

# COPYRIGHT CONTRACTS AND CHOICE OF LAW

By François Dessemontet

## INTRODUCTION

1. Professor Nordemann's endearing interest for the law of copyright in international relations as well as in the national arena encompasses international conventions between nations and international contracts between individuals.
2. Presented as an affirmation of respect and friendship for this great scholar, the following observations will debate the question whether an international instrument may help private parties to decide which rule shall apply in case of conflict of laws concerning a copyright contract.
3. The territoriality of substantive copyright law is well known. Together with the principle of national treatment, the territoriality of copyright law renders moot most choice of law issues regarding the existence of the right and the remedies that are afforded to copyright holders.

What the territoriality principle does not necessarily cover, however, is the initial title to the copyright, especially when the work is made for hire or under a commissioning contract. Further, the transfer of rights or their licensing are in many legal orders subject to the party autonomy theory, which encompasses the choice of law as well as the choice of jurisdiction – and the possibility to opt for arbitration rather than for ordinary courts. Of course, the adoption of the German § 32b Urheberrechtsgesetz on March 22, 2002 has shown that party autonomy may be limited to protect authors and, according to Prof. Nordemann, even performers.<sup>1</sup>

4. The present contribution does not comment on the opportunity for each country to adopt mandatory rules protecting one party (or the other one) in international copyright contracts. The sheer fact to depart from party autonomy for the protection of the weaker party cannot be criticized as such. It should be clear that the modern legal orders aim at a better solution than the one which Blaise Pascal bore witness to: "Ainsi on n'a pas pu donner la force à la justice, parce que la force a contredit la justice et a dit qu'elle était injuste, et a dit que c'était elle qui était juste. Et ainsi, ne pouvant faire que ce

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<sup>1</sup> See W. Nordemann, *Das neue Urhebervertragsrecht*, München 2002, N. 1 ad. § 75; See R. Hilty & A. Penkert, *Das neue Urhebervertragsrecht im internationalen Kontext*, GRUR Int 2002, p. 643, 644.

qui est juste fût fort, on a fait que ce qui est fort fût juste" (Pensées). On the contrary, our contemporary reasoning sees in the statutory law the endeavor to strike a balance between the mighty and powerful, and the poor and defenseless. As the legislature has to proceed by category, the producers and publishers are seen as the mighty partners, and the authors and performers as the weaker party. The view may be statistically correct, but it is troublesome to think that not all legislatures may share it, because of changing parliamentary majorities. And in any given case, the assumption may turn out to be wrong, whenever the performers or authors (David Bowie, Madonna, Iron Maiden, Rod Steward, Holland, Dozier Holland) seem to be powerful and are so confirmed in their pole position by the financial market through the securitization of their rights.<sup>2</sup> Another case in which the authors and performers are the mighty ones, comes from the backing of a trade union or a collecting society.

5. In view of this economic background, the prudent approach would be to rally around a concrete test for defining the "weaker party", proceeding by categorization, if necessary, but with an escape clause for the case where the weaker party is not the one usually so defined in the Statute.
6. However, the drifting majorities in the legislature will inevitably result in conflict of laws. For example, approximately at the same time as Germany adopted protective measures for authors in the Novelle of 2002, Switzerland approved an employer-friendly amendment to its rules for designers working in a labor relationship. Taking for model the outdated provision on the employed inventor, the new Article 332b CO evidences all the defects of the solution applicable to patents for inventions and imports them in the realm of design law, which, under our dual system, also pertains to copyright law.
7. Therefore, conflict of laws will arise in the future more often than in the past. How can we best regulate the choice of law by the parties? We shall see first a practical case in order to focus on the main issues of international private law. Then we shall examine the solution, which is prohibited by the latest endeavour in this area, *the American Law Institute rough draft for Principles governing jurisdiction, choice of law and judgments in transnational intellectual property disputes*.

