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Development of EU Private International Law Rules for Intellectual Property Rights

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Abstract

The aim of this article is to analyze the development of the EU conflict of law rules for contractual and non-contractual obligations with international element concerning intellectual property rights. The main focus of the analysis is the legislative history of Rome I Regulation and Rome II Regulation and the development of respective conflict of law rules and connecting factors.

Keywords

European Union; Conflict of Law Rules; Intellectual Property Rights; Private International Law; Contractual Obligations; Rome I Regulation; Non-contractual Obligations; Rome II Regulation; Infringement; License Contract.

1 Introduction

This article discusses the relationship between two very interesting, yet challenging, legal areas, i.e. private international law and intellectual property rights ("IPR"), through the lenses of conflict of law rules of the European Union ("EU").

Both of these areas area of law are very important in today's globalized and interconnected world. Private international law deals with private law relationships with international (cross-border) element. Private international law rules answer three main questions: What is the law applicable to the private law relationship with international element (e.g. law applicable to multistate license contract)? Which courts have jurisdiction to hear a case (e.g. in infringement of copyright on the Internet cases)? Under what conditions a foreign judgment can be recognized and enforced in a different

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State than the State of its origin, (e.g. if patent holder is seeking protection granted by a judgment in every jurisdiction for which protection was claimed).[1]

Intellectual property rights give protection to the results of creative intellectual activity (e.g. inventions, technical solutions, industrial designs etc.). IPR are immaterial. They are characterized by their ubiquitous and non-rival nature; IPR can be used anywhere, irrespective of the material object they are expressed on.[2]

Due to electronization, globalization and the wide use of Internet, it is now relatively easy for natural and legal persons to enter into legal relationships with an international (cross-border) element.[3] This is particularly evident in the use of intangible assets protected by intellectual property rights on the Internet. For this reason, it is of an utmost importance to have clear and predictable private international law rules in this area.

This article is focused only on conflict of law rules for determining law applicable contained in directly applicable EU regulations. Due to their interconnectivity, jurisdictional rules and correspondent case law of the Court of Justice of the EU ("CJEU") will be mentioned.

2 Private international law and intellectual property rights

For the relationship between private international law and intellectual property rights, it is necessary to distinguish three main areas of interest. Private international law rules deal with law applicable to subjective (relative) individual rights with international element, such as contractual and non-contractual obligations.[4] Private international law rules do not deal with the IPR as such, i.e. their content, validity or registration. This area

1 Rozehnalová, N., Valdhans, J., Drličková, K., Kyselovská, T. *Úvod do mezinárodního práva soukromého*. Praha: Wolters Kluwer ČR, 2017, p. 20.

2 Kučera, Z., Pauknerová, M., Růžička, K. et al. *Mezinárodní právo soukromé*. Plzeň-Brno: Aleš Čeněk-Doplněk, 2015, p. 271.

3 Kyselovská, T. Působnost práva na internetu. In: Polčák, R. et al. *Právo informačních technologií*. Praha: Wolters Kluwer ČR, 2018, p. 32.

4 Rozehnalová, N., Valdhans, J., Drličková, K., Kyselovská, T. *Úvod do mezinárodního práva soukromého*. Praha: Wolters Kluwer ČR, 2017, p. 216.

is regulated by, mainly, international conventions or EU regulations containing direct, substantive, rules.

It is necessary to mention, that both private international law and intellectual property rights are deeply rooted in the principle of territoriality. IPR are subject to territorial limitations and are protected only in a State that this right recognizes and protects.[5] This leads to the challenges for rules dealing with law applicable to contractual and non-contractual aspects of the IPR with international element, especially for online relationships on the Internet.[6]

These challenges lead to development of a number of *soft law* instruments that contain conflict of law rules and jurisdictional rules for the contractual and non-contractual aspect of IPR (on the Internet). These *soft law* instruments are represented by CLIP Principles,[7] ALI Principles,[8] Transparency Principles,[9] KOPILA Principles[10] and Joint JK Principles.[11]

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5 Kučera, Z., Pauknerová, M., Růžička, K. et al. *Mezinárodní právo soukromé*. Plzeň-Brno: Aleš Čeněk-Doplněk, 2015, p. 271.

