern an entire set of multi-state infringement claims.¹³²⁵ The proposed solutions have been focused on whether the closest connection rule should be adopted, and if so, the law of state having the closest connection with the multi-state infringement should be applied.¹³²⁶ Indeed, while this approach can overcome problems arising from the distributive application of numerous laws and therefore also enhance judicial efficiency, it nevertheless has certain flaws when it comes to its application. First, determining the state having the closest connection with a multi-state infringement will be subject to the discretion of judges in individual cases and will not provide the parties with predictability and legal certainty. In this respect, some academic groups, such as the CLIP Group, the American Law Institute projects list the factors that should be taken into account, such as the habitual residence of the parties, the extent and the place of the activities of the parties, and so on.

¹³²³ Jin HUANG and Rujiao JIANG (*supra* n 1271) 293.

¹³²⁴ Dick van Engelen 2008 (*supra* n 760) 442; J.A. Pontier 2008 (*supra* n 660) 105; J.A. Pontier 2009 (*supra* n 851) 204; Marta Pertegás 2006 A (*supra* n 339) 229 *et seq.*

¹³²⁵ Changhai YANG (*supra* n 1271) 346-47; Annette Kur 2005 A (*supra* n 834) 978; Fawcett and Torremans 2011 (*supra* n 13) para 15.47; Art. 3:603 of the CLIP Principles; §321 of the ALI Principles; Art. 306 of the Japanese-Korean Principles; Stefania Bariatti (*supra* n 759) 76-7. For details as to this approach, see chapter 3, *supra*.

¹³²⁶ Annette Kur 2005 A (*supra* n 834) 978; Fawcett and Torremans 2011 (*supra* n 13) para 15.47; Art. 3:603 of the CLIP Principles; §321 of the ALI Principles; Art. 306 of the Japanese-Korean Principles.

However, as discussed in Chapter 4, their points of departure differ in terms of favouring rights owners more or leaning more in favour of alleged infringers. Thus, the end result of taking such factors into account may still be unforeseeable for the parties. Additionally, adopting a closest connection approach may not have a statutory basis under PRC law. Under the PIL Statute, the closest connection rule is to be applied only when its provisions so state, or in a situation where the Statute and other laws do not specify a choice-of-law rule for a certain foreign-related civil relationship.¹³²⁷ Such rules mean that an IP rights infringement that has been expressly covered by the Statute could not be dealt with by recourse to the closest connection rule. In addition, the PRC legislature's preference for legal certainty¹³²⁸ may also lead to questions about acceptability of the closest connection rule for multi-state infringement disputes.

This writer submits that, even though multi-state infringement will be occurring more often along with increased development of high technology, the underlying territoriality principle should still be respected. In other words, the *lex loci protectionis* rule should always remain as the general rule even for multi-state infringement claims. However, in the interests of efficiency and enhancing cross-border exploitation of copyrighted works, a certain amount of flexibility can be introduced when such claims are alleged. In the context of that, the closest connection rule would need to be applied, but only as an exception in those situations where the countries involved cannot be specifically identified. This approach will present a major challenge to the PRC's choice-of-law rules because People's Courts will have to identify the connecting factors to the infringement involved in a dispute and use them to choose a single law to apply to the entire infringing activity. When determining the state having the closest connection, People's Courts will need to consider the infringement in dispute as a whole and take into consideration the following factors: 1. the habitual residences or the principal places of business of the parties; 2. the place(s) where the substantial activities furthering the multi-state infringement were committed; 3. the place(s) where the harm caused by the infringement is substantial in relation to the infringement in its entirety. In addition, a previously-formed relationship among the parties, such as, in the context of copyright, co-authorship or works being made under commission or employment should also be points of attachment in multi-state infringement, because the parties in such relationships should be able to predict the law governing their relationships will also govern the multi-state infringement claims. Pinpointing these factors means focusing on the factual details of a multi-state infringement in dispute. Additionally, given the close relation that the issues of the existence, scope and duration of the right have with the infringement of the right, this rule should also apply to such issues when they are raised as preliminary or incidental issues in multi-state infringement disputes.

Suggesting the closest connection rule for multi-state infringement claims will present a major challenge for judicial treatment of the PRC's choice-of-law rules, because People's Courts will have to identify and weigh the connecting factors involved in order to choose a single country's law to apply to an entire infringement. In other words, this rule will allow some latitude to the PRC courts in deciding the applicable law. Given the fact that the PRC is a civil law country having statutory law, how to apply the rule of the "closest connection" and give effect to its application will raise concerns.

The "closest connection" rule is, however, not new to the PRC statute, or to judicial practice at People's Courts. Prior to enactment of the PIL Statute, this rule was used mainly for contractual claims and has been extended to others step-by-step.¹³²⁹ The level of importance of this rule has been, along with the adoption of the PIL Statute, raised from a specific provision to a principle of general application. As set down in Article 2 of the Statute, in those cases where the Statute and other laws do

¹³²⁷ Art. 2(2) "Where this Law or other laws do not specify the law which is applicable to a certain foreign-related civil relation, this relation shall be governed by the law of the state with which this relation has the closest connection." [Translated by NZ]

¹³²⁸ Ning ZHAO (*supra* n 769) 304.

¹³²⁹ Shuhong YU, Yongping XIAO and Baoshi WANG, 'The Closest Connection Doctrine in the Conflict of Laws in China', (2009) 8 CJIL 423.

not specify a choice-of-law rule for a certain foreign-related civil relation, the law to which the foreign-related civil relation has the closest connection shall apply. Although the principle is worded as a subsidiary rule in this provision, the fact that it is embodied and applied in the subsequent provisions of the Statute provides a reason to regard it as one of the basic principles of the Statute. Moreover, the Report on Draft Statute 2010 demonstrated the desire of the PRC legislature to adopt it as a basic one.¹³³⁰ The research on the PRC's judicial practice in this respect also demonstrated that the "closest connection" rule has remained popular in People's Courts.¹³³¹ Thus, the 'closest connection' has been and can still be accepted by the PRC legislature and judiciary.

Attention may be given to consequences of the application of this rule. PRC courts have the intention to apply PRC law because "*the courts generally only consider the connection between China and the dispute at issue to see if the connection is close enough to justify that China has the closest connection*".¹³³² Due to the lack of legal reasoning in judgments, it is difficult to see how PRC judges have reached the application of PRC law by analysing the closest connection with the dispute. The same problem may also arise in the context of multi-state copyright and related rights infringement disputes, since PRC courts may only apply PRC law when identifying the one law governing the entire infringement dispute. In order to prevent such blunt application in such claims, some factual connecting factors for the determination of the closest connection, as discussed above, should be emphasized.

Thus, the *lex loci protectionis* rule is still the basic rule in infringement disputes of copyright and related rights. A rule designed for multi-state infringement claims should only be used for exceptional cases. Thus, a definition needs to be introduced in order to clarify when and under what conditions an exception rule for multi-state infringement can be invoked. In this respect, in situations where infringing activities were actually facilitated through ubiquitous media, which led to infringements arguably committed in every country which the facilitated infringement could have reached, and if the countries alleged in these infringement claims cannot be specifically identified, then the court may apply the law of the country having the closest connection to these claims.

It should nevertheless be mentioned that, although the rules suggested above may not provide full legal certainty and foreseeability as to the applicable law, the efficiency interests that such rules augment will outweigh the legal certainty drawback.

5.6.4.5 Separation of copyright and related rights from industrial property rights

As already discussed, special characteristics of copyright and related rights should be addressed specifically from the perspective of choice-of-law. First, this is because of the non-registration requirement endorsed in international copyright and related rights treaties. Because of non-registration, copyright and related rights could not be attached to any physical place that would constitute a connecting factor in identifying the law applicable to a dispute, unlike what the registration or deposition procedures do for registered industrial property rights. In addition, by nature, literary, scientific and artistic works are ubiquitous in the sense that they are independent of physical links with any territory and, because of that, they cannot be situated in a given country. Thus, copyright and related rights need to be differentiated from other IP rights that require registration in terms of finding a governing law, in particular in the aspect of the rights as such, e.g. the initial ownership and extent of protection.

¹³³⁰ (*supra* n 1134) Point 1.

¹³³¹ According to the data provided in 2009, 21,9% of the civil judgments that involve with foreign elements applied the closest connection rule. The percentages in this respect were 55,1%, 40%, 50%, and 40% in 2008, 2007, 2006 and 2005 respectively. See Shuhong Yu *et. al* (*supra* n 1329) 432-33.

¹³³² Mo ZHANG 2011 (*supra* n 769) 124-25; Similarly, Shuhong YU *et. al* (*supra* n 1329) 434-35.

5.6.5 How and where to recommend new solutions

Since the PRC PIL Statute has laid down specific rules for IP rights claims, one may wonder how and where to introduce the above-suggested solutions. Nevertheless, these solutions can be adopted by means of a binding judicial interpretation by the SPC. As discussed in section 5.1.2.1, the SPC has a quasi-law-making function. In the situation where the law is not clear or too general, the SPC is authorized to draft judicial interpretations to clarify rules or to fill in gaps left by the statutes. This may sound odd to some, but in any event the judicial interpretations issued by the SPC are a particular feature of the PRC legal system. In fact, in reality one can better grasp the legislative intention, or so to say, the political intention of the Chinese Communist Party by reading the judicial interpretations of the SPC, because in the PRC, the legal system is indistinguishable from the political system, and accordingly the laws that are effectively implemented are not necessarily made by the legal system, but rather they reflect the political priorities of the Chinese Communist Party.

Such phenomena can also be encountered with respect to substantive copyright and related rights protection. As analysed in Chapter 2, international copyright and related right treaties mainly prescribe substantive law protection for those rights. As a member state of several international copyright and related rights treaties, the PRC fulfills its international obligations either by amending its existing law or by adopting new legislation. If a foreign professional looks at the rhetoric or the language of the PRC Copyright Law, he or she would most probably not be able to form a sufficient understanding of that law because the law making and implementation processes of the PRC Copyright Law are primarily controlled by policies that reflects the Chinese Communist Party's attitudes towards the role of culture and the economy, and to gain insight in the actual policies in copyright and related rights protection in the PRC, one has to look into the implementing rules together with the judicial interpretations made by the SPC.