## I. A PRACTICAL CASE

8. A wealthy exile from a Middle East country wishes to produce a series of posters and video clips. They have to be coordinated, which entails the

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<sup>2</sup> See our study *Responsabilité patrimoniale et nouveaux instruments financiers: la titrisation de la propriété intellectuelle*, Etudes en l'honneur de Baptiste Rusconi, Lausanne 2000, p. 132 – 133.

modification of some of the original posters and clips. Various designers will work on the posters, each of which should illustrate a virtue or a skill: accuracy, promptness, exactness, urbanity, benevolence, etc. Various teams will work on the video clips. The whole project encompasses some hundred posters and clips. The question is which law should apply? For specific motives, French law, U.S. law and Swiss law are under consideration.

9. It is well known that French law has some very protective provisions. For example, agreements on transfer of rights which would fail to define the rights assigned, the territorial scope, the type of exploitation envisaged, and the duration of the transfer are void and null.<sup>3</sup> Another statutory rule concerns the revision of a contract price in case of "duress" (the "7/12th rule").<sup>4</sup> For the audiovisual part of the project, some or all of the ensuing difficulties may be alleviated by the presumed transfer of title of copyright to the producer<sup>5</sup>, which however provides for the respect of the rules mentioned above.<sup>6</sup>
10. U.S. law may be protective of some moral rights if the posters are published in a very limited number of copies. Some state rules may also protect the authors, but the work for hire doctrine will apply to the benefit of the producer. The question is whether a foreign court in a country, in which the U.S. work for hire rule is not prevalent, will enforce a judgment applying that rule or will even apply it directly if the case comes first to this other country. Pungent considerations of domestic public policy might prevent recognition of the judgment or application of the foreign law, so that the domestic law will be applied – or a new litigation will start in a second country.<sup>7</sup> There, the choice of U.S. law is fraught with uncertainties when possible litigation or enforcement proceedings abroad have to be contemplated from the outset.
11. Swiss law is more permissive than the two other legal orders under consideration. Further, Swiss law has no explicit provision directly regulating the transfer of copyright (with the exception of Article 16 of the Swiss Copyright Act) or the commissioning of a work of art. Of course, general provisions on contract and specific provisions on the contracting for work and the publishing contract may apply. As Swiss law is very liberal in its approach, granting party autonomy to a fullest extent than most other legal orders, so is the law applicable to international situations premised on the freedom of the parties in selecting a proper law for their relationship. Arbitration clauses will be enforced, at least where patrimonial interests are

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<sup>3</sup> See Article L. 133-1 of the French Intellectual Property Code.

<sup>4</sup> See Article L. 131-5 of the French Intellectual Property Code.

<sup>5</sup> See Article L. 131-24 of the French Intellectual Property Code.

<sup>6</sup> See Article L. 132-31 of the French Intellectual Property Code.

<sup>7</sup> See Hilty, Penkert, at 660.

at stake, and the author ventures to state that even moral rights may be validly subject to an arbitration clause, to the extent that the party having to respect an alleged moral right of the author may perceive it as a financial burden.<sup>8</sup> Such would undoubtedly be the case if the formatting of the posters and the modifications that are entailed by the coordination with the video clips would be deemed to run counter to the moral rights of the authors.

12. The brief examination of this particular case does not encompass the rules that the new German law of 2002 has established for the protection of the authors. However, it will easily be recognized by our German friend that German copyright law appears somewhat closer to the French legal system (with diverging technicalities due to the monist approach as opposed to the French dual tenet) than to the Swiss or U.S. ones. This has led to the interesting observation that § 32 b UrhG aims at solving both a conflict of law as well as keeping publishing houses in Germany ("Standortsicherung").<sup>9</sup> The risk of the German media firms emigrating because of some law seems rather low. Interestingly, for Internet, it is nonetheless a similar concern for the offshore paradises not member of TRIPs or Berne Union that has prevailed, at least in the beginning of the academic discussion of the law applicable on the Net<sup>10</sup>. The escape to "copyright heavens" (as if there would be no court, no rules, no law and only professors in the Heaven) is less unlikely for Internet publishing. It is a true difficulty, which prompted the response of the Reporters of the American Law Institute through the drafting of Principles and, more specifically, led them to advocate the reliance on the TRIPs Standards as guidance to the courts in a transnational case, as we shall see now.