6 Christie, A. F. Private international law principles for ubiquitous intellectual property infringement – a solution in search of a problem? *Journal of Private International Law*. 2017, Vol. 13, No. 1, pp. 152–163.

7 European Max Planck Group on Conflict of Laws in Intellectual Property. Basedow, J. (ed.). *Conflict of Laws in Intellectual Property. The CLIP Principles and Commentary*. Oxford: Oxford University Press, 2013, p. 507.

8 The American Law Institute (ALI). Dreyfus, R. et al. *Intellectual Property: Principles Governing Jurisdiction, Choice of Law, and Judgments in Transnational Disputes*. Philadelphia: The American Law Institute Publishers, 2008, 219 p.

9 Kono, T. et al. Transparency Proposal on Jurisdiction, Choice of Law, Recognition and Enforcement of Foreign Judgments in Intellectual Property. In: Basedow, J., Kono, T., Metzger, A. *Intellectual property in the Global Arena: Jurisdiction, Applicable law, and the Recognition of Judgments in Europe, Japan and the US*. Tübingen: Mohr Siebeck, 2010, pp. 394–402.

10 "*Principles on International Intellectual Property Litigation*" approved by Korean Private International Law Association on 26 March 2010. In: Miguel Asensio, P. A. De. The Law Governing International Intellectual Property Licensing Agreements (A Conflict of Laws Analysis) [online]. *Research Handbook on Intellectual Property Licensing*. Published in 2013 [cit. 15. 11. 2019]. https://eprints.ucm.es/18063/1/pdemiguelasensio-IP_Licensing_2013.pdf

11 *Principles of Private International Law on Intellectual Property Rights (Joint Proposal Drafted by Members of the Private International Law Association of Korea and Japan*. In: 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 [online]. *Waseda University Global COE Project*. Published in October 2010 [cit. 15. 11. 2019]. http://www.win-cls.sakura.ne.jp/pdf/28/08.pdf

As *Kono* and *Jurčys* stated, "*[…] without special PIL rules, ubiquitous IP infringement will require courts to consider the infringement of IP rights in each state separately and apply the law of each state for which protection is sought […] leading to a mosaic application of a multitude of laws […] [which] increases procedural costs*."[12] These soft law instruments are not legally binding. They aim to increase the efficiency of dispute resolution with an international (cross-border) element by reducing the costs and uncertainty of the parties. These objectives should be safeguarded by rules whereby court proceedings would be held in a single forum and the dispute would be governed by a single law, even in a case of a multi-state infringement. These soft law instruments, however, are interesting also in the context of the EU private international law, because some of the CJEU Advocates Generals refer to them in their legal opinions relating to online infringement of IPR on the Internet.[13]

3 EU Conflict of law rules for contractual aspects of IPR

This part is focused on the relationship between EU conflict of law rules for determining law applicable to contractual and non-contractual obligations contained in EU regulations. The road to creation uniform EU conflict of law rules was not always straightforward.

3.1 Rome I Regulation

Conflict of law rules for derermining law applicable for contractual obligations with international (cross-border) element are provided for in Rome I Regulation.[14] However, Rome I Regulation does not contain any specific rules for contracts related to IPR, such as licence contracts or contracts on transfer of IPR.

The history of creating uniform (jurisdictional) rules in the area of contractual obligations goes back to the adoption of the Brussels Convention

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12 Kono, T., Jurčys, P. General Report. In: Kono, T. (ed.). *Intellectual Property and Private International Law: Comparative Perspectives*. Oxford: Hart Publishing, 2012, p. 153.

13 See Opinion of Advocate General P. Cruz Villalón of 11 September 2014, Case C-441/13, para. 4; or Opinion of Advocate General Jääskinen of 13 June 2013, Case C-170/12, para. 59.