It is then to be expected that in the course of implementing the PRC PIL Statute, the Judicial Committee of the SPC will deliberate the rules set out therein and drafts a judicial interpretation for it. Hopefully, it will also introduce the solutions proposed in this dissertation.

5.7 Conclusion

This chapter begins by introducing the PRC's legal system and judicial structure. Further, by looking at copyright legislation and choice-of-law rules that had been effective before the enactment of the PRC PIL Statute, this chapter demonstrates that there were no choice-of-law rules specifically for cross-border copyright and related rights claims under PRC law. A further analysis of judgments rendered by People's Courts shows that without clear legislative guidance, those courts had been deciding foreign-related copyright cases inconsistently. Most of the judgments did not contain any choice-of-law analysis, and mostly all of them decided they were governed by PRC law. The reasons for such practices were, as pointed out in this chapter, mainly because of the strict understanding of the territoriality principle, the lack of awareness of the choice-of-law issues in such claims, and the PRC judges' natural preference for the use of PRC law. This chapter also analyses the legal endeavour made by the PRC legislature that led to the adoption of the PIL Statute in 2010. This Statute prescribed specific choice-of-law rules for IP rights disputes by providing for the application of *lex loci protectionis* to the content, initial ownership and infringement of IP disputes. For the latter, it sets down the possibility of limited party autonomy. As analysed further in the chapter, there are still problems remaining in this particular subject, and with inspiration from EU laws, European countries' national laws and the three sets of academic contributions, solutions are proposed.

In summary, this chapter argues that in consideration of legal practices and existing choice-of-law rules, when the SPC drafts a judicial interpretation in relation to implementation of this Statute, more rules providing clarity and flexibility in cross-border copyright and related rights claims should be introduced, in such a way cross-border exploitation of copyright and related rights will be enhanced.

CONCLUSION

I

In the modern context, choice-of-law rules for cross-border copyright and related rights disputes must be special. Different rationales for enacting copyright legislation coupled with the growing economic importance of copyright-based industry make this necessary.

Moreover, although copyrights are a category of property, their specific characters as IP rights have to be distinguished from rights to tangible property. Copyrights have limited duration, and their exclusivity is less inviolate. In addition to this, their intangibility and ubiquitous existence obviate application of the choice-of-law rules that are usually applied to standard, mostly tangible property.

II

Formulating choice-of-law rules for cross-border copyright and related rights disputes is more complex than for types of IP requiring registration, i.e. patents, trade marks and designs. This is because a copyright needs no registration or government action in order to come into legal existence, as prescribed in Article 5(2) of the Berne Convention. Thus, in the aspect of choice-of-law, copyright and related rights should be differentiated from other IP rights that require registration and should be provided with more finely-tuned choice-of-law solutions in their cross-border disputes.

III

The phrase “international copyright law” is a misnomer. There is no such thing. The attempt to internationally harmonize disparate copyright laws actually provided “bundles” of rights concerning copyright and related rights. It is not really possible to totally harmonize substantive copyright law in international copyright and related right treaties.

The heavily debated issue whether national treatment is a choice-of-law provision should be answered negatively. That is because national treatment is actually an anti-discrimination measure - a measure that requires foreign and domestic authors to be treated in the same way -, and it has no impact on choice-of-law issues. From the historical perspective, the drafters of the Berne Convention aimed only at providing protection for a work of foreign origin or one having a foreign author, and it does not demonstrate that they also intended to provide choice-of-law provisions. Neither does Article 5(2) of the Berne Convention state the application of the laws of the country where protection is claimed to be a choice-of-law rule. As has been observed, this provision is no more than “*another illustration of the efforts to abolish discrimination against foreign authors.*”¹³³³

Thus, it can be concluded that with the limited exception of Article 14*bis*(2)(c) of the Berne Convention, the international copyright and related rights treaties do not directly or expressly refer to choice-of-law rules.

IV

Throughout the relevant historic times, the territoriality principle has been constant, but tension between that principle and globalization has been increasing with extraterritorial exploitation and application of copyright. The continuing vitality of the territoriality principle is a necessity, and it should remain subsisting. Notwithstanding that necessity, the territoriality principle still cannot be equated with the rule of *lex loci protectionis*; however, the rule of *lex loci protectionis* and the

¹³³³ Marta Pertegás 2006 A (*supra* n 339) 227.

territoriality principle are compatible to the extent that, the territoriality principle, under a widely-accepted current interpretation, permits certain extra-territorial effects.

V

The EU Rome II Regulation adopts the *lex loci protectionis* for IP rights infringement claims without providing any flexibility. This raises concerns about its effectiveness. First, party autonomy is regrettably absent because of the rationale of protecting the public interests. In this respect, European legal scholars have intensively advocated a limited freedom of choice-of-law for the parties, since it would increase legal certainty and foreseeability about the law, demonstrate respect for the parties' choice, and increase judicial efficiency in cross-border copyright and related rights disputes. Second, multi-state IP rights infringement cases have not been given attention. Because applying the *lex loci protectionis* in such cases will lead to a distributive application of the laws of the different countries for which protection is claimed, multi-state copyright infringement disputes should be provided with specific choice-of-law solutions, especially considering the ever-increasing cross-border exploitation of copyrighted works, in particular by means of high technology.

The Rome II Regulation arguably deals only with non-contractual obligations arising from IP rights infringements. As a result, the matters of the existence, scope, duration and termination of IP rights as well as the initial ownership of copyright fall outside the scope of Rome II. A survey on selected European states' laws and practices for those matters demonstrates that there is a lack of consensus on the applied choice-of-law rules. Additionally, none of these jurisdictions distinguishes copyright and related rights from IP rights that require registration, with the exception of the Belgian PIL with regard to determining initial ownership of industrial property rights.

VI

Three academic groups with international standing as to IP have made proposals for principles, which have the character of "soft law": the ALI Principles, the CLIP Principles and the Japanese-Korean Principles. There are differences among the three, but they all use territoriality as a basic principle and apply the same *lex loci protectionis* rule to determine the existence, creation, duration, termination and infringement of copyright and related rights claims, while advocating moderate departures from the territoriality principle for them. These deviations include, in one way or another, allowing party autonomy, proposing solutions for multi-state claims, and accepting universality in initial ownership of copyright and related rights (the ALI Principles and the Japanese-Korean Principles). The solutions proposed in these Principles may serve as a source of inspirations for the PRC legislature and judiciary when encountering these questions.

VII

Prior to the enactment of the PRC PIL Statute, PRC law had no clear provision on how choice-of-law problems in cross-border copyright and related rights disputes should be dealt with. In judicial practice, People's Courts had hardly ever recognized or analysed these problems, a circumstance that was mainly attributed to misunderstanding about the territorial character of copyright and the ignorance of choice-of-law issues. Even when the choice-of-law problem had been recognized or analysed, the approaches taken were still varied and unpredictable. The final results of cases, however, have been almost the same: the application of PRC law.

By recognizing the choice-of-law problem that had evolved in cross-border IP rights protection cases and providing for them in the PIL Statute, the PRC legislature reversed previous judicial practice. But it still maintains the traditional territoriality principle: providing a wider scope of application of the *lex loci protectionis* to apply it to matters of ownership and content of IP rights, as well as IP rights infringement. Adopting the *lex loci protectionis* rule offers the possibility of applying foreign law, and also provides legal certainty for rights users or rights owners. Moreover, it may strengthen the

confidence of foreign parties to bring a claim in front of a PRC court. That may, in turn, facilitate international exploitation and protection of copyright and related rights.

The Statute expressly provides that IP rights infringement claims could also be dealt with in the way that the parties wish by submitting them to PRC law after the infringing act has occurred. Despite the fact that the efficiency and the practical consequence of this rule may still need to be tested in the future, to say the least, the advance made by the PRC PIL Statute represents the trend in development of choice-of-law in this field.

Furthermore, for the issue of initial ownership of copyright and related rights the PRC PIL Statute chooses territoriality over universality. The Statute confirms the principle that the regulatory choices reflected in national copyright laws will prevail in all cases concerning the use of works within the borders of that state, i.e. respecting the territorial character of copyright and related rights. It ensures the application of the same substantive law when there are also infringement claims at stake. In this sense, the choice-of-law rule prescribed in the Statute will enhance the process of correctly adjudicating disputes.

VIII

Finally, as to the research question put forward at the beginning of this dissertation “whether the rules adopted in the PIL Statute will fit into the picture of enhancing cross-border exploitation of copyright and related rights from the perspective of choice-of-law”, this writer answers that the choice-of-law rules prescribed by the PRC legislature were to serve the purposes of enhancing international IP rights protection, however, the legislature overlooked certain aspects of the rights that are also essential in promoting international copyright protection, such as multi-state copyright infringement disputes. Thus, it is suggested that the PRC legislature and judiciary should tackle certain problems that still remain. With the comparative inspiration drawn from the EU law, selected European states’ laws and judicial practices, as well as three sets of academic contributions, solutions to these problems are proposed.

(1) the PIL Statute lacks explicit choice-of-law solutions for the problems of multi-state copyright infringement, including ubiquitous infringement that often arises in the context of the Internet. For such a solution, a definition of what constitutes multi-state infringement would need to be established with a view to clarifying that the set of rules for it can only be used for exceptional situations and cannot cancel out the general rule of the *lex loci protectionis*. Then, in addition to the already prescribed *ex post* party autonomy rule in the Statute, the legislature may consider introducing a closest connection rule designating the one law that is most closely connected to the infringement. Further, given the close relation between the issues of existence, scope, duration of the right and the infringement of the right, such rules should also apply to those issues when they are raised as preliminary or incidental issues in multi-state infringement disputes.