## **II. THE DRAFT AMERICAN LAW INSTITUTE PRINCIPLES GOVERNING JURISDICTION, CHOICE OF LAW, AND JUDGMENTS IN TRANSACTIONAL DISPUTES**

### **A. Background**

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<sup>8</sup> See for example Arrêts du Tribunal fédéral (hereafter: ATF) 118 II 353, 356.

<sup>9</sup> See Hilty & Penkert, 644: "denn es erschien nicht ausgeschlossen, dass insbesondere Verlage zur Umgehung der Vorschriften in das benachbarte Ausland abwandern". It is not to be excluded, especially because some German publishing houses already bought up some Swiss publishers.

<sup>10</sup> V. par exemple François Dessemontet, Internet, *Le droit d'auteur et le droit international privé*, 92 SJZ (1996), 290 to 291 ; André Lucas, *Private International Aspects of the Protections of Works and of the Subject Matter of Related Rights Transmitted over the Digital Networks*, WIPO Report (GCPIC/1, 25 November 1998).

13. The question of conflict of laws has long been considered as non-existent because of the principle of territoriality. The choice of the Member States of the Berne Union was to avoid most of those problems, as is apparent from Article 5 (2) of the Berne Convention.<sup>11</sup> However, the total absence of conflict of laws is illusory because of the divergences of the various copyright national legislation in areas, which are not yet harmonized, such as for example the exceptions and limitations to copyright (fair use, non-voluntary licenses, etc.). Moreover, other legal fields are not fully covered by the international conventions: copyright ownership, transfer of right, licensing, Internet use (as long as the WIPO Treaty are not binding upon most nations).
14. Thus, it was no surprise that, during the preparatory works towards the European Convention on the Law Applicable to Obligations, the debate on the law applicable to intellectual property rights started in the seventies, culminating with Eugen Ulmer's full set of drafted propositions.<sup>12</sup> The ensuing discussion pitted against each others the "internationalists" who could not understand why general rules and principles would not apply in the IP rights area, and the "intellectualists", who could not understand how IP rights' specificity could be so misunderstood. The Nymphenburger Seminar of April 1975 was a highpoint in that debate. At that time, the internationalists won the game, since no particular provision was adopted in the Rome Convention of 1980 on the law applicable to contractual obligations; and no specific provision is expected to rule IP rights in the "Rome II" text on the law applicable to extra-contractual obligations. Of course, this absence of specific provisions may also be interpreted as a provisory victory of the "intellectualists", in the sense that no rule on conflicts of law has been found deserving of adoption because no conflict exists. As in fact such is not the case, and conflicts do arise, the better way would appear to face the truth and, if necessary, set up rules to take into account the specific issues pertaining to IP rights. This solution has been adopted e.g. by the Swiss Private International law Statute of 1987.<sup>13</sup>
15. At the same time, the Hague Conference of International Private Law mentioned on its agenda the Licensing Agreement. It remained for approximately one decade and a half without any progress being made. The transfer of technology agreements was then a hotly disputed topic of negotiations in UNCTAD and other international arenas.

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<sup>11</sup> See Jane C. Ginsburg, *The Private International Law of Copyright in an Era of Technological Change*, (Hague Academy of International Law, 1998), 350 to 355.

<sup>12</sup> See Eugen Ulmer, *Die Immaterialgüterrechte im internationalen Privatrecht*, Köln, München, 1975.

<sup>13</sup> See Articles 109, 110, 111 and 122 PIL.