14 Regulation (EC) No 593/2008 of the European Parliament and of the Council of 17 June 2008 on the law applicable to contractual obligations.

in 1968.[15] However, the direct predecessor of Rome I Regulation was Convention on the law applicable to contractual obligations opened for signature in Rome on 19 June 1980 ("Rome Convention").[16] Therefore, the EU legislator had an "template" for creating new set of rules, and the text of Rome Convention was transformed (with minor changes) into the text of Rome I Regulation.[17]

Rome Convention entered into force on 1 April 1991. It was an international convention (treaty) that was legally binding only for (then) European Community ("EC") member states. Rome Convention was one of the first multilateral international conventions containing conflict of law rules for contractual obligations with international element. Rome Convention was the representation of conflict of laws ideas of its time. It was based on three main principles common to the European conflict of laws doctrine: principle of party autonomy; principle of the closest connection; and principle of protection of weaker party. In 2002, the process of transformation of Rome Convention into more suitable form of EU regulation had begun.[18]

Rome Convention did not contain any specific conflict of law rules for contracts related to IPR. Therefore, there were discussions whether these issues are within its scope of application and could be transferred into the Rome I Regulation. According to the Giuliano-Lagarde Report,[19] Rome Convention was applicable to contracts related to IPR, however, non-contractual obligations and IPR as such were governed by *lex loci protectionis*.[20]

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15 Convention of 27 September 1968 on jurisdiction and the enforcement of judgments in civil and commercial matters.

16 Convention of 19 June 1980 on the law applicable to contractual obligations.

17 Rozehnalová, N., Valdhans, J., Drličková, K., Kyselovská, T. *Mezinárodní právo soukromé Evropské unie*. Praha: Wolters Kluwer ČR, 2018, pp. 52–53.

18 "*Suitable*" in the sense of directly applicable and legally binding EU secondary act. For the transformation of Rome Convention into Rome I Regulation see Rozehnalová, N., Valdhans, J., Drličková, K., Kyselovská, T. *Mezinárodní právo soukromé Evropské unie*. Praha: Wolters Kluwer ČR, 2018, p. 52 et seq.

19 Council Report on the Convention on the law applicable to contractual obligations by Mario Giuliano and Paul Lagarde. In: Official Journal No C 282/1 of 31 October 1980.

20 According to the Giuliano-Lagarde Report, para. 2, Scope of Application: "*First, since the Convention is concerned only with the law applicable to contractual obligations, property rights and intellectual property are not covered by these provisions. An Article in the original preliminary draft had expressly so provided. However, the Group considered that such a provision would be superfluous in the present text, especially as this would have involved the need to recapitulate the differences existing as between the various legal system of the Member States of the Community.*"

First draft of the Rome I Regulation from 2005 ("Proposal for Rome I Regulation")[21] contained a specific conflict of law rule in Art. 4 para. 1 letter f). According to this rule, "*[…] a contract relating to intellectual or industrial property rights shall be governed by the law of the country in which the person who transfers or assigns the rights has his habitual residence.*" The Rome I Regulation draft was based on the connecting factor of the habitual residence of the person who transfers or assigns the IPR.

This preliminary rule, however, was not incorporated into the final version of the Rome I Regulation. This rule was criticized as "*too simple and undifferentiated*",[22] especially for publishing contracts. Under the proposed rule, the law applicable to publishing contracts would be the law of the author as the person who assigns or transfers the rights. This result was deemed to be unjust for publishers, who bear the investment risks connected to publishing of any work. According to the critics of the proposed rule, it is the publishers who are the party performing characteristic performance under the publishing contract.[23] The proposed rule also raised questions whether the IPR might be, in fact, transferred or assigned under a contract.[24]

According to the main critics of the proposed rule, it did not stressed the importance of legal classification and the relationship and scope

21 Commission of the European Communities. Proposal for a Regulation of the European Parliament and of the Council on the law Applicable to Contractual Obligations (Rome I) [online]. *EUR-Lex*. Published on 15 December 2005 [cit. 21. 10. 2019]. http://www.europarl.europa.eu/meetdocs/2004_2009/documents/com/com_com(2005)0650_/com_com(2005)0650_en.pdf

22 Magnus, U. Article 4 Rome I Regulation. In: Magnus, U., Mankowski, P. *European Commentaries on Private International Law (ECPIL). Commentary. Vol. II. Rome I Regulation*. Köln: Verlag Dr. Otto Schmidt KG, 2017, p. 421.