(2) the Statute lacks an express choice-of-law provision relating to the initial ownership of works created in the course of employment or pursuant to a commission arrangement, or for collaborated works. To identify the initial owner of such works the law governing such relationships should apply. That would be based on the rationale that creating the work is mostly to be performed by the employee or the person commissioned. The initial ownership issue has a close link with these relationships and can justly be treated as an issue related to them. Applying the law of that contract can prevent distributive application of the law of each country of protection and overcome territorial splitting of the ownership of such works because only the law of the contract will govern the issue of initial ownership.

(3) the scope of party autonomy in the Statute, i.e. an *ex post* choice of PRC law, should be further clarified. Certain aspects of infringement claims should not be subject to the parties’ contracting power. For the sake of accuracy and clarity, party autonomy should be limited to the extent that it only

Conclusion

allows the parties to make an *ex post* choice of the *lex fori* in computing money damages resulting from infringing acts.

(4) in the PRC PIL Statute the scope of the *lex loci protectionis* rule is not clear enough. The scope of *lex loci protectionis* needs to be clarified, and should expressly include the matters of existence, validity, duration and termination of the right. That will not only respect the territoriality principle of copyright and related rights, but also provide clarity as to the law that is applicable for the parties and judiciary.

(5) copyright and related rights are not separately dealt with. Separation of copyright and related rights from other IP rights that require registration should be introduced because that would facilitate more finely tuned choice-of-law solutions for potential conflicts that are purely within the context of copyright and related rights.

In performance of the special role of the SPC in the PRC legal system, the SPC will deliberate the rules set out in the PIL Statute and draft a judicial interpretation with regard to the implementation of the Statute. The above solutions are submitted for its consideration. Those solutions aim at ensuring the general application of the *lex loci protectionis* rules to cross-border copyright and related rights disputes while carefully introducing a certain amount of flexibility, i.e. providing for moderate departures from this rule by restricting them to situations only where such departures are really necessary, e.g. in multi-state infringement disputes, and prescribing the definition and conditions for allowing them only where the solutions and legal consequences are clear. These solutions will enhance the effectiveness of the rules and reach a balanced result between the needs of legal certainty and foreseeability, on one hand, and individual justice, on the other. However, only time and experience with more cases will show the practical significance of the choice-of-law rules provided in the PIL Statute, as well as the usefulness of proposing the above solutions for SPC consideration.

The solutions suggested above may be articulated in the following articles:

“Article a:

The existence, content, validity, duration and termination of copyright and related rights are governed by the law of the country for which protection is claimed.

Article b:

- 1) The initial ownership of copyright and related rights is governed by the law of the country for which protection is claimed.
- 2) If copyright and related rights were vested pursuant to a contractual relationship, in particular a labour contract, a commission contract or a contract concerning collaborated works, the initial ownership of such works shall be governed by the provisions of this Law¹³³⁴ concerning the law applicable to labour contracts or contractual obligations, respectively.

Article c:

- 1) Infringement of copyright and related rights is governed by the law of the country for which protection is claimed.
- 2) After infringing acts have occurred, the parties may, by agreement, choose the law of the forum to govern the issue of monetary damages awardable by reason of the infringement.
- 3) If infringing acts were facilitated through ubiquitous media, leading to infringement arguably committed in every country which the facilitated infringement has reached, and, if the application of the law pursuant to paragraph 1 of this article would encounter undue difficulty in terms of identifying the countries generally alleged to be affected by such infringement, the law of the country with which the infringement has the closest connection shall apply.

¹³³⁴ The PIL Statute.

In determining the country with which the infringement has the closest connection, the following factors may be taken into consideration:

- i. the habitual residences or the principal places of business of the parties;
- ii. the places where the substantial activities furthering the multi-state infringement have been committed;
- iii. the places where the harm caused by the infringement is substantial in relation to the infringement in its entirety;
- iv. the place where the parties' previous relationship, if any, has been centred.

This rule also applies to the issues of the existence, content, validity, duration and termination of copyright and related rights when they arise as an incidental or preliminary question in infringement proceedings.

SUMMARY

The growth of the economic importance of the copyright-based industry, the development of new technologies that facilitate exploitation of copyrighted works, and the increase in international trade in copyrighted items, underline the importance of effective protection of copyright and related rights. Since the laws that provide such protection differ internationally, the question which law is applicable to cross-border disputes about copyright and related rights is relevant in this context. National states, international communities, and academia have gradually been recognizing this question. Some states have codified specific choice-of-law rules for cross-border IP rights disputes. For example, the legislator of the People's Republic of China (PRC) has recently prescribed rules for IP rights in general in its *Law on the Application of Law in Foreign-related Civil Relations* (PIL Statute). Similarly the European Union has codified them in the *Regulation on the Law Applicable to Non-Contractual Obligations* (the Rome II Regulation). However, the approaches adopted and the scope of the enacted rules still vary.

Inspired by these developments, this dissertation puts forward a research question of whether the rules adopted in the PRC PIL Statute will fit into the picture of enhancing cross-border exploitation of copyright and related rights from the perspective of choice-of-law. In answering this question, the dissertation proposes choice-of-law solutions concerning copyright and related rights claims to the PRC legislature and judiciary.

To this end, the dissertation reviews five topics related to copyright and choice-of-law rules, which is necessary for obtaining a full understanding of the background of the research question and the proposed solutions. These areas are:

- the characteristics that copyright and related rights have which distinguish them from other IP rights and from standard property rights in tangible things, and which lead to differences in identifying the law applicable to copyright and related rights disputes (Chapter 1);
- what the international treaties on those rights provide, the historical development of these treaties, and whether they contain any choice-of-law solutions for cross-border copyright and related rights disputes (Chapter 2);
- how European Union law and the laws of selected European states designate the law applicable to such disputes, and the inspiration they can bring to the PRC legislature and judiciary in this regard (Chapter 3);
- approaches of selected academic institutions and how they can similarly inspire the PRC legislature and judiciary (Chapter 4); and
- the background of PRC legal institutions, how PRC law and judicial practice previously dealt with choice-of-law issues in cross-border copyright and related rights disputes, the rules provided in the PRC PIL Statute, and how these rules could be improved with regard to copyright and related rights disputes (Chapter 5).

Chapter 1 begins by describing the idea of copyright as legal protection from unauthorized use of all kinds of expressions of an author. Copyright offers the author this protection by granting him the exclusive right for a specified time period. Although this provides the author with an absolute subjective right which operates *erga omnes* like standard property rights to tangible things, there are also characteristics of copyright that distinguish it from such property rights. These characteristics include its limited duration, intangibility, i.e. not definable or identifiable by reference to physical parameters, and an exclusivity that is far less inviolate than standard property.

The chapter then provides an overview of rationales of copyright and its legal justifications. As to the rationales, four main theories have been studied: the property right theory, personality right theory, *sui generis* right theory, and monopoly right theory. As to the legal justifications for granting copyright, several legal justifications have been boiled down to two: a justice argument that focuses on the

individual author who as a matter of justice must be protected in his work (this argument is generally used within the European civil law tradition); and an utility argument that focuses on the public usefulness of copyright and promoting the public interest through exclusive rights incentives for authors to create and disseminate their creations. (this argument is generally used within the Anglo-American common law tradition). Subsequently, the chapter describes the exceptions from and limitations on copyright protection. In this respect, it discusses that due to the policy considerations of every country, these exceptions and limitations differ from country to country. Based on the above discussions, this chapter demonstrates that differences in rationales and legal justifications are found throughout in various aspects of copyright, such as the creation, scope and initial ownership of copyright. These differences are the results of differing social, political and cultural policies that particular legal orders have, and as a result, the extent of copyright protection varies from one country to another.

Thereafter, the chapter discusses the impacts of technological developments on copyright, and the challenges that bring to it. Not only do technological developments expand the scope of copyright subjects, they also enhance reproduction and dissemination of copyrighted works. Given such impacts and challenges, the dissertation submits that, with differing rationales that underpin potentially applicable copyright laws, when cross-border copyright and related rights disputes arise, the possible outcomes with regard to which national law applies can be expected to differ.

The Chapter then moves on to deal with some particularities of copyright and its interplay with choice-of-law issues. First, in the context of choice-of-law issues, tangible property is usually definable with reasonable clarity by reference to location, i.e., its *situs*. The *situs* has always been the most important factor for resolving choice-of-law issues concerning tangible property. However, since copyright is intangible, it is not susceptible to treatment by this factor. Other characters that make choice-of-law rules for cross-border copyright disputes special are the territoriality principle (on the basis of which copyright law must be limited to the territory of the legislative body that enacted it), and the effects of international copyright treaties, which for instance provide the non-formality of copyright, as prescribed in Article 5(2) of the Berne Convention (for the purpose of letting a copyright come into its legal existence upon the completion of the work). Particularly the requirement of non-formality differentiates copyright from patent and trademark, and therefore specific choice-of-law rules for copyright and related rights claims are necessary. The chapter further contends that, although copyright law are made by states to be effective only within their territorial borders, the territoriality principle should not be too readily equated with the rule that the applicable law should be that of the state for which protection is claimed (*lex loci protectionis*) because the strict interpretation of the territoriality principle would mean giving no effect to foreign laws, whereas the *lex loci protectionis* rule may afford some leeway for the just application of foreign law.

Chapter 2 begins by describing historical development of copyright protection from the pre-18th century privileges systems, to statutory private law, then to bilateral treaties and finally to multinational treaties. This description demonstrates that international copyright protection was promoted by cross-border exploitation of copyrighted works. The growth of copyright protection tracked the development of technology. The chapter then looks into international copyright and related rights treaties: the Berne Convention that got under way in 1886, the Universal Copyright Convention, the Rome Convention 1961, and the more recent WCT, WPPT, WAPT and the WTO Trade Related Intellectual Property (TRIPs) Agreement. These treaties provide substantive copyright protection internationally by requiring minimum standards. Nevertheless, they harmonize only certain aspects of national copyright and related rights laws, and, as a result, there are still significant differences in protection from country to country. The international harmonization of copyright law in these treaties in fact sets up “bundles” of national copyright protections, rather than a single, uniform level of protection. Consequently, the territoriality principle remains important in copyright and related rights.