16. The failure of the great endeavor of the Hague Conference toward a new Convention on the Recognition and Enforcement of Foreign Judgments Abroad paved the way for a more modest American Law Institute Project entitled: Intellectual Property: Principles Governing Jurisdiction, Choice of Law and Judgments in Transnational Disputes. This Project will be commented here only as regards choice of law issues relating to the copyright contract.<sup>14</sup> It is worth mentioning that the American Law Institute endeavors to present Principles conforming to both European and American approaches regarding conflict of laws. Among other parallel developments one should note the project of the Max Planck Institute in Munich, which is still in infancy.

## **B. The issues raised by a choice of law in a copyright contract**

### **1. General Contractual Issues**

17. The validity of a contract, be it for copyright or other legal fields, raises general issues such as inter alia the capacity to act, the common will and intent of the parties, the form of the agreement and amendments, agency, guarantees and warranties, taxes, price relevant to compute royalties, termination and provisions on dispute resolutions.
18. For the general contractual issues, the party autonomy leads to a choice of law which does not raise questions different from those which any contract may raise. Therefore, the draft Principles<sup>15</sup> provide that the law applicable to a transfer of ownership rights in, or a grant of a license to use, intellectual property is the law designated by the parties to the contract, "except for the transferability of rights". This exception alludes to the specific nature of copyrights, and we shall turn to it below. However, it is interesting to note that for general issues of contract law, the draft follows a nowadays almost harmonized approach, subjecting the existence and validity of the choice of law agreement to the law which would govern if that agreement were not contested. Similarly, the Rome Convention provides that the law of the contract should govern the issue of the material validity of acceptance.<sup>16</sup> The

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<sup>14</sup> The writer is Co- Reporter with Prof. Rochelle Dreyfuss, New York University, and Jane Ginsburg, Columbia University, but expresses here only his personal points of view. The draft commented is current as of April 2003. Prior versions of the draft have been commented for jurisdictional issues inter alia in our studies – *Les conflits de compétence dans la propriété intellectuelle*, in *Mélanges en l'honneur de Bernard Dutoit*, Librairie Droz, Genève 2002, 57-68 and *Quelques observations à propos de l'avant projet de l'American Law Institute sur les conflits de juridictions et la propriété intellectuelle*, *Festschrift für Jean Nicolas Druey*, Zurich 2002, 83 to 97.

<sup>15</sup> See Article 27.1 of the Draft Principles as of April 2003.

<sup>16</sup> See Article 8 (1) of the Rome Convention. However Article 8.2 set forth an exception: "a party may rely upon the law of the country in which he has his habitual residence to

Restatement of Conflict of Laws Second<sup>17</sup> also calls for the application of the law chosen by the parties. The choice of law provision is severable, that is it may be recognized even if the main part of the agreement is null and void, or can be invalidated on some ground.

## 2. Substantial Connection

19. Further the ALI draft provides for a somewhat antiquated test of "substantial connection" between the designated national law and the parties or the substance of the dispute, but only for non-negotiated contracts, and subject to the rule of reason.

- a) The substantial connection test played a role for choice of jurisdiction (and still does) as well as it did for choice of law until three decades ago. The question whether a court has to accept all cases converging to it because of the working capacity and experience of its judges is a question which is debatable from the viewpoint of a sound administration of justice and in the perspective of the enforcement of judgments abroad. However, the question whether there should be a substantial connection between a chosen legal order and the parties or the substance of the dispute, is undoubtedly of a different nature. There is no State interest in preventing parties to select a legal order as binding for them. Of course, there may be a public interest in preventing parties to escape from the more stringent regulations of a given law in order to choose a more liberal one, thus a law being more advantageous to the party which is not the party protected under these stringent regulations. Such public interest is safeguarded by the notion of public policy – public policy in the truly international cases being often deemed however to be narrower than domestic mandatory rules. "Internationality" should not be seen in this regard as a formalistic standard. For example where a German company owns an entity in Liechtenstein or Anguilla through which some contracts are executed with a German citizen or resident, the restriction may be thought of as calling for a domestic German concept of public policy. This view on "Internationality" should suffice to prevent the evils that the substantial connection standard purports to avoid. The main justification underlying the substantial connection test in the contract law field stemmed from its apparent objectivity, which avoids applying a purely conceptual and rigid connecting criterion totally disconnected from the concrete situation at bar.<sup>18</sup> Nevertheless, the modern modifications of

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*establish that he did not consent if it appears from the circumstances that it would not be reasonable to determine the effect of his conduct in accordance with the law specified...".*

<sup>17</sup> See Section 187 Restatement of the Law, Second, Conflict of Laws.