23 Thorn, K. Art. 4 Rom I-VO. In: Rauscher, T. *Europäisches Zivilprozess- und Kollisionsrecht EuZPR/EuIPR. Kommentar. Band III. Rom I-VO, Rom II-VO*. Köln: Otto Schmidt, 2016, p. 247.

24 Bělohlávek, A. J. Římská úmluva a nařízení Řím I. Komentář v širších souvislostech evropského a mezinárodního práva soukromého. *1. díl*. Praha: C. H. Beck, 2009, p. 931.

of application of *lex causae*, resp. *lex loci protectionis*.[25] The critics argued that there is no unified and clear definition of "*contracts relating to the IPR*" and that "*the wide variety of contracts relating to intellectual property rights also calls for a differentiated solution instead of one strict, clear-cut rule*."[26]

Another critical argument against any specific rule was based on the fact, that other contractual types, namely franchise contracts [Art. 4 para. 1 letter e)] or distribution contracts [Art. 4 para. 1 letter f)], might also contain IPR aspects. In this regard, there could be overlap between conflict of law rules for these types of contracts and contracts related to the IPR. There could have also been potentially a conflict between the proposed rule and conflict of law rule contained in Art. 4 para. 2 Rome I Regulation, based on characteristic performance. As *Torremans* pointed out, "*plenty of franchise and distribution contracts contain strong intellectual property components and there would have been a conflict between the various rules in Art. 4 (1) as a result of the overlap. The rules would then also have clashed, as in an intellectual property context the franchisee, for example, would have been the licensee rather than the licensor. Under the mechanism I Art. 4 (2) the rules would then have cancelled each other out, but this would have defeated the whole idea of having a special rule for intellectual property contracts*."[27]

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25 "*Which aspects of a contract relating to intellectual property rights are contractual by nature and thus fall under the scope of the lex contractus? Which issues are on the other hand governed by the law that governs the intellectual property right itself and are these issues still outside the scope of the instrument? These questions are of particular importance when it comes to issues which concern the intellectual property right itself but which are closely linked to the respective contracts like the transferability of the right, the conditions under which licenses can be granted and whether the transfer of license can be invoked against third parties. These issues do not fall under the lex contractus; they are governed by the law that governs the intellectual property right. Courts should be careful in considering these questions of characterization*." In: European Max-Planck Group for Conflict of Laws in Intellectual Property (CLIP). Comments on the European Commission's Proposal for a Regulation on the Law Applicable to Contractual Obligations ("Rome I") of 15 December 2005 and the European Parliament Committee on Legal Affairs Draft Report on the Proposal of August 22, 2006 [online]. *Max-Planck Institut*. Published on 4 January 2007, p. 2 [cit. 10. 10. 2019]. https://www.ip.mpg.de/fileadmin/ipmpg/content/stellungnahmen/comments-contractualobligations_01.pdf

26 "*Even though the application of the law of the assignor or transferor of the intellectual property right might be appropriate in simple contracts which resemble an outright sale – such as an assignment or license for consideration in the form of a lump sum payment –, this does not hold true as a general rule. More complex intellectual property transactions often include an explicit or implicit duty of the licensee to exploit the intellectual property right, sometimes supplemented by clauses indicating quantities of production or modalities of use, while the licensor does not accept any commitment beyond the toleration of use of his rights. This casts doubt on the proposition that it is the licensor who effects the performance characteristic of the contract (as it is the licensee who accepts the commercial risks linked to the exploitation)*." In: Ibid.

27 Torremans, P. Licenses and Assignments of Intellectual Property Rights under the Rome I Regulation. *Journal of Private International Law*. 2008, Vol. 4, No. 3, p. 403.

For these reasons, the final version of the Rome I Regulation does not contain any specific rule for contracts relating to IPR.