This chapter then argues that in the context of cross-border copyright and related rights claims, choice-of-law rules rather than international substantive copyright treaty provisions are needed since the

application of the appropriate choice-of-law rule designating national substantive copyright laws will respect the cultural and economic considerations underpinning each country's copyright laws.

Subsequently, the chapter analyses the principle of national treatment employed in the Berne Convention and later treaties. The chapter argues that this principle is an anti-discrimination measure that requires foreign and domestic authors to be treated in the same way, and has no impact on the choice-of-law issue. This point of contention is based on the argument that the national treatment principle only defines the scope of the domestic copyright laws of the protecting country and confines its effect to that context. Also, from the historical perspective, the drafters of the Berne Convention aimed only at providing protection to a work of foreign origin or having a foreign author, and nothing they were considering involved a choice-of-law issue. As rightly put forward by some scholars, the only relevance this principle has with respect to a potential choice-of-law rule might be that it excludes application of the *lex originis* (e.g. the law of the country of first publication of the work, or the national law of the creator). As to the much debated issue whether Article 5(2) of the Berne Convention containing "... shall be governed exclusively by the laws of the country where protection is claimed" should be treated as a choice-of-law rule, the chapter argues that this provision does not refer to choice-of-law. This argument is based on the considerations of this provision's function and its scope of application, as well as the consistency of this provision's interpretation within the whole of the Berne Convention. In the end, the chapter concludes that none of the international copyright treaties directly or expressly refer to choice-of-law rules, with the limited exception of Article 14bis(2)(c) of the Berne Convention.

Having concluded in Chapter 2 that international copyright and related rights treaties do not directly or expressly ordain choice-of-law rules (with one limited exception), **Chapter 3** examines EU laws and European countries' national laws and judicial practices in this aspect, and from them it attempts to provide inspiration for the Chinese legislature and judiciary. It first discusses the relevant recent "Europeanization" of PIL rules. It then observes that a series of EU directives that have the purpose of harmonizing certain aspects of copyright within the EU do not directly and expressly deal with choice-of-law rules. Similarly, Article 18 of the Treaty on Functioning of the European Union that enshrines as the duty of each Member State to grant to a national of another Member State the protection under copyright or related rights which the former State grants to its own nationals (anti-discrimination principle) should not be considered as a choice-of-law rule, since it does not function to identify the law applicable to cross-border copyright or related rights claims.

The EU Rome II Regulation prescribes specific choice-of-law provisions to non-contractual obligations arising from IP rights infringement claims – the *lex loci protectionis*, excepting for Community IP rights, with express exclusion of parties' freedom to choose the law applicable to such claims. The chapter observes that, although Rome II attempts to reach a balance between the need for legal certainty on the one hand and the kind of flexibility needed to accomplish justice in individual cases on the other, such a balance is absent in the choice-of-law rules prescribed for IP rights infringement claims. For such claims, the EU legislature chose predictability and certainty over flexibility. Applying a rigid *lex loci protectionis* rule without any exceptions, such as allowing party autonomy or specific rules for multi-state infringement claims, will affect the effectiveness of these European rules. Apart from that, the chapter argues that the scope of Rome II covers only infringement claims of IP rights, but not the intrinsic aspects of IP rights. This line of contention is based on the wording of Rome II, the logic of applying these rules, and the consideration that it is still controversial which choice-of-law rules should be applied to these issues of copyright and related rights, such as initial ownership.

Based on the argument that Rome II covers only infringement claims of IP rights, the chapter carries out a comparison of European national choice-of-law rules and judicial practices with respect to the issues of the existence, content, duration, termination and initial ownership of copyright and related rights claims. As the comparison demonstrates, the *lex loci protectionis* is the rule in pre-dominant use among these European states for the issues of existence, content, duration and termination of copyright and related rights, even though the interpretations of the *lex loci protectionis* differ among these states,

i.e. some states interpret it as referring to the law of the place where infringement occurs while others interpret it as the place where copyright protection is claimed. Nevertheless, certain states apply the *lex originis* to these issues. The *lex originis*, as an alternative to the *lex loci protectionis*, is also used by some states to determine the initial ownership issue. This demonstrates that there clearly is no consensus on the choice-of-law rules to the aforementioned issues.

As a possible source of inspiration for the PRC legislature and judiciary, this chapter concludes that certain points should be kept in mind:

- given the specific characteristics of IP rights, the matter of identifying the law applicable to IP rights disputes is dealt with specifically in the Rome II Regulation. Although Rome II does not provide specific rules to copyright and related rights, this is understandable because Rome II deals only with infringement claims of IP rights, as for such claims, it is not necessary to distinguish copyright from other types of IP rights;
- the Rome II Regulation adopts the traditional rule of *lex loci protectionis* for IP rights infringement claims. As recommended by some scholars, for such disputes, not only should the *lex loci protectionis* be applied, but also certain leeway should be introduced, at least with a limited degree of party autonomy and a solution to multi-state infringement disputes;
- there have been debates about the *lex loci protectionis*'s scope of application in the Rome II Regulation, thus, a clear scope of the application of the rule should be provided, for the sake of clarity and legal certainty; and
- since the selected European states adopt different approaches in dealing with choice-of-law rules to the issues intrinsically related to copyright and related rights, it is better to have clear choice-of-law rules to such issues introduced.

Chapter 4 examines the choice-of-law rules for copyright and related rights that have been proposed by three academically-linked groups with international standing: the American Law Institute IP Conflict of Laws Project (ALI Principles), the European Max Planck Group on Conflict of Laws for Intellectual Property (CLIP Principles) and the Japanese-Korean Principles. In particular, the chapter examines and compares the rules for the issue of infringement of IP rights, the issue of IP rights' scope, duration and content, as well as the issue of initial ownership of a copyright. The comparison demonstrates that in spite of fundamental differences among them as to certain issues, they all maintain territoriality as the basic principle and at the same time provide pragmatic approaches for determining the law applicable to cross-border copyright and related rights disputes.

The chapter submits that the PRC legislature and judiciary can draw the following inspiration from the three sets of Principles:

- all three sets of Principles maintain the basic principle of territoriality, i.e. the *lex loci protectionis* rule applies to the issues of the existence, scope and duration of copyright and related rights, as well as infringement of such rights;
- as what all three sets of Principles propose, copyright and related rights, not bearing a character that requires registration and coming into existence upon the creation of a work, should be given special attention when the choice-of-law issue is involved;
- all three sets of Principles propose limited party autonomy to infringement of IP rights, although the extent of accepting such autonomy and their scope of application vary;
- all three sets of Principles take into consideration of difficulty in multi-state infringement or in ubiquitous infringement disputes. Their approaches of applying the one state's law that has the closest connection with the dispute or infringement can be a source of inspiration. To define the closest connection, these Principles have suggested different connecting factors. This is because each set of Principles has a different perspective. In this respect, the PRC legislature and judiciary should introduce specific rules for such infringement disputes; and
- the three sets of Principles have proposed either a territorial approach (the CLIP Principles) or a universal approach (the ALI Principles and the Japanese-Korean Principles) to the issue of initial ownership of copyright and related rights. The differences in their approach have also reflected in the choice-of-law rules for the initial ownership of a copyrighted work arising

from certain relationships, such as employment. In this respect, the PRC legislature should be clear with its approach and also provide choice-of-law rules for copyrighted works arising from certain relationships.

Chapter 5 deals with PRC law and judicial practice for identifying the law applicable to cross-border copyright and related rights disputes. It first briefly introduces the PRC legal system, describing that the PRC has a codified legal system strongly influenced by civil law traditions, that although the judgments delivered by lower People's Courts are not considered as official sources of law, the judgments of the Supreme People's Court (SPC) are factually respected by lower courts and used as guidelines, and that the SPC has a quasi law-making role (for example, through its 'judicial interpretations'). The chapter then discusses that prior to enactment of the PIL Statute, the PRC choice-of-law rules were scattered in different acts and judicial interpretations published by the SPC. For the topic of which law shall apply to cross-border copyright disputes, there was no explicit rule before the PIL Statute. As a result, People's Courts had decided such issues in an inconsistent way. As a survey of PRC judicial judgments demonstrates, most cases did not contain any choice-of-law analysis, and even in a small number of cases where the choice-of-law issue was analysed, the approaches taken by courts were not the same. Some courts applied the *lex loci protectionis*, others applied the *lex loci delicti*, and sometimes the closest connection rule was indicated. Another striking point was that there was hardly any application of foreign laws. More specifically, People's Courts applied only PRC law and some provisions of the Berne Convention. The chapter then analyses the reasons for these phenomenon: mainly, a lack of awareness of the choice-of-law issue, and the strict understanding of the "territoriality" principle of copyright, which led to the belief that there was no choice-of-law problem in foreign-related copyright disputes. The latter reason also explains why People's Courts applied only PRC law in copyright disputes. Moreover, the PRC judges' natural preference for applying PRC law led to the application of PRC law.

Chapter 5 continues with a description of the legislative efforts of the PRC that led to the adoption of explicit choice-of-law rules for cross-border IP rights claims in the PIL Statute, and then discusses the rules provided therein. The Statute adopts the *lex loci protectionis* as a general rule for determining the issues of ownership, content and infringement of rights. As to the latter, it provides for flexibility by allowing the parties to agree on the *lex fori* after the infringing act has occurred. The chapter argues that the PRC legislature should be applauded for adopting these specific rules for IP rights claims, for respecting the traditional principle of territoriality and for accepting limited party autonomy in infringement claims. It nevertheless points out that there are still certain drawbacks. First, the PIL Statute does not distinguish the types of IP rights protection and does not provide more finely-tuned rules to copyright and related rights. Second, the scope of the application of the *lex loci protectionis* is still limited, which might raise a concern how to deal with other material claims of IP rights, such as existence, duration and termination of rights. Third, although the Statute provides for a specific rule as to the issue of initial ownership of copyright, it does not provide guidance on works created under special relationships like employment. Fourth, the scope of party autonomy in infringement of IP rights is broad, and it covers certain aspects that should not be subject to the parties' agreement. Finally, the Statute does not address the problem arising from the required use of the territorial approach in multi-state infringement disputes.