<sup>18</sup> On the genesis of the substantial connection test in the contract law field, see Paul Lagarde, *Le principe de proximité dans le droit international privé contemporain* (Hague Academy of International Law, 1986), 9-238, at 3-49.

international private law all have an "escape clause" such as Art. 15 Swiss PIL, which makes the substantial connection test superfluous.

- b) Nevertheless, the use of a substantial connection test can lead to unfortunate results in copyright cases and other intellectual property matters. Indeed, it may be misunderstood and interpreted as mandating the court into an inquiry relating to the "*locus rei sitae*", that is applying the law of the territory with which intellectual property rights are thought to be most closely connected. This is especially the approach followed by English courts until quite recent times. This "*reification*" of intellectual property rights should be avoided, for it is not really in the nature of intellectual assets to be "located" somewhere. For copyright contracts in particular, copyright being seldom registered (notwithstanding the well-known exception of the general U.S. copyright registration system and specific registration for some audiovisual works), the location of the subject matter of the contract is awkward to determine.
- c) Therefore, a correct interpretation of the "substance" of the dispute under the ALI draft Principles should not lead to consider with which country the *rights* are connected, but rather with which country the *dispute* has the most significant relationships. First and foremost, the dispute may involve a characteristic performance promised by one of the parties. In such a situation, there is a strong connection with the law of the residence or main place of business of this latter party, although other important relationships may exist with the territory or territories where some acts (broadcasting, etc.) are to be performed. Nevertheless, that second connection may be prevailing when, for example, the dispute relates to exploitation over the net. In such circumstances however, the draft provision on the "substantial connection" providing limit to the party autonomy does not appear very useful. If connecting factors point to various countries, it is proper for the parties to enjoy an unfettered freedom to opt for a given law.
- d) More basically, there is some doubt as to the opportunity of any restriction to the parties' freedom to choose the law applicable to their relationship, even in non-negotiated contracts. If for instance the Terms and Conditions of a merchant website selling or licensing some copyrighted material select the "neutral law" of a State neither related to the parties' residence or place of business nor otherwise connected to the dispute, where is the harm? Who is harmed? And what is the benefit of curtailing the parties' freedom? In fact, a limitation regarding the freedom of the parties is based on the presumption that such freedom does not exist for non-negotiated contracts. However, one may hope that the neo-liberal confidence put into the market should really change that view.

### 3. Location of the weaker party

20. An important effort towards a truly global view of the principles regulating conflict of laws is made by the adoption in this American draft of the European test of the weaker party. This very concept is certainly at the core of many European provisions concerning consumer transactions.<sup>19</sup> Nevertheless, it is not easily admitted in a liberal market-oriented philosophy such as that officially prevailing in the United States, or probably in other legal orders around the world as well. It basically calls into question the equality between parties, which is the foundation of the party autonomy. Therefore, it is only logical that the country of location of the weaker party be deemed a factor moderating the freedom to opt for a given law. This test comes into play only for non-negotiated contracts, where the weaker party may not longer be protected by his or her own national law after having made a choice of law.
21. Who is the weaker party? There is of course no general answer. In particular, the party which did not draft the agreement, will be often considered as the weaker one, but it is not an absolute rule. Eike von Hippel mentioned ten categories of Weaker Parties:
- a) the employee;
  - b) the tenant;
  - c) the consumer;
  - d) the child;
  - e) the elderly;
  - f) the invalid;
  - g) the poor;
  - h) the south countryman;
  - i) the woman;
  - j) the future generation.<sup>20</sup>