3.2 Contracts relating to IPR in Rome I Regulation

Due to increased internationalization of contracts relating to IPR,[28] it is highly advisable for the contractual parties to include a choice of law clause in their respective contract. Choice of law (*lex electa*) is contained in Art. 3 Rome I Regulation.

However, if there is no choice of law, it is necessary to apply Art. 4 Rome I Regulation. Art. 4 para. 1 Rome I Regulation contains a list of the most frequently used types of contracts. It is necessary to correctly classify (qualify) a particular contract. According to the CJEU case law,[29] license contracts shall not be interpreted as a contract for the provision of services [Art. 4 para. 1 letter b) Rome I Regulation].[30]

Although some contracts, e.g. franchise contracts [Art. 4 para. 1 letter e)] Rome I Regulation or distribution contracts [Art. 4 para. 1 letter f)], might contain intellectual property aspects, it is necessary to turn to Art. 4 para. 2 Rome I Regulation. This provision is based on the connecting factor "*habitual residence of the party required to effect the characteristic performance*". There is an ongoing discussion which party of a transfer contract or license contract effects the characteristic performance; licensee or licensor; assignee or assignor.[31]

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28 "*Moreover, even the trend to draft very detailed contracts, including the use of model agreements, the incorporation by reference of certain rules or the use of standard terms and conditions do not exclude in practice the need to consider the conflict of laws implications of international IP license.*" In: Miguel Asensio, P. A. De. The Law Governing International Intellectual Property Licensing Agreements (A Conflict of Laws Analysis) [online]. *Research Handbook on Intellectual Property Licensing*. Published in 2013, pp. 312–313 [cit. 5. 8. 2019]. https://eprints.ucm.es/18063/1/pdemiguelasensio-IP_Licensing_2013.pdf

29 Judgment of the Court of Justice (Fourth Chamber) of 23 April 2009, Case C-533/07.

30 "*(…) a contract under which the owner of an intellectual property right grants its contractual partner the right to use that right in return for remuneration is not a contract for the provision of services within the meaning of that provision.*" In: Judgment of the Court of Justice (Fourth Chamber) of 23 April 2009, Case C-533/07, para. 44.

31 For different opinions and more in depth analysis see in particular Kyselovská, T., Koukal, P. *Mezinárodní právo soukromé a právo duševního vlastnictví – kolizní otázky*. Brno: Masarykova univerzita, 2019, p. 189 et seq.

For “simple” contracts relating to IPR, it is the licensor (assignor); this is the party that that created the protected asset; the licensee (assignee) only pays lump-sum money for the use of protected asset and has no other obligations.[32] In case of more “complex” contracts, it could be the licensee (assignee) who effects the characteristic performance, because he could have more obligations arising out of a contract, e.g. payment of royalties, obligation to manufacture respective goods or to take part in the development process.[33]

In any contract and in IPR contracts especially, it is necessary to take into consideration mandatory rules under Art. 9 Rome I Regulation. In the area of IPR, it could be rules concerning competition law and antitrust law.[34]

4 Conflict of law rules for non-contractual aspects of IPR

4.1 Rome II Regulation

Conflict of law rules for law applicable for non-contractual obligations with an international element are contained in Rome II Regulation.[35]

Rome II Regulation did not have, as opposite to Rome I Regulation, its predecessor. The EU legislator, therefore, did not have any “model law” on which to rely on in the course of adoption of conflict of law rules for non-contractual obligations for infringements of intellectual property rights. However, this did not pose any significant challenge for the EU legislator. This was due to the fact that national legislations of the EU member states in the area of IPR usually reflected the principle of territoriality and

32 Magnus, U. Article 4 Rome I Regulation. In: Magnus, U., Mankowski, P. *European Commentaries on Private International Law (ECPIL). Commentary. Vol. II. Rome I Regulation*. Köln: Verlag Dr. Otto Schmidt KG, 2017, p. 425; Martiny. In: Hein, J. V. *Internationales Privatrecht II: Internationales Wirtschaftsrecht, Einführungsgesetz zum Bürgerlichen Gesetzbuche (Art. 50-253)*. 2018, p. 203 et seq. The license contract or contract on assignment could be approximated to a sales contract in this respect.