Based on the observations and analyses made in the five chapters, the **final chapter** of the dissertation concludes that choice-of-law rules for copyright and related rights claims need to be dealt with specifically. Doing so will not only respect the territorial character of copyright reflecting the economic, cultural and social policies of the state that grants the rights, but will also respect the non-formality character of copyright, which distinguishes it from other types of IP rights that require governmental approval. Thus, adopting specific choice-of-law rules for copyright and related rights disputes will facilitate more finely-tuned solutions for potential conflicts that are purely within the context of copyright and related rights. Having argued that the international copyright and related rights treaties do not ordain any choice-of-law rules, the dissertation concludes that without internationally harmonized choice-of-law rules, states adhering to these treaties should apply their own domestic, or where applicable, regional choice-of-law rules. Accordingly, when PRC People's Courts

are confronted with choice-of-law questions in cross-border copyright and related rights disputes, they should not refer to the international treaties but rely on the choice-of-law rules adopted in the PIL Statute. Furthermore, from the studies on EU law (in particular the Rome II Regulation), the selected European states' national laws and practices, and the three sets of "soft law" Principles, in the aspect of identifying the law applicable to cross-border copyright and related rights disputes, the dissertation points out the peculiarities that these laws, practices and proposed rules have which may be inspirational for the PRC legislature and judiciary. In response to the drawbacks examined in Chapter 5, the dissertation proposes certain solutions that are reasonable and practical for choice-of-law in cross-border copyright and related rights disputes. In that way the effectiveness of these rules will be enhanced and a balanced result between the needs of legal certainty and foreseeability on the one hand, and individual justice on the other, can be reached.

First, it is proposed that the PRC legislature should address choice-of-law solutions for cross-border copyright and related rights disputes specifically.

Second, it is proposed that the scope of the *lex loci protectionis* rule that was adopted in the PIL Statute should be clarified to include the matters of existence, validity, duration and termination of the right. That will not only respect the territoriality principle of copyright and related rights, but also provide clarity as to the law that is applicable to such matters for the parties and judiciary.

Third, it is proposed that the PRC legislature should introduce choice-of-law provisions relating to the initial ownership of works created in special relationships: such as in the course of employment or pursuant to a commission arrangement. In this respect, this dissertation proposes to apply the law governing such relationships to identify the initial owner of such works. That would be based on the rationale that creating the work is mostly to be performed by the employee or the person commissioned. The initial ownership issue has a close link with these relationships and can justly be treated as an issue related to them. Applying the law governing the relationship can prevent distributive application of the law of each country affording protection and overcome territorial splitting of the ownership because only the law of the contract will govern the issue of initial ownership.

Fourth, it is proposed that the scope of party autonomy in the Statute, i.e. an *ex post* choice of PRC law, should be further clarified. Certain aspects of infringement claims should not be subject to the parties' contracting power. For the sake of accuracy and clarity, party autonomy should be limited to the extent that it only allows the parties to make an *ex post* choice of the *lex fori* in computing damages resulting from infringing acts.

Fifth, it is proposed that multi-state copyright infringement disputes be provided with a solution deviating from the territoriality approach. With the consideration that flexibility should be introduced where it is necessary, and not to cancel out the general rule of the *lex loci protectionis*, the dissertation proposes a definition of what constitutes multi-state infringement disputes. By linking the specific rules for multi-state infringement disputes to this definition, the scope of these rules is restricted to exceptional situations. In addition to the already prescribed *ex post* party autonomy rule in the Statute, this dissertation proposes the legislature to consider introducing a closest connection rule designating the one law that is most closely connected to the infringement. Further, given the close relation between the issues of existence, scope, and duration of copyright and the issue of infringement of the right, the aforementioned rules should also be applied to these issues when they are raised as preliminary or incidental issues in multi-state infringement disputes.

SAMENVATTING

De economische groei van de op het auteursrecht gebaseerde industrie, de ontwikkeling van nieuwe technologieën die de exploitatie van auteursrechtelijk beschermde werken vergemakkelijken, en de toename van de internationale handel in auteursrechtelijk beschermde producten, onderstrepen het belang van een goede bescherming van het auteursrecht en de naburige rechten. Aangezien het recht dat die bescherming biedt internationaal uiteenloopt, is hierbij het conflictenrechtelijke vraagstuk welk recht van toepassing is bij grensoverschrijdende geschillen over auteursrecht en naburige rechten van belang. Diverse landen, internationale gemeenschappen, en academische instituten hebben dit geleidelijk aan erkend. Sommige landen hebben specifieke regels over het toepasselijk recht (conflictrechtsregels) bij grensoverschrijdende geschillen over intellectuele eigendom gecodificeerd. Zo heeft de Volksrepubliek China recentelijk conflictrechtsregels over intellectuele eigendom vastgelegd in haar Wet over de toepassing van recht in civiele relaties met buitenlandse aspecten (het PIL Statuut). De Europese Unie legde op vergelijkbare wijze regels vast in haar Verordening over het recht dat van toepassing is op niet-contractuele verbintenissen (de Verordening Rome II). Desalniettemin variëren de gekozen aanpak en de reikwijdte van de tot stand gekomen regels vaak sterk.

Geïnspireerd door deze ontwikkelingen, staat in dit proefschrift de onderzoeksvraag centraal of de regels over toepasselijk recht in het PIL Statuut passen in het beeld van het verbeteren van de grensoverschrijdende exploitatie van het auteursrecht en naburige rechten vanuit conflictenrechtelijk oogpunt. Bij het beantwoorden van deze vraag stelt het proefschrift aan de Chinese wetgever en rechter conflictenrechtelijke oplossingen voor ten aanzien van vorderingen met betrekking tot auteursrecht en naburige rechten.

Hiertoe behandelt het proefschrift vijf aan het auteursrecht en het conflictenrecht gerelateerde onderwerpen, wat noodzakelijk is om een volledig begrip te verkrijgen van de achtergrond van de onderzoeksvraag en de voorgestelde oplossingen. Deze onderwerpen zijn:

- de kenmerken die het auteursrecht en de naburige rechten onderscheiden van andere intellectuele eigendomsrechten en van eigendomsrechten in stoffelijke objecten, en die aanleiding geven tot verschillen bij de aanwijzing van het toepasselijk recht bij geschillen (hoofdstuk 1);
- de regels die internationale verdragen over auteursrecht en naburige rechten verschaffen, de historische ontwikkeling van die verdragen, en of zij voor grensoverschrijdende geschillen over auteursrecht en naburige rechten conflictenrechtelijke oplossingen bieden (hoofdstuk 2);
- hoe het Europees recht en het nationaal recht van een selectie van Europese landen het toepasselijk recht aanwijzen in zulke geschillen, en welke inspiratie zij in dit opzicht kunnen bieden aan de Chinese wetgever en rechter (hoofdstuk 3);
- de benaderingen van een selectie van academische instituten, en hoe die op vergelijkbare wijze de Chinese wetgever en rechter kunnen inspireren (hoofdstuk 4); en
- de achtergrond van Chinese juridische instellingen, hoe de Chinese wetgeving en jurisprudentie in het verleden omging met conflictenrechtelijke vraagstukken in grensoverschrijdende auteursrechtgeschillen, de inhoud van de conflictrechtsregels in het PIL Statuut, en hoe deze conflictrechtsregels kunnen worden verbeterd ten aanzien van auteursrechtgeschillen (hoofdstuk 5).

Hoofdstuk 1 begint met een beschrijving van het idee van het auteursrecht als juridische bescherming tegen het ongeoorloofd gebruik van de geestelijke voortbrengselen (werken) van een auteur (maker). Het auteursrecht biedt de maker deze bescherming door hem voor een bepaalde periode een exclusief recht te verlenen. Hoewel de maker hiermee een absoluut subjectief recht met *erga omnes* werking heeft als bij eigendomsrechten ten aanzien van stoffelijke objecten, heeft het auteursrecht ook eigenschappen die het onderscheiden van die rechten. Deze eigenschappen zijn onder andere zijn

beperkte duur, onstoffelijkheid (i.e. het is niet te omschrijven of te identificeren onder verwijzing naar fysieke parameters), en een exclusiviteit die veel minder onaantastbaar is als bij standaard eigendom.

Het hoofdstuk verschaft vervolgens een overzicht van theorieën over de grondslag van het auteursrecht en de juridische rechtvaardigingen voor dit recht. Met betrekking tot de grondslag zijn vier belangrijke theorieën bestudeerd: de eigendomsrechtentheorie, de persoonlijkheidsrechttheorie, de *sui generis* rechtstheorie, en de monopolietheorie. De diverse juridische rechtvaardigingen voor de toekenning van het auteursrecht zijn te herleiden tot twee: een rechtvaardigheidsargumentatie die is gericht op de individuele maker die vanuit rechtvaardigheid beschermd moet worden in zijn werk (deze argumentatie wordt doorgaans gehanteerd in de Europees-continentale ‘civil law’ rechtstraditie), en een utilistische argumentatie die is gericht op het maatschappelijke nut van het auteursrecht en op het bevorderen van het publieke belang door de prikkels van een uitsluitend recht voor makers om hun werk te scheppen en te verspreiden (deze argumentatie wordt doorgaans gehanteerd in de Anglo-Amerikaanse ‘common law’ rechtstraditie). Daaropvolgend gaat het hoofdstuk in op de uitzonderingen op en grenzen aan auteursrechtbescherming. Het beschrijft hoe deze uitzonderingen en grenzen als gevolg van nationale beleidsoverwegingen per land verschillen. Op basis van het bovenstaande toont het hoofdstuk aan dat de verschillen in de theorieën over de grondslag van het auteursrecht en de juridische rechtvaardigingen voor dit recht hun weerslag hebben op diverse aspecten van het auteursrecht, zoals het scheppen van het werk, het bereik van het auteursrecht, en de initiële rechthebbende van dit recht. Deze verschillen zijn het gevolg van het uiteenlopend sociaal, politiek en cultureel beleid dat specifieke rechtsorden hebben, en als gevolg daarvan verschilt de mate van auteursrechtbescherming van land tot land.

