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NOTE

from :	Swedish delegation
to :	Committee on Civil Law Matters (Rome I)
No. prev. doc. :	16353/06 JUSTCIV 276 CODEC 1485
No. Cion prop. :	5203/06 JUSTCIV 3 CODEC 18
Subject :	Proposal for a Regulation of the European Parliament and of the Council on the law applicable to contractual obligations (Rome I) - Suggested treaty language on Article 4 subparagraph 1(f)[1]

"To the extent that the law applicable to the contract has not been chosen in accordance with Article 3 [and without prejudice to Articles 5 – 7], the law governing the contract shall be determined as follows:

[1] This note was circulated as a meeting document at the meeting of the Committee on Civil Law Matters (Rome I) on 17 January 2007.

…

(f) **if** a contract relating to intellectual ~~or industrial~~ property rights **concerns the license or the transfer of rights limited to only one territory, the contract** shall be governed **by the law of the territory for which the right has been licensed or transferred**. ~~by the law of the country where the person who transfers or assigns the right has his habitual residence;~~ **If a contract relating to intellectual property rights concerns the license or the transfer of rights in two or more territories, the contract shall be governed by the law of the territory where the licensee or transferee has its habitual residence.**

…

2. Where the applicable law cannot be determined pursuant to paragraph 1, the contract shall be governed by the law of the country with which it is most closely connected.

3. Where it is clear from all the circumstances of the case that the contract is manifestly more closely connected with a country other than that indicated in paragraphs 1 or 2, the law of that other country shall apply. A manifestly closer connection with another country might be based in particular on the contract being very closely related to another contract or a series of contracts governed by a law other than that indicated in paragraphs 1 or 2.

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Background and reasons:

Intellectual property rights (which concept includes industrial property rights) are characterized by the principle of territoriality. This means that – for example – a patent granted by a national patent office or the European Patent Office is valid only in the particular state which the office granted the patent or – as regards European patents – in the states for which it is granted. In both cases the patent right granted is governed by the respective national law. Disputes on infringement, scope, validity of rights etc. are thus governed by the respective national law. Community rights according to EC-Regulations – such as the Community Trade Mark – are governed by the respective Regulation, which may prescribe that certain issues are governed by the respective national law (as for the Community Trade Mark the latter is the case as regards disputes on infringement, civil liability and unfair competition).

Although national law on intellectual property to a large extent is harmonized in Europe, substantial and important differences remain in many aspects. Therefore, as regards the validity of registered intellectual property rights, the courts of the Member State in which the right is registered have exclusive jurisdiction according to Article 22(4) of Regulation 44/2001 (Brussels I). Most disputes regarding contracts on licensing or transfers of intellectual property rights concern in one way or the other the scope of the right covered by the right or the transfer. This being so, disputes on the contract on licensing or transfers of intellectual property rights should in principle be governed by the law of the country that governs the right, i.e. *the law of the country for which the right has been licensed or transferred*. In respect of registered rights this will be the country in which the right, that the licence or transfer concerns, is registered.

According to the current draft of the Presidency (13853/06) the principle is that a contract relating to intellectual property rights shall be governed by *the law of the country where the person who transfers or assigns the right has his habitual residence*. This would lead to the unfortunate situation that a contract on the licensing or transfer of an intellectual property right could be governed by the national law where the holder of the right has habitual residence, whereas – at the same time – mandatory provisions of another national law, that basically governs the right, must not be set aside. Thus, the law of more than one country would be applicable. Our suggestion as to a new wording of Article 4 subparagraph 1(f), saying that "*if a contract relating to intellectual property rights concerns the license or the transfer of rights limited to only one territory, the contract shall be governed by the law of the territory for which the right has been licensed or transferred"*, comes to terms with that problem.

Furthermore, our suggestion also aims at the most appropriate solution in situations where contracts concerning licensing and transferring of rights encompass – as they often do – *two or more territories*. In order to avoid a multiple number of applicable laws and legal insecurity, the rule should in these cases be that *the contract shall be governed by the law of the territory where the licensee or transferee has its habitual residence*. The reason for this is in the first place that one single law governing the contract is clearly appointed. Secondly, as the licensee or transferee often has its habitual residence in the country where the rights are exploited, the law of the licensee or transferee will usually coincide with the law of one of the countries for which the right has been licensed or transferred. Thirdly, predominant reasons speak for the appointment of the law of the licensee or transferee rather than the law the holder of the right, as the first-mentioned in practice is committed to the exploitation of the right, the making of investments and the taking of risks.

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