33 Kyselovská, T., Koukal, P. *Mezinárodní právo soukromé a právo duševního vlastnictví – kolizní otázky*. Brno: Masarykova univerzita, 2019, p. 303 et seq.

34 Ibid., p. 326; Fawcett, J. J., Torremans, P. *Intellectual Property and Private International Law*. Oxford: Oxford University Press, 2011, p. 783.

35 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.

lex loci protectionis. Moreover, all EU member states were contractual parties to important international conventions on IPR, such as Berne Convention[36] or Paris Convention,[37] and were member states of relevant international organizations, such as WIPO[38] or WTO and its TRIPS Agreement.[39]

It is interesting, however, that the first draft of the Rome II Regulation from 2002 did not contain any conflict of law rule for infringements of IPR.[40] At the same time, this area was not expressly excluded from the scope of the Rome II Regulation, and would therefore be governed by the proposed general rule under Art. 5 containing connecting factor *lex loci damni infecti*. This could mean, for instance, that if an infringer and the IPR holder were domiciled in state A, but the intellectual property right was protected in state B, the law of state A would be applicable to the infringement.[41]

The absence of any specific conflict of law rule was criticized, especially by the Hamburg Group for Private International Law ("the Hamburg Group").[42] The Hamburg Group created its own proposal for conflict of law rules for infringements of IPR ("Hamburg Proposal").[43]

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36 Berne Convention for the Protection of Literary and Artistic Works amended on 28 September 1979 [online]. *WIPO* [cit. 18. 11. 2019]. https://www.wipo.int/treaties/en/ip/berne/

37 Paris Convention for the Protection of Industrial Property amended on 28 September 1979 [online]. *WIPO* [cit. 18. 11. 2019]. https://www.wipo.int/treaties/en/ip/paris/

38 WIPO, World Intellectual Property Organization. For list of member states of WIPO, see https://www.wipo.int/members/en/#5 [cit. 18. 11. 2019].

39 WTO, World Trade Organization. For list of member states of WTO, see https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm [cit. 18. 11. 2019]; TRIPS, Trade-Related Aspects of Intellectual Property Rights, see https://www.wto.org/english/tratop_e/trips_e/trips_e.htm [cit. 18. 11. 2019].

40 Illmer, M. Article 8. In: Huber, P. *Rome II Regulation. Pocket Commentary*. Munich: Sellier, European Law Publishers, 2011, p. 227.

41 Kur, A., Maunsbach, U. Choice of Law and Intellectual Property Rights [online]. *Oslo Law Review.* 2019, Vol. 6, No. 1, p. 52 [cit. 8. 8. 2019]. https://portal.research.lu.se/portal/files/65823815/choice_of_law_and_intellectual_property_rights.pdf.

42 Hamburg Group consisted of academics working and the Max Planck Institute for Foreign Private and Private International Law, namely Jürgen Basedow, Felix Blobel, Jana Essebier, Jan von Hein, Axel Metzger Ralf Michaels, Hans-Jürgen Puttfarken, Jürgen Samtleben, Judith Schnier and Simon Schwarz. Part of the group was the Seminar of Foreign Private and Private International Law at the Faculty of Law at the University of Hamburg – Ulrich Magnus, Peter Mankowski.

43 Hamburg Group for Private International Law. Comments on the European Commission's Draft Proposal for a Council Regulation on the Law Applicable to Non-Contractual Obligations [online]. *law.duke.edu* [cit. 17. 11 .2019]. https://scholarship.law.duke.edu/cgi/viewcontent.cgi?article=1987&context=faculty_scholarship

The Hamburg Proposal contained in Art. 6a conflict of law rules for infringements of industrial and intellectual property rights: it distinguished between national intellectual property rights (Art. 6a para. 1) and Community industrial property rights (Art. 6a para. 2). For the national IPR, the *lex loci protectionis* connecting factor was proposed;[44] for Community industrial property rights "*the law of the Member State in which the breach has consequences for the protected right*" was proposed.[45]