Daarna bespreekt het hoofdstuk de gevolgen van technologische ontwikkelingen voor het auteursrecht, en de uitdagingen die dit meebrengt. Technologische ontwikkelingen zorgen niet alleen voor een uitbreiding van het terrein van auteursrechtelijke onderwerpen, zij verhogen ook de verveelvoudiging en verspreiding van auteursrechtelijk beschermd werk. Gelet op zulke gevolgen en uitdagingen, betoogt het proefschrift dat, met variërende grondslagen voor potentieel toepasselijke auteursrechtwetten, bij grensoverschrijdende auteursrechtgeschillen verschillende uitkomsten zijn te verwachten ten aanzien van de vraag welk nationaal recht van toepassing is.

Het hoofdstuk behandelt daaropvolgend een aantal bijzonderheden van het auteursrecht en hun wisselwerking met conflictenrechtelijke vraagstukken. Allereerst, is in de context van conflictenrechtelijke vraagstukken stoffelijke eigendom doorgaans met redelijke helderheid te definiëren onder verwijzing naar locatie, zijn *situs*. Deze *situs* is altijd de belangrijkste aanknopingsfactor geweest voor het oplossen van conflictenrechtelijke vraagstukken met betrekking tot stoffelijke eigendom. Het auteursrecht is echter onstoffelijk, en daardoor niet vatbaar voor behandeling met behulp van deze factor. Verdere bijzondere kenmerken van conflictregels voor grensoverschrijdende auteursrechtelijke geschillen zijn de toepassing van het territorialiteitsbeginsel (op grond waarvan het bereik van het auteursrecht beperkt moet blijven tot het grondgebied van het wetgevende lichaam dat het heeft vastgesteld) en de effecten van internationale auteursrechtelijke verdragen, zoals het voorschrift van artikel 5 tweede lid, van de Berner Conventie, dat voor het genot en de uitoefening van het auteursrecht geen formaliteiten gelden (teneinde het ontstaan van het auteursrecht te doen samenvallen met de voltooiing van het werk waarop het rust). Met name dat laatste vereiste onderscheidt dit recht van het octrooirecht en het merkenrecht, en als gevolg ervan zijn bijzondere conflictregels voor auteursrecht en naburige rechten vereist. Verder stelt het hoofdstuk dat, hoewel landen auteursrechtwetten ontwikkelen met het oog op bescherming binnen hun grondgebied, het territorialiteitsbeginsel niet te gemakkelijk moet worden gelijkgesteld met de *lex loci protectionis*-regel (op basis waarvan het recht van het land waar de bescherming wordt ingeroepen, dient te worden toegepast), omdat bij strikte interpretatie van het territorialiteitsbeginsel geen uitvoering zal worden geven aan buitenlandse wetten, terwijl de *lex loci protectionis*-regel wel ruimte biedt voor de gerechtvaardigde toepassing van buitenlands recht.

Hoofdstuk 2 begint met een beschrijving van de historische ontwikkeling van auteursrechtbescherming via de privilegiesystemen van vóór de achttiende eeuw, wettelijk vastgelegd

privaatrecht, bilaterale verdragen, en uiteindelijk multilaterale verdragen. De beschrijving toont aan dat de internationale auteursrechtbescherming werd bevorderd door de grensoverschrijdende exploitatie van auteursrechtelijk beschermde werken. De groei van de auteursrechtbescherming volgde de ontwikkeling van technologie. Het hoofdstuk gaat vervolgens in op de internationale verdragen over auteursrecht en naburige rechten: de Berner Conventie van 1886, de Universele Auteursrecht Conventie van 1952, de Conventie van Rome van 1961, de meer recente WCT, WPPT en WAPT, alsmede de TRIPs-overeenkomst van de Wereldhandelsorganisatie. Deze verdragen verschaffen op internationaal niveau materieelrechtelijke auteursrechtbescherming door het vereisen van minimumnormen. Niettemin harmoniseren zij slechts bepaalde aspecten van nationale wetten over auteursrecht en naburige rechten. Als gevolg daarvan zijn er tussen landen nog steeds belangrijke verschillen in bescherming. De internationale harmonisatie van het auteursrecht in deze verdragen bewerkstelligt in feite ‘bundels’ van nationale auteursrechtbescherming, in plaats van één enkel uniform niveau van bescherming. Dit heeft tot gevolg dat het territorialiteitsbeginsel belangrijk blijft bij auteursrecht en naburige rechten.

Het hoofdstuk betoogt dan dat binnen het kader van grensoverschrijdende vorderingen met betrekking tot auteursrecht en naburige rechten, conflictregels meer dan internationale auteursrechtelijke verdragsbepalingen benodigd zijn, aangezien de toepassing van de juiste conflictregel die het toepasselijke nationale materiële auteursrecht aanwijst, de aan het auteursrecht van een land ten grondslag liggende culturele en economische overwegingen eerbiedigt.

Vervolgens analyseert het hoofdstuk het beginsel van nationale behandeling dat is toegepast in de Berner Conventie en latere verdragen. Het hoofdstuk stelt dat dit beginsel een antidiscriminatie-maatregel is, die vereist dat buitenlandse en nationale makers van een werk gelijk behandeld worden, maar geen invloed heeft op het vraagstuk van het toepasselijk recht. Deze stelling berust op het argument dat het beginsel van nationale behandeling alleen het bereik bepaalt van de nationale auteursrechtwetten van het land dat bescherming biedt, en zijn werking tot dat verband beperkt. Historisch gezien, beoogden de opstellers van de Berner Conventie bovendien slechts bescherming te bieden aan een werk van buitenlandse oorsprong of van een buitenlandse maker, en stond hen hierbij in het geheel geen conflictenrechtelijk vraagstuk voor ogen. Zoals terecht is opgemerkt door sommige rechtsgeleerden, kan de enige relevantie van het beginsel van nationale behandeling voor een potentiële conflictregel eruit bestaan dat het de toepassing uitsluit van de *lex originis* (bijvoorbeeld de wet van het land waar de eerste openbaarmaking van een werk heeft plaatsgevonden, of het nationale recht van het land van de maker van het werk). Ten aanzien van het veelbesproken vraagstuk of artikel 5, tweede lid, tweede volzin, van de Berner Conventie, waarin de toepassing van de wetgeving van het land waar de bescherming wordt ingeroepen wordt vermeld, als conflictregel dient te worden behandeld, stelt het hoofdstuk dat deze bepaling geen betrekking heeft op conflictenrecht. Deze stelling is gebaseerd op de overwegingen achter de functie van de bepaling, zijn toepassingsbereik, en de consistentie van de interpretatie van deze bepaling binnen het geheel van de Berner Conventie. Het hoofdstuk sluit af met de conclusie dat geen van de internationale auteursrechtverdragen direct of uitdrukkelijk betrekking heeft op conflictregels, met de beperkte uitzondering van artikel 14bis, tweede lid, onder c, van de Berner Conventie.

Na in hoofdstuk 2 te hebben geconcludeerd dat internationale verdragen over auteursrecht en naburige rechten op een enkele uitzondering na niet direct of uitdrukkelijk conflictregels voorschrijven, onderzoekt **hoofdstuk 3** het Europees recht en het nationale recht van een selectie van Europese landen in dat opzicht, en probeert het uit dat recht inspiratie voor de Chinese wetgever en rechter te putten. Het hoofdstuk bespreekt eerst de betrekkelijk recente ‘europeanisatie’ van internationaal privaatrechtelijke regels. Vervolgens merkt het hoofdstuk op dat een serie van Europese richtlijnen die beogen bepaalde aspecten van het auteursrecht binnen de Europese Unie te harmoniseren, niet direct en uitdrukkelijk ingaan op conflictregels. Evenmin dient artikel 18 van het Verdrag betreffende de werking van de Europese Unie, waaruit voor iedere lidstaat de plicht voortvloeit om aan burgers van een andere lidstaat gelijke auteursrechtbescherming toe te kennen als aan haar eigen burgers (antidiscriminatiebeginsel), te worden beschouwd als conflictregel, aangezien dit artikel niet fungeert ter aanwijzing van het toepasselijk recht bij grensoverschrijdende auteursrechtvorderingen.

De Europeesrechtelijke Verordening Rome II geeft bijzondere conflictenrechtelijke voorzieningen voor niet-contractuele verbintenissen die voortvloeien uit een inbreuk op een intellectuele eigendomsrecht: de *lex loci protectionis*, met een uitzondering voor communautaire intellectuele eigendomsrechten, en onder expliciete uitsluiting van een rechtskeuze door partijen. Het hoofdstuk beschouwt dat, ofschoon de Verordening Rome II een evenwicht poogt te bereiken tussen enerzijds rechtszekerheid en anderzijds het soort van flexibiliteit dat is vereist om recht te doen in individuele gevallen, dit evenwicht afwezig is in de conflictregels die zijn voorgeschreven voor inbreuken op intellectuele eigendomsrechten. Voor zulke inbreuken heeft de Europese wetgever voorzienbaarheid en zekerheid boven flexibiliteit verkozen. De toepassing van een starre *lex loci protectionis*-regel zonder enige uitzonderingsmogelijkheden, zoals de mogelijkheid van een rechtskeuze of bijzondere regels voor vorderingen met betrekking tot een inbreuk in meerdere staten, zal de doeltreffendheid van deze Europese regels aantasten. Afgezien daarvan, stelt het hoofdstuk dat het bereik van de Verordening Rome II slechts inbreukvorderingen met betrekking tot intellectuele eigendomsrechten omvat, en niet de aspecten die aan deze rechten als zodanig zijn verbonden. Deze stelling is gebaseerd op de bewoordingen van de Verordening, de toepassingslogica van de daarin opgenomen regels, en de overweging dat het nog steeds omstreden is welke conflictregels dienen te worden toegepast op deze auteursrechtelijke vraagstukken, zoals dat van wie als initieel rechthebbende van het auteursrecht heeft te gelden.