With the exception of the last two categories, it is obvious that in a given case, the court may easily determine on a case-by-case basis who needs protection. For example, the "employee" category may be broadened in a given case, such as the works made for hire of our example: every artist is not a weaker party, but some or many of the 200 artists involved in the project may be considered to be in a position of inferiority. An approach which is based on the particular circumstances of the case at bar is more helpful than a categorization. Therefore, there is no need to establish specific

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<sup>19</sup> See Eike von Hippel, *Der Schutz des Schwächeren*, Tübingen 1982, 29 and seq.

<sup>20</sup> See 2 to 140.

measures of protection in favor of the consumers, although some inspiration can be drawn from the general categories mentioned above.

#### **4. Sophistication of the Parties**

22. The draft ALI Principles might offer the first conflict-of-law rule putting to the foremost the test of the “sophistication of the parties”, in particular, that of the “weaker party”. The idea is to balance the freedom of choosing the law applicable to a legal relationship vis-à-vis the understanding of commercial and legal issues that the parties may have. The wisdom of such a criterion might be doubted in the abstract, because it is rather difficult to prove “sophistication” otherwise than by witness testimony. Of course, where both parties are regularly engaged in international business transactions, they have to be sophisticated to a similar extent. In our example, this would be the case e.g. between the producers of the video clips and the publishers of the posters. Further, parties are supposed to be equally sophisticated when counsel provided them with legal advice. By contrast, where they are equally unsophisticated, the balance exists and their choice of law should be recognized. The delicate point is when a party appears to be more sophisticated than the other one. However, taking into account the inexperience of a party is nothing new, either to construe the common will and intent of the parties to allow early termination of a contract with a young performer, or to enforce arbitration clauses against young athletes,<sup>21</sup> or to uphold the binding nature of other provisions such as choice of forum clause.<sup>22</sup> This should convince practitioners that the sophistication test is not altogether impossible to apply.

#### **5. Surprising Terms and Provisions**

23. A test easier to apply than sophistication comes from the long-standing tradition in Continental Europe concerning the surprising effect of general Terms and Conditions. It is settled law that no term should be binding if it is not sufficiently apparent, for example through an easy scrolling on the screen in an Internet transaction.<sup>23</sup> Likewise, a choice of law, which is not easily readable or understandable, or a choice of law, which is not written in a

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<sup>21</sup> See for termination *Gilbert O'Sullivan v Management Agency and Music* [1985] Q.B. 428; *Elton John v. James* [1991 F.S.R. 397]. The ALI Principles do not cover arbitration at all, for a variety of reasons, the main one being to avoid mixing up the difficulties of conflict of laws in the IP area with the intricacies of international commercial arbitration.

<sup>22</sup> See for choice of forum, e.g. ATF 34 I 59, 52 I 269, 85 I 151.

<sup>23</sup> See e.g. *Oberlandesgericht Hamburg*, June 13 2002 (3 U 168/00); *Ticketmaster Corp., and al. v. Tickets.Com, Inc.*, (C. D. Cal., Marsh 27, 2000). See for the copyright licensing agreements known as “shrink or click-wrap agreements” American cases such as *ProCD, Inc. v. Zeidenberg*, 86 F.3d 1447, 1450 (7th Cir. 1996) and *Christopher Specht, John Gibson, Michael Fagan and Sean Kelly v. Netscape Communication Corp. and America Online, Inc.* 150 F. Supp. 2d 585 (S.D.N.Y. July 7, 2001).

language accessible to the parties, should be disregarded.<sup>24</sup> Here again, one can see how the draft ALI Principles are closer to the European tradition.