This rule was partially adopted into the Commission's amended proposal for the Rome II Regulation in 2002.[46] Unlike the Hamburg Proposal, the Commission had chosen the *lex loci delicti commissi* connecting factor for Community IPR under Art. 8 para. 2. Also, the wording of Art. 8 para. 1 had a different wording. The Commission initially proposed "law of the country for which protection is sought"; in the final version of the Rome II Regulation, the wording "*law of the country for which protection is claimed*" was adopted.[47] The replacement of the term "claimed" with "sought" was justified by the fact that the term "claimed" better corresponds to the wording of Art. 5 para. 2 of the Berne Convention.

The proposed conflict of law rule was not criticized or amended by the member states and, therefore, after further negotiations, this provision was incorporated in the final version of the Rome II Regulation, without any further justification or reasoning.[48]

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44 Art. 6a para. 1 Hamburg Proposal: "*The law applicable to a non-contractual obligation arising from an infringement of a copyright or a registered industrial property right shall be the law of the country for which protection is claimed.*"

45 Art. 6a para. 2 Hamburg Proposal: "*A non-contractual obligation arising from an infringement of a Community industrial property right with a unitary character shall be governed by the law of the Member State where the infringement affects the right.*"

46 Commission of the European Communities. Amended proposal for a European Parliament and Council Regulation on the law applicable to non-contractual obligations ("Rome II") (presented by the Commission pursuant to Art. 250 para. 2) of the EC Treaty) [online]. *EUR-Lex*. Published in 2006 [cit. 13. 11. 2019]. https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:52006PC0083&from=CS

47 Council of the European Union. Common position adopted by the Council 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") [online]. *consilium.europa.eu*. Published on 11 August 2006 [cit. 25. 10. 2019]. https://register.consilium.europa.eu/doc/srv?l=EN&f=ST%209751%202006%20INIT

48 De La Durantaye, K. Article 8 Rome II. In: Callies, G.-P. *Rome Regulations: Commentary*. Alphen aan den Rijn: Kluwer Law International, 2015, p. 629.

The Hamburg Proposal also excluded in Art. 11 choice of law in case of infringement of IPR, referring to the public interest and territorial limitations of these rights.[49] The exclusion of choice of law was already contained in the Commission's proposal, but without any further justification.[50]

This approach had been criticized by the European Parliament, which, in its own comments on the Rome II Regulation proposal, has, on the contrary, allowed the choice of law: "*In addition, there seems to be no reason why parties in an arms-length commercial relationship should not be able to agree on the law applicable to any claim in tort/delict before any such claim arises. This may be convenient to businesses wishing to regulate all potential aspects of their relationship from the outset. […]. There also seems to be no reason why such agreements cannot be concluded in relation to intellectual property.*"[51] The European Parliament's proposal on the choice of law was not (again without any explanation) adopted in the final text of the Rome II Regulation.[52] Therefore, final version of the Rome II Regulation does not contain choice of law for infringements of IPR.

4.2 Conflict of law rules in Rome II Regulation

Conflict of law rules for infringement of IPR are contained in Art. 8 Rome II Regulation. This provision is *lex specialis* to Art. 4, therefore it is not possible apply connecting factors *lex loci damni infecti* or *lex loci delicti communis* or escape clause based on close connection. Art. 8 could overlap with Art. 6, especially in the area of know how or trade secrets.[53]

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49 Art. 11 Hamburg Proposal: "*Except for the cases covered by articles 6, 6a* [infringements of IPR] *and 8, the parties may choose the law applicable to a non-contractual obligation.*"

50 "*Freedom of will is not accepted, however, for intellectual property, where it would not be appropriate.*" In: Commission of the European Communities. Proposal for a Regulation of the European Parliament and the Council on the Law Applicable to Non-contractual Obligations (Rome II) [online]. *EUR-Lex*. Published on 22 July 2003, p. 22 [cit. 2. 11. 2019]. https://ec.europa.eu/transparency/regdoc/rep/1/2003/EN/1-2003-427-EN-F1-1.Pdf

51 European Parliament. Report on the proposal for a regulation of the European Parliament and of the Council on the law applicable to non-contractual obligations (Rome II) [online]. *EUR-Lex*. Published in 2005, p. 25 [cit. 15.11.2019]. http://www.europarl.europa.eu/sides/getDoc.do?type=REPORT&reference=A6-2005-0211&language=EN

52 Illmer, M. Article 8. In: Huber, P. *Rome II Regulation. Pocket Commentary*. Munich: Sellier, European Law Publishers, 2011, p. 228.