Op basis van de stelling dat het bereik van de Verordening Rome II slechts inbreukvorderingen met betrekking tot intellectuele eigendomsrechten omvat, voert het hoofdstuk een vergelijking uit van het nationale conflictenrecht van een aantal Europese landen met betrekking tot de vraagstukken van het ontstaan, de inhoud, duur en beëindiging van het auteursrecht en de naburige rechten, en van wie als initieel rechthebbende van een auteursrecht heeft te gelden. De vergelijking toont aan dat in deze Europese landen overheersend de *lex loci protectionis* wordt gebruikt als regel voor de vraagstukken van het ontstaan, de inhoud, de duur, en de beëindiging van het auteursrecht en naburige rechten, hoewel de interpretatie van de *lex loci protectionis* per land verschilt, i.e. sommige landen gaan uit van een interpretatie waarbij de regel verwijst naar de het recht van de plaats waar de inbreuk plaatsvindt, terwijl andere landen ervan uitgaan dat de regel verwijst naar de plaats waar auteursrechtbescherming wordt ingeroepen. Er zijn echter ook bepaalde landen die ten aanzien van deze vraagstukken de *lex originis* toepassen. De *lex originis* wordt bovendien door sommige landen als alternatief voor de *lex loci protectionis* gebruikt voor het vraagstuk wie als initieel rechthebbende heeft te gelden. Hieruit blijkt dat er duidelijk geen consensus is over de conflictregels rondom de voornoemde vraagstukken.

Als mogelijke bron van inspiratie voor de Chinese wetgever en rechter, concludeert het hoofdstuk dat rekening moet worden gehouden met onderstaande punten:

- vanwege de bijzondere kenmerken van intellectuele eigendomsrechten, wordt het onderwerp van de aanwijzing van het toepasselijk recht bij geschillen over intellectuele eigendom in de Verordening Rome II aangepakt met bijzondere regels. Hoewel de Verordening geen nader gespecificeerde voorschriften bevat over het auteursrecht en naburige rechten, is dit begrijpelijk omdat zij slechts betrekking heeft op inbreukvorderingen met betrekking tot intellectuele eigendomsrechten, en voor zulke vorderingen is het niet nodig het auteursrecht te onderscheiden van andere soorten van intellectuele eigendomsrechten;
- de Verordening Rome II hanteert de traditionele *lex loci protectionis*-regel ten aanzien van inbreukvorderingen met betrekking tot een intellectuele eigendomsrecht. Zoals aanbevolen door sommige rechtsgeleerden, moet in zulke gevallen niet slechts de *lex loci protectionis* worden toegepast, maar ook een zekere ruimte bestaan om ten minste enige partijautonomie toe te staan en een oplossing voor geschillen over een inbreuk in meerdere staten te bieden;
- er zijn discussies geweest over de reikwijdte van de *lex loci protectionis* binnen de Verordening Rome II. In verband daarmee moet omwille van de duidelijkheid en rechtszekerheid een helder toepassingsbereik van de regel worden verschaft; en
- aangezien de onderzochte Europese landen verschillende benaderingen hanteren bij de omgang met conflictregels over vraagstukken rondom aspecten van het auteursrecht en

naburige rechten die aan de rechten als zodanig zijn verbonden, is het beter om duidelijke conflictregels voor zulke vraagstukken te introduceren.

Hoofdstuk 4 onderzoekt de conflictenrechtelijke regels voor auteursrecht en naburige rechten die zijn voorgesteld door drie academische onderzoeksgroepen van internationale allure: die van het ‘American Law Instituut IP Conflict of Laws Project’ (ALI-Principles) en de ‘European Max Planck Group on Conflict of Laws for Intellectual Property’ (CLIP-Principles), alsmede de ‘Japanese-Korean Principles’. In het bijzonder onderzoekt en vergelijkt het hoofdstuk de regels ten aanzien van vraagstukken over een inbreuk op een intellectuele eigendomsrecht, over het bereik, de duur en de inhoud van het auteursrecht en de naburige rechten, en over wie als de initieel rechthebbende van het auteursrecht heeft te gelden. Daarbij wordt aangetoond dat, ondanks fundamentele verschillen tussen de verschillende sets van Principles met betrekking tot bepaalde onderwerpen, zij allemaal territorialiteit als het basisbeginsel hanteren en tegelijkertijd pragmatische benaderingen voor de aanwijzing van het toepasselijk recht in grensoverschrijdende geschillen over auteursrecht en naburige rechten verschaffen. Het hoofdstuk geeft aan dat de Chinese wetgever en rechter de volgende inspiratie uit de drie sets van Principles kunnen putten:

- de drie sets van Principles hanteren allemaal het basisbeginsel van territorialiteit, i.e. dat de *lex loci protectionis* van toepassing is op de vraagstukken van het ontstaan, het bereik en de duur van het auteursrecht en de naburige rechten, alsmede op het vraagstuk van een inbreuk op zo’n recht;
- in overeenstemming met wat alle drie sets van Principles voorstellen, moet aan het conflictenrecht ten aanzien van het auteursrecht en naburige rechten, die zonder formaliteiten ontstaan door het maken van een werk, bijzondere aandacht worden besteed;
- alle drie sets van Principles stellen een beperkte partijautonomie voor ten aanzien van een inbreuk op een intellectuele eigendomsrecht, hoewel de toegestane mate van autonomie varieert;
- alle drie sets van Principles houden rekening met de moeilijkheden bij geschillen over een inbreuk in meerdere staten of een zogenaamde ‘alomtegenwoordige inbreuk’. Hun benadering om het recht van het land dat de nauwste verbondenheid heeft met het geschil of de inbreuk toe te passen, kan een inspiratiebron vormen. Voor wat betreft de omschrijving van nauwste verbondenheid, bevatten de afzonderlijke sets van Principles ieder vanuit hun eigen achtergrond verschillende aanknopingsfactoren. Tegen deze achtergrond zouden de Chinese wetgever en rechter ook bijzondere conflictregels voor dit soort geschillen moeten bieden; en
- de drie sets van Principles hebben een territoriale benadering (CLIP Principles) of een universele benadering (de ALI Principles en Japanese-Korean Principles) voorgesteld voor het vraagstuk wie als initieel rechthebbende van een auteursrecht heeft te gelden. Dit verschil in benadering komt ook terug in de bijzondere conflictregels ten aanzien van de initieel rechthebbende op een auteursrechtelijk werk dat tot stand wordt gebracht in bepaalde relaties, zoals een arbeidsrelatie. De Chinese wetgever dient bij deze vraagstukken duidelijk te zijn in zijn benadering en tevens bijzondere conflictregels vast te leggen voor auteursrechtelijk beschermde werken die tot stand zijn gebracht in een bepaalde relatie.

Hoofdstuk 5 behandelt het conflictenrecht van de Volksrepubliek China ten aanzien van grensoverschrijdende conflicten over auteursrecht en naburige rechten. Het introduceert daarbij eerst het Chinese rechtssysteem. Daarbij beschrijft het dat China een sterk door de Europees-continentale ‘civil law’-traditie beïnvloed gecodificeerd rechtssysteem heeft, dat de uitspraken van lagere gerechten niet worden beschouwd als officiële rechtsbron, dat de uitspraken van het Volkshooggerechtshof (de hoogste rechter in China) in de praktijk door de lagere gerechten in acht worden genomen en worden gebruikt als richtlijnen, en dat het Volkshooggerechtshof tevens aan wetgeving gerelateerde taken heeft (bijvoorbeeld via de vaststelling van ‘rechterlijke interpretaties’). Het hoofdstuk bespreekt dan dat het Chinese conflictenrecht vóór de inwerkingtreding van het PIL Statuut was verspreid over verschillende wetten en rechterlijke interpretaties van het Volkshooggerechtshof. Er was toen ook geen expliciete regel voor het vraagstuk welk recht toepasselijk is in grensoverschrijdende auteursrechtgeschillen. Dit had tot gevolg dat de jurisprudentie over dat vraagstuk inconsistent was. Zoals uit een onderzoek blijkt, bevatten de meeste uitspraken toentertijd geen conflictenrechtelijke

analyse, en in het kleine aantal gevallen waar wel zo'n analyse had plaatsvonden was sprake van een wisselende aanpak. In sommige gevallen vond de *lex loci protectionis* toepassing, in andere de *lex loci delicti*, en in weer andere gevallen werd aanknoping gezocht bij het beginsel van de nauwste verbondenheid. Een ander opvallend punt was dat buitenlandse wetten nauwelijks werden toegepast; de gerechten pasten slechts het Chinees recht en enkele bepalingen van de Berner Conventie toe. Het hoofdstuk analyseert vervolgens de oorzaken van deze fenomenen: hoofdzakelijk een gebrek aan besef van het conflictenrechtelijk probleem, alsmede een strikte uitleg van het auteursrechtelijk territorialiteitsbeginsel, wat leidde tot de overtuiging dat er geen conflictenrechtelijk probleem in grensoverschrijdende auteursrechtgeschillen was. Dit laatste verklaart ook waarom de gerechten slechts Chinees recht in auteursrechtgeschillen toepasten. Daarenboven zal de natuurlijke voorkeur van Chinese rechters voor het toepassen van Chinees recht ook hebben geleid tot de toepassing van Chinees recht.