## **6. Fundamental Policies of the law of the weaker party**

24. The ALI Draft Principles allow a court to take into account under the rule of reason, "whether the terms of the agreement relates to the fundamental policies of the law of the country of residence or the principal place of business of the weaker party".
25. The fundamental policies should be understood as encompassing at least the "ordre public" as applicable in international transactions. However, if one looks at a current listing of the ordre public issues in a liberal country such as Switzerland<sup>25</sup>, one will see that the choice of law solution shall be enforced in practically all cases, because the "public policy" exceptions almost never apply in a liberal country.
26. Therefore, fundamental policies of the law of the country of residence should mean more than "public policy in international cases". It should also encompass important measures protecting the weaker party in his or her country of residence, and the balance of interest to be made between private autonomy and preemption doctrine as is known in the United States.

### ***a. Measures protecting the weaker party***

27. The measures that may apply in this context are, first and foremost, the moral rights of the authors. However, the foreign court looking at the provisions on moral rights in the perspective of the validity of the choice of law provision need not take for granted that the weaker party deserves the full fledged protection of his or her own legal order as it would in a purely domestic matter. For instance, the right to approve any alteration brought to a poster or to a video clip has to be curtailed by necessity in view of the coordination required for the various media. Then, the choice of a law liberal in that respect (say, the American or the Swiss law) should not be defeated by considering that a French designer or video author might be absolutely protected as a matter of French "fundamental policy". The rule of reason commands to weigh the indent made on the author's moral right to integrity against the necessity to allow adjustment by the producer for the efficiency of the whole series. The result of poising the interests of both parties will be to give effect to the choice of law unless *a fundamental* tenet of French law is seriously violated.

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<sup>24</sup> See for the provision written in English "venue is Zurich" the unfavorable reaction of Swiss Federal Tribunal in ATF 91 I 11 (concerning a music performer executing an agreement with a bank). At that time (1965), the venue was deemed rightly or wrongly not to be subject to a choice by the parties in the Anglo American System (AFT 91 I 15).

<sup>25</sup> ATF 128 III 191; see already ATF 125 III 447 – 449.

**b. Measures aiming at protecting the public domain**

28. At the core of the libertarian's approach to Copyright and Internet lies a specific U.S. doctrine that a contract should not disrupt the free access to information or works of art that are in the public domain under the U.S. Copyright Act because of the doctrine of Federal preemption. This might be seen as a fundamental policy of the U.S. legal system. The question is, however, if the court having to decide upon the validity of a choice of a non-U.S. law could *sua sponte* take this policy into account. Of course, a U.S. court will do it, and possibly a Swiss court applying U.S. law under the principle "*jura novit curia*".<sup>26</sup> In other countries, the court may apply the U.S. fundamental policy of preemption only if it is invoked by a party which, moreover, establishes that a provision of the agreement at stake is contrary to that public policy - for example because it provides for the posters and clips not to be accessible on line even after the end of the copyright term.<sup>27</sup> The ALI draft, at the moment, does not choose between the various national traditions. Indeed, it states that the party requesting the application of a foreign law under those Principles should prove its content, but that a court may also apply the foreign law *ex officio*.<sup>28</sup> The default solution is worth mentioning in general: in case the applicable law cannot be ascertained, the law subsidiarily applicable is the law of the forum or the TRIPs Standard and other supranational substantive norms as they evolve if that is consistent with the forum law.<sup>29</sup>
29. Such a rule will seldom apply in a case of fundamental policy that would allegedly paralyze the law designated by the parties. Either the party invoking the fundamental policy can prove it at satisfaction, or it cannot. The TRIPs Standards do contain some rules that might be deemed to preempt other solutions, but not in the sense of a contract not being enforceable.<sup>30</sup>

**7. Rule of Reason and the law of the weaker party**

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<sup>26</sup> For "The judge knows the law", a principle which is provided by Article 16 of Swiss PIL. For a case in which a Swiss court erroneously applied Swiss law as being identical to U.S. law for a licensing agreement, see ATF 126 III 495 - 496.

<sup>27</sup> See Alan Ragueneau, *UCITA and the Impact on European Copyright Law – A Choice of Law Analysis*, 49 J. COPR. SOC'Y, 1057-1116.