53 Ibid., p. 235.

Art. 8 para. 1 Rome II Regulation is based on the principle of territoriality of IPR, which manifests itself by connecting factor *lex loci protectionis*: "*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.*" This provision is applicable to all types of IPR. It is important to note that Rome II Regulation does not contain an autonomous definition of IPR. However, according to the Preamble to the Regulation, "*the term 'intellectual property rights' should be interpreted as meaning, for instance, copyright, related rights, the sui generis right for the protection of databases and industrial property rights.*" [54]

Art. 8 para. 2 Rome II Regulation is applicable to non-contractual obligations arising from and infringement of a unitary EU IPR. In this case, the relevant connecting factor is *lex loci delicti commissi* (the law of the country in which the act of infringement was committed).

As stated above, Art. 8 para. 3 Rome II Regulation excludes choice of law for infringements of intellectual property rights made by the parties.

Art. 8 Rome II Regulation is relatively unproblematic in cases of infringements of IPR in a single state. In this case, it is necessary to apply law of the State, "for which protection is claimed" (Art. 8 para. 1) or the relevant EU instrument (regulation) containing substantive rules (Art. 8 para. 2). However, due to the Internet, it is common for infringements of IPR to take place in several States in the same time. Unfortunately, Art. 8 Rome II Regulation does not regulate spillover effects[55] or *de minimis* rule.[56] In a multistate infringement, it is therefore possible to apply all legal orders that give protection to the relevant IPR.[57]

54 Preamble Rome II Regulation, para. 26.

55 Illmer, M. Article 8. In: Huber, P. *Rome II Regulation. Pocket Commentary*. Munich: Sellier, European Law Publishers, 2011, p. 244.

56 Judgment of the Court of Justice (Third Chamber) of 18 October 2012, Case C173/11, para. 31–33. De minimis rule is contained in Art. 3:602 CLIP Principles: "*1) A court applying the law or laws determined by Article 3:601 shall only find for infringement if a) the defendant has acted to initiate or further the infringement in the State or the States for the protection is sought, or b) the activity by which the right is claimed to be infringed has substantial effet within, or is directed to the State or the States for which protection is sought. 2) The court may exceptionally derogate from that general rule when reasonable under the circumstances of the case.*"

57 For more in depth discussion see Kyselovská, T., Koukal, P. *Mezinárodní právo soukromé a právo duševního vlastnictví – kolizní otázky*. Brno: Masarykova univerzita, 2019, p. 233 et seq.

5 Conclusion

Protection of intellectual property rights is a very important part of digital economy and EU internal market. The society in 21st century is based on knowledge and information. Due to globalization, electronization and the Internet, the IPR could be used (and infringed) worldwide. For this reason, it is relatively easy to enter into relationship with international element. To find law applicable, it is necessary to apply conflict of law rules.

Conflict of law rules for contractual obligations with international element are provided for in Rome I Regulation. In the absence of choice of law, it is necessary to apply alternative connecting factor based on the law of the State of the party providing "characteristic" performance. This could be difficult in case of more complex contracts relating to IPR, where both parties could provide the characteristic performance. Thus, choice of law is advisable.

Conflict of law rules for non-contractual obligations with international element are provided for in Rome II Regulation. The provision in Art. 8 is rooted in the principle of territoriality and *lex loci protectionis* connecting factor.

The EU conflict of law rules do not provide answers for every possible case scenario relating to IPR, nonetheless respect the complexity and unique characteristics of both private international law and intellectual property rights.

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