Hoofdstuk 5 vervolgt met een beschrijving van de wetgevende inspanningen van China die hebben geleid tot de vaststelling van expliciete conflictregels voor grensoverschrijdende vorderingen met betrekking tot intellectuele eigendom in het PIL Statuut, en bespreekt dan de regels die dat Statuut bevat. Het PIL Statuut heeft de *lex loci protectionis* aangenomen als hoofdregel voor de vraagstukken van het eigenaarschap en de inhoud van intellectuele eigendomsrechten en de inbreuken op die rechten. Met betrekking tot het laatste vraagstuk verschaft het PIL Statuut flexibiliteit door partijen nadat de inbreuk heeft plaatsgevonden een rechtskeuze toe te staan voor de *lex fori*. Het hoofdstuk betoogt dat de Chinese wetgever voor het vaststellen van deze bijzondere regels over intellectuele eigendom, het respecteren van het traditionele territorialiteitsbeginsel, en het toestaan van een beperkte partijautonomie bij inbreukvorderingen, moet worden toegejuicht. Het hoofdstuk wijst er echter ook op dat er nog bepaalde nadelen zijn. Ten eerste onderscheidt het PIL Statuut niet naar soorten van intellectuele eigendomsrechten en verschaft het geen nader verfijnde regels voor auteursrecht en naburige rechten. Ten tweede is het toepassingsbereik van de *lex loci protectionis* nog beperkt, wat de vraag oproept hoe om te gaan met andere materiële vorderingen met betrekking tot intellectuele eigendomsrechten, zoals over het ontstaan, de duur, en de beëindiging van deze rechten. Ten derde verschaft het PIL Statuut weliswaar een bijzondere regel met betrekking tot de initieel rechthebbende van een auteursrecht, maar geeft het geen richtsnoeren voor werken die tot stand zijn gebracht binnen een bijzondere relatie (zoals een arbeidsrelatie). Ten vierde is het bereik van de partijautonomie bij inbreuken op intellectuele eigendomsrechten breed, en beslaat het bepaalde onderdelen die niet onder de autonomie van partijen behoren te vallen. Ten slotte biedt het PIL Statuut geen oplossingen voor het probleem dat voortvloeit uit het vereiste gebruik van de territoriale benadering in geschillen rondom inbreuken in verschillende staten.

Op basis van de waarnemingen en analyses uit de voorafgaande hoofdstukken, concludeert het **laatste hoofdstuk** van het proefschrift dat conflictenrechtelijke vraagstukken rondom auteursrecht en naburige rechten met bijzondere regels moeten worden aangepakt. Dit zal niet alleen het territoriale karakter van het auteursrecht eerbiedigen (dat het economische, culturele en sociale beleid van het land dat het recht heeft toegekend weerspiegelt), maar ook het non-formele karakter van dit recht (wat het onderscheidt van intellectuele eigendomsrechten die overheidsgoedkeuring behoeven). Op deze wijze biedt het vaststellen van bijzondere conflictregels voor geschillen over auteursrecht en naburige rechten de mogelijkheid voor meer verfijnde oplossingen ten aanzien van mogelijke conflicten die zich tot de context van het auteursrecht en naburige rechten beperken. Naar aanleiding van het betoog dat de internationale verdragen over auteursrecht en naburige rechten geen conflictregels voorschrijven, concludeert het proefschrift verder dat zonder internationaal geharmoniseerde conflictregels de landen die aan deze verdragen zijn gebonden hun nationale conflictregels moeten toepassen (of waar van toepassing: hun regionale conflictregels). Dienovereenkomstig dienen de Chinese rechters bij grensoverschrijdende geschillen over auteursrecht en naburige rechten niet te verwijzen naar internationale verdragen, maar te vertrouwen op de conflictregels uit het PIL Statuut. Vanuit het onderzoek naar het Europees recht (met name de Verordening Rome II), het nationale recht van een aantal Europese staten en de inhoud van de drie sets van 'soft law-Principles' rondom de aanwijzing van het toepasselijk recht bij grensoverschrijdende geschillen over auteursrecht en naburige rechten, wijst het proefschrift bovendien op enige bijzonderheden van de daarbij onderzochte wetten,

jurisprudentie en Principles, die inspiratie kunnen bieden aan de Chinese wetgever en rechter. In reactie op de onderzochte nadelen in hoofdstuk 5, stelt het proefschrift enige oplossingen voor die redelijk en praktisch zijn voor het toepasselijk recht in grensoverschrijdende geschillen over auteursrecht en naburige rechten. Op deze wijze kan de doeltreffendheid van de conflictregels worden verbeterd en een evenwichtig resultaat worden bereikt tussen de behoefte aan enerzijds rechtszekerheid en voorspelbaarheid, en anderzijds de noodzaak recht te doen in individuele gevallen.

Ten eerste wordt voorgesteld dat de Chinese wetgever oplossingen biedt voor conflictenrechtelijke vraagstukken bij grensoverschrijdende geschillen over auteursrecht en naburige rechten via bijzondere regels.

Ten tweede wordt voorgesteld de reikwijdte van de *lex loci protectionis*-regel uit het PIL Statuut te verduidelijken om de vraagstukken van het ontstaan, de geldigheid, de duur, en de beëindiging van het auteursrecht en naburige rechten te omsluiten. Daarmee wordt niet alleen het territorialiteitsbeginsel van het auteursrecht en de naburige rechten in acht genomen, maar ook duidelijkheid geboden aan de rechter en de partijen over het toepasselijk recht bij die vraagstukken.

Ten derde wordt de Chinese wetgever in overweging gegeven bijzondere conflictenrechtelijke bepalingen op te nemen met betrekking tot het vraagstuk wie als initieel rechthebbende heeft te gelden van werken die tot stand zijn gebracht binnen een bijzondere relatie, zoals een arbeids- of opdrachtsrelatie. Daarbij stelt het proefschrift voor het recht dat de relatie beheerst toe te passen om de initieel rechthebbende van zulke werken aan te wijzen. Dit kan worden gebaseerd op de overweging dat het tot stand brengen van het werk voornamelijk wordt verricht door de werknemer of de opdrachtnemer. De vraag wie als initieel rechthebbende heeft te gelden, heeft een nauwe band met de genoemde relaties en kan met recht worden behandeld als een daaraan gerelateerd vraagstuk. Het toepassen van het recht dat de relatie beheerst, kan voorts distributieve toepassing van het nationale recht van ieder land dat bescherming biedt voorkomen, en het hoofd bieden aan territoriale opsplitsing van het eigenaarschap, aangezien slechts het recht van het land van de relatie het vraagstuk van de initieel rechthebbende zal beheersen.

Ten vierde wordt voorgesteld het bereik van de partijautonomie in het PIL Statuut (i.e. een *ex post* rechtskeuze voor Chinees recht) nader te verduidelijken. Bepaalde aspecten van inbreukvorderingen behoren niet aan de contractsvrijheid van partijen te worden overgelaten. Ten behoeve van de nauwkeurigheid en duidelijkheid moet de partijautonomie zodanig worden beperkt dat het partijen slechts is toegestaan *ex post* een rechtskeuze te maken voor de *lex fori* voor zover het gaat om de berekening van de schade die voortvloeit uit een inbreuk.

Ten vijfde wordt voorgesteld dat bij geschillen rondom een inbreuk in meerdere staten op een auteursrecht en naburige rechten, een conflictenrechtelijke oplossing moet worden geboden die afwijkt van de territorialiteitsbenadering. Vanuit de overweging dat flexibiliteit moet worden gehanteerd waar dit noodzakelijk is, en niet om de algemene regel van de *lex loci protectionis* ongedaan te maken, stelt het proefschrift een omschrijving voor van wat onder een inbreuk in meerdere staten kan worden verstaan. Door de bijzondere regels voor geschillen rondom een inbreuk in meerdere staten te koppelen aan deze omschrijving, wordt de reikwijdte van deze regels beperkt tot uitzonderingssituaties. Naast de reeds voorgestelde *ex post* rechtskeuzeregels, stelt het proefschrift aan de Chinese wetgever voor om te overwegen voor een inbreuk in meerdere staten een regel van nauwste verbondenheid op te nemen die het recht aanwijst dat het nauwste verbonden is aan deze inbreuk. Gelet op de nauwe band tussen de vraagstukken van het ontstaan, het bereik, en de duur van het auteursrecht en van inbreuken op dat recht, moeten de voorgenoemde regels ook worden toegepast als deze vraagstukken naar voren komen bij een prealabele of incidentele vraag bij geschillen over een inbreuk in meerdere staten.

TABLE OF ABBREVIATIONS

Am. J. Comp. L.	American Journal of Comparative Law
A&M	Auteurs & Media
BC Int'l & Comp L Rev	Boston College International and Comparative Law Review
Brook. J. Int'l L.	Brooklyn Journal of International Law
CLJ	Cambridge Law Journal
CJIL	Chinese Journal of International Law
CYPIL&CL	Chinese Yearbook of Private International Law and Comparative Law
Colum. L. Rev.	Columbia Law Review
CML Rev	Common Market Law Review
CJEU	Court of Justice of European Union
Duke J. Comp. & Int'l L.	Duke Journal of Comparative and International Law
ECJ	European Court of Justice
ELR	Edinburgh Law Review
EIPR	European Intellectual Property Review
EP	European Parliament
EuLF	European Legal Forum
EU	European Union
Front. Law China	Frontiers of Law in China
I.P.Q.	Intellectual Property Quarterly
ICLQ	International and Comparative Law Quarterly
IJL & IT	International Journal of Law and Information Technology
J. Int'l Arb	Journal of International Arbitration
JIBLR	Journal of International Banking Law and Regulation
JLS	Journal of Legal Study
JPIL	Journal of Private International Law
MJ	Maastricht Journal of International and Comparative Law
NIPR	Nederlands Internationaal Privaatrecht
NJ	Nederlandse Jurisprudentie
NILR	Netherlands International Law Review
NTER	Nederlands Tijdschrift voor Europees Recht
NPE	New Political Economy
NPC	National People's Congress
N.C. J. INT'L L. & COM. REG.	North Carolina Journal of International Law & Commercial Regulation
OJ	Official Journal
PRC	People's Republic of China
Seton Hall L. Rev.	Seton Hall Law Review
SPC	Supreme People's Court
TEMP. INT'L & COMP. L.J.	Temple International and Comparative Law Journal
WPNR	Weekblad voor Privaatrecht, Notariaat en Registratie
YPIL	Yearbook of Private International Law

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