<sup>28</sup> See Article 18.1 of the ALI Principles.

<sup>29</sup> See Article 18.2 of the ALI Draft.

<sup>30</sup> See e.g. Article 39.3 TRIPs on the protection of trade secrets. It could be argued that a State law cannot protect secrets when the exception of Article 39.3 last sentence ["except when necessary to protect the public"] applies, but it cannot be said that a contract between private parties could not extend the protection of confidential information under Article 39.2 because of that exception.

30. If the law designated by the parties appears to be unreasonable under the tests that have been exposed above, the law of the weaker party shall apply under the draft ALI Principles.<sup>31</sup>
31. It may be worth exploring in more detail whether this solution is appropriate. For the moment, it is an "all-or-nothing" solution, that negates the freedom of the party to choose the law applicable not only for the questions for which some fundamental policies or another test overrules their choice, but also on all other questions for which the practical advantage to have recourse to a given national order has induced the parties to select it. To take an example, the choice in favor of Swiss law may have been dictated by the consideration that Swiss law is codified, and accessible generally in four languages, while the Singapore law, which might be the law of the weaker party, is not necessarily codified, and cases are difficult to find there for copyright contracts. Thus, the default solution when the parties' selection of the applicable law is not entirely reasonable should be limited to that part and portion of the litigation for which the choice has been found to be unenforceable. The general contractual issues identified above should still be regulated by the law designated by the parties.

## **8. The law applicable in the absence of choice**

32. The present draft ALI Principles states that the law of the country in which the assignor or the transferor has his or her residence or main place of business should apply in the absence of a contractual choice of law clause, or if this choice of law is not valid under the law that would govern were that agreement found to be valid.
33. The application of the assignor's or transferor's law is in line with the test of characteristic performance embedded in the Rome Convention and in most recent European Statutes of international private law, e.g. Art. 122 Swiss PIL.
34. It should be apparent again that the Principles embody a transatlantic approach, because the test of the characteristic performance is truly a Germanic invention, popularized by Dr. Schnitzer living in Geneva when he published his Treaty on International Private Law,<sup>32</sup> later adopted by the Swiss Federal Tribunal, and step by step hailed all over Europe as the most logical and simple test to apply, especially in case of a grant of rights for various countries.

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<sup>31</sup> See Article 26.3 of the ALI Project.

<sup>32</sup> See Adolf Schnitzer, *Handbuch des IPR*, 4<sup>th</sup> ed. Basel 1958, vol. II, 639 et seq.

35. There are theoretical advantages to that solution:
- 1) uniting the law applicable to the patrimonial responsibility and the law applicable to a contract violation in case the assignor or licensor is defendant ;
  - 2) judging the licensor or assignor's liability by the law under which he or she is organized.
36. However, a major practical advantage also underlies this approach: the law applicable to the dispute is foreseeable.
37. These advantages turn to favor the authors of the posters or video clips creators, in the case at hand. The assignor is by necessity the author in most continental legal orders. In the case of an audiovisual work, copyright vests with the producer, but then it is logical that his or her law applies when transferring some rights – for example merchandising or adaptation rights to other media, etc. - to third parties. Still the assignor's law is most often the author's law. The licensor's law will often be the law of the publisher's main place of business, which should facilitate the distribution of the works. Finally, the foreseeability certainly favors the party having less financial means to invest in legal advice, which is usually the author.

## CONCLUSION

38. It was not possible here to illustrate all positive sides of the ALI Draft Principles governing inter alia choice of law in transnational copyright disputes. We just hope that Professor Nordemann will have been interested in the few above comments regarding the applicable law. The ALI Draft is an illustration of that observation by the Spanish painter Antonio Saura: "Un pas est un geste commençant, timide si l'on veut, mais aventureux et aventureux s'il s'agit d'un pas en avant". Beginning and shy, venturesome and adventurous, the transatlantic endeavor to regulate conflicts of law in the area of intellectual property is certainly a big stride